# 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

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| **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)<br>○ persons under 18 years of age<br>○ persons under 5 years of age<br>○ persons 18 and older<br>○ 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<br>○ married couple families<br>○ female single-parent families with related children |
| **Income** |
| Counts of households with positive income changes and average net income change: |
| ○ all households<br>○ households containing persons under 18 years of age<br>○ households containing persons under 5 years of age<br>○ households containing no children |
| Counts of households with negative income changes (if applicable) and average net income change: |
| ○ all households<br>○ households containing persons under 18 years of age<br>○ households containing persons under 5 years of age<br>○ households containing no children |
| **Work Effort  (if relevant to the simulation)** |
| Net change in employment: |
| ○ overall<br>○ persons in households with children (and separately for single-parent households)<br>○ persons in households without children |
| Net change in hours worked: |
| ○ overall<br>○ persons in households with children (and separately for single-parent households)<br>○ persons in households without children |

| SNAP and Public Assistance Caseload |
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| ○ Net change to the PA caseload for cases with and without dependent children (likely only applied to changes in PA policy)<br>○ 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)

   **Prior to this expansion, the Empire State Child Credit was only available to taxpayers with children ages 4-16.*

**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

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| | 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)<br>a. In 2024, will increase to $16 in New York City, Long Island, and Westchester and $15 elsewhere in the State<br>b. In 2025 and 2026, will increase by $0.50 annually<br>c. 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** | |
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| 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** | |
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| 1. | Application of a supplemental child credit to the Empire State Child Credit* according to the following schedule:<br>a. Income under $10,000 – 100% of the existing credit<br>b. Income of $10,000 to $25,000 – 75% of the existing credit<br>c. Income of $25,000 to $50,000 – 50% of the existing credit<br>d. Income greater than $50,000 – 25% of the existing credit |

**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. Increases in the percentage applied to the federal EITC for households with and without dependent children to determine the state EITC (currently 30%) to 50% and 100% of the federal EITC.
2. Expansion of the ages of persons eligible to receive the federal EITC for households without dependent children:
    1. Minimum age reduced to age 21*
    2. Maximum age remains same as current

    **Current federal credit excludes full-time students with no qualifying dependents. Various cases have been made by researchers for including them, contrary to prior federal policy.*
3. Expansion of the state EITC to cover persons filing using an Individual Taxpayer Identification Number, in all above scenarios.
4. 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
    1. Apply same curve change/adjustments for tax units with and without children
    2. Assume a worker that works full-time, full-year (2080 hours) at minimum wage
    3. Assume all income comes from earnings
    4. For married couples, assume one worker working full-time at minimum wage

    **To model, CPRAC would need to develop a more detailed policy design, including to figure out the exact shape, phase in and phase out, of the adjusted EITC curve.*

Child Credit

1. Decouple Empire State Child Credit from federal credit and establish new values for NYS:
    - Fully refundable credit (similar to the Federal CTC of 2021)
    - Assess maximum credit of $500, $1,500, $3000 per child
        - Assess effects of indexing the maximum CTC value to inflation
    - Set a minimum credit of $100 per child
    - Model with and without enhanced credit for youngest children
        - Model an enhanced credit for children under six that is $500 larger than the base credit for both the $500/child and $1500/child scenarios referenced above. This option would not consider any enhanced credit in the $3000/child scenario.
        - Model an increase of the credit for children under 6 to $500 and $1000, while keeping the credit as is for children over 6 years old. Assess each of the above outcomes eliminating the minimum income requirement
    - 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)
    - Assess 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 (same AGI points for beginning and ending the phase-out period)
    - Allow ITIN (and SSN not required for eligibility)

Rent Burden Relief Credit

- 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
    a. Consider subsidy of 25% of the excess rent burden, 50%, 75%, and 100% of excess rent burden
    b. Max allowable rent: FMR
    c. Eligible income levels (using State AGI)?
    d. Phase out income level: from 50% to 100% of State Area Median Income (credit zeroes out at 100% SAMI)
    e. Adjustments for family size?

    f. Rules and/or restrictions related to immigration status?
    g. Limited to unsubsidized renter households?
    h. Allow for other tax filers in the housing unit besides the tax unit of the person/couple in whose name the home is rent (i.e. name is on the lease), so that each taxpayer within the household computes the credit based on their own income and the portion of the rent that they regularly contribute

**Public Assistance, Supplemental Security Income and Nutrition Assistance**

1. Increase the PA shelter allowance for households with children (the shelter allowance change would be capped at the household's contract rent and 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):
    a. Model increases of 100% and 200%
    b. Model for a shelter allowance equal to 50%, 75%, and 100% 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).
    c. As part of these models, raise the PA shelter allowance schedule for households without children to the same level as for households with children.
    d. 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 PA basic allowance (the portion of the grant based solely on household size) by 50% and 100%
    a. Assess the effects on child poverty of indexing PA basic allowance to Federal Poverty Guidelines
    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.
3. Increase the Personal Needs Allowance
    a. Assess effects of making equal to current PA grant levels
    b. Assess effects of increasing PNA by 100% and 200%
4. Increase the Supplemental Security Income (SSI) State Supplement (SSP) 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. Streamline 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. Alternatively, consider adjusting in line with Social Security adjustments to Social Security benefits
6. Provide a food benefit to all households with children that are currently ineligible for Supplemental Nutrition Assistance Program (SNAP) due to their citizenship status (including unauthorized, temporary residents with and without work visas and LPR holders who are ineligible because they are not exempt from the restrictions and have resided in the U.S. for fewer than five years), in an amount equal to the allotment for similarly situated SNAP-eligible households.
    a. Model for all non-citizens and separately for non-citizens eligible for Safety Net Assistance
    b. Provide data for all such households and separately just families with children.
7. 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 (such as unauthorized, temporary residents with and without work visas and LPR holders who are ineligible because they are not exempt from the restrictions and have resided in the U.S. for fewer than five

years), 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.

8. Eliminate (or otherwise significantly reform) Public Benefits resource/asset tests
9. Eliminate durational sanctions state-wide (to follow New York City's example, as work-related sanctions were eliminated by statutory reform signed into law in 2015)

**Housing**

1. Establish entitlement-type* state-funded housing assistance program to fill gaps in existing City and Federal housing assistance programs
    a. Set to FMR levels (same as current HCV program)
    b. Phaseout from 50% to 100% of State Area Median Income
    c. No adjustments for family size – all eligible households should be able to receive assistance at FMR-levels
    d. Income eligibility (% AMI)? Equivalent to HCV (50% AMI) or more generous?
    e. Eligibility equivalent to HCV as relates to current treatment of unauthorized and mixed-status households by HUD programs, or more inclusive (such as by including immigrant households that currently do not qualify for HCV or State FEPS)?
    f. Otherwise, same rules as HCV?
2. Assess the effect on child poverty of authorizing cities with populations larger than 5 million to use discretion as to how to extend benefits, such as CityFHEPS rental assistance in NYC, to non-citizens

** If this state-funded program were to use the same rules as HCV, taking an entitlement-type approach would be equivalent to modeling an increase in HCV utilization to 100% of eligible families not currently receiving a voucher*

**Employment/Wages**

1. Assess the effects on child poverty of increasing wages for those currently make less than the wage, including workers/sectors currently excluded from receiving the minimum wage
2. Assess the effects on child poverty of closing wage gaps and achieving pay parity across genders and race/ethnicity (by sector?)

**Childhood***

To ensure CPRAC is aligned with New York State's reimagined Child Care Availability Task Force (CCATF) and supporting/complimenting ongoing child care improvement efforts, CPRAC will evaluate whether recommendations developed by CCATF are modellable

**It is also anticipated that CPRAC and CPRAC's Childhood Committee will discuss other childhood-related topics in addition to child care, such as: Medicaid, maternal and infant health, and more, which may lead to additional policies for modeling consideration*