Urban Institute – Microsimulation Modeling Summary

Establishing Baseline Simulations

The first step in the Urban Institute's research and microsimulation process will be the development of the "baseline" simulations (i.e. "before" so that we can compare "after"), using the 2019 American Community Survey (ACS) data for New York State. The steps in the work include:

- Preparing the 2019 ACS data
- Developing 2019 baseline simulations
- Adding a capability to model New York's Safety Net Assistance for childless individuals and couples
- Modifying the 2019 data and simulations to capture key changes from 2019 to 2022
- Preparing a technical memorandum

Urban will also develop baseline simulations for each of the following programs to ensure our models account for their current impacts:

- Unemployment insurance benefits
- Supplemental Security Income (SSI)
- Temporary Assistance for Needy Families (TANF)
- Child care subsidies through the Child Care and Development Fund (CCDF) and related state funding
- Public and subsidized housing through federal programs
- Supplemental Nutrition Assistance Program (SNAP)
- Women Infants and Children program (WIC)
- Low Income Home Energy Assistance Program (LIHEAP)
- Payroll taxes
- Federal income taxes and credits
- State income taxes and credits

As a result, UI will have augmented the 2019 ACS data to include eligibility and caseload data for each major tax and benefit program, coming as close as possible to size and characteristic of the actual caseloads in New York. For each program, at this stage UI will simulate policies as they existed in 2019, for consistency with the 2019 data. In most cases, UI's model is already capable of simulating New York's 2019 policies with a high degree of detail. Based on this comprehensive baseline analysis, UI will compute the SPM poverty measure for 2019—in total, for New York City and the balance of the state, and by demographic subgroups.

One key difference between 2022 and 2018 is in the minimum wage, which increased to a degree that could affect the baseline SPM poverty computations and the impact of policy changes. UI will create a modified version of the 2019 ACS to incorporate the higher minimum wages in 2022 using procedures already developed for other work.

Template for Microsimulation Results

To facilitate comparison of various policy options, and to ensure that OTDA staff and CPRAC panel members have access to the information that they need, it will be important to establish a standard set of results that will be provided for each policy simulation. Urban Institute (UI) will develop a template that includes all the requested elements, and that includes results by ethnicity and race to the extent feasible. UI may also suggest some additions, such as showing poverty results separately for New York City compared with the balance of the state, and overall changes in caseload and benefits for additional programs.

Figure 1. Outcome Measures Requested by OTDA

Poverty
Impacts on the statewide Supplemental Poverty Measure (SPM) for individuals, using 50%, 100%, 150%, and 200% income to poverty ratios:
○ all persons (all groups as defined by SPM) ○ persons under 18 years of age ○ persons under 5 years of age ○ persons 18 and older ○ persons 18-and older, no child in household
Impacts on statewide Supplemental Poverty Measure (SPM) for families, using 50%, 100%, 150%, and 200% income to poverty ratios:
○ all families ○ married couple families ○ female single-parent families with related children
Income
Counts of households with positive income changes and average net income change:
○ all households ○ households containing persons under 18 years of age ○ households containing persons under 5 years of age ○ households containing no children
Counts of households with negative income changes (if applicable) and average net income change:
○ all households ○ households containing persons under 18 years of age ○ households containing persons under 5 years of age ○ households containing no children
Work Effort (if relevant to the simulation)
Net change in employment:
○ overall ○ persons in households with children (and separately for single-parent households) ○ persons in households without children
Net change in hours worked:
○ overall ○ persons in households with children (and separately for single-parent households) ○ persons in households without children

SNAP and Public Assistance Caseload
○ Net change to the PA caseload for cases with and without dependent children (likely only applied to changes in PA policy) ○ Net change to SNAP caseload and adult and child recipients
Costs
○ To the extent that the number of households affected and or benefits proffered for specific proposals are determined by the microsimulations, and fiscal estimates cannot be calculated from administrative sources, dollar values of the proposals will be estimated.

Specified Policy Simulations – Previously Enacted Policies

Urban Institute will start from the baseline data, and simulate each of several policies that have already been enacted in New York. There are five options in total, including two EITC policies, a child credit policy, and two public assistance policies. For each policy, UI will simulate that policy change together with any secondary impacts that may occur, and then recompute SPM poverty. Modeling the policies may include labor supply effects. If labor supply effects are being modeled for a particular policy, we will simulate it first without the labor supply impacts and then again with the impacts, so that OTDA staff and the CPRAC panel can see the extent to which the labor supply assumptions modified the estimated impacts.

Figure 2. Enacted Policies to Be Examined

Simulation 1: All permanent enacted policies from 2022/2023 and 2023/2024 modeled together (excluding the one-time tax credits in 2022/23 budget – see simulations 2 and 3)

Taxes
1. Expansion of the Empire State Child Credit to children under 4 years old (2023/2024 Budget) As a result, the Empire State Child Credit is now available to taxpayers with children ages 0 through 16. The rest of the ESCC (credit value, eligibility structure) remains the same: is equal to the greater of $100 multiplied by the number of qualifying children, or 33 percent of the Federal Child Tax Credit (as it existed in 2017). In 2017 the federal credit was generally equal to $1,000 per child and is phased out for families with incomes above a certain amount ($110,000 MFJ, $75,000 others)
Public Assistance
1. Changing the disregard (for recipients only) from $90 plus a percentage tied to the poverty guidelines – currently 55% of the remainder – to 50% of earned income (still indexed) plus $150 of the remainder. Extending the disregard to PA households without children. Starting in June 2023, the disregard will increase from 50% to 62% (2022/2023 Budget) 2. Elimination of gross income (185% of standard of need) and poverty level tests (needs to be accounted for in the earned income disregard estimates above). (2022/2023 Budget) 3. Increase to PA asset limit policy: For PA applicant households, from $2,000 to $2,500; from $3,000 to $3,750 where any household member is age 60 or disabled; For all PA recipient households, from $2,000 (or $3,000 if a household member is age 60 or older) to $10,000. (2022/2023 Budget)
Child Care
1. Increase Income Eligibility to Federal Maximum: The FY 2024 Budget increased the income eligibility from 300 percent of the federal poverty level (or $83,250 for a family of four) to 85 percent of the state median income (or $93,200 for a family of four) for families who apply to receive child care subsidies, so that all families (including those newly applying and those already receiving subsidies) are subject to the same income thresholds for eligibility. This is the maximum income level allowed under Federal funding. Under this proposal, approximately 113,000 additional children would become newly eligible for child care assistance. (2023/2024 Budget) 2. Standardize Eligibility: The FY 2024 Budget standardizes statewide eligibility for child care assistance as the local districts currently set their own eligibility criteria which creates inconsistent access across the State. As part of standardization, the budget reduces the co-payment cap from ten percent to one percent of family income. An estimated 10 percent of families in the child care program will see a reduction in child care costs because of the standardized benefits. (2023/2024 Budget) 3. Expedite Enrollment: The FY 2024 Budget improves access to child care subsidies by streamlining the application process for those who are in enrolled in Supplemental Nutrition Assistance Program (SNAP), the Home Energy Assistance Program (HEAP), Medicaid, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). An estimated 83,400 children who are currently enrolled in these programs would have an easier time receiving child care assistance with these changes. (2023/2024 Budget) 4. The Budget expands access to high quality child care by increasing the child care market rate to include 80 percent of providers. This change, which was implemented via emergency regulation effective June 1, 2022, will broaden the child care options available to child care assistance families while also increasing reimbursements for child care providers. (2022/2023 Budget)

5. Supporting Pursuit of Education: To further increase access to child care for students pursuing a higher education degree the Budget eliminated the requirement that, in addition to their schooling, an individual has to work 17.5 hours a week in order to be eligible for child care assistance. This change was implemented effective June 1, 2022. (2022/2023 Budget)
Employment/Wages
1. Minimum wage increase (2023/2024 Budget) a. In 2024, will increase to $16 in New York City, Long Island, and Westchester and $15 elsewhere in the State b. In 2025 and 2026, will increase by $0.50 annually Starting in 2027, will increase at a rate determined by changes in the Northeast Consumer Price Index for Urban Wage Earners and Clerical Workers (aka "Northeast CPI-W")

Simulation 2: All permanent policies in simulation 1 plus enacted 2022/2023 policy of one-time supplemental EITC of 30% of preexisting NYS credit and 5% of preexisting NYC credit)

Taxes
1. Application of a supplemental EITC of 30% of the pre-existing New York State EITC (currently 30% of the federal credit).
2. Application of an increase to the New York City EITC (currently 5% of the federal credit) to the schedule depicted in Figure 3 below.

Simulation 3: All permanent policies in simulation 1 plus enacted 2022/2023 policy of one-time increase to Empire State Child Credit

Taxes
1. Application of a supplemental child credit to the Empire State Child Credit according to the following schedule: a. Income under $10,000 – 100% of the existing credit b. Income of $10,000 to $25,000 – 75% of the existing credit c. Income of $25,000 to $50,000 – 50% of the existing credit d. Income greater than $50,000 – 25% of the existing credit The Empire State Child Credit is available to taxpayers with children ages 4-16 and is equal to the greater of $100 multiplied by the number of qualifying children, or 33 percent of the Federal Child Tax Credit (as it existed in 2017). In 2017 the federal credit was generally equal to $1,000 per child and is phased out for families with incomes above a certain amount ($110,000 MFJ, $75,000 others)

Simulation 4: All enacted policies, including all permanent policies in simulation 1 plus *both* enacted 2022/2023 one-time policies (temporary increase to Empire State Child Credit, and supplemental EITC of 30% of preexisting NYS credit and 5% of preexisting NYC credit)

Specified Policy Simulations – Proposed Policies, Variations/Combinations

UI will also simulate the projected impact on child poverty of several proposed policy changes. The proposed changes are in the areas of EITCs, the state child credit, a potential child allowance, a rent burden relief credit, cash public assistance (TANF and Safety Net Assistance), SSI, SNAP, subsidized child care, and housing subsidies. Where applicable, such as with the potential New York child allowance policy, UI will analyze the impacts of the proposed policies in combination with other tax credits and develop recommendations for potential parameters that would eliminate benefit cliffs and maximize the policy's potential for reducing poverty. UI will also model policy variations and/or combinations of policies. At this time, we have planned for up to 4 policy variations and 4 combinations of policies.

Figure 4: Specific Proposed Policies to be Examined

Taxes

Earned Income Tax Credit[1]

1. Increases in the percentage applied to the federal EITC for households with dependent children to determine the state EITC (currently 30%), in 10% increments to 100%.
2. Increases in the percentage applied to the federal EITC for households without dependent children to determine the state EITC (currently 30%), in 10% increments to 100%.
3. Expansion of the ages of persons eligible to receive the federal EITC for households without dependent children, and the resulting impact of the federal change on the state EITC at the various levels specified in 1 and 2 above.[2]
    a. Minimum age reduced to age 21
    b. Maximum age increased to age 66
4. Expansion of the state EITC to cover persons filing using an Individual Taxpayer Identification Number, in all above scenarios.
5. Indexing the maximum EITC value to inflation
6. Adjust shape of EITC curve to ensure NYS' minimum wage level (up to $17) remains within the phase-in or plateau/flat portions of EITC curve, rather than intersecting with the phase-out as it currently does

Child Credit

1. Decouple Empire State Child Credit from federal credit:
    a. Fully refundable credit for households with a child under 17 years of age
    b. Set a maximum credit of $1,000 per child
    c. Set a minimum credit of $100 per child
        i. consider an enhanced credit for youngest children
        ii. consider adjustments based on family size (smaller credit for each subsequent child)
    d. Assess each of the above outcomes eliminating the minimum income requirement
    e. Assess the above options with a lower maximum income requirement to ensure credit is targeted to low- and middle-income households (i.e. households earning over $100,000 or claiming no income due to asset loss would no longer be eligible)
7. Alternative structure for Child Tax Credit in New York
    a. Fully refundable credit on a per-child basis, in $500 increments to $3,000 per child
        i. consider an enhanced credit for youngest children
        ii. consider adjustments based on family size (smaller credit for each subsequent child)
    b. Include all children through age 17
    c. Assess with and without a minimum income requirement/income phase-in (i.e., as a tax credit to income tax filers or as a universal credit to all households with children regardless of whether the household had income or was required to file a tax return) phase-out on the same income schedule as the pre-2017 federal Child Tax Credit
    d. Assess phasing out with a lower maximum income requirement to ensure credit is targeted to low- and middle-income households (i.e. households earning over $100,000 or claiming no income due to asset loss would no longer be eligible)
8. Index the maximum ESCC value to inflation

Rent Burden Relief Credit

1. Tax credit to unsubsidized renter households of a percentage of the difference between household rents and 30% of total household income (excess rent burden), capped at the difference between gross income and Housing and Urban Development Fair Market Rents, with a phaseout from 50% to 100% of State Area Median Income. Assess at 25%, 50%, 75% and 100% of the excess rent burden.

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[1] UI will also analyze how the EITC works with New York's higher minimum wage, and what parameters for the EITC, such as maximum credit, phase-in and phase-out points, and more might lead to the best combination of work incentives and poverty reduction considering the combined federal and state EITCs.

[2] This simulation would include the cost to New York if it were to pay the federal portion of the credit if changes are not enacted at the federal level.

Public Assistance, Supplemental Security Income and Nutrition Assistance
1. Increase the PA shelter allowance for households with children in increments of 10%, starting with a 50% increase and growing to a 200% increase. Also model for a shelter allowance equal to 50%, 60% and 70% of FMR (the shelter allowance change would apply only to certain PA households, predominantly households paying private rents, and would apply differently to households in public housing and Section 8 subsidized housing – also, the increase would be capped at the household's contract rent). a. As part of these models, the PA shelter allowance schedule for households without children should be raised to the same level as that for households with children. b. Run the models using both the current income disregard policy used for applicants and also applying the income disregard policy used for recipients to applicants. 2. Increase the basic allowance (the portion of the grant based solely on household size) in increments of 10%, starting with a 20% increase and growing to a 100% increase. a. Run the models using both the current income disregard policy used for applicants and also applying the income disregard policy used for recipients to applicants. b. If for any reason we need to model fewer iterations, we want to see increments of 25%, starting with a 25% increase and growing to a 100% increase. 3. Simplify PA policies* and index income eligibility and maximum benefit levels, inclusive of all current grant components, to the Federal Poverty guidelines as follows: a. For applicants across all districts and all household sizes, model maximum income eligibility (and maximum benefit for a household with no income) at 50%, 75% and 100% of Federal Poverty, with benefit reduced according to a phase-out schedule b. For recipients across all districts and all household sizes, model maximum income eligibility at 150% and 200% of Federal Poverty, with benefit reduced according to a phase-out schedule *c. *This item would move away from the current "standard of need" and "earned income disregard" framework, while still achieving a similar effect in which applicants enter the program at lower incomes, but can continue receiving benefits at higher incomes. In both cases, this proposal would increase the allowable income for applicants and for recipients and peg it to the Federal poverty guidelines, which are adjusted to reflect real costs, etc. While an "earned income disregard" could be applied on top of this, it may not need to (or, it would only make the recipients maximum income more generous than 200%).* 4. Increase the Supplemental Security Income (SSI) State Supplement amount by 50% and 100%, for the following groups: a. adult recipients in the 'living alone' living arrangement b. adult recipients in the 'living with others' living arrangement and not residing with a related child c. adult recipients residing with a related child in the 'living with others' living arrangement d. child recipients in the 'living with others' living arrangement. 5. Provide a food benefit to all households with children that would be eligible for the Supplemental Nutrition Assistance Program (SNAP) except for their citizenship status, in an amount equal to the allotment for similarly situated SNAP-eligible households. Model for all non-citizens and separately for non-citizens eligible for Safety Net Assistance – provide data for all such households and separately just families with children. 6. Provide a food benefit to current SNAP cases with children where the SNAP household resides with a person or persons that would be included in the SNAP case except for their citizenship status, in the amount of the difference between the household's SNAP allotment and the amount that would pertain if the person were included in the SNAP household.
Child Care[3]
1. Increase child care utilization in 20% increments from 15% to 75% of currently eligible households. 2. Increase child care utilization in 20% increments from 15% to 75% of all households with child care-aged children participating in or searching for work, or engaged in education or training activities, limiting household out- of-pocket child care costs to 7% of household income.

[3] The first set of child care policy options will expand the provision of subsidies to additional currently-eligible families. The second set will remove the explicit income limit but still require parents to be engaged in work, education, or job search, and limit copayments to 7 percent of income.

Housing
1. Increase the utilization of eligible households with children in a state-funded program equivalent to the federal Housing Choice Voucher program, to 50% and 100% of eligible families not currently receiving a voucher.