



The Impact of Proposed 2018 Changes to Key Safety Net Programs on Family Resources

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In Brief

In late October 2017, the Senate and the House of Representatives adopted a joint budget resolution that envisions large cuts to basic assistance and income security programs over the next 10 years.¹ The primary goal of the budget resolution, which is nonbinding, is to pave the way for major tax legislation. Although an active debate has ensued on how the emerging tax proposals may affect individual family income, there has been little discussion of how family resources may be affected by the large reductions in income security spending envisioned in the budget blueprint. Although the Congressional resolution offers little detail on how spending reductions may be achieved, the administration's fiscal year 2018 budget, originally introduced in May 2018, outlines several specific policy changes that suggest how family resources might be affected.

This brief estimates the potential impact of income security cuts in the administration's proposal at the family level. Budget proposals are generally expressed in terms of large aggregate numbers, but policymakers and the public alike need to understand what those proposals may mean for individual families. Congress's budget resolution envisioned larger cuts to spending than did the administration's budget, so the latter provides a starting point for understanding how families may be affected by significant reductions in spending on key programs that provide cash and near-cash resources to low- and middle-income families.

We focus on cash and near-cash resources for families, estimating the average change in a family's resources that could result after implementation of the proposed program changes in several key income security programs. We applied a comprehensive microsimulation model² (one that is widely used by government analysts and researchers from diverse points of view) to a large, representative

sample of US households—the spring 2015 Current Population Survey, Annual Social and Economic Supplement (CPS-ASEC). 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 referred to as “aging”). An accompanying technical report (Giannarelli, Wheaton, and Morton 2017) describes the model and methods used in more detail.

Some of the main findings from our analysis of the implications of the administration’s proposed 2018 budget are as follows (also summarized in table 1):

- We estimate that approximately 28.2 million families (comprising 68.4 million people) would see their resources decline if the administration’s proposed changes to basic assistance and income security programs were fully implemented in 2018. Changes to the Supplemental Nutrition Assistance Program (SNAP), Supplemental Security Income (SSI), the Low Income Home Energy Assistance Program (LIHEAP), Temporary Assistance for Needy Families (TANF), and rental housing subsidies provided through the US Department of Housing and Urban Development (HUD) would affect about 20 percent of all families and 30 percent of families with children. When we incorporate additional across-the-board cuts in nondefense discretionary (NDD) programs that affect basic supports to low-income families, including the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), child care subsidies provided through the Child Care and Development Fund (CCDF) and HUD rental assistance, the number of families affected increases to 29.2 million (comprising 72.3 million people).
- An average family affected by full implementation of the program and policy changes could experience a \$1,230 annual reduction in available resources. The discretionary cuts represent approximately \$400 of this net loss. The total reduction in benefits would be an estimated \$35.8 billion in 2018 dollars, of which the discretionary cuts represent about \$12.6 billion.
- Three-quarters (75 percent) of families experiencing a change include at least one child, senior, or person with a disability and are therefore likely to be particularly vulnerable.
- More than half (51.5 percent) of all families experiencing a change, or about 15 million people, have a white, non-Hispanic head of household. A little more than one in five affected families (21.5 percent) have a black, non-Hispanic head of household; another one in five (20.2 percent) have a Hispanic head of household.
- Changes to SNAP could affect the largest number of families. With plausible assumptions about state reactions to the federal policy, 23.4 million families would experience a change in benefits, and the average annual reduction per affected family would be approximately \$600.
- The loss of child care subsidies would represent the largest single loss in family resources among the programs we examine. Although the cuts affect fewer than 200,000 families, the impact of the cuts could be significant, leading to an average annual loss of \$7,140 in resources per family.

- If all the changes from the administration’s proposals assessed in this brief were fully implemented in 2018, we estimate the overall supplemental poverty rate for all families would move from a baseline of 12.5 percent to 13.6 percent (an increase of 1.1 percentage points, or about 12.6 percent). For families with children, the increase would be greater, from 12.1 percent to 13.7 percent (an increase of 1.6 percentage points, or about 13.2 percent). We use the supplemental poverty measure because it allows us to see the impact that both cash and noncash government assistance has on family resources.

TABLE 1

Summary of Program Changes Analyzed

Benefit program	Policy or funding changes
SSI	Sliding-scale benefit rule that reduces benefits for some families with multiple program participants.
TANF	Aggregate TANF block grant reduced 10 percent.
SNAP	(1) Tightened eligibility for ABAWD time-limit waivers; (2) termination of broad-based categorical eligibility policy; (3) maximum allotment capped at six-person amount; (4) termination of minimum benefit; (5) changes to standard utility allowance; (6) states must pay 25 percent of the benefit cost.
Rental housing assistance	(1) rent contribution formula changed to 35 percent of gross income; (2) utility reimbursement policy terminated; (3) minimum rent increased to \$50.
LIHEAP	Program terminated.
Nondefense discretionary spending	In 2027, nondefense discretionary spending is projected to be 41 percent lower than it would be under current law. Potentially affected programs included in this analysis are rental housing assistance, WIC, and a portion of child care subsidies through CCDF.

Note: CCDF = the Child Care and Development Fund; LIHEAP = the Low Income Home Energy Assistance Program; SNAP = the Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income; TANF = Temporary Assistance for Needy Families; WIC = the Special Supplemental Nutrition Program for Women, Infants and Children.

It is difficult to predict exactly how families may cope if they experience a significant loss in resources intended to help them cover basic needs (such as housing and food), secure supports that enable them to work (such as child care), or replace a lack of income related to a disability. A strengthening economy may allow some affected families to increase their employment and earnings, buffering the impact of some of the proposed changes. In the long-run, higher earnings can improve family well-being and have positive effects on child outcomes (Duncan, Magnuson, and Votruba-Drzal 2014). If poverty rates increase, however, many US families’ health and well-being may be at risk of worse outcomes (Braveman et al. 2010). This analysis does not consider the impact on families of potential cuts to Medicare and Medicaid, which would likely increase out-of-pocket spending and further reduce household resources. Although the supplemental poverty measure estimates include the impact of current federal and state income taxes, we do not include any analysis of tax policy changes currently being proposed by the administration or Congress. Preliminary analyses of some of these

proposals by the Urban-Brookings Tax Policy Center suggest that, in their current form, the proposals would have little impact on the average incomes of low-income families in 2018.

Introduction

In May 2017, the administration’s Office of Management and Budget released a proposed fiscal year (FY) 2018 budget that laid out a vision of government policy and spending priorities, including significant changes over the next 10 years to key programs that provide basic assistance and income security to low- and middle-income families. The Senate and the House of Representatives adopted a joint budget resolution in late October 2017 that assumes even greater reductions in spending for income security programs over the next decade than does the president’s budget, although little detail on specific program changes is included in Congress’s document.

As the debate on potential tax reforms proceeds, discussion has been limited on the potential impact of large budget cuts for income security programs that will affect American families’ resources. This brief estimates the potential impact of the administration’s proposed changes in key programs that provide cash or near-cash assistance to low- and middle-income families. We applied a comprehensive microsimulation model (one that is widely used by government analysts and researchers from diverse points of view) to a large, representative sample of US households—the spring 2015 CPS-ASEC. 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 referred to as “aging”). The proposed changes in the key safety net programs we examine here were then applied to the adjusted data, and we implemented the proposals as if they were fully in place in 2018. In some cases, the proposed policies were not described in detail, and we made assumptions based on our best understanding of them. An accompanying technical report (Giannarelli, Wheaton, and Morton 2017) describes the model and methods used in more detail.

The programs we examine for which specific changes were proposed are the following:

- **SNAP**, which provides monthly benefits to purchase food
- **TANF**, which provides block grants to states to provide cash assistance and other services, such as employment services or child care, to low-income families
- **SSI**, which provides cash grants to low-income seniors and individuals with disabilities
- **LIHEAP**, which helps low-income households with heating and cooling expenses
- **Rental housing assistance** through HUD, including vouchers that reduce the amount of money a family pays in a private rental unit or in multifamily units that have received funding to provide affordable housing, or through publicly owned units administered by a local housing authority

Families may be eligible for and participating in several programs, and program changes can interact, so it is useful to examine the impact of more than one program at a time. For example, reductions in cash assistance in the SSI program might typically render a family eligible for a higher monthly SNAP benefit, because SNAP is designed to respond to a loss of income. However, simultaneous cuts to multiple programs may affect the most economically vulnerable families in ways that neither they nor policymakers anticipate.

In addition to examining specific program changes, we accounted for the administration's proposal to reduce spending for a broad set of programs referred to as "discretionary spending." In recent years, efforts to restrain budget expenditures have used caps on programs that are subject to regular appropriations by Congress, excluding spending on defense and mandatory entitlement programs such as Social Security and Medicare. Referred to as nondefense discretionary (NDD) spending, this category includes some programs that benefit individuals and families at all income levels, such as K-12 education, medical research, and national parks, as well as some that assist low-income families, such as Head Start and rental assistance (CBPP 2017). In 2017, NDD spending represented 15 percent of federal spending, or approximately \$624 billion (OMB 2017a).

The administration's budget calls for NDD spending in 2027 to be 41 percent lower than currently projected. Although these cuts might affect families' access to many kinds of services and programs, here we examine the impact of NDD spending cuts on household resources to purchase food, child care, and housing; we assumed that each affected program would experience the same 41 percent reduction.³ We examine the following three programs:

- The **Special Supplemental Nutrition Program for Women, Infants and Children (WIC)**, which provides benefits to purchase certain foods for pregnant and postpartum women and young children as well as to purchase formula for infants
- Child care subsidies provided through the **Child Care and Development Fund (CCDF)** program (part of the Child Care and Development Block Grant), which helps low-income working families purchase child care services
- **HUD rental assistance programs** as described previously, which would be affected by NDD spending cuts as well as by the specific policy changes mentioned earlier

Findings

Number of Families Affected

We estimate that approximately 20 percent of all families in the United States and 30 percent of families with children would see their resources decline if the administration's proposed changes to these programs were fully implemented in 2018 (table 2). Changes to SNAP, SSI, LIHEAP, TANF, and HUD housing subsidies (exclusive of NDD spending cuts) would affect 28.2 million families (comprising

68.4 million people); when considering NDD spending cuts to WIC, child care subsidies, and HUD rental housing assistance, the number of families affected rises to 29.2 million (comprising 72.3 million people).

TABLE 2

Characteristics of Families Affected by Proposed Safety Net Policies, Aged to 2018, Including Nondefense Discretionary Spending

	Number of families in US (millions)	Number of US families with benefit change (millions)	Percentage of US families with benefit change	Distribution of families with benefit change (%)	Average benefit change
All	144.9	29.2	20.1	100.0	-\$1,230
<i>Family type</i>					
Families with children	40.9	12.4	30.4	42.6	-\$1,440
Families with elderly or disabled person	43.0	9.6	22.3	32.9	-\$1,290
Other families	61.1	7.2	11.7	24.5	-\$770
<i>Region</i>					
Northeast	25.8	6.2	23.9	21.2	-\$1,730
Midwest	31.7	6.4	20.2	22.0	-\$1,010
South	54.3	10.5	19.4	36.0	-\$970
West	33.1	6.1	18.3	20.8	-\$1,390
<i>Metropolitan status</i>					
Metro	122.6	23.9	19.5	82.0	-\$1,290
Nonmetropolitan	22.3	5.2	23.5	18.0	-\$950
<i>Race/ethnicity of family head</i>					
White non-Hispanic	96.8	15.0	15.5	51.5	-\$1,050
Black non-Hispanic	17.9	6.3	34.9	21.5	-\$1,480
Asian/Pacific Islander non-Hispanic	7.3	1.1	15.7	3.9	-\$1,690
Hispanic	20.0	5.9	29.4	20.2	-\$1,300
Other non-Hispanic	2.8	0.8	29.9	2.8	-\$1,440

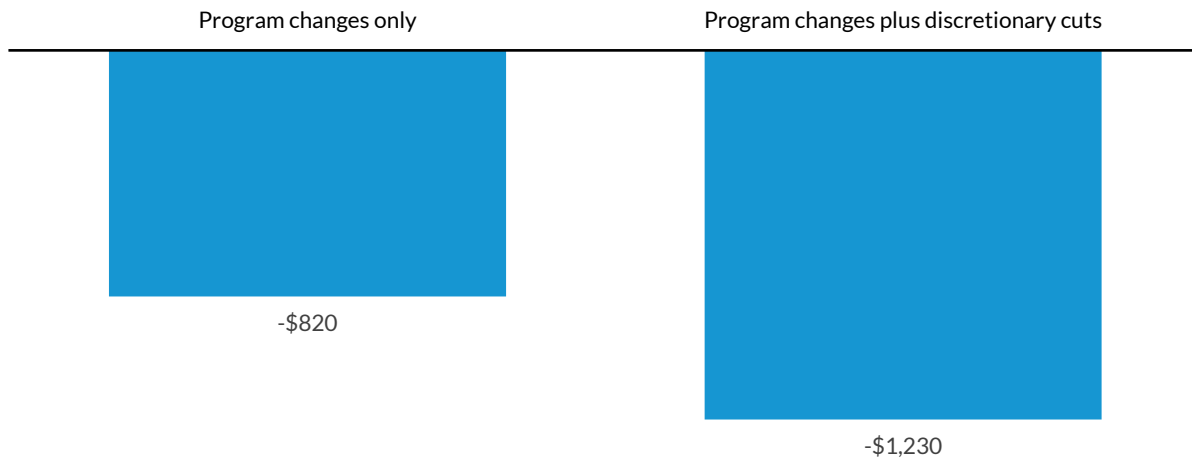
Source: Authors' calculations based on the Current Population Survey, Annual Social and Economic Supplement and the Transfer Income Model, version 3.

Estimated Change in Family Resources and Total Program Benefits

Full implementation of all program and policy changes analyzed here (including NDD spending cuts) would lower the resources of affected families by an average of \$1,230 annually (figure 1). The NDD spending cuts represent approximately \$400 of this net loss in resources. We estimate the total reduction in program benefits would be \$35.8 billion in 2018 dollars (\$23.2 billion without NDD spending cuts).

FIGURE 1

Affected Families Would See Their Resources Decline by More Than \$1,200 Annually if Proposed Program Changes Were Fully Implemented in 2018



Source: Authors' calculations based on the Current Population Survey, Annual Social and Economic Supplement and the Transfer Income Model, version 3.

Note: "Plus discretionary cuts" includes reductions in the Special Supplemental Nutrition Program for Women, Infants and Children, child care subsidies through the Child Care and Development Fund, and rental housing assistance as result of proposed cuts to nondefense discretionary spending.

Types of Families Affected

Three-quarters (75 percent) of families experiencing a change include at least one child, senior, or person with a disability and are therefore likely to be particularly vulnerable (table 2). More than half (52 percent) of all families experiencing a change (comprising about 15 million people) have a white, non-Hispanic head of household. A little more than one in five affected families (22 percent) have a black, non-Hispanic head of household; another 20 percent have a Hispanic head of household.

Number of Program Changes

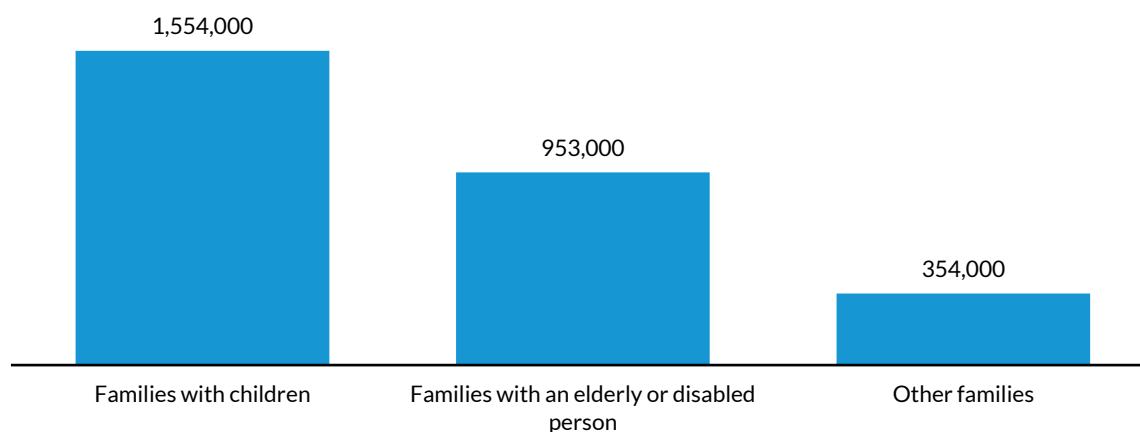
On average, most families experiencing a change are affected by only one program. But 1.3 million families are affected by three or more changes, and over two-thirds of those families have income of less than \$20,000 per year.

Families Experiencing Most Significant Impact

Because the programs we examine largely assist low-income families, it is not surprising that 79 percent of those affected are families with cash income of less than \$30,000 a year (table 3). Although the average loss in family resources is \$1,230 annually, approximately 2.9 million families are expected to

lose at least \$2,500 annually, including 1.6 million families with children and 1 million families with a family member who has a disability or is elderly (figure 2). Over 700,000 families experiencing reductions of \$2,500 or more have very low incomes (less than \$10,000 a year).

FIGURE 2
Characteristics of Families Losing at Least \$2,500 in Resources



Source: Authors' calculations based on the Current Population Survey, Annual Social and Economic Supplement and the Transfer Income Model, version 3.

TABLE 3
Distribution of Changes in Benefits by Family Income

Baseline annual cash income	Number of families (millions)	Share of families (%)	Total change (millions)	Share of change in each income group (%)	Families with any change (millions)	Percentage of this income category with any change	Average change per family with change
<\$10,000	13.4	9.2	-\$10,091	28.2	8.4	62.5	-\$1,210
\$10,000-\$20,000	16.6	11.4	-\$12,073	33.7	8.5	51.6	-\$1,410
\$20,000-\$30,000	16.1	11.1	-\$6,208	17.3	5.3	33.0	-\$1,170
\$30,000-\$40,000	12.9	8.9	-\$3,118	8.7	2.6	20.1	-\$1,200
\$40,000-\$50,000	12.0	8.3	-\$1,921	5.4	1.7	14.1	-\$1,130
\$50,000-\$75,000	22.9	15.8	-\$1,562	4.4	1.6	6.9	-\$990
> \$75,000	50.9	35.2	-\$759	2.1	1.0	2.0	-\$760
All	144.9	100.0	-\$35,790	100.0	29.2	20.1	-\$1,230

Source: Authors' calculations based on the Current Population Survey, Annual Social and Economic Supplement and the Transfer Income Model, version 3.

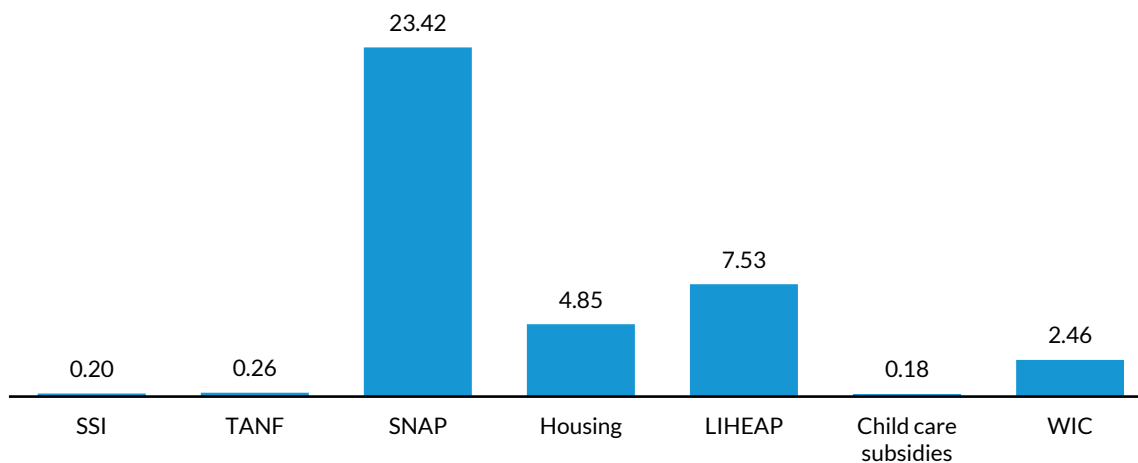
Program-Specific Changes

We examine the estimated changes in family resources by each individual program type. Figure 3 shows the number of families affected by changes in each program, and figure 4 shows the average amount of resource change by program. We briefly describe the proposed changes by program and provide more detail in the accompanying technical report (Giannarelli, Wheaton, and Morton 2017).

FIGURE 3

Number of Families Affected by Cuts, by Program

Millions

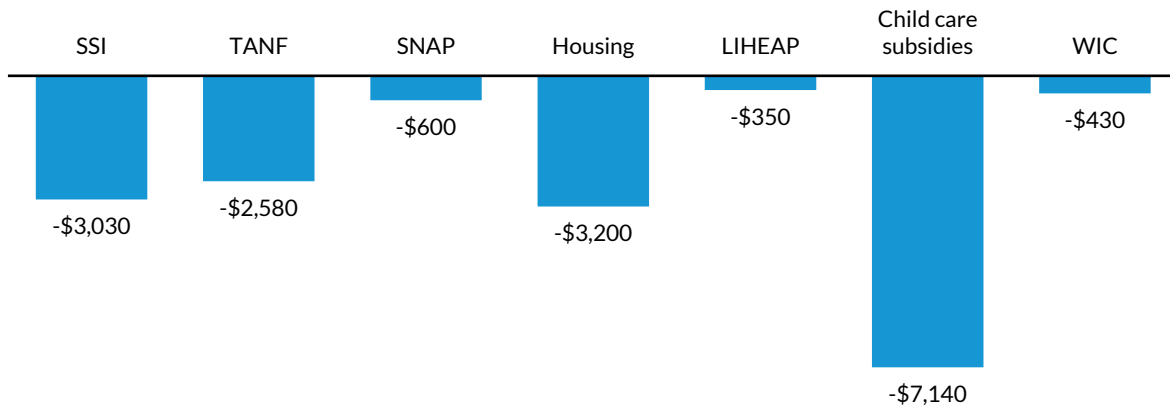


Source: Authors' calculations based on the Current Population Survey, Annual Social and Economic Supplement and the Transfer Income Model, version 3.

Note: LIHEAP = the Low Income Home Energy Assistance Program; SNAP = the Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income; TANF = Temporary Assistance for Needy Families; WIC = the Special Supplemental Nutrition Program for Women, Infants and Children.

FIGURE 4

Average Annual Change in Family Benefits, by Program



Source: Authors’ calculations based on the Current Population Survey, Annual Social and Economic Supplement and the Transfer Income Model, version 3.

Note: LIHEAP = the Low Income Home Energy Assistance Program; SNAP = the Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income; TANF = Temporary Assistance for Needy Families; WIC = the Special Supplemental Nutrition Program for Women, Infants and Children.

SNAP

The administration’s budget proposal includes many changes to SNAP, (detailed in table 1). One of the most significant changes would require states to pay for a portion of the cost of SNAP benefits. The portion would rise over 10 years, with states paying 25 percent of the total costs of SNAP benefits by FY 2023. States would also be given “new flexibilities” to establish “locally appropriate benefit levels” (OMB 2017a, 10) States might not use that flexibility at all, or they might make substantial changes. Our estimates incorporate a reduction in benefits that, combined with the proposal’s other changes, reduce the aggregate cost of SNAP benefits 25 percent, thereby reducing states’ match payments 25 percent (and reducing federal costs about 43 percent).

With these assumptions, we estimate that changes to SNAP would affect the largest number of families among all the programs analyzed: 23.4 million families would experience a change in benefits, with an average annual reduction per family of approximately \$600. In FY 2017, the average monthly benefit for a household receiving SNAP was \$253.⁴ Thus, the loss of benefits would be equivalent to more than two months of benefits for an average household. Another way of thinking about the change is in the number of meals lost. On average, monthly SNAP benefits provide about \$1.40 per meal,⁵ meaning that the average loss in benefits would be equivalent to the program’s contribution to about 36 meals a month, or 430 meals a year.

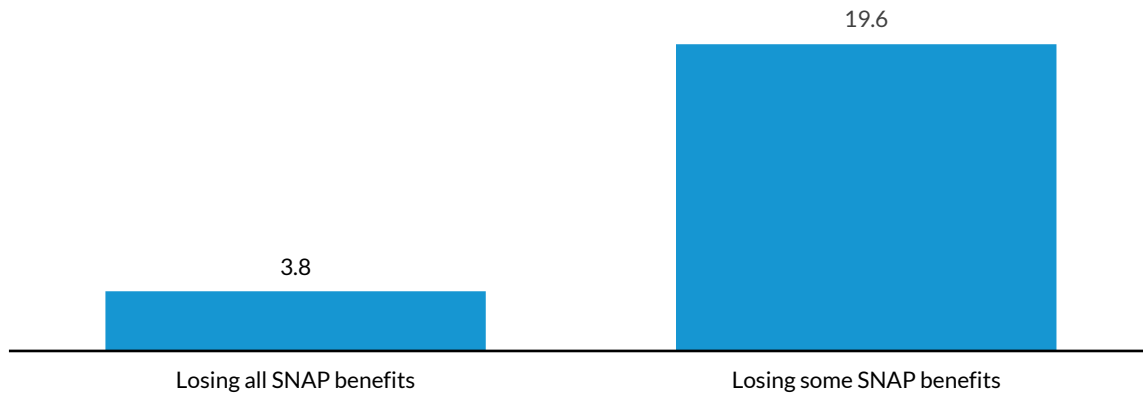
As shown in figure 5, implementation of the proposed SNAP policy changes could affect families in different ways. We expect that the majority of families, 19.6 million, will experience a partial loss of benefits, but 3.8 million families are likely to lose eligibility for all SNAP benefits. Families may lose

eligibility for the program entirely because the administration’s proposal eliminates broad-based categorical eligibility or because it eliminates the minimum benefit, meaning that some families of one or two people would not qualify for benefits. Further, reductions in the standard utility allowances would lead to higher net incomes, moving some families above the eligibility threshold.

FIGURE 5

Number of Families Affected by Changes to SNAP

Millions



Source: Authors’ calculations based on the Current Population Survey, Annual Social and Economic Supplement and the Transfer Income Model, version 3.

Note: SNAP = the Supplemental Nutrition Assistance Program.

TANF

TANF provides block grants to states to provide cash assistance and other services, such as employment services or child care, to low-income families. However, most states devote a majority of resources to purposes other than cash grants (Hahn et al. 2017). The typical monthly benefit for families varies widely because states have broad discretion in determining cash assistance levels. As of mid-2015, the average state provided a three-person family a maximum monthly benefit of \$442 (Cohen et al. 2016).

The administration’s budget proposal would reduce the TANF block grant 10 percent. States might respond to a 10 percent reduction in their block grant in different ways, such as by compensating for the decline by increasing their state spending. If they did not make up for the decline, they would need 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; 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 a 10 percent drop in the federal TANF block grant would lead to a 10 percent reduction in states’ spending on cash assistance. The accompanying technical report (Giannarelli, Wheaton, and Morton 2017) provides more details. We estimate that approximately

260,000 families would experience a change in resources and that the loss of benefits would represent a resource reduction of approximately \$2,580.

Rental Housing Assistance

Housing assistance can be provided through vouchers that reduce the amount of rent a family pays in a private rental unit, through multifamily units that have received subsidies to provide affordable housing (known as project-based vouchers), or through units in publicly owned buildings administered by a local housing authority.

Rental assistance includes an expectation that families contribute a portion of their income to rent. The administration's proposal includes three changes to the determination of households' required housing-cost payments:

- The Secretary of HUD may require the household's contribution to be computed as 35 percent of gross income (rather than the current 30 percent of net income).
- The utility reimbursement policy is terminated. If households must pay utilities separately from rent, they are responsible for that entire payment even if it exceeds the amount of money that has been computed as their contribution to housing costs. (Currently, the program would pay the portion of utility costs exceeding the household's required payment.)
- The minimum rent is increased from \$25 to \$50.

In the discussions of all three changes, the administration's proposal refers to hardship exemptions. However, it includes no specific discussion of how hardship exemptions would be determined. The proposal also discusses the possibility of increased work requirements for households with rental assistance. However, it provides no detail on how such requirements might be imposed. Therefore, our estimates do not include any new work requirements, and only one potential hardship exemption is modeled. The technical report (Giannarelli, Wheaton, and Morton 2017) provides a detailed description of how we modeled the proposed changes.

Similar to SNAP, implementation of proposed policy changes in rental assistance is expected to lead to reduced benefits for many families and the loss of all housing assistance for some families. As shown in figure 6, we estimate that about 4.9 million families would be affected by the changes; each family would see an average loss of resources equal to \$3200 in 2018. These changes are caused by the specific changes in how households' rents are computed and in the treatment of utility costs as well as by a reduction in the available number of subsidies. We assume that after the specific policy changes, the number of assisted households would fall to meet the remainder of the 41 percent savings goal for NDD spending.

The number of families with any rental assistance is expected to drop by 1.8 million, primarily because of the NDD spending cuts. For families that completely lose their subsidy, the average annual loss of resources is \$6,890. This is roughly equivalent to six months of the average fair-market rent for a

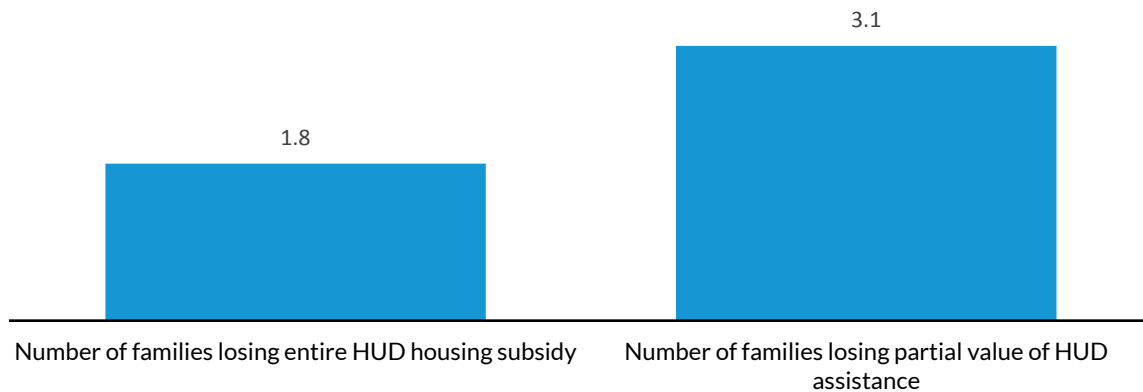
two-bedroom apartment in the US in 2017, according to the National Low Income Housing Coalition (Aurand et al. 2017).

Another 3.1 million families would lose some of the value of their subsidies because of changes in tenant contributions to rent and other specific policy changes. These families would experience a reduction in assistance of about \$1,100, which is roughly equal to one month of average fair-market rent for a two-bedroom apartment in the US in 2017 (Aurand et al. 2017).

FIGURE 6

Number of Families Affected by Changes to Rental Assistance Programs

Millions



Source: Authors' calculations based on the Current Population Survey, Annual Social and Economic Supplement and the Transfer Income Model, version 3.

Note: HUD = the US Department of Housing and Urban Development.

SSI

The administration proposes one specific change to the SSI program: creating a “sliding scale for multi-recipient SSI families” (OMB 2017b, 111).⁶ 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 proposal calls for an expert panel to guide the change, and a sliding scale policy could be constructed several ways. Absent other guidance, we relied on specifications described by a prior expert panel, the 1995 National Commission on Childhood Disability (1995).

Because the proposed changes to the SSI program focus on a subset of families that have several disabled family members, the overall number of families affected is low compared with the number who would be affected by changes to most of the other programs. In 2018, we estimate that about 200,000 families would experience a benefit change. The average estimated reduction in family resources is significant, at \$3,030. In 2018, the maximum individual SSI monthly benefit is \$750.⁷ A parent and child who are both disabled and do not have countable cash income beyond benefits from SSI currently each qualify for the maximum benefit (for a total monthly benefit of \$1,500). Under the administration’s proposal, this family would now have a cap on benefits for the child. In this case, that cap would reduce

the total family benefit 19 percent to a monthly benefit of \$1,218. This example family's reduction in benefits would be equivalent to \$282 per month, or \$3,384 over the course of the year.

LIHEAP

LIHEAP provides payments to low-income households to help with heating and cooling costs. Benefits are typically provided as a one-time grant during the winter or the summer. The administration's proposal calls for the elimination of the LIHEAP program. We estimate that about 7.5 million families would lose assistance with heating or cooling expenses in 2018. The average annual benefit loss per family is estimated at \$350. This amount represents a little more than half of what the average US household is expected to spend (\$631) using natural gas for winter heating fuel during the 2017–18 season.⁸

Discretionary Cuts to Child Care Subsidies

The CCDF program 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 NDD spending, and it requires a state match.

Although a portion of the child care subsidies provided to families through the CCDF are mandatory expenditures, some of the expenditures are categorized as NDD and thus are subject to the across-the-board cuts under the administration's proposal. Applying the 41 percent drop to the NDD portion of the program suggests an overall drop in funding of about 20 percent; we assume that the cut would be achieved by reducing the caseload (because increasing copayments would have a limited effect, and states are required to link reimbursement rates to providers to actual child care costs). The number of families estimated to be affected is about 200,000, but the expected impact of the cuts would be quite significant, producing an average loss of resources of \$7,140 per family. This is largest single loss in any of the programs we examined.

According to a 2016 report by Care.com and the New America Foundation, the average cost of four years of full-time child care in a center-based program for infants is \$9,589 per year (Shulte and Durana 2016). The projected loss in resources is equivalent to 74 percent of the cost of a year of full-time care, and families would need to compensate for that loss in resources to maintain their full-time child care.

Discretionary Cuts to WIC

WIC targets assistance to pregnant and postpartum mothers, infants, and young children at nutritional risk by providing families with purchases of specific foods, including whole grains, dairy, fruits and vegetables, and infant formula. Although WIC is not the focus of changes in the administration's proposal, it is subject to the across-the-board cuts to NDD spending. Because WIC is not an entitlement program and approved spending levels may not cover the needs of all families, the US Department of Agriculture maintains priority guidelines for targeting limited resources, placing greater emphasis on infants than on children. To achieve the level of discretionary cuts specified in the administration's

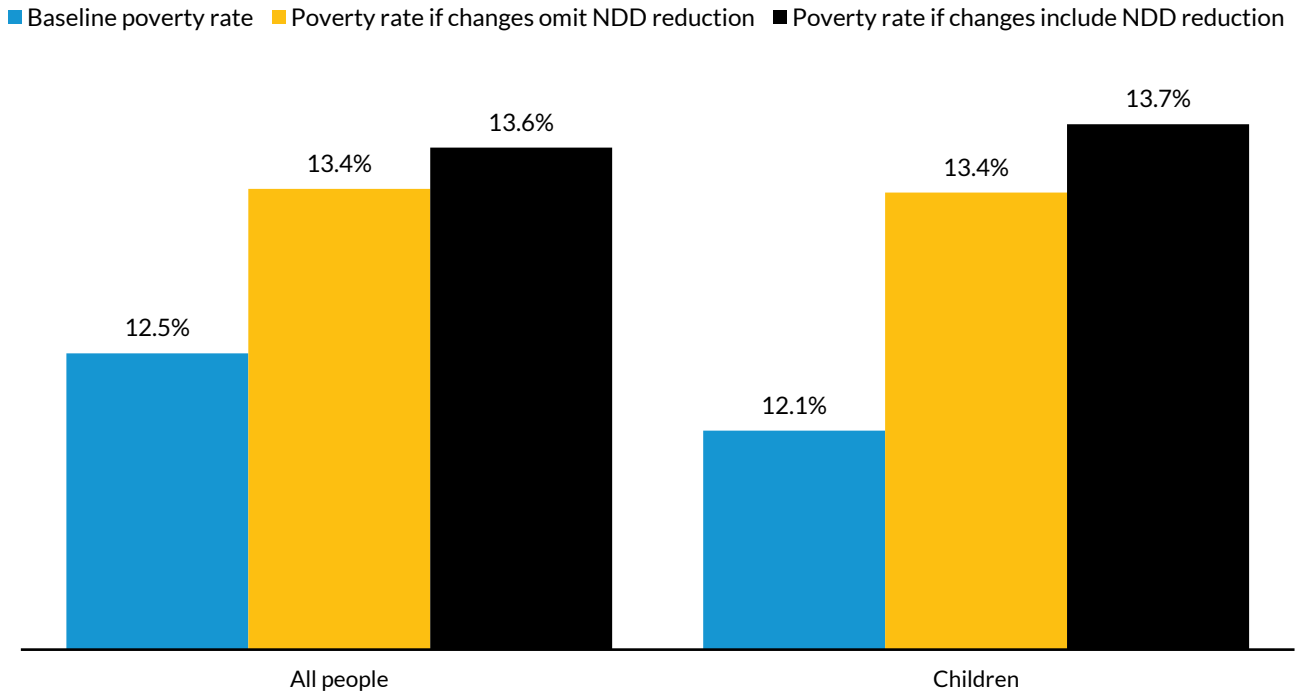
proposal, we modeled a reduction in benefits applying this priority system (see the accompanying technical report [Giannarelli, Wheaton, and Morton 2017] for more detail). We estimate that about 2.5 million families would be affected, including the majority of families with children receiving WIC and a portion of families with infants and mothers receiving WIC. On average, the annual reduction in resources per family would be about \$430. In FY 2016, the average cost of food provided per participant was about \$43;⁹ the average loss would therefore be roughly equivalent to about 10 months of individual benefits as provided in 2016.

Impact of Multiple Program Changes on Poverty

Another way to examine the potential impact of changes in safety net programs is to assess what happens to the supplemental poverty measure, or rate, when the value of cash and near-cash assistance are considered. The supplemental poverty measure, unlike the official poverty measure, considers not just a family's cash income but also the value of their near-cash benefits and their spending on taxes and work-related expenses. The supplemental poverty rate is an appropriate metric to use because it allows us to see the full impact that government assistance has on family resources. If all the changes from the administration's proposals assessed in this brief were fully implemented in 2018, we estimate the overall supplemental poverty rate for all people would move from an estimated baseline of 12.5 percent to 13.6 percent (an increase of 1.1 percentage points or about 12.6 percent). Although the supplemental poverty rate for children is typically lower than for families overall because of the buffering effects of safety net programs often targeted to families with children (Bridges and Gesumaria 2015), we estimate that children's poverty rate would equal or exceed the overall rate, moving from a 2018 baseline of 12.1 percent to 13.7 percent (an increase of 1.6 percentage points, or about 13.2 percent; figure 7). Overall, 3.5 million people (including 1.2 million children) would enter poverty as defined by the supplemental poverty measure. We estimate that families in deep poverty (defined as those with incomes below 50 percent of the federal poverty level) would see only a small impact, in part because some families in this category receive relatively little assistance.

FIGURE 7

Effect of Administration’s Proposed Policy Changes on Poverty Rate according to the SPM, 2018



Source: Authors’ calculations based on the Current Population Survey, Annual Social and Economic Supplement and the Transfer Income Model, version 3.

Note: NDD = nondefense discretionary spending; SPM = supplemental poverty measure.

Discussion

In this analysis, we used microsimulation techniques to estimate the potential impact on family resources of the administration’s proposed changes in key safety net programs. Taken alone, these proposed changes, if fully implemented in 2018, would reduce resources for about 20 percent of US families and 30 percent of families with children, resulting in an average annual loss of \$1,230 per family in 2018 dollars (including about \$400 from the across-the-board cuts that affect certain discretionary spending programs).

Although some of the proposed changes would be implemented incrementally over a 10- year period, we modeled them here as fully implemented in 2018 to highlight the potential impact of multiple policy changes at once at the full scale that the administration has envisioned. The goal is to provide policymakers and the public with additional information for assessing what an evolving approach to safety net programs may look like for affected families.

Because the administration’s proposed FY 2018 budget offers limited details on exactly how targeted changes would be implemented, we have had to make several assumptions on how policies

might be enacted to produce these estimates. These assumptions are outlined in detail in the accompanying technical report (Giannarelli, Wheaton, and Morton 2017). Other choices would produce different results—program impacts could look different if these spending cuts lead to fewer families being eligible for assistance, reduce benefits for all families, or produce a mix of both effects. But given the significant scope of proposed changes, any combination will have implications for family resources. Policymakers should pay careful attention to understanding how specific choices will affect individual families.

It is difficult to predict exactly how families may cope if they experience a significant loss in resources intended to help them cover basic needs (such as housing and food), secure supports that enable them to work (such as child care), or replace a lack of income related to a disability. This analysis suggests that the poverty rate would likely rise under the proposed budget and affect many families, and prior research indicates that poverty is associated negative impacts on a wide range of outcomes, including educational attainment and physical and mental health (Magnuson and Votruba-Drzal 2009). Duncan, Magnuson and Votruba-Drzal (2014) provide evidence that just as increases in family income are associated with improved child and adult outcomes, reductions in income or near-cash and in-kind supports are likely to increase risks for children that can persist into adulthood.

A strengthening economy may allow some affected families to increase their employment and earnings, buffering the impact of some of the proposed changes. In the long-run, higher earnings can improve family well-being and have positive effects on child outcomes. Because at least one-third of the families affected contain at least one senior or person with a disability, many individuals affected will not be participating in the workforce, which raises questions about shorter-term risks for vulnerable families.

Reduced resources in certain programs may also undermine positive outcomes known to be associated with program participation. For example, research has found positive associations between SNAP participation and reduced food insecurity (Kreider et al. 2012; Nord 2013; Nord and Prell 2011). For example, Nord (2013) examined the changes in food insecurity and food spending after the expiration of the enhanced SNAP benefit provided by the American Recovery and Reinvestment Act, concluding that the prevalence of very low food security—the severe range of food insecurity where food intake is reduced—increased 2.0 percentage points, and food spending by families receiving SNAP declined 4.4 percent. Although we do not directly estimate the potential impact on food insecurity, research suggests that an average annual loss of \$600 would likely lead to higher food insecurity rates.

Similarly, prior research suggests that reductions in housing subsidies may undermine family residential stability and well-being. For example, recent reports from the multiyear Family Options Study examined the impact of housing assistance for homeless families, and found that permanent housing subsidies had a positive impact on multiple measures, including improved residential stability, better child and adult well-being, and reduced food insecurity (Gubits et al. 2016). These findings also highlight the spillover effects of antipoverty programs on outcomes outside of the immediate focus of the program (e.g., housing assistance can reduce food insecurity).

Reduced resources may also undermine the efforts of families to seek and maintain work. For example, in the face of significant cuts to child care subsidies, families may need to cut work hours or leave a job (Forry and Hofferth 2011; Press, Fagan, and Laughlin 2006). The ability to find substantially less expensive care options may rest heavily on whether there are family members or friends who are not working and can assist. Moreover, a reduction in subsidies limits the options available to low-income families to access high-quality child care that could help improve early childhood development and school readiness (Shonkoff and Phillips 2001).

Finally, the estimates in this analysis reflect a relatively robust economy. In the event of an economic downturn, significant reductions in program resources would mean fewer buffers to address material hardship and economic distress. Further, the analysis does not consider the impact on families of potential cuts to Medicare and Medicaid, which would likely increase out-of-pocket spending and further reduce household resources.

Data and Methods

We briefly highlight the data and methods used to simulate the potential impacts of the programs we examined here. The technical report (Giannarelli, Wheaton, and Morton 2017) includes detailed documentation.

To estimate the scope of the impacts, we applied a comprehensive microsimulation model to a large representative sample of US households—the spring 2015 CPS-ASEC. 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 referred to as “aging”). The proposed changes in the key safety net programs we examine here were then applied to the adjusted data, and we implement the proposals as if they were fully in place in 2018. In some cases, the proposed policies were not described in detail, and we made assumptions based on our best understanding of them. We did not assume any changes in employment or earnings due to the proposed policies.

The spring 2015 CPS-ASEC collected information on 74,000 US households, including their demographic characteristics and their income and employment characteristics during calendar year 2014. The sampling and weighting of the CPS-ASEC surveys is carried out by the US Bureau of the Census to be representative of the US civilian noninstitutionalized population; these data are the source of each year’s official poverty statistics.

Under other funding, these data had been augmented by the TRIM3 microsimulation model to create a more complete picture of households’ use of safety net benefits, adjusting for the fact that participation in those programs is underreported. For this analysis, the CY 2014 model-adjusted CPS-ASEC data were further adjusted to better represent the population and the stronger economy in 2018. Adjustments were made to the size of the population, the unemployment rate, and the levels of various types of income.

To simulate the impact of the administration’s safety net proposals, we simulated all the programs on the 2018 baseline data described in the technical report (Giannarelli, Wheaton, and Morton 2017). 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, WIC, and child care subsidies through CCDF.

Notes

1. “On the Concurrent Resolution (H. Con. Res. 71 As Amended),” United States Senate, October 19, 2017, accessed November 15, 2017, https://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=115&session=1&vote=00245.
2. Information presented here is derived in part from the Transfer Income Model, version 3 (TRIM3) and associated databases. TRIM3 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. For more information regarding TRIM3, visit <http://trim3.urban.org/T3Welcome.php>
3. The administration’s proposed budget figures by agency and function leave unspecified a large portion of the proposed total reduction in NDD spending. For 2027, a reduction of over \$105 billion from the baseline is listed as “adjustment to meet discretionary non-security spending caps,” but it is not associated with a particular program or agency. (See table 25-1, “Net Budget Authority by Function, Category, and Program,” at “Analytical Perspectives,” Office of Management and Budget, accessed November 16, 2017, https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/25_1.pdf.)
4. See the national level summary for persons, households, benefits, and average monthly benefit from the US Department of Agriculture at “Supplemental Nutrition Assistance Program (SNAP),” Food and Nutrition Service, last published November 3, 2017, accessed November 15, 2017, <https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap>.
5. This per meal estimate is derived by dividing the average monthly FY 17 benefit for an individual (\$125) by the estimated number of meals consumed in a month (90, assuming three meals per day for 30 days).
6. The administration also mentions the possibility of increased work among SSI recipients with disabilities. Due to uncertainty about how the policy might be implemented, it is not included in our analysis.
7. See “SSI Federal Payment Amounts for 2018,” Social Security Administration, accessed November 15, 2017, <https://www.ssa.gov/oact/cola/SSI.html>.
8. ⁸ See Table WF01, “Average Consumer Prices and Expenditures for Heating Fuels during the Winter,” at “Winter Fuels Outlook,” US Energy Information Administration, accessed November 16, 2017, <https://www.eia.gov/outlooks/steo/report/winterfuels.cfm>.
9. See the national level annual summary for fiscal year 2016 from the US Department of Agriculture at “WIC Program,” Food and Nutrition Service, last published November 3, 2017, accessed November 15, 2017, <https://www.fns.usda.gov/pd/wic-program>.

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This work is part of Urban Institute’s 50-year history of forecasting and analyzing major shifts in federal policies – including remaking the safety net. As policymakers consider profound changes in the safety net, our researchers remain committed to producing important evidence-based resources for policymakers and the American public to understand the implications of changing federal policy.



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