

Do Households Move to Obtain Higher Benefits?

A “Natural Experiment” Approach

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Abstract

One of the chief concerns that US policy-makers have discussed in the recent welfare reform legislation is that individual states will engage in a “race to the bottom.” In order to avoid offering relatively generous welfare packages that would attract recipients, states would cut benefits. While the notion that households move to achieve greater benefits is pervasive in the popular press, research suggests that the number of households who move to obtain higher benefits is small. Two separate events which occurred in Los Angeles, CA, and Toronto, ON provide insight into the question of whether households will “chase benefits.” In both cases, households were given the opportunity to receive greater housing benefits if they moved to a different geographic location. The results of this study suggest that few households move to obtain greater benefits even in situations where the potential gain to moving is quite large.

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One of the chief concerns that US policy-makers have discussed in the recent welfare reform legislation is that individual states will engage in a “race to the bottom.” In order to avoid offering relatively generous welfare packages that would attract recipients, states would cut benefits. While the notion that households move to achieve greater benefits is pervasive in the popular press, research suggests that the number of households who move to obtain higher benefits is small. Two separate events which occurred in Los Angeles, CA, and Toronto, ON provide insight into the question of whether households will “chase benefits.” In both cases, households were given the opportunity to receive greater housing benefits if they moved to a different geographic location. The results of this study suggest that few households move to obtain greater benefits even in situations where the potential gain to moving is quite large.

I. Introduction

Recent welfare reform legislation in the United States has left state governments scrambling to develop an alternate benefit package under the Temporary Assistance for Needy Families (TANF) guidelines. The conventional wisdom is that each state will engage in a “race to the bottom;” i.e., each state will lower its respective benefit package as quickly as possible. There are two primary reasons posited for this perceived phenomenon. The first is that each state will now pay for its own welfare programs without the aid of matching funds. This effectively raises the price of welfare benefits for the state budget. Several papers (e.g., Craig and Inman, 1986; Gramlich and Laren, 1984) find that states are quite responsive to changes in the matching rate, while Moffitt (1984, 1990) finds only small effects. The second reason for the “race” is that states will be concerned that if they offer relatively higher benefits when compared to other states, that large quantities of potential welfare recipients will migrate to their state. This paper will discuss if this second concern is indeed valid by examining household mobility in two geographic contexts.

Previous work has explored the impact of differences in Aid to Families with Dependent Children (AFDC, presently TANF) benefit levels across states on inter-state mobility patterns. There is a growing body of evidence which suggests that differences in benefit levels cause some inter-state mobility (Moffitt, 1992). Because the labor markets can be quite different even in neighboring states, it is often difficult to isolate the effect of welfare benefits on mobility because higher benefits can be correlated with better labor markets or with other factors which might induce a household to move into that state. Walker (1996) attempts to minimize this problem by using county flows data across contiguous counties in neighboring states. His model predicts that a state with higher benefits, referred to as a “welfare magnet” will attract greater numbers of

households from the neighboring state, and also will retain greater numbers of households than the neighboring state. The results indicate that first hypothesis for a welfare magnet is true. The state with the higher benefits did attract more households from the contiguous state. However, the data do not support the retention hypothesis. Walker concludes that the “welfare magnet” hypothesis is not yet validated.

A recent paper (Painter, 1997) provides a test of mobility in a different context. Painter uses the differences in the length of public housing authority waiting lists across a single metropolitan area to discover if households move to obtain higher benefits. While the actual housing benefit is often the same throughout a metropolitan area, the length of the waiting lists in each of the housing authorities varies greatly, introducing substantial variation in the value of housing benefits which eligible households can expect to receive over a lifetime. Household data from the Metropolitan sample of the American Housing survey is used to estimate a simple model of mobility. A test of household mobility using the variation in implied benefit streams across a metropolitan area has the advantage that the labor market varies little across housing authorities. Therefore this methodology provides a rather clean test of whether households move largely in response to changes in benefits.

The results suggest that metropolitan areas with larger variation in waiting times have a larger proportion of the population which make intra-urban moves. While this finding is statistically significant, this reason for making intra-urban moves seems to be much less important than the traditional reasons for making intra-urban moves such as tenure choice and life-cycle changes (Clark and Van Lierop, 1986, provide a synopsis of these reasons). The simulated impact of increasing the standard deviation of waiting times of a metropolitan area by five months will increase intra-urban mobility rates 2.6 percent, while having two additional

children living in a household will lower the intra-urban rates by 15.8 percent. A secondary result in the paper is that metropolitan areas with higher median waiting times have a smaller proportion of the population making intra-urban moves. Higher median waiting times reduce mobility because households who are currently on one waiting list may be less inclined to move and lose their position on that list. In addition, the discounted gain from moving to a housing authority with a relatively shorter waiting list is reduced by longer waiting lists throughout the metropolitan area. Once again this characteristic of the waiting lists has a relatively small impact on intra-urban mobility when compared to the traditional reasons that households make intra-urban moves.

The results on household mobility remain weak and inconclusive, yet the importance of this issue for the design of welfare programs has increased. This paper extends previous analyses by analyzing the impact of housing benefit differentials in two contexts. The first case studies the impact of benefit differentials across a single metropolitan area. The Los Angeles Metropolitan Area is chosen both because of the relatively large variation in waiting times across the seventeen housing authorities serving the county, and because events in the beginning of 1997 allow the use of a “natural experiment” approach to test intra-urban mobility. This approach allows the straight comparison of means before and after some exogenous event. The “experiment” is centered on the Redondo Beach Housing Authority that recently opened its waiting list in February 1997. Since most of the waiting lists in Los Angeles County are closed, a move to Redondo Beach in February 1997 would represent a large potential gain in the lifetime stream of housing benefits a household may expect to receive.

In addition to the Los Angeles County event, a similar opportunity was presented to low income households in Toronto, ON during the first three months of 1998. Households, living in

hostels in the city of Toronto, were given substantial monetary payments to move to a neighboring city. In both of these cases, the geographic change from moving is smaller than in an inter-state move. Therefore, expected mobility would be larger than would be expected if households were to move across state boundaries. The results of both of these cases are consistent with past research that the impact of benefit differentials on mobility is small.

The paper is organized as follows. Section II provides background for the rental assistance programs provided to low-income households. The data from the Los Angeles County public housing authorities are described in section III. Section IV and section V discuss the impact of benefit differentials on intra-urban mobility in Los Angeles and Toronto, respectively. Concluding remarks are presented in section VI.

II. Background to the Assisted Housing Programs in the United States

While there are numerous housing programs administered by the Department of Housing and Urban Development (HUD), the program that has the greatest impact on the poor is subsidized rental housing. This type of housing assistance takes the form of either public housing or subsidized private rental housing (Section 8 vouchers or certificates). In both programs, a household is eligible if its income and assets are below mandated guidelines, and the tenant is obligated to pay a rent set by a government formula. The Section 8 programs allow the tenant to find suitable private housing that meets government-defined, safe and sanitary living standards. The government pays the landlord a rent that will give the landlord, combined with the tenant payment, a "fair market rent" for the unit.¹ The fair market rent level is established by

¹ The differences between the certificate and voucher programs are small. The key difference is that in the voucher program, if the tenant wants to pay more or less than the fair market rent for a unit, he or she may pay keep the difference. The certificate program requires the tenant to pay its calculated portion of the fair market rent, and any deviation above the fair market rent must be approved by the housing authority.

the federal government. The fair market rent is calculated as the rent on a safe and sanitary unit which is in the forty-fifth percentile of rents on a comparable unit, although the proposed regulations lower this threshold to the fortieth percentile. The fair market rent varies by dwelling size, and is set at the metropolitan statistical area or county levels. In public housing, the government acts as the landlord and simply collects the tenant portion of the fair market rent for the unit. Therefore the housing subsidy is the difference between the fair market rent and the tenant rental payment.

Housing subsidies are administered by a local public housing authority (PHA), which typically has jurisdiction over a county or city. The number of housing authorities within a metropolitan area exhibits much variation throughout the country. For example, the Phoenix, AZ Metropolitan Statistical Area (MSA) has five housing authorities which serve the MSA, and there are over forty PHAs which serve the Newark, NJ MSA (Painter, 1997). Los Angeles County has a relatively large number of PHAs. There are sixteen housing authorities that are run by individual cities, and the Los Angeles County Housing Authority serves the remainder of the county.

The PHA is given a budget from the federal government based upon the number of low-income households in the covered area, but this budget is insufficient to provide subsidies to all eligible applicants. It keeps a waiting list of those households that have applied for housing assistance, and gives subsidies based on a queue. Households are only eligible if they are considered "low-income" or "very low-income", eighty percent or fifty percent of the area's

median income, respectively. The housing authority has the discretion of which guideline to use, but most use only the very-low income measure since subsidies are in such short supply.²

Priority on the waiting list is given to households who obtain a designation of federal preference and local preference. If a household is displaced or homeless, living in substandard housing, or paying more than fifty percent of its net income in rent, the household is given federal preference, and placed at the top of a housing authority's waiting list. Designation of local preference varies by locale, but cannot supersede federal preference. A common example of a local preference is given when the applicant lives within the jurisdiction of a particular housing authority. This gives additional preference to residents at the expense of those applying remotely.

The current situation in many of the largest MSAs such as Los Angeles has caused the closure of many waiting lists. A combination of factors has contributed to this event. High housing costs, shrinking budgets of housing authorities, and the restriction of eligibility to the poorest of the poor through federal preference are all important components. The reason that housing authorities choose to close the waiting list is because the average waiting time for a household who is on the list will typically exceed three years. For example, the average waiting time in Los Angeles is about 5 years. The intent of the passage of federal preference was to ensure the poorest households received aid first. The result of federal preference is to provide larger subsidies to the recipients of assistance, and to provide these subsidies for a longer time, as these households attempt to move off of public assistance. This fact, in combination with higher

² Eligibility must be maintained while a household is on the waiting list. Typically, a housing authority checks every six months from the time the application is first submitted until the subsidy is granted.

housing costs in these metropolitan areas and shrinking budgets from HUD, has lowered turnover rates and has caused fewer households to receive assistance.

Another characteristic of the housing programs gives households strong incentives to reside within the jurisdiction of the housing authority with the shortest waiting list. This characteristic is the transferability of the Section 8 vouchers. Households are able upon receipt of the voucher to choose to live in any area. For example, a household that lives in Compton, while they are on the waiting list, may choose to move to Santa Monica after receiving assistance. Therefore the incentive to move to the housing authority with the shortest waiting list is enhanced by the transferability option.

III. Data from Los Angeles County

The situation in Los Angeles County is unique because all of the waiting lists except the list for Los Angeles County were closed until February 11, 1997. While the list for Los Angeles County stays continually open, the wait is currently over ten years. The other waiting lists have waits from two to eight years. It is important to note that these are the waits for households with federal and local preference. For example, a household which applies remotely to the Santa Monica waiting list while residing in Compton will most likely never receive a subsidy from the Santa Monica Housing Authority. For the purpose of the analysis, it is assumed that households are classified as residing on the waiting list of the housing authority if they reside in that jurisdiction even though a household may apply to as many waiting lists as they desire.

The characteristics of the seventeen housing authorities in Los Angeles County are presented in Table 1. The author surveyed the housing directors of each housing authority both in November 1996 and in March 1997 to obtain these data. The numbers in the table represent the information gathered in the November survey, but the change for all housing authorities

except the Redondo Beach housing authority was negligible over the period. Because the waiting lists are currently closed, it is not possible to estimate what the average time a household can expect to wait if they placed their name on a waiting list now. The only advantage that a household whose name is currently on a waiting list in another housing authority can accrue is to move to a different housing authority to obtain local preference in that housing authority. The average waiting times presented in Table 1 are the amount which those households would have waited if they received the subsidy at present.

This average waiting time varies from two to over ten years. The average waiting time is 5.2 years, and if Los Angeles County is excluded the average wait, is five years. The number of households that receive assistance represents the number of section 8 vouchers and certificates that a housing authority is currently allocated although a greater number of assisted households may live within this jurisdiction because of the transferability option on vouchers. The smallest housing authority is Hawaiian Gardens with 130. The last measure is the total number of households on the waiting list. This measure of the length of the waiting list can help predict which housing authority is more likely to open its list in the near future. Pico Rivera has one hundred names remaining on the list with a total of 445 contracts in use. Therefore they would be the most likely housing authority to open up its list. Santa Monica, in contrast, has 3500 names on a waiting list with 1200 vouchers in use.

The only housing authority to open its waiting list in the past two years is the Redondo Beach Housing Authority. In early February 1997, the housing authority decided to reopen its list since they had about 100 names on it. None of those names were Redondo Beach residents. On the first day that the list was open, three hundred fifty households filed applications. Currently, the housing authority receives approximately one to ten applications a day. Of the

eight hundred total households with federal preference, three hundred-fifty of those live in Redondo Beach and therefore receive local preference. These households can now expect to wait one to four years for a voucher.

IV. Did Households within Los Angeles County Move?

An ideal test of a simple intra-urban mobility model would utilize data which could identify household moves from housing authority to housing authority within a metropolitan area. A straightforward test could then be implemented to discover if households tended to move into the jurisdiction of the housing authorities with the smaller waiting lists. Unfortunately, data of this type do not exist. Migration data are typically aggregated at either the county, metropolitan area, or state level. The use of county flows or Census PUMS data would represent the smallest geographic unit of analysis, but these data are not without their difficulties. Since there can be numerous housing authorities within a county, all moves from one housing authority to another cannot be uniquely identified. A second problem with the use of these type of data for a study of intra-urban mobility is that there can often be part of the region within the metropolitan area, and part of the region classified as a rural area. This facet of these data confounds the ability to identify an intra-urban move. Painter (1997) conducts an analysis at the metropolitan level, but this type of analysis may also suffer from an inability to isolate the impact of the waiting list characteristics from other unobservables.

There is another data requirement which is required to test the mobility of households from one housing authority to another within a single metropolitan area. The waiting lists of all housing authorities in the metropolitan area must be open. The actual length of the waiting list is not relevant if the list is closed. Households do not have the option of simply moving to put their name on the shortest waiting list. A household remains able to move in order to receive local

preference on a particular waiting list and therefore relinquish its position on the current list, but this would be difficult to observe in aggregate data.

Because of the difficulty of testing a simple mobility model in the large metropolitan areas, this study utilizes a “natural experiment” approach to assess the impact of benefit differentials on intra-urban mobility. In February 1997, the Redondo Beach Housing opened its waiting list for the first time in six years.³ This provided an unique opportunity for any household which had expected to wait four to six years for housing. By moving to Redondo Beach, the household could reduce its waiting time to less than two years. I then compare the number of households which moved to Redondo Beach to obtain local preference with the number which applied, but did not move to obtain a measure of the impact of this opportunity on the residents of Los Angeles County.

Since the opening of the waiting list was not in response to a housing market shock or some other economic factor, then simple comparisons of the number of recent movers into Redondo Beach yield an estimate of the impact of benefit differentials on intra-urban mobility. This event is not likely to be correlated with any policy change or a change in voter’s tastes for housing; therefore no correction for possible endogeneity is required (Besley and Case, 1994). The evidence based on a survey of the housing director and the other employees of the housing authority appears to signify that, even with large incentives, very few households have moved to obtain a higher position on the waiting list. While it is difficult to determine how many of the 350 residents of Redondo Beach on the current waiting list moved to receive local preference, the experience of the housing office is that no more than a handful have taken advantage of the implied benefit differentials over a lifetime. Of the eight hundred applicants, no more than three

³ In fact, no housing authority except the county housing authority had an open waiting list since Compton closed its waiting list in October 1995 after being opened for only a short time.

percent (ten households in total) had moved to take advantage of the benefit differentials. This would be an upper bound since some of these households may have moved to Redondo Beach in the absence of this opportunity. The small amount of observed mobility is not because households have poor information. All applicants who are not living in Redondo Beach are briefed on the likelihood of obtaining a subsidy without local preference. The experience is that most households choose to remain in their current location in spite of the increase in benefits associated with obtaining the housing subsidy earlier.

Even though the amount of induced mobility is found to be small, it is not because the housing benefit is a relatively unimportant part of the welfare package. Table 2 demonstrates the relative size of the housing benefit in the welfare package in selected metropolitan areas within the US. The housing benefit in Pittsburgh is \$454 per month comprises almost a third of the benefit package. On the other hand, a housing benefit of \$829 per month in Los Angeles comprises over forty percent of the total benefit package. In the table, the housing benefit is larger than the AFDC benefit in eight of the nine cities, and in seven of the cities, it is over half as large as the sum of AFDC, Food Stamps, and Medicaid.⁴

Because the monthly subsidy from housing is quite large, the potential lifetime gain from moving to a housing authority such as Redondo Beach in February 1997 for a typical household would be thousands of dollars. Consider two households which live in Los Angeles County. The first household is headed by a female with two children with no labor income. This household receives public assistance in the form of AFDC, Food Stamps, and Medicaid. The second household is headed by a male working full time at \$8/hour, with an unemployed female and one child. Each family would qualify for housing assistance with federal preference

⁴ Food Stamps is the US federal program for the poor, and Medicaid provides health insurance for the poor.

under the rent burden provision of the regulations. Table 3 presents the lifetime gains from receiving the housing subsidy two years sooner than the household could expect to receive it if it remained on its current waiting list. The choice of shortening the waiting time by two years is a conservative estimate. Whether a household receives the subsidy immediately or it waits two years, it is likely that moving would lower the wait by more than the two years simulated in Table 3 because the average waiting time in Los Angeles county is currently more than five years.

The potential gain for each household, which is calculated using a simple, net present value framework, is substantial. If the first household is able to receive a subsidy immediately, then it would receive additional benefits worth over \$13,000. The subsidy that the second household can expect to receive is smaller because of the greater labor income. This household can still realize a gain of over \$7500 whether they receive the subsidy is received immediately or two years into the future.

The final two sets of rows factor in the possibility that the household may have to pay \$200/month more in rent if it moves to Redondo Beach when compared to its current rent. Since Redondo Beach has higher median rents than do some of the cities that are in close proximity such as Compton or Hawthorne, a household may have to pay more in rent for an apartment in Redondo Beach. The difference between these sets of rows is that the final set assumes that they move back to their original location after the receipt of assistance using the portability provision of the Section 8 voucher. The benefit for both households is several thousand dollars in all but one of the scenarios. The household which has a full-time worker would find the cost of paying higher rents for two years in Redondo Beach slightly higher than the benefits from living in Redondo Beach with a subsidized rent. The higher cost of waiting two years at the unsubsidized

rate exceeds the gain in receiving housing benefits two years sooner. If the reduction in waiting times is greater than two years from moving to Redondo Beach, then all scenarios would show positive benefits.

The question which remains unanswered is why more households do not take advantage of these benefit differentials. There are three broad explanations, each of which may contribute to the observed immobility. The first is that the transactions costs which include both the search and moving costs are higher than most have previously assumed. Weinberg *et al* (1981) estimate using a low-income sample of households that the actual out of pocket moving costs to be less than \$300 in 1992 dollars, but that the search costs may be substantial. They find that the average household takes from one to three months to find a suitable residence. The search costs would be small for a non-working household on public assistance, but a household which is headed by a single, full-time worker would face much higher search costs. Aside from these monetary costs, households may have social costs which may prevent them from moving (Porell, 1982). If a household has strong ties to a neighborhood or school, it may choose not to move even though Redondo Beach is a community with a greater level of amenities (less crime, proximity to ocean, etc.) than many of the communities in South Central Los Angeles.

Two other explanations may be important. One is that households would like to take advantage of these benefit differentials, but are unable to do so because of credit constraints (Goodman, 1995). These households may be unable to borrow the money needed to make the move, or to pay potentially higher rents in Redondo Beach in the short term. Finally, it may be the case that the city of Redondo Beach is atypical, and that more mobility might exist in other regions of Los Angeles should those waiting lists open up. Because Redondo Beach is less racially integrated than are most of the eligible populations, discrimination by landlords may

prevent access to housing in Redondo Beach. This is not likely to account for all the observed immobility, but may contribute to the immobility by raising the transaction costs of moving in particular areas.

V. The Housing Contacts Program in Toronto, ON

The immobility observed in response to the opportunity provided by the opening of the Redondo Beach housing authority is not unique. A more dramatic opportunity was presented to low-income residents of Toronto, Ontario. Although the moves from Toronto would be characterized as inter-city rather than intra-urban, the monetary incentive to move was substantial. Because of the long waiting times for subsidized housing (10 years) and the low vacancy rates in the city (< 1%), the city of Toronto's Housing Contacts program began exploring alternatives for the provision of housing to these low income families.⁵ The Housing Contacts program currently has about 1000 families living in family hostels, which are similar to the single room occupancy (SRO) housing and other forms of temporary housing provided by the public housing authorities throughout the United States.

Because landlords in surrounding cities had higher vacancies rates than Toronto, they have partnered with the city in an attempt to offer prospective tenants subsidized housing. The incentives to move for the families that are residing in hostels are striking. They receive transportation to look at the vacant units. Their explicit moving costs are fully remunerated. In addition, they receive approximately \$1500 in start up funds to accompany the housing subsidy (these funds were intended to cover the deposit, some furniture, and other necessities). Their total "welfare" compensation is constant throughout Ontario, so the cheaper rents (e.g. \$600 in

⁵ All information was provided by Joseph Brinkos, who is the head of the Housing Contacts program. The author appreciates the time spent clarifying the details of the program.

Hamilton vs. \$1200 in Toronto for a typical two bedroom apartment) faced in these surrounding communities would lower the overall cost of living for these families.

The surprising result is that even in a situation with no search costs and substantial compensation for moving, only 38 families have taken advantage of these housing benefits in the first three months of the program. Unlike Redondo Beach, in which the tenant may face credit constraints, search costs, and/or discrimination, the tenant in Toronto faced only the possible disconnection from family and social networks which could persuade them from moving elsewhere. While these families would not be able to keep the same job in the move, the job prospects were better in some of the communities, and the majority of these families were currently unemployed. It was posited by the Housing Contacts director that the family and social networks must be strong enough in Toronto to convince many households to stay even though the monetary benefits from moving were substantial.

VI. Conclusion

The overwhelming evidence presented both in the literature and in this analysis is that the impact of benefit differentials on mobility is small. While the overall high waiting times and closed waiting lists in Los Angeles would have a depressing effect on intra-urban mobility, the situation which existed in February 1997 with the opening of the Redondo Beach waiting list would have been expected to induce movement into the Redondo Beach jurisdiction. In spite of the instruction of housing officials in that locale of the advantage of applying as a local resident vs. applying remotely, very few households chose to move to take advantage of what would be several thousands of dollars of additional housing benefits. A similar response was observed in Toronto where the benefits to households for moving were even larger than the situation in Redondo Beach.

Existing explanations for the observed immobility rely on high transaction costs of moving and credit constraints facing low-income households. Future research which more rigorously tracks households may be able to give a more precise measure of the small number of households which move to obtain greater benefits, but the concern that numerous households will move into US states with higher benefits in the TANF program is unfounded. This analysis tested mobility in both the intra-urban and inter-city context. Since the amount of mobility was found to be small within this geography, there would likely be even less mobility across state lines. Each state may still choose to lower benefits because of the loss of the matching component in this welfare program, but they need not engage in a “race to the bottom” to avoid attracting additional eligible populations.

Table 1

Characteristics of the Public Housing
Authorities which Serve
Los Angeles County Residents

Housing Authority	Average Wait of Someone Leaving the waiting list (Years)	# of Households Currently receiving Assistance	# Households on the Waiting List
Baldwin Park	6	600	800
Compton	4	700	400
Culver City	5	340	1,200
Glendale	6	3,000	2,000
Hawaiian Gardens	4	130	500
Hawthorne	6	670	710
Inglewood	4	907	2,500
Los Angeles City	8	40,000	22,000
Los Angeles County	10	16,800	120,000
Long Beach	6	1500	2,000
Norwalk	4.5	700	350
Pasadena	5.5	1330	700
Pico Rivera	4.5	445	100
Redondo Beach- February 1997	5	550	100
Redondo Beach- June 1997	2	550	800
Santa Monica	4	1,200	3,500
South Gate	5	652	500
Torrance	4.5	692	475
Mean	5.22	3,931	8,813
Standard Deviation	1.73	9,771	28,198

Table 2

Welfare Benefits Across Cities
in each of the 9 Census Divisions in the United States

	AFDC	Food Stamps	Medicaid	Sum of Entitlements	Housing
Boston, MA	\$622	\$345	\$269	\$1236	\$809
Pittsburgh, PA	\$463	\$345	\$195	\$1003	\$454
New Orleans, LA	\$218	\$345	\$358	\$921	\$451
Birmingham, AL	\$181	\$345	\$186	\$712	\$428
Miami Beach, FL	\$394	\$345	\$203	\$942	\$719
Minneapolis, MN	\$579	\$345	\$228	\$1152	\$630
Cincinnati, OH	\$385	\$345	\$223	\$953	\$489
Los Angeles, CA	\$701	\$345	\$165	\$1211	\$829
Denver, CO	\$402	\$345	\$239	\$986	\$522

- This example is taken from 1992, and the values are monthly. Food Stamps is the US federal program for the poor, and Medicaid provides health insurance for the poor. AFDC, Food Stamps, and Medicaid do not have waiting lists, and are referred to jointly as entitlements in the table. The benefit levels of the entitlements for a family of three are taken from the Green Book (1992). Fair market rents for Housing Assistance are taken from the Federal Register (1992).

Table 3
 Potential Gain for two Households when Moving
 Lowers the Wait by Two Years
 (1992 Dollars)

		Household #1		Household #2	
		Discount Rate 3%	Discount Rate 8%	Discount Rate 3%	Discount Rate 8%
Housing Costs Are Identical	Subsidy is received today	14,401	13,718	9,464	9,016
	Subsidy is received in 1 year	13,947	12,621	9,166	8,295
	Subsidy is received in 2 years	13,541	11,686	8,899	7,681
Housing Costs Are \$200/Month Higher in Redondo Beach (Remain in Redondo Beach)	Subsidy is received today	9,746	9,284	4,809	4,581
	Subsidy is received in 1 year	7,077	6,238	2,295	1,912
	Subsidy is received in 2 years	4,509	3,474	-133	-533
Housing Costs Are \$200/Month Higher in Redondo Beach (Move Back to Original Location After Receipt of Assistance)	Subsidy is received today	14,401	13,718	9,464	9,016
	Subsidy is received in 1 year	11,585	10,318	6,804	5,992
	Subsidy is received in 2 years	8,886	7,251	4,244	3,246

* Both households have three members. Household #1 has a mother with two children and no labor income. Household #2 has a husband, wife, and child with one adult working full time at \$8/hour, and the other adult member is unemployed.

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