

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:
<ul style="list-style-type: none"> ○ 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:
<ul style="list-style-type: none"> ○ 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:
<ul style="list-style-type: none"> ○ 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:
<ul style="list-style-type: none"> ○ 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:
<ul style="list-style-type: none"> ○ overall ○ persons in households with children (and separately for single-parent households) ○ persons in households without children
Net change in hours worked:
<ul style="list-style-type: none"> ○ overall ○ persons in households with children (and separately for single-parent households) ○ persons in households without children

SNAP and Public Assistance Caseload
<ul style="list-style-type: none"> ○ 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
<ul style="list-style-type: none"> ○ 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

Taxes
Earned Income Tax Credit
<ul style="list-style-type: none"> ○ Application of a supplemental EITC of 30% of the pre-existing New York State EITC (currently 30% of the federal credit). ○ Application of an increase to the New York City EITC (currently 5% of the federal credit) to the schedule depicted in Figure 3 below.
Child Credit
<ul style="list-style-type: none"> ○ Application of a supplemental child credit to the Empire State Child Credit according to the following schedule: (<ul style="list-style-type: none"> ▪ Income under \$10,000 – 100% of the existing credit ▪ Income of \$10,000 to \$25,000 – 75% of the existing credit ▪ Income of \$25,000 to \$50,000 – 50% of the existing credit ▪ Income greater than \$50,000 – 25% of the existing credit <p>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)</p>
Public Assistance
<ul style="list-style-type: none"> ○ 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. ○ 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).

Figure 3: Enacted New York City Earned Income Tax Credit

Income	Percent of Federal EITC
Under \$5,000	30%
From \$5,000 to \$7,500	Phase down from 30% to 25%
From \$7,500 to \$15,000	25%
From \$15,000 to \$17,500	Phase down from 25% to 20%
From \$17,500 to \$20,000	20%
From \$20,000 to \$22,500	Phase down from 20% to 15%
From \$22,500 to \$40,000	15%
From \$40,000 to \$42,500	Phase down from 15% to 10%
\$42,500 or greater	10%

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
<ul style="list-style-type: none"> ○ 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%.
<ul style="list-style-type: none"> ○ 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%.
<ul style="list-style-type: none"> ○ 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 <ul style="list-style-type: none"> ▪ Minimum age reduced to age 21 ▪ Maximum age increased to age 66
<ul style="list-style-type: none"> ○ Expansion of the state EITC to cover persons filing using an Individual Taxpayer Identification Number, in all above scenarios.
Child Credit
<ul style="list-style-type: none"> ○ Decouple Empire State Child Credit from federal credit: <ul style="list-style-type: none"> ▪ fully refundable credit for households with a child under 17 years of age ▪ set a maximum credit of \$1,000 per child ▪ set a minimum credit of \$100 per child ▪ assess each of the above outcomes eliminating the minimum income requirement. ○ Alternative structure for Child Tax Credit in New York <ul style="list-style-type: none"> ▪ fully refundable credit on a per-child basis, in \$500 increments to \$3,000 per child ▪ include all children through age 17 ▪ assess with and without a minimum income requirement (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, with no phase in
Rent Burden Relief Credit
<ul style="list-style-type: none"> ○ 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.

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.

Figure 4: Specific Proposed Policies to be Examined, continued

Public Assistance, Supplemental Security Income and Nutrition Assistance
<ul style="list-style-type: none"> ○ Increase the PA shelter allowance in increments of 10% in the range of 20% to 50% (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).³ ○ Raise the PA shelter allowance schedule for households without children to the same level as that for households with children. ○ Increase the basic allowance (the portion of the grant based solely on household size) in increments of 10% in the range of 10% to 50%. ○ Increase the basic allowance to ensure the overall PA standard of need inclusive of other current grant components, is at least 50% of poverty for all household sizes. ○ Increase the Supplemental Security Income (SSI) State Supplement amount by 50% and 100%, for the following groups: <ul style="list-style-type: none"> ▪ adult recipients in the 'living alone' living arrangement ▪ adult recipients in the 'living with others' living arrangement and not residing with a related child ▪ adult recipients residing with a related child in the 'living with others' living arrangement ▪ child recipients in the 'living with others' living arrangement. ○ 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. ○ 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 Care⁴
<ul style="list-style-type: none"> ○ Increase child care utilization in 20% increments from 15% to 75% of currently eligible households. ○ 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.
Housing
<ul style="list-style-type: none"> ○ 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.

³ For this and the following proposal, the PA shelter allowance is capped at the household's contract rent.

⁴ 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.

Urban Institute - Microsimulation Modeling Tentative Timeline

Task	Target Month for CPRAC	Date
Baseline Simulations (including SNA modeling, 2022 adjustments)	May	1
Microsimulations (Enacted Policies)	June	1
Microsimulations (Proposed Policies)	Summer	
a) Empire State Child Credit		July 1
b) Child Allowance		July 1
c) EITC		July 1
d) Cash Assistance (PA and SSI)		August 1
e) Housing		August 1
f) Nutrition Assistance		August 1
g) Child Care		August 1
Combined/Additional Effects	September	1
State EITC Maximization	September	1
Results Summaries	Fall	