



Study Alternatives to Cost Burden as Measure of Affordability

The Problem: Under current standards, a household is “cost-burdened” if they are paying more than 30 percent of their gross, pre-tax income toward housing. The 30 percent standard is used by The Department of Housing and Urban Development (HUD), and is therefore also used by housing advocacy organizations, advocates, and by states, to measure poverty. What this standard does not consider is the cost of everything else that a household encounters.

The Solution: The 30 percent standard is arbitrary. For example, many people pay only 20-25 percent of their income toward their rent or mortgage, and yet still cannot pay other bills or afford simple utilities, like internet or a phone. Conducting a study on the real cost of living in New Mexico will give us a clearer view into how much New Mexicans are really paying to live here. Special attention should be paid to decades of research on a residual income cost burden measure, a measure that considers housing affordable if a family can cover housing costs after paying all other essential household costs.

Legislative Proposal: We propose a memorial to create a study to find out how much New Mexicans are *truly* cost-burdened. This should consider other expenses including, but not limited to, utilities, car payments, medical bills, gas, groceries, child care, school fees, and credit card payments.

Potential Partners: Legislators in both chambers and parties should be supportive of this study.

Potential Opposition: Some staff might consider this an additional burden on their time and some advocates will say that a data project like this is a waste of resources.

How will we pay for it? This study would be done by the Legislative Finance Committee staff, who are already employed at the Legislature. It is possible to hire a contractor to perform this study as well. If needed there should be an appropriation.