TECHNICAL REPORT

Estimating the Potential Impacts of the Administration’s Fiscal Year 2018 Budget Proposal on Safety Net Programs Using Microsimulation

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Estimating the Potential Impacts of the Administration’s Fiscal Year 2018 Budget Proposal on Safety Net Programs Using Microsimulation

The president’s budget proposal for fiscal year (FY) 2018, released in late May 2017, includes major changes to many categories of government spending, including spending on programs that assist lower-income Americans (OMB 2017a, 2017b, 2017c). The proposed budget describes specific policy changes related to Supplemental Security Income (SSI), the Supplemental Nutrition Assistance Program, or SNAP (formerly known as the Food Stamp program), and rental housing assistance programs. It also proposes a 10 percent reduction in the block grant that funds the Temporary Assistance to Needy Families (TANF) program and proposes ending the Low-Income Home Energy Assistance Program (LIHEAP). In addition to laying out these program-specific changes, the administration’s budget proposes substantial reductions in the budget category known as nondefense discretionary (NDD) spending, such that the total spending on NDD in 2027 (the last year of the 10-year period shown in the budget documents) would be 41 percent lower than projected under current law. The NDD cuts could affect housing assistance programs, child care subsidies, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), all of which are funded in whole or in part by NDD funds. Taken together, the proposed changes could have substantial impacts on caseloads and benefits in the various safety net programs.

To estimate the scope of the impacts, we applied a comprehensive microsimulation model to the 2015 Current Population Survey, Annual Social and Economic Supplement (CPS-ASEC), a large, representative sample of US households. We adjusted the survey data to provide a more complete picture of families’ receipt of benefits under current policies, and we adjusted the data to more closely represent current circumstances (a process known as “aging”). The proposed changes in safety net policies were then applied to the adjusted data, assuming that all policies were fully phased in. In some cases, the proposed policies were not described in detail, and we made assumptions based on our best understanding of them.

The analysis suggests that if all the changes in the administration’s budget proposal considered here were fully in effect in 2018, 29.2 million families, or about one in five families, would see changes in the
support they receive from public assistance programs. On average, the annual resources of affected families would drop by about $1,230 (where the resource measure includes not only cash income but also in-kind income, such as food stamps and the value of housing subsidies). Over 2.8 million families would see a decline in resources of at least $2,500.

The remainder of this report is divided into three sections. We first describe the modifications to the survey data to approximately represent the 2018 population and their receipt of safety net benefits. Next, we describe the methods used to simulate each of the policy changes. Finally, we present results.

Development of the 2018 Baseline

An analysis of the potential effects of a set of changes to safety net policies must begin with an appropriate representation of the “baseline” situation: the demographic and economic characteristics of US households, their eligibility for various benefits under current policies, and the extent to which they receive those benefits. We developed that baseline by starting from existing data reflecting calendar year (CY) 2014 and then making adjustments to more closely capture expected circumstances in 2018. (We chose 2018 because that is the first year covered by the budget proposal.)

The Calendar Year 2014 Data

The starting-point data file for this analysis is the spring 2015 CPS-ASEC. The survey collected information on 74,000 US households, including their demographic characteristics and their income and employment characteristics during CY 2014. The US Bureau of the Census samples and weights the CPS-ASEC surveys to render them representative of the US civilian noninstitutionalized population; these data are the source of each year’s official poverty statistics.

Under a previous project, these data had been augmented through microsimulation modeling to create a more complete picture of households’ use of safety net benefits. The safety net benefits addressed by the model include

- the two key means-tested cash benefit programs (SSI and TANF);
- the SNAP and WIC nutrition assistance programs; and
three other types of in-kind benefits (public and subsidized rental housing, LIHEAP, and child care subsidies).

The simulation model’s computer code is applied to each of the households in the survey data, mimicking the procedures of each of the major benefit programs for determining whether anyone in the household is eligible for the benefit and, if so, the amount of cash or in-kind benefit. In the case of housing and child care subsidies, the benefit is computed as the assumed full value of the housing or child care minus the family’s required payment toward that full cost.

The simulations capture eligibility and benefits policies in as much detail as can be supported by the survey data. One key point is that the simulation of each program uses the definition of the “assistance unit” that is appropriate to that program. For example, the assistance unit for SSI is either an individual or a married couple (although income may be “deemed” from a spouse or a minor’s parents); the assistance unit for SNAP may include the entire household. Another key point is that the simulations capture detailed state-level variations. For example, the model’s simulation of TANF benefits includes state-specific variations in income eligibility tests, income disregards, assets tests, and benefit computation. Further, benefit programs are modeled on a month-by-month basis, capturing the fact that a family with part-year work might be eligible for different benefits during months of employment than during months of unemployment. (Technical documentation of the model is available at http://trim.urban.org.)

In addition to modeling eligibility and benefits, the modeling procedures create a simulated caseload of eligible families for each program that comes acceptably close to the size and characteristics of the actual caseload along key dimensions. This is generally accomplished by estimating a probability of participation (varying by unit characteristics) and then adjusting probabilities to reach targets.

For SSI, TANF, SNAP, WIC, and LIHEAP, program receipt is reported in the CPS data, but the aggregate incidence is underreported. That is, the aggregate amount of benefits reported in the survey data falls substantially short of the actual amount of benefits received according to administrative data (Meyer, Mok, and Sullivan 2015; Wheaton 2007, 3622–29). For these programs, eligible individuals and families who reported receiving the benefit are assumed to have reported correctly. Then, the model selects a portion of the people or families simulated as eligible who did not report the benefit to represent the unidentified recipients.

For public and subsidized rental housing, the model assumes that all current beneficiaries report their status in the survey, because the number of reporters somewhat exceeds the number of households with public or subsidized housing from US Department of Housing and Urban Development.
(HUD) programs. Some households reporting that they live in public or subsidized housing are presumably enrolled in non-HUD programs. According to HUD administrative data, 4.6 million households received assistance from HUD public and subsidized housing programs in 2014. We randomly selected 4.6 million eligible households who report being in public or subsidized housing and treated those households as being in HUD rental assistance programs. The remaining households were treated as receiving assistance from non-HUD programs.4

The one safety net program listed above for which there is no information in the CPS-ASEC data is the Child Care and Development Fund (CCDF) child care subsidy program. The simulation procedures select a portion of the eligible families as CCDF enrollees in order to approximate the number and characteristics of actual subsidy recipients. To the extent possible, the selection is guided by survey-reported information on out-of-pocket child care expenses (i.e., the likelihood of being identified as a subsidy recipient is higher when the simulated copayment is similar to the survey-reported expense).

All the simulations are internally consistent. For example, if a family is simulated to receive TANF, the simulated TANF amount is used by the SNAP simulation in computing a family’s eligibility for SNAP and the level of their SNAP benefit.5 This internal consistency allows the estimation of the secondary impacts of policy changes.

The result of these procedures is an augmented version of the CY 2014 CPS-ASEC data that includes eligibility indicators for each program and in which each program’s caseload and benefits comes acceptably close to the actual information according to program administrative data.

**Adjustments to Reflect 2018**

For this analysis, the CY 2014 model-adjusted CPS-ASEC data were further adjusted to better represent the population in 2018. Adjustments were made to the size of the population, the unemployment rate, and the levels of various types of income.

- **Population adjustment:** According to the US Census Bureau, the projected population in 2018 will be 3.3 percent larger than the 2014 population.6 To reflect that increase, we inflated each of the sampling weights in the CPS-ASEC 3.3 percent. (This simple approach does not capture possible variation from 2014 to 2018 in the population’s distribution by various demographic factors, such as family type or income level.)
- **Employment adjustment:** The Congressional Budget Office, or CBO (2017), estimates that the civilian unemployment rate in 2018 will be 4.2 percent, which is 32 percent lower than the 6.2 percent unemployment rate in 2014. We reduced the average monthly unemployment rate (people looking for a job as a percentage of those either working or looking) in the survey data by selecting a portion of the unemployed individuals and modifying their data to change them from unemployed to employed. This was accomplished in two ways:

  - First, jobs were assigned to about a third of the individuals who did not work at all in 2014 and who were either looking for work for at least part of the year or who reported not looking because they thought no work was available. For individuals who were assigned to be employed in 2017, the characteristics of the job (weeks, hours per week, and hourly wage) were based on the average characteristics of jobs in the 2014 data for individuals at their education level—less than high school, high school, some college, or college graduate. Also, any unemployment compensation that was reported in the 2014 data was changed to zero for individuals assigned to move from unemployment to employment.
  - Second, for about a third of individuals who worked for part but not all of 2014 and who reported at least some weeks of looking or work, additional weeks of work were assigned. Both of these adjustments excluded people who are age 70 or older, who are students, or who appear to have a disability that prevents work.

- **Wage and salary adjustments:** To adjust earnings amounts to better reflect 2018, we relied on the CBO's (2017) estimate that aggregate wage and salary income will be 19.7 percent higher in 2018 than it was in 2014. The increase in the population and the increase in employment both lead to increases to the 2014 aggregate wage and salary income. The rest of the increase was accomplished in two ways. First, based on data showing a reduction in involuntary part-time work, data were modified for about a third of the involuntary part-time workers in CY 2014 to increase their hours of work per week. Following all those adjustments, all wage and salary figures were increased 14.7 percent, capturing both real and inflationary increases, to achieve the CBO's projected increase in aggregate wage and salary income in percentage terms. This simple approach does not capture the fact that wages and salaries may have increased more for individuals at some earnings levels than others. For example, this approach likely overstates the earnings increase for workers earning the federal minimum wage and for those earning a state or local minimum wage in areas that did not raise the minimum wage between 2014 and 2018.
Adjustments to other income amounts: Survey-reported amounts were inflated by factors computed from CBO (2017) projections for business self-employment; farm self-employment; dividends, estates, and trusts; interest; and rental income. For Social Security, pensions, veterans’ payments, workers’ compensation, and unemployment compensation, amounts were inflated by the CBO estimate of price increases over the four-year period. Child support and alimony income were not increased, because most of the individuals receiving those awards in a particular year had the awards established in prior years. Dollar amounts of SSI and TANF income were not explicitly adjusted in this way because those cash amounts are handled through the simulation process.

Following those adjustments, all the safety net programs were simulated again. Instead of using the 2014 policies, however, these simulations used the actual or estimated 2018 policies under current law, as follows:

- **SSI**: National benefit levels and other policies are already available for 2018 on the Social Security Administration website. We assumed that state supplement amounts would remain at their 2015 levels, which was the most recent set of state supplement figures readily available. (From 2010 to 2015, six states that supplement SSI increased their supplements, but five states decreased their supplements.)

- **TANF**: The most recent state-by-state data on detailed TANF policies is for 2015 (Cohen et al. 2016). Starting from those policies, we inflated dollar-amount figures (income eligibility limits and dollar amounts used in computing benefits) 0.7 percent for each year from 2015 to 2018. We chose that increase rate by computing the mean year-to-year change in dollar amounts over a 20-year period for each state (using data from the Welfare Rules Database) and then averaging the state-level figures. Policies other than dollar amounts (e.g., the treatment of two-parent families, earnings disregards, child-only policies, and time-limit policies) were assumed to be unchanged since 2015.

- **SNAP**: We used the national eligibility rules and benefit levels for FY 2018 available on the Food and Nutrition Service website. State-level rules were obtained from various sources and reflect the most recent readily available information. State broad-based categorical eligibility (BBCE) policies reflect the policies in effect in 2016. Time limits for able-bodied adults without dependents (ABAWDs) were modeled according to the rules and waivers in effect in 2017. State Heating and Cooling Standard Utility Allowances (HCSUAs) reflect 2015 values adjusted for inflation to 2018.
- **WIC**: We assumed that WIC eligibility policy would be unchanged from 2014 to 2018 except for an increase in eligibility limits caused by the increase in the annual federal poverty guidelines. We assumed that the 2018 poverty guidelines will be 2.1 percent higher than the 2017 guidelines, and we computed estimated eligibility guidelines for 2018 using the mean of the 2017 poverty guidelines (which will be used in the first half of CY 2018) and the estimated 2018 poverty guidelines.

- **Rental housing assistance**: We assumed that HUD public and subsidized housing policy remained unchanged from 2014 to 2018 except for increases in the income eligibility limits, fair market rents, and utility allowances. We used the FY 2018 fair market rents available on the HUD website and adjusted the 2017 income eligibility limits and 2016 utility allowances for inflation to 2018.

- **LIHEAP**: We started from the most recent information on each state’s income eligibility limits, which are expressed as either a percentage of state median income or a percentage of the federal poverty guidelines. We assumed that those percentages would remain the same, but we applied the percentages to estimates of the state median incomes and poverty guidelines that would be used during 2018.

- **Child care subsidies through CCDF**: As with TANF, the most recent state-by-state data on detailed CCDF policies are for 2015 (Stevens et al. 2016). Starting from those policies, we inflated income limits by 1.1 percent per year, which was the average annual increase over the past five years. However, we assumed that the state limits on the value of child care that families can obtain (often termed the “maximum rates”) would increase by the rate of inflation because states are required to update those rates in a way that considers a survey of actual child care costs. We assumed that the structure of states’ copayment policies would remain as in 2015.

The increases in income amounts and reductions in unemployment that were imposed on the CY 2014 data to better reflect 2018 cause some families who were eligible for benefits in the original 2014 baseline simulations to be ineligible for benefits in the 2018 simulations. In other words, by aging the data, our baseline reflects a stronger economic environment for 2018 than occurred in 2014: it has lower unemployment, higher earnings, and less use of public assistance.

For families who are eligible for a benefit in the 2018 simulations, we needed to make assumptions to determine program participation. For each program, we assumed that the probabilities of participation established in the 2014 baseline simulations (in order to match 2014 actual caseload data)
would be unchanged in the 2018 data. In other words, if an eligible family with a certain set of demographic or economic characteristics was assumed to have a 50 percent probability of receiving the benefit in the 2014 simulation, an eligible family with those characteristics in the 2018 data was also assumed to have a 50 percent probability of receiving the benefit.

In most cases, the underlying participation probabilities assume that, all else equal, potential assistance units who are eligible for lower benefits are less likely to receive benefits than otherwise-similar units eligible for higher benefits. Thus, some families eligible for a program in both the original 2014 simulations and the simulations adjusted for 2018 had a lower probability of participation in the 2018 simulations. If the probability dropped below the value of a random number reflecting the individual family’s “taste” for participation, the family was excluded from the 2018 simulated caseload.

The 2018 program caseloads were not aligned to achieve any particular caseload numbers or aggregate benefit amounts. Because of the increases in income and reductions in the unemployment rate and the resulting loss of eligibility and reduction in participation, the numbers of families receiving benefits and aggregate benefit amounts are lower in these estimated 2018 baselines than in the actual 2014 baselines despite the 3.3 percent increase in the population.

Simulation of the Administration’s Safety Net Proposals

To simulate the impact of the administration’s safety net proposals, we simulated all of the programs on the 2018 baseline data described in the previous section. Policies intended to change under the proposals were modified, and all other policies were left as in the 2018 baseline data. We performed one simulation including changes in five programs specifically identified for modification in the budget documents: SSI, TANF, SNAP, rental assistance, and LIHEAP. We then performed an additional simulation with all those changes plus the potential impacts of the reductions in NDD spending on rental assistance, the WIC program, and child care subsidies. This section first describes our modeling of the program-specific changes and then discusses our modeling of the NDD reductions. We conclude this section by discussing secondary impacts that some of these changes have on other programs.

Program-Specific Changes

Our analysis incorporates proposed changes described in the budget documents for five means-tested programs that provide cash or in-kind benefits: SSI, TANF, SNAP, rental assistance, and LIHEAP. All of
the programs are modeled as if fully phased in. Proposed changes are not modeled for entitlement programs such as Social Security Disability Insurance, although those benefits are also an important part of the safety net.

**SSI SLIDING-SCALE POLICY**

*Program context*

The SSI program provides cash benefits to low-income people who are over age 65, are blind, or have a disability that either prevents work (for adults) or that causes severe functional limitations (for children). SSI is federally funded and uses federal rules for eligibility and benefits, but some states choose to supplement the federal SSI benefits. According to the Government Accountability Office, or GAO (2016), of the 7.2 million households receiving any SSI in May 2013, 1.0 million included more than one recipient (in cases other than married-couple recipients). GAO reported that among those 1.0 million multirecipient households, 190,000 had one child recipient (and at least one adult recipient) and 141,000 had more than one child recipient, while the rest had multiple adult recipients and no child recipients. Under current policies, benefits are determined separately for each eligible individual or couple even if more than one eligible individual or couple lives in a family or household. For example, in the case of a single disabled parent and disabled child who have no cash income other than SSI, both the parent and child can currently receive the maximum one-person SSI monthly payment (which in 2018 will be $750).

*The Policy Proposal*

The current administration proposes one specific change to the SSI program—creating a “sliding scale for multi-recipient SSI families” (OMB 2017b, 111). The intent is to “keep the maximum benefit for one recipient the same as in current law but reduce benefits for additional recipients in the same family” (111). (The administration’s budget also describes establishing an expert panel to identify changes to increase labor force participation and reduce participation in disability programs, with the goal of reducing the caseload in both Social Security Disability Insurance and SSI. However, because details of this proposal are not specified—in particular, whether current SSI recipients would lose SSI only if they gained jobs, or even without having jobs—this change is not included in the analysis.)

*Assumptions and Implementation*

Because a sliding-scale policy could be constructed in several ways, we relied to the extent possible on the specifications described by the National Commission on Childhood Disability (1995). The commission pointed out that “families living in the same household are subject to economies of scale
that reduce their per capita living expenses. While federal poverty guidelines take account of these savings, SSI payment levels do not” (64). The commission recommended that a particular child’s benefit would be determined by raising the number of eligible children in the family to the power of 0.7. This number is then multiplied by the maximum benefit amount.

To implement this idea within the simulation model, we made several additional assumptions. First, we assumed that the new policy would apply only to child SSI recipients in multirecipient families and not to adults (since some policymakers might view multiple adults living together as being financially independent of one another). Second, we assumed that the new policy would apply only when a child SSI recipient lives with either a parent or guardian with SSI or with a sibling (who is still a child) who is an SSI recipient. For example, in a multigenerational family consisting of two married grandparents, their adult child, and that person’s dependent child, if one grandparent and the grandchild both receive SSI, we assume that they would be considered to be in separate family units, so the child’s SSI benefit would not be reduced. Third, we assume that for both the federal benefit and the state supplement, each person’s benefits are initially computed exactly as they normally would be. For multirecipient families (as defined here), however, the family’s monthly benefits are capped at a maximum benefit. The cap on family benefits equals the standard one-person income guarantee multiplied by the number of recipients raised to the power of 0.7. Using the 2018 benefit levels, the benefit in the case of two recipients (a parent and child, or two children) with no cash income would be reduced from $1500 ($750 × 2) to $1228 (750 × 2^{0.7}). These assumptions lead to a smaller impact on families than other potential assumptions. Impacts would be higher (a) if benefits were affected in cases of more than one adult individual recipient; (b) if a broader definition of the family was used for determining multirecipient units; or (c) if the income guarantee from which a person’s net income is subtracted was reduced (rather than computing benefits with the current methods and then imposing a cap).

Regarding state supplements, we assume that states would continue to compute their state supplements as if the federal benefits were unchanged.

Under these assumptions, we find that SSI benefits received by families would decline by about $600 million, or 1 percent.

**TANF BLOCK GRANT REDUCTION**

**The Program Context**

The TANF program is funded by a federal block grant to the states; states must also contribute their own funds to meet a maintenance-of-effort requirement. States choose how to spend the funds within
the purposes of the program; currently, about a quarter of combined federal and state funds are spent on basic cash assistance, totaling $7.7 billion in FY 2015. In providing cash assistance, states have almost complete discretion in setting policies for eligibility and benefits.

**The Policy Proposal**

The administration’s budget proposal would reduce the TANF block grant 10 percent. The justification states that “while the proposal would reduce the amount available to States for cash assistance and other benefits that promote self-sufficiency, the proposal also recognizes that TANF’s flexible spending rules have resulted in States using a large portion of TANF funds for benefits and services that do not directly serve the core intent of the program—to help low-income families meet their basic needs and move them towards self-sufficiency. Under the proposal, States would continue to have broad flexibility in determining how to spend their remaining TANF block grant funds” (OMB 2017b, 137).

**Assumptions and Implementation**

States might respond in several ways to a 10 percent reduction in their block grant amount. For example, they could make up for the decline by increasing their state spending. If they did not make up for the decline, they would have to decide which uses of TANF funds would be curtailed. Some states might decide to maintain all their cash assistance spending even if the overall block grant is reduced 10 percent, and other states might decide that cash assistance spending would bear the majority of the reduction.

Absent more information about how states would react, we assume that states’ spending on cash assistance would decline 10 percent following a 10 percent drop in the federal TANF block grant. We assume that states would accomplish this by reducing the number of assisted families rather than by reducing benefit levels. To simulate the caseload reduction, we adjusted the probabilities of participation for eligible units such that units less likely to participate were more likely to be removed from participation. We calibrated the reduction in probabilities to achieve an overall 10 percent drop in the aggregate value of TANF benefits for the year relative to our 2018 baseline.

Under these assumptions, we simulate that TANF benefits received by families would decline by $664 million, or about 10 percent from the simulated baseline amount of $6.7 billion.
SNAP POLICY CHANGES

The Program Context

SNAP, formerly known as the Food Stamp program, is a federally funded program with no state match. Unlike other safety net programs that serve individuals or families with specific demographic characteristics (e.g., people age 65 or older or with a disability for SSI or families with children for TANF), SNAP is potentially open to most low-income households. However, individuals ages 18 to 49 who the program classifies as ABAWDs must be working in order to receive benefits beyond a limited period (3 months in a 36-month period), unless a state has requested and received a waiver for part or all of the state because of high unemployment. As of the fourth quarter of 2017, six states and the District of Columbia had waivers covering the entire state, and 27 states were approved for waivers in part of the state.15

Most rules for SNAP eligibility and benefits are established nationally. Generally, households must have gross income under 130 percent of the federal poverty guideline and net income (after various deductions) under 100 percent of the federal poverty guideline, and they must also have countable assets under specified limits. The benefit is computed by subtracting 30 percent of net income (the portion of income the unit is assumed to be able to spend on food) from a maximum allotment, which increases as unit size increases. One-person and two-person assistance units also have a minimum benefit; that is, if the unit passes the eligibility tests, the monthly benefit will be at least a certain amount, which is currently $15 for the continental US.

Although most rules are established federally, states have some options. One key option is the extent to which the state offers BBCE. Under BBCE policies, households not meeting the federal income or asset limits may qualify for SNAP if they receive a noncash benefit or service funded by TANF block grant dollars. Most states with BBCE policies eliminate the assets test; others set a higher limit than under the federal rules. States with BBCE policies typically eliminate the net income test and may increase the gross income limit above the federal level. In some states, BBCE policies can provide SNAP eligibility to households with incomes up to 200 percent of the federal poverty guidelines. However, because the benefit formula remains unchanged under BBCE, households made eligible through BBCE don’t necessarily qualify for a benefit.16

States also have other options, such as how they handle reporting of income changes, whether they provide transitional benefits to families leaving TANF, and how they set the HCSUA.
The Policy Proposals

The administration's budget proposal includes many changes to SNAP, as follows:

- ABAWD time-limit waivers would be limited to counties with an unemployment rate greater than 10 percent averaged over 12 months. (Currently, waivers can be requested based on recent unemployment rates, average unemployment rates reaching 20 percent above the national rate, or designation as a Labor Surplus Area by the Department of Labor; see FNS [2017].)

- The current BBCE policy would be terminated, although households would continue to be categorically eligible for SNAP if they receive cash aid from TANF. The justification says that “this would restore confidence that the pool of categorically eligible participants would generally meet the SNAP eligibility limits ... and asset limits ... Furthermore, it would provide for a consistent nationwide policy” (FNS 2017, 92).

- Benefits for large families would be reduced by capping the maximum allotment at the level for a six-person unit.

- The benefit formula would no longer include a minimum benefit for one-person and two-person units.

- The HCSUA amounts would be standardized at the 80th percentile of low-income households’ utility costs in each state. The administration’s rationale is to “provide for a consistent approach nationally for determining HCSUA levels by eliminating the variation in HCSUA methodologies that currently exists from State to State” (FNS 2017, 92). Also, because LIHEAP would be terminated, a current policy that allows households with LIHEAP benefits to automatically qualify for the HCSUA (even if they have no out-of-pocket energy costs) would no longer be used.

- States would be required to pay for a portion of the cost of SNAP benefits. The portion would rise over a 10-year period, with states paying 25 percent of the total costs of SNAP benefit by FY 2023. The specific match rate would vary by state, “based on a formula that incorporates the economic indicators that drive SNAP participation along with State resources” (FNS 2017, 94). States would also be given “new flexibility regarding benefit levels” (94).
Assumptions and Implementation

We modeled the proposed policy changes for SNAP, as follows:

- **Tightened eligibility for ABAWD waivers:** To model this policy, we assume that 3.6 percent of the population living in areas currently covered by time-limit waivers would continue to be covered by waivers (because they live in an area with 10 percent unemployment or higher). Rather than attempting to focus the exemptions in specific counties (because the CPS is not reliable below the state level), we randomly selected 3.6 percent of ABAWDs estimated to be covered by time-limit waivers in 2018 to continue to be covered by the waiver, and we treated the remaining (otherwise waived) ABAWDs as if time limits had been reinstated in the first month of 2018.

- **BBCE:** We eliminated all BBCE eligibility. (We continued to model categorical eligibility for assistance units that consist entirely of SSI or TANF recipients.)

- **Large-family benefits:** We capped the maximum allotments at the levels for six-person assistance units.

- **Minimum benefits:** We changed the benefit formulas to no longer use a minimum benefit. (In other words, even if a unit passes the eligibility tests, if the benefit formula produces a benefit of $0, the unit will not receive any benefit.) This change affects units with one or two members (under current rules, there is no minimum benefit for larger units).

- **HCSUA amounts:** We used 2014 American Community Survey data—which includes utility payment amounts—to compute the 80th percentile of utility costs for households with incomes below 200 percent of the federal poverty guideline in each state. On average across the states, we find that the 80th percentile of utility costs for these households in 2014 is $277, which is 34 percent lower than the 2014 state-average HCSUA of $422. Our 2018 estimates adjust the 80th percentile of utility costs for inflation between 2014 and 2018. As noted, the 2018 baseline uses inflation-adjusted 2015 HCSUAs. The result is a 36 percent reduction in the average state HCSUA in 2018, from $460 to $294.

- **State match:** As with the reduction in the TANF block grant, states could react in several ways to the combination of a requirement to pay for 25 percent of SNAP benefit costs (on average) and the flexibility to alter benefit levels. Even without any state action, the other SNAP policy changes would reduce benefit costs, reducing the required state contribution below what it would have been absent any policy changes. (Of course, any state contribution is an increase...
from the current-law situation, in which states do not make any payment for SNAP benefits.) In the absence of any specific information, we assume that states would use their flexibility to reduce the maximum allotments such that, in combination with the other policy changes, aggregate SNAP benefits are 25 percent lower than they would have been absent any policy changes. The impact of this assumption is to reduce federal SNAP benefit costs about 43 percent. Because states are now paying some of the costs of SNAP benefits, SNAP benefits received by families would fall by about $14 billion (or 25 percent) from our 2018 baseline under the assumptions we made for how the changes to the program would be implemented.

RENTAL HOUSING ASSISTANCE POLICY CHANGES

The Program Context

HUD has many programs related to housing for lower-income Americans. We focus here on programs that provide lower-income households with rental housing at a cost based on the household’s income. These programs include public housing (in buildings operated by local public housing authorities), tenant-based assistance through the Housing Choice Voucher program, and privately owned, project-based housing (in which private landlords enter into contracts with HUD to receive housing subsidies to cover the difference between tenant rent and total costs). These rental assistance programs are not entitlements, and public housing authorities must work within their available funding. In 2014, approximately 4.6 million households lived in public or subsidized rental housing as defined here.

In general, households living in public or subsidized housing pay a portion of their income toward their housing costs. Under current law, that contribution equals the larger of 10 percent of gross income or 30 percent of net income, where net income equals gross income minus federally established deductions. Deductions include $480 of annual income per dependent, $400 of annual income when the household head or spouse is elderly or disabled, and child care expenses for work (up to the amount of earned income). Households with an elderly or disabled member may also deduct the portion of out-of-pocket medical expenses that exceeds 3 percent of annual income. In most cases, households must pay a minimum rent of $25 per month. The program covers the portion of rent (including utility costs) that is not covered by the household’s payment.

In cases when a household’s rent does not include utility costs and the household must pay utility costs separately, the household may be eligible for a utility reimbursement. For example, if the household’s required contribution is $200 per month, but their monthly utility costs are separate from the rent and are $250 per month, the public housing authority would pay the entire cost of the rent and
would also pay $50 of the monthly utility cost (either directly to the utility or by paying $50 to the household), leaving the household to pay the remaining $200 of the monthly utility cost.

**The Policy Proposal**

The administration’s proposals include three changes to the determination of households’ required housing cost payments:

- The HUD Secretary may require the household’s contribution to be computed as 35 percent of gross income (rather than the current 30 percent of net income). As an example of the potential impact of this change, consider a family with no elderly or disabled members but with two children, $15,000 in annual income, and $600 in child care expenses. That family would have previously owed $4,032 in annual rent (30 percent of $(15,000 – 480 – 480 – 600))]. The proposed policy would increase this hypothetical family’s annual rent to $5,250.

- The utility reimbursement policy is terminated. If a household must pay utilities separately, they are responsible for that entire payment even if it exceeds the amount computed as their contribution to housing costs.

- The minimum rent is increased from $25 to $50.

In the discussions of all three changes, the administration refers to hardship exemptions. For example, the discussion of the change in the computation of the household’s required contribution states that the HUD Secretary “may” require this change, “unless that family would otherwise experience a hardship” (OMB 2017c, 594). However, the proposal does not discuss how hardship exemptions would be determined.

The administration also discusses the possibility of increased work requirements for households with rental assistance. However, the proposal provides no detail on how such requirements might be imposed.

**Assumptions and Implementation**

We implemented each of the three policies related to households’ housing-cost payments within the simulations:

- The change in formula for the household’s payment was implemented by no longer allowing any deductions from gross income for purposes of rent computation and by changing that payment
from 30 to 35 percent of the household’s income. We assumed this change would apply to all households in HUD public or subsidized units.

- No utility reimbursements were allowed in the simulation of the administration’s policies. For affected households, this reduces the value of their housing subsidy. We assumed this change would apply to all households in HUD public or subsidized units who would otherwise receive a utility reimbursement.

- The minimum rent was increased from $25 to $50 for the majority of units identified as living in HUD public or subsidized units. However, we assumed that the 400,000 HUD-assisted households in the Moving to Work demonstration program would not be affected by this provision. Therefore, we randomly selected 400,000 of the HUD-assisted units in our data as representing the Moving to Work units; for those units, we assumed that the minimum rent would remain $25.

To approximate hardship exemptions, our estimates do not allow a household’s required contribution to housing costs to exceed 60 percent of its gross income even if this amount is less than the minimum rent. This cap applies in both the baseline simulation and the policy scenario.

Because the proposal lacks detail about work-related policies, we did not model any changes related to work requirements for rent-assisted households, whether through sanctions for noncompliance or increased earnings in response to the work requirement.

Under these assumptions, we find that housing assistance through HUD received by families would decline by about $5.3 billion, or 14 percent.

**LIHEAP TERMINATION**

*The Program Context*

LIHEAP provides payments to low-income households to help with their heating and cooling costs. Benefits are typically provided as a one-time grant during the winter and/or summer. LIHEAP also provides weatherization assistance (although that aspect of the program is not captured in the model).

*The Policy Proposal*

The administration’s proposal eliminates LIHEAP.
**Assumptions and Implementation**

Our simulations of the administration’s proposals remove LIHEAP. Because the baseline simulation does not include weatherization assistance, we somewhat underestimate the aggregate impact of the program’s termination on lower-income families.

Under these assumptions, we find that LIHEAP benefits received by families would decline by about $2.7 billion, or 100 percent.

**Reduction in NDD Spending**

The administration’s budget proposes major reductions to NDD spending. Although some types of spending are mandated (for example, Social Security and Medicare must be funded to cover all eligible individuals in those programs, and SNAP is currently an entitlement for all eligible households, with no cap on aggregate benefits) funding for various other programs is determined by annual decisions made by Congress. In FY 2017, NDD spending totaled $624 billion, which was 15 percent of total outlays (OMB 2017a, 27–28). In FY 2027, under current policies, NDD spending is projected to increase to $739 billion. However, the administration proposes to reduce NDD spending such that the 2027 level would be $429 billion (OMB 2017a, 29–30), or about 41 percent lower than the 2027 current-law projection.

Many different agencies and programs are funded in whole or in part by NDD spending. For example, the total $624 billion in NDD spending in FY 2017 included $23 billion for the Department of Agriculture, $9 billion for the Commerce Department, $68 billion for the Department of Education, and $40 billion for the Department of State and other international programs (OMB 2017a, 42–44). Focusing on means-tested safety net programs, all HUD public and assisted housing programs are funded by NDD as well as the great majority of the WIC budget. The CCDF child care subsidy program is funded in part by NDD (with another portion of the funds being mandatory spending).

Although the administration’s proposed budget does include figures by agency and function for each year through 2027, those figures leave unspecified a large portion of the proposed reduction in NDD spending. For 2027, a reduction from baseline of over $105 billion is listed as “adjustment to meet discretionary non-security spending caps” but is not associated with a particular program or agency. Thus, it is unknown how an overall cut in NDD would be distributed across the many different agencies and programs that use that type of funding. Absent further information, we assume that for each agency or program, the discretionary spending at full phase-in would be 41 percent lower than it would have
been under current law. Our assumption may overstate or understate the impact of the proposed NDD spending cuts on lower-income families.

REDUCTION IN RENTAL HOUSING ASSISTANCE SPENDING

*The Program Context*

All spending on HUD’s public and subsidized housing programs is appropriated annually as discretionary spending.

*Assumptions and Implementation*

We assume that the aggregate value of HUD assistance through public housing and subsidized rental housing would fall 41 percent relative to the 2018 baseline. The changes to the determination of assisted households’ housing cost contributions and the termination of utility reimbursements, discussed earlier, are estimated to reduce the value of HUD rental housing assistance approximately 14 percent. To achieve the remainder of the targeted reduction, we randomly selected HUD-assisted households with subsidies in the baseline data to no longer have subsidies. In other words, the number of families with housing vouchers or in public housing would be lower than under current law.

Households simulated to no longer have HUD assistance because of the NDD spending reduction are counted as losing the full value of their housing subsidy (the difference between their required housing contribution in the baseline and the HUD-determined fair-market rent (which varies by the size of the unit and the locality).

Under these assumptions, we find that housing assistance benefits received by families would decline by about $15.5 billion, or 41 percent.

REDUCTION IN WIC SPENDING

*The Program Context*

WIC provides nutritious food, nutrition education, and referrals to other services to pregnant women, infants, mothers of infants, and children age four and under. Unlike SNAP, which places very few restrictions on the types of food that can be purchased, WIC allows recipients to purchase only certain items and provides different food packages for different categories of participants. The program also covers formula for infants who are not breastfed. In FY 2010, the average value of the food obtained through WIC was $46 per month for pregnant women, $49 for breastfeeding mothers, $36 for mothers of infants who are not breastfeeding, and $37 for children (USDA 2013). For infants, the value of the
food package to the family is estimated by USDA at $114 per month; however, because of rebates provided to the government by infant formula manufacturers, the monthly cost of an infant’s benefits to the government was substantially lower, at $49.

Assumptions and Implementation

We assumed that the aggregate value of WIC benefits (valued at the government’s costs, not the value to the recipients) falls 41 percent relative to the 2018 baseline. We further assumed that the reduction would be achieved by reducing the caseload (rather than by reducing the value of the food packages). In determining the composition of the WIC caseload under the reduction in NDD spending, we were guided by the current distribution of the WIC caseload by type of recipient (infants, children, and women) and by priority level (Johnson et al. 2013). The WIC program mandates a priority system in which higher priority is given to infants, pregnant women, and breastfeeding women with nutrition-related medical conditions (priority I), infants whose mothers participated in WIC (priority II), and children with nutrition-related conditions (priority III), with lower priority given to infants, pregnant women, and breastfeeding women with dietary problems (priority IV), children with dietary problems (priority V), nonbreastfeeding postpartum mothers with nutrition-related conditions or dietary problems (priority VI), or individuals who could have dietary problems without maintaining WIC benefits (priority VII). We computed that the lowered WIC spending amount would support all the individuals in priority categories I and II but only a portion of those in category III and none of those in categories IV through VII. Women and infants are more heavily concentrated in the higher-priority categories than children. Assuming the same distribution of individuals in each demographic subgroup by priority area, we estimated that the NDD spending reduction would require a 68 percent reduction in the average monthly number of assisted children, a 28 percent reduction in the average monthly number of assisted women, and a 5 percent reduction in the number of WIC-assisted infants. Because the simulation model makes a joint participation decision for WIC-eligible infants and their mothers, we modeled a combined 17 percent participation reduction for both infants and mothers.

Under these assumptions, we modeled a $1.1 billion reduction in government spending on WIC food, which is about 40 percent of our 2018 food-cost estimate for the portion of the program that is simulated (which excludes benefits for pregnant women). However, in terms of the value to recipients, this change represented a reduction of 27 percent; the reason for the difference is that the value to a family of an infant’s WIC benefit (the pre-rebate value) is substantially higher than the value of a woman’s or child’s WIC benefit, and most infants were simulated to retain their WIC benefits.
REDUCTION IN CCDF SPENDING

The Program Context

The CCDF provides subsidized child care for parents who are working, in school, or, in some cases, looking for a job. The program is funded with a combination of mandatory and discretionary spending and requires a state match. The federal government establishes key policies, such as mandating that families must have income under 85 percent of state median income. However, states set the detailed policies, including the income limits (which can be set lower than 85 percent of state median income), the maximum value of child care that families can locate (referred to as the “maximum reimbursement rates”), and the amount that families must contribute toward child care.

Assumptions and Implementation

Considering the various aspects of CCDF funding, we computed that if the discretionary portion of the funding declined 41 percent, the total value of child care subsidies would have to decline 19.9 percent. States could reduce the value of subsidies in several ways, such as by increasing families’ required contributions, reducing maximum reimbursement rates, or reducing the CCDF caseload. Because states are currently encouraged by the federal government to keep family payments at affordable levels, and because maximum reimbursement rates must be reviewed in comparison with periodic surveys of actual child care costs, we assumed that the most feasible way to achieve a substantial reduction in the cost of subsidies would be to reduce the caseload. We therefore reduced the probabilities of participation for CCDF-eligible families by a sufficient amount to reduce the estimated value of the subsidy by close to the targeted percentage, relative to the estimated value of the subsidy in the 2018 baseline simulation.

For households simulated to no longer have a CCDF-funded subsidy, we used previously estimated predictive equations to estimate the likelihood of paying unsubsidized expenses and, for families predicted to have a payment, the amount of expense. The equations were calibrated such that when applied to the baseline 2014 data, the predicted incidence and amount of expense was similar to the child care expenses reported in the CPS data overall and by income level.

Under these assumptions, we simulated that the child care benefits received by families declined by about $1.3 billion, or slightly over 19 percent.
Secondary Impacts of Policy Changes

As described, the simulation model creates an internally consistent set of estimates that captures the interactions among various safety net programs. The changes in safety net programs proposed by the administration’s budget would cause several types of secondary impacts in addition to their direct impacts. Many of these interactions mitigate the impact of the direct policy changes. Key secondary impacts include the following:

- **Reductions in cash benefits may increase in-kind benefits**: Families losing a portion of their SSI payments or all of their TANF payments could see increases in their benefits from SNAP, housing assistance, or child care subsidies relative to what those benefits would have been at the original levels of SSI and TANF. Those connections occur because the level of SNAP benefits, the amount of rent an assisted household must pay, and the amount that an assisted family must pay toward child care expenses all depend in part on family cash income. In general, because of the 30 percent benefit reduction in the SNAP program, the SNAP benefit would rise by 30 percent of the amount of lost TANF. (Of course, other aspects of the administration’s proposals work to reduce SNAP benefits.)

- **Families losing TANF can begin to directly receive their child support**: Families receiving TANF must sign over to the state their rights to their child support payments. (Some states allow families to keep a portion of the child support.) Families with child support being paid on their behalf who lose TANF would be able to receive that child support directly, which could offset some of the impact of the lost TANF income.

- **Families losing TANF may have to begin to pay a portion of their child care costs**: In some states, families receiving TANF who are also receiving a CCDF subsidy are exempt from having to make any payment toward the child care costs. In those states, families losing their TANF subsidy would also lose that exemption.

- **Changes in child care costs could affect SNAP benefits**: SNAP includes deductions for child care expenses. Because of this policy, a family that loses a CCDF subsidy could see a change in their SNAP benefit because of a different child care expense. If the family is modeled to pay higher child care costs after losing CCDF, SNAP benefits could increase; if the family is modeled to move from paying a CCDF copayment to having no expense (because they are assumed to make do without nonparental care), SNAP benefits could decrease.
**Higher housing costs could increase SNAP benefits:** SNAP allows a deduction from income for a portion of shelter costs (the portion that exceeds 50 percent of net income after other deductions have been taken). Because of that policy, a household that must pay higher housing costs because of changes in the public and subsidized housing programs might experience an increase in SNAP benefits relative to the SNAP benefits it would have received without the change in housing costs.

**Families losing TANF or SNAP could lose WIC eligibility:** Individuals who receive TANF or SNAP benefits are automatically eligible for WIC benefits even if they do not meet the program’s usual income eligibility guidelines (income under 185 percent of the federal poverty guidelines). Therefore, a family that loses TANF or SNAP benefits could also lose WIC eligibility.

All these impacts are captured by the simulations in order to more accurately estimate the effects of the policy changes on family economic well-being.

**Simulation Results**

We conducted two policy simulations. Simulation 1 included the policy changes specified for SSI, TANF, SNAP, housing subsidies, and LIHEAP, but omitted the NDD spending cuts. Simulation 2 included all of those changes and included the proposed NDD spending reductions affecting rental housing aid, WIC, and CCDF. We first present the program-specific changes, and then we show the combined impacts of those changes. Our unit of analysis for considering impacts is the family (using the US Census Bureau’s definition of the family, which treats all related persons within a household as members of the same family).\(^{23}\)

**Program-Specific Changes**

Focusing first on the impacts without the NDD spending reductions, the proposed changes have very different impacts on different programs: some changes have large impacts on relatively few families, while other changes have smaller impacts on a much larger number of families (table 1). The specific changes are as follows:

- The SSI change (reduced benefits for children in multi-recipient families) would affect 200,000 families, or only 3 percent of all families with SSI. The families affected, however, would lose an
average of $3,030 per year, or about $250 per month. In aggregate, SSI annual benefits would fall about 1 percent.

- The TANF change (an assumption that TANF cash benefits would fall 10 percent because of a 10 percent reduction in the TANF block grant) would cause 14 percent of the TANF caseload to lose some or all annual benefits, and affected units would lose an average of $2,580 in annual benefits. (Families with lower probabilities of participation were more likely to be selected to lose their benefits; those families tended to be eligible for lower-than-average benefits, so the portion of the caseload losing benefits was larger than 10 percent, even though the aggregate benefit change was 10 percent.)

- The various SNAP changes would affect the entire SNAP caseload. This is because of our assumption that states would use their new flexibility to reduce allotment amounts in order to bring total benefit costs 25 percent lower than the baseline, in combination with the other benefit changes. Families would lose an average of $600 in annual SNAP benefits according to our simulation.

- The various HUD rental assistance changes would affect almost all HUD-assisted units. On average, the value of families’ subsidies would fall by $1,090, and the aggregate value of subsidies would fall 14 percent.

- LIHEAP would be entirely terminated. (Note that the costs shown in table 1 include only our estimation of the value of LIHEAP heating and cooling aid, which does not reflect all of LIHEAP.)

- A very small number of families would lose WIC eligibility when the loss of TANF or SNAP benefits causes them to lose automatic eligibility for WIC.

- A very small number of families would lose a portion of the value of their CCDF child care subsidy when the loss of TANF leads to them no longer being exempt from copayments.
TABLE 1
Changes by Program, Simulation 1

<table>
<thead>
<tr>
<th></th>
<th>Families with a change in benefit</th>
<th>Average change for families with a change</th>
<th>Aggregate change in benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number (millions)</td>
<td>Percentage of baseline</td>
<td>Average</td>
</tr>
<tr>
<td>SSI</td>
<td>0.201</td>
<td>3%</td>
<td>-$3,030</td>
</tr>
<tr>
<td>TANF</td>
<td>0.257</td>
<td>14%</td>
<td>-$2,580</td>
</tr>
<tr>
<td>SNAP</td>
<td>23.374</td>
<td>100%</td>
<td>-$600</td>
</tr>
<tr>
<td>HUD rental aid</td>
<td>4.839</td>
<td>98%</td>
<td>-$1,090</td>
</tr>
<tr>
<td>LIHEAP</td>
<td>7.529</td>
<td>100%</td>
<td>-$350</td>
</tr>
<tr>
<td>WIC</td>
<td>0.009</td>
<td>0.2%</td>
<td>-$800</td>
</tr>
<tr>
<td>CCDF</td>
<td>0.013</td>
<td>1%</td>
<td>-$120</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations using data from OMB (2017a, 2017b, 2017c) and the Transfer Income Model, version 3.

Notes: CCDF = Child Care and Development Fund; HUD = US Department of Housing and Urban Development; LIHEAP = Low Income Home Energy Assistance Program; SNAP = Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income; TANF = Temporary Assistance for Needy Families; WIC = Special Supplemental Nutrition Program for Women, Infants, and Children. Simulation omits nondefense discretionary spending reductions. The column “percentage of baseline average benefits” compares the average change for families with a change to the average benefit for all assisted families in the baseline, not just the baseline families affected.

In simulation 2, which includes the assumed NDD spending cuts, the results for the cash benefit programs and LIHEAP are unchanged. The SNAP estimates change slightly because the NDD changes on child care subsidies and HUD rental assistance have secondary impacts on SNAP. The three programs directly affected by the NDD cuts—HUD rental aid, WIC, and CCDF subsidies—see substantial reductions in benefits.

- For HUD rental assistance, the average amount of loss per affected family increases to $3,190, because some households are now modeled to entirely lose their subsidy (rather than losing a portion of their subsidy because of a higher rent payment or the loss of the utility reimbursement). The aggregate reduction in benefits equals 41 percent of the baseline benefits.

- The portion of the WIC caseload (in terms of families) that is affected increases to 53 percent because we assumed that the majority of children are no longer covered and that a portion of infants and women are no longer covered. The average loss of annual benefit (valuing infant benefits at the pre-rebate costs) is $430. The aggregate reduction in the value of benefits to families is 27 percent. (The aggregate drop in the cost of benefits to the government would be about 41 percent. Because most infants retained their benefits, and because the value of benefits to infants’ families is substantially higher than the cost to the government, the...
percentage reduction in value to families was not as great as the percentage reduction in the cost of benefits to the government.

- Approximately 19 percent of CCDF-assisted families are estimated to be affected, primarily by losing their subsidy. On average, affected families lose $7,140 in subsidy value, which is about the same as the average annual subsidy amount for all assisted families in the baseline. The aggregate subsidy value also falls 19 percent. (Because CCDF is funded by a combination of mandatory and discretionary spending, a 41 percent drop in the discretionary portion would lead to a drop of 19 or 20 percent in the total amount available for subsidies.)

### TABLE 2

<table>
<thead>
<tr>
<th>Program</th>
<th>Families with a change in benefit</th>
<th>Average change for families with a change</th>
<th>Aggregate change in benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number (millions)</td>
<td>Percentage of baseline</td>
<td>Average</td>
</tr>
<tr>
<td>SSI</td>
<td>0.201</td>
<td>3%</td>
<td>-$3,030</td>
</tr>
<tr>
<td>TANF</td>
<td>0.257</td>
<td>14%</td>
<td>-$2,580</td>
</tr>
<tr>
<td>SNAP</td>
<td>23.415</td>
<td>100%</td>
<td>-$600</td>
</tr>
<tr>
<td>HUD rental aid</td>
<td>4.846</td>
<td>99%</td>
<td>-$3,190</td>
</tr>
<tr>
<td>LIHEAP</td>
<td>7.529</td>
<td>100%</td>
<td>-$350</td>
</tr>
<tr>
<td>WIC</td>
<td>2.462</td>
<td>53%</td>
<td>-$430</td>
</tr>
<tr>
<td>CCDF</td>
<td>0.176</td>
<td>19%</td>
<td>-$7,140</td>
</tr>
</tbody>
</table>

*Source:* Authors’ calculations using data from OMB (2017a, 2017b, 2017c) and the Transfer Income Model, version 3.

*Notes:* CCDF = Child Care and Development Fund; HUD = US Department of Housing and Urban Development; LIHEAP = Low Income Home Energy Assistance Program; SNAP = Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income; TANF = Temporary Assistance for Needy Families; WIC = Special Supplemental Nutrition Program for Women, Infants, and Children. Simulation includes nondefense discretionary spending reductions. The column “percentage of baseline average benefits” compares the average change for families with a change to the average benefit for all assisted families in the baseline, not just the baseline family affected.

### Combined Impact of Policy Changes on Families

Considering all of the policies in simulation 1 together, 28.2 million families are affected (table 3). That number equals 19.5 percent of all US families. Among the lowest-income families (those with annual cash income under $10,000), 62.1 percent are affected by at least one of the policies in simulation 1. The percentage of families affected declines as income rises, to 1.4 percent of families with annual income of at least $75,000. While the majority of affected families have low annual income, some
higher-income families are affected. Because the family definition includes all related persons in a household, a “family” could include a related subfamily with much lower income living in a family with higher income (for example, a low-income mother and daughter living with the mother’s middle-income parents). Other reasons that middle-income families receive safety net benefits include income variations during the year and grandparents receiving “child only” TANF benefits when they are caretakers for their grandchildren. On average, across all income groups, the affected families lose $820 in annual resources; that figure does not vary markedly by income group.

**Table 3**

Results by Income Category, Simulation 1

<table>
<thead>
<tr>
<th>Baseline annual cash income</th>
<th>Total number of families (millions)</th>
<th>Families with any change (millions)</th>
<th>Percentage of this income category with any change</th>
<th>Total amount of change (millions)</th>
<th>Share of change in each income group (%)</th>
<th>Average change per family with change</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $10,000</td>
<td>13.394</td>
<td>8.318</td>
<td>62.1</td>
<td>-$6,397</td>
<td>27.5</td>
<td>-$770</td>
</tr>
<tr>
<td>$10,000–$20,000</td>
<td>16.562</td>
<td>8.499</td>
<td>51.3</td>
<td>-$7,174</td>
<td>30.9</td>
<td>-$840</td>
</tr>
<tr>
<td>$20,000–$30,000</td>
<td>16.125</td>
<td>5.229</td>
<td>32.4</td>
<td>-$4,433</td>
<td>19.1</td>
<td>-$850</td>
</tr>
<tr>
<td>$30,000–$40,000</td>
<td>12.921</td>
<td>2.513</td>
<td>19.5</td>
<td>-$2,207</td>
<td>9.5</td>
<td>-$880</td>
</tr>
<tr>
<td>$40,000–$50,000</td>
<td>12.041</td>
<td>1.530</td>
<td>12.7</td>
<td>-$1,411</td>
<td>6.1</td>
<td>-$920</td>
</tr>
<tr>
<td>$50,000–$75,000</td>
<td>22.858</td>
<td>1.339</td>
<td>5.9</td>
<td>-$1,084</td>
<td>4.7</td>
<td>-$810</td>
</tr>
<tr>
<td>&gt; $75,000</td>
<td>50.942</td>
<td>0.722</td>
<td>1.4</td>
<td>-$486</td>
<td>2.1</td>
<td>-$670</td>
</tr>
<tr>
<td>All</td>
<td>144.919</td>
<td>28.200</td>
<td>19.5</td>
<td>-$23,229</td>
<td>100.0</td>
<td>-$820</td>
</tr>
</tbody>
</table>

**Source:** Authors’ calculations using data from OMB (2017a, 2017b, 2017c) and the Transfer Income Model, version 3.

**Note:** Simulation omits nondefense discretionary spending reductions.

When the NDD changes are added to the program-specific changes, the number of affected families increases to 29.2 million, or 20.1 percent of all families (table 4). This is not a large increase from the number of affected families in simulation 1, meaning that almost all of the families affected by the NDD spending cuts were already affected by at least one of the specified changes to the benefit programs captured in the first simulation.
TABLE 4
Results by Income Category, Simulation 2

<table>
<thead>
<tr>
<th>Baseline annual cash income</th>
<th>Total number of families (millions)</th>
<th>Families with any change (millions)</th>
<th>Percentage of this income category with any change</th>
<th>Total amount of change (millions)</th>
<th>Share of change in each income group (%)</th>
<th>Average change per family with change</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $10,000</td>
<td>13.394</td>
<td>8.369</td>
<td>62.5</td>
<td>-10,091</td>
<td>28.2</td>
<td>-1,210</td>
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<tr>
<td>$10,000–$20,000</td>
<td>16.562</td>
<td>8.544</td>
<td>51.6</td>
<td>-12,073</td>
<td>33.7</td>
<td>-1,410</td>
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<tr>
<td>$20,000–$30,000</td>
<td>16.125</td>
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<td>33.0</td>
<td>-6,208</td>
<td>17.3</td>
<td>1,170</td>
</tr>
<tr>
<td>$30,000–$40,000</td>
<td>12.921</td>
<td>2.601</td>
<td>20.1</td>
<td>-3,118</td>
<td>8.7</td>
<td>1,200</td>
</tr>
<tr>
<td>$40,000–$50,000</td>
<td>12.041</td>
<td>1.694</td>
<td>14.1</td>
<td>-1,921</td>
<td>5.4</td>
<td>1,130</td>
</tr>
<tr>
<td>$50,000–$75,000</td>
<td>22.858</td>
<td>1.580</td>
<td>6.9</td>
<td>-1,562</td>
<td>4.4</td>
<td>990</td>
</tr>
<tr>
<td>&gt; $75,000</td>
<td>50.942</td>
<td>1.003</td>
<td>2.0</td>
<td>-759</td>
<td>2.1</td>
<td>760</td>
</tr>
<tr>
<td>All</td>
<td>144.919</td>
<td>29.158</td>
<td>20.1</td>
<td>-35,790</td>
<td>100.0</td>
<td>1,230</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations using data from OMB (2017a, 2017b, 2017c) and the Transfer Income Model, version 3.
Note: Simulation includes nondefense discretionary spending reductions.

However, the inclusion of the NDD changes in the package does substantially increase the average amount of loss for affected families, from $820 in average annual resource loss in simulation 1 to $1,230 in average annual resource loss in simulation 2.

The amount that families lose varies substantially. In simulation 2 (including the NDD changes as well as the program-specific changes) 2.4 million families lose less than $100 in annual resources; 2.9 million lose more than $2500 in annual resources (table 5). Over a third of families with a change (10.9 million) lose between $100 and $500 in annual resources.

TABLE 5
Extent of Loss, Simulation 2

<table>
<thead>
<tr>
<th>Amount of annual loss of resources</th>
<th>Number of families (millions)</th>
<th>Percentage of families with any change</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $100</td>
<td>2.369</td>
<td>8</td>
</tr>
<tr>
<td>$100–$500</td>
<td>10.886</td>
<td>37</td>
</tr>
<tr>
<td>$500–$1000</td>
<td>6.650</td>
<td>23</td>
</tr>
<tr>
<td>$1,000–$2500</td>
<td>6.393</td>
<td>22</td>
</tr>
<tr>
<td>$2,500 or more</td>
<td>2.860</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>29.158</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations using data from OMB (2017a, 2017b, 2017c) and the Transfer Income Model, version 3.
Note: Simulation includes nondefense discretionary spending reductions.

The portion of families who are affected varies by demographic group. Although 20 percent of all families are affected by simulation 2, 30 percent of families with children are affected (table 6). Among families with no children, no people age 65 or over, and no members with a disability, 12 percent are
affected. The Northeast is the region with the highest portion of families affected (24 percent). A higher portion of families are affected in nonmetropolitan areas (24 percent) than in metropolitan areas (20 percent). Considering results by race and ethnicity, the portion of families affected is higher for black non-Hispanics (35 percent) and Hispanics (29 percent) than for white non-Hispanics (16 percent) or Asian/Pacific Islanders (16 percent).

Most families that are affected experience a change in only one program (most often, SNAP). However, about 25 percent of affected families experience a change in two programs, and 4 percent have changes in three or more programs (table 7).

**TABLE 6**
Portion of Families Affected by Family Type, Simulation 2

<table>
<thead>
<tr>
<th>Family Type</th>
<th>Number of Families (millions)</th>
<th>Families with change (millions)</th>
<th>Percentage of families with change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>144.919</td>
<td>29.158</td>
<td>20.1</td>
</tr>
<tr>
<td>Family type</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Families with children</td>
<td>40.852</td>
<td>12.428</td>
<td>30.4</td>
</tr>
<tr>
<td>Families with elderly or disabled person (and no children)</td>
<td>42.963</td>
<td>9.580</td>
<td>22.3</td>
</tr>
<tr>
<td>Families with no child or elderly or disabled person</td>
<td>61.104</td>
<td>7.151</td>
<td>11.7</td>
</tr>
<tr>
<td>Region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northeast</td>
<td>25.766</td>
<td>6.169</td>
<td>23.9</td>
</tr>
<tr>
<td>Midwest</td>
<td>31.746</td>
<td>6.426</td>
<td>20.2</td>
</tr>
<tr>
<td>South</td>
<td>54.270</td>
<td>10.505</td>
<td>19.4</td>
</tr>
<tr>
<td>West</td>
<td>33.137</td>
<td>6.059</td>
<td>18.3</td>
</tr>
<tr>
<td>Metropolitan status</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan</td>
<td>122.581</td>
<td>23.910</td>
<td>19.5</td>
</tr>
<tr>
<td>Nonmetropolitan</td>
<td>22.338</td>
<td>5.248</td>
<td>23.5</td>
</tr>
<tr>
<td>Race or ethnicity of family head</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White, non-Hispanic</td>
<td>96.840</td>
<td>15.017</td>
<td>15.5</td>
</tr>
<tr>
<td>Black, non-Hispanic</td>
<td>17.945</td>
<td>6.267</td>
<td>34.9</td>
</tr>
<tr>
<td>Asian/Pacific Islander, non-Hispanic</td>
<td>7.341</td>
<td>1.150</td>
<td>15.7</td>
</tr>
<tr>
<td>Hispanic</td>
<td>20.042</td>
<td>5.902</td>
<td>29.4</td>
</tr>
<tr>
<td>Other non-Hispanic</td>
<td>2.751</td>
<td>0.823</td>
<td>29.9</td>
</tr>
</tbody>
</table>

Source: Authors' calculations using data from OMB (2017a, 2017b, 2017c) and the Transfer Income Model, version 3.

Note: Simulation includes nondefense discretionary spending reductions.
TABLE 7
Number of Program Changes, for Families with Any Change, Simulation 2

<table>
<thead>
<tr>
<th>Number of families (millions)</th>
<th>Percentage of families with any change</th>
</tr>
</thead>
<tbody>
<tr>
<td>One program</td>
<td>20.720</td>
</tr>
<tr>
<td>Two programs</td>
<td>7.136</td>
</tr>
<tr>
<td>Three programs</td>
<td>1.172</td>
</tr>
<tr>
<td>Four or more programs</td>
<td>0.130</td>
</tr>
<tr>
<td>Total with any change</td>
<td>29.158</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations using data from OMB (2017a, 2017b, 2017c) and the Transfer Income Model, version 3.
Note: Simulation includes nondefense discretionary spending reductions.

Conclusions and Caveats

The analysis suggests that the changes to safety net programs in the administration’s budget proposals could have substantial impacts. When we apply our best understanding of the fully phased-in policies to a representation of the 2018 population, about one in five families are affected. For the poorest families, with under $10,000 in annual cash income, 63 percent are affected. Families with children are more likely to be affected than other families; about 30 percent of families with children are affected by at least one of the policies compared with 22 percent of families with no child but with an elderly or disabled member and 12 percent of other families. The average loss of annual resources is about $1,230, but almost 2.9 million families lose at least $2,500 in annual resources.

The analysis must be considered with several important caveats in mind. First, our adjustment of the data to better represent 2018 is an approximation. To the extent that we have misestimated the income and employment picture in 2018, particularly for lower-income families, the results could be affected. Second, the analysis is based on our best understanding of the intent of the budget proposals, but it involved numerous assumptions, and different assumptions would have led to different impacts. For example, if we assumed that states would make no changes in SNAP benefit amounts, the aggregate impacts would have been lower both in terms of affected families and aggregate dollars. In contrast, our assumptions regarding the implementation of the SSI change were all in the direction of minimizing the impact of that policy. Third, we assumed that individuals and families do not change their behaviors in response to these policy changes. If people change their work hours, living arrangements, and fertility decisions in response to these policy changes, the changes in material well-being and the distribution of those changes may differ. Finally, our goal is to illustrate what the impact of the proposed policy changes could be when they are fully phased in. We illustrate that using data that reflects our best guess
of what the socioeconomic characteristics of the country will be in 2018, even though the policy changes will not be completely phased in until 2027. We are not predicting what the policy changes mean for 2018. Further, the socioeconomic characteristics of the US population may be quite different in 2027 than they are in our forecast for 2018.

Nevertheless, the analysis suggests that changes across multiple safety net programs would affect a substantial portion of US families, with larger changes for the lowest-income families and for families with children.
Notes

1. The WIC simulation does not include eligibility or benefits for pregnant women, because pregnancy is not reported in the survey and is not imputed in this analysis.

2. The LIHEAP simulation is intended to capture benefits for heating and cooling assistance; it does not attempt to capture the benefits of weatherization assistance.

3. Information presented here is derived in part from the Transfer Income Model, version 3, and associated databases. The model requires users to input assumptions or interpretations about economic behavior and the rules governing federal programs. Therefore, the conclusions presented here are attributable only to the authors of this report.


5. To capture the full range of program interactions, the simulations are run in a particular order: (1) SSI; (2) TANF, which must follow the SSI simulation because SSI recipients are generally precluded from being in TANF assistance units; (3) CCDF, which follows SSI and TANF because many states count that assistance as income, and some states exempt TANF recipients from paying copayments; (4) the housing subsidy programs, which include cash assistance in the income definition and which disregard a portion of child care expenses; (5) SNAP, which includes cash assistance in the income definition and which may disregard a portion of housing expenses; and (6) WIC and LIHEAP, which include cash assistance in the income definition and which may confer automatic eligibility on recipients of some other programs.


12. In the baseline simulations used as the starting point for this analysis, approximately 500,000 child SSI recipients live in multirecipient households; that baseline is generally consistent with the GAO estimates.


14. The baseline simulations of TANF cash benefits come very close to the program’s data for average per-family benefits but fall somewhat short of the aggregate “basic assistance” figures in the financial data. Thus, the
aggregate TANF benefit reduction in the simulation equals about 9 percent of the FY 2015 aggregate spending on basic assistance.


16. Households with one or two members are guaranteed to receive at least the minimum SNAP benefit. However, there is no minimum benefit for households with three or more members. To receive SNAP, these households must have income that is low enough to qualify for a benefit under the SNAP benefit formula.

17. The estimate that 3.6 percent of ABAWDs living in waived areas would continue to be waived is based on estimates in Dean (2017). That study estimated that 36.4 percent of the population lives in areas waived from the time limit in 2017 and that, under the proposed budget, areas of the country covered by the waiver would include 1.3 percent of the population. We divide 1.3 percent by 36.4 percent to arrive at an estimate that 3.6 percent of ABAWDs currently live in waived areas that would continue to be covered by a waiver.

18. In the few cases in which states vary the HCSUA by household size, the average of $422 uses the HCSUA for a two-person household.

19. The federal government would see savings from the overall 25 percent reduction in benefit costs that we are assuming and from the fact that the states would be paying for 25 percent of the remaining 75 percent (an additional 18 percent of the original cost), for a total savings of 43 percent. OMB estimates the federal SNAP savings in 2027 at $25.3 billion, which is about 41 percent of CBO’s 2027 SNAP benefit projection. Thus, our assumption is generally consistent with the OMB figures.


21. Of the total WIC budget of approximately $6 billion, $1 million in spending is mandatory, and the remainder is discretionary.


23. Individuals living alone or in households without relatives are classified as single-person “families” in this analysis.
References


About the Authors

**Linda Giannarelli** is a senior fellow in the Income and Benefits Policy Center at the Urban Institute, where her work focuses on the operation of the US social safety net and the potential for improving the economic well-being of low-income families through policy changes. Giannarelli co-leads the TRIM3 microsimulation model project, with a particular focus on analyzing program participation rates and estimating the impacts of anti-poverty policies. She also provides senior guidance to the Welfare Rules Database and the CCDF Policies Database projects.

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**Joyce Morton** is a senior research associate in the Urban Institute’s Income and Benefits Policy Center. She serves as the lead programmer for the TRIM3 microsimulation model, and she has conducted and directed the technical aspects of numerous analyses applying TRIM3 to safety net and poverty issues.
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