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IN ONLY THE WEALTHY NEED APPLY, the Fiscal Policy Institute estimated the fiscal and economic impacts of the Department of Homeland Security’s “public charge” rule. This 2019 paper updates an analysis that FPI first published in 2018. Presented here is the detailed methodology we used in making these estimates. *Only the Wealthy Need Apply: The Chilling Effects of “Public Charge”* is available at www.fiscalpolicy.org/publiccharge2019

Methodology for “Public Charge” Estimates

1. The Population that Would Experience a Chilling Effect

We define the population that would experience a chilling effect as those who might be nervous and confused by the new rule, and might feel like they need to make a choice between applying for needed benefits and avoiding putting their family at risk. Most of the people experiencing a chilling effect are people who will not have to go through a public charge determination.

In order to estimate the size of the population experiencing a chilling effect, the Fiscal Policy Institute uses estimates provided by the Center on Budget and Policy Priorities (CBPP) of the number of people living in families where at least one person is a non-citizen, and where someone in that family has received one of the public benefits named in the proposed public charge rule. The analysis uses the Current Population Survey and corrects for underreporting of SNAP, TANF and SSI receipt in the Census survey using data from the Department of Health and Human Services/Urban Institute Transfer Income Model (TRIM). These TRIM corrections take into account program eligibility rules by immigration status. Three years of data are combined in order to increase sample size and improve the reliability of the state-level estimates: 2013 to 2015, the most recent for which the TRIM-adjusted data were available at the time of analysis. National level estimates are based on data just from 2015.

CBPP’s calculations of program participation include the newly considered programs —Medicaid, SNAP, and housing benefits—as well as those already considered—TANF, SSI, and General Assistance. The Census data for Medicaid used by CBPP also include the closely intertwined Children’s Health Insurance Program (CHIP). The final rule does not penalize children under 21 years old for use of these health care programs, but our overall analysis assumes they will nonetheless be affected. As noted below, our more conservative analysis considers the impact if *none* of the families avoid enrolling children in these programs. Medicare Part D low-income

subsidies are included in the proposed rule but were not included in CBPP’s estimates due to a lack of a Census variable that identifies those participants.

2. Estimating the Economic Loss

Among the people who experience a chilling effect, some portion would go so far as to avoid enrollment in programs for which they are eligible.

The estimate of the direct loss of family economic supports due to the drop in enrollment in these programs begins with SNAP, Medicaid and CHIP federal funding data. The estimates use administrative and survey data to approximate the amount of benefits received by families that include a non-citizen. In estimating the economic consequences of the public charge rule, we assume that only a portion of this group will actually avoid enrollment in these food, health, housing, or cash supports. While a lot is at stake for people in families with a non-citizen immigrant if they fear running afoul of the public charge rule, there is also a lot at stake in not applying and having your family go hungry or lack health insurance.

In our estimates, we assume that 25 percent of the people experiencing a chilling effect will disenroll from SNAP and Medicaid. In doing this, we follow the Kaiser Family Fund’s paper of February, 2018, “Proposed Changes to ‘Public Charge’ Policies for Immigrants: Implications for Health Coverage,” which provides a review of the literature leading to this estimate range.¹ Our confidence in this central estimate is increased by the survey conducted by the Urban Institute showing that among immigrant families, 21 percent of adults in low-income families—the ones who would likely meet income eligibility requirements for most of these programs—are reporting that someone in their family avoided benefits.² We do not attempt to simulate the consequences of adverse selection—for instance, that healthier people may be more likely to withdraw from health care coverage than less healthy people.

In addition to this central estimate, we also provide a more conservative estimate that assumes only a 15 percent reduction in benefits for people in families with at least one non-citizen, and also assumes that in these families *no children* are discouraged from getting Medicaid. Children in our modeling are those under 19 years old. This very nearly approximates the public charge rule’s exclusion of health care spending for immigrants under 21 years old.

To estimate the economic ripple effects, the Fiscal Policy Institute uses an analysis provided to us by Josh Biven of the Economic Policy Institute. The analysis takes the direct benefit loss as calculated above, and applies to it an output multiplier for SNAP of 1.6, in line with estimates Bivens summarizes in a 2011 paper.³ The Medicaid multiplier is 2.0, and is drawn from an analysis of the effects of the American Recovery and Reinvestment Act.⁴

After calculating the effect of benefit reductions on output, the output was divided by \$146,880 to obtain an estimate of the effect on employment, on a full-time equivalent (FTE) basis. This

employment multiplier was obtained by dividing U.S. gross domestic product in 2017 by the number of FTEs in that year.⁵

The economic impact can be expected to vary with the state of the economy. The economic and job loss of the public charge rule will be greater in times of high unemployment, and lower in times of full employment. Since the public charge rule is proposed to be permanent, the effect could be expected to vary.

3. Estimating the Tax Loss to Each State

To provide a rough estimate of the taxes lost by this predicted drop in state Gross Domestic Product (GDP), we assume that state tax revenues are generally proportionate to state GDP. We calculate state taxes as a share of GDP for each state, and then calculate the reduction in taxes implied by a reduction of state GDP as modeled above. GDP for all years is taken from the Bureau of Economic Analysis.

For California, Connecticut, District of Columbia, New York, Oregon, Pennsylvania, Vermont, and Washington are from annual state budget reports for 2018-19, except for the District of Columbia which is for 2017-18; Oregon is taken as half of a 2-year budget for 2017-19. For these states, the tax share of GDP is based on 2018 GDP. For all other states, state tax revenue is from the American Community Survey and based on 2016 data, with GDP data for 2016.

Endnotes

¹ That report cites as the underpinning for this range of estimates: Neeraj Kaushal and Robert Kaestner, “Welfare Reform and Health Insurance of Immigrants,” *Health Services Research*, 40(3), June, 2005; Michael Fix and Jeffrey Passel, *Trends in Noncitizens’ and Citizens’ Use of Public Benefits Following Welfare Reform 1994-97* (Washington, DC: The Urban Institute, March 1, 1999); Namratha R. Kandula, et. al, “The Unintended Impact of Welfare Reform on the Medicaid Enrollment of Eligible Immigrants,” *Health Services Research*, 39(5), October 2004; and Rachel Benson Gold, *Immigrants and Medicaid After Welfare Reform*, (Washington, DC: The Guttmacher Institute, May 1, 2003).

² H. Bernstein, D. Gonzalez, M. Karpman, and S. Zuckerman, “One in Seven Adults in Immigrant Families Reported Avoiding Public Benefit Programs in 2018.” Urban Institute, 2019.

³ Josh Bivens, “Method Memo on Estimating the Jobs Impact of Various Policy Changes,” Economic Policy Institute, November 8, 2011.

⁴ Any slowdown in the growth of aggregate demand caused by reductions in spending on these programs could in theory be neutralized by the Federal Reserve Bank lowering rates to spur growth. However, this does not change the size of the fiscal drag that benefit cuts would impose on the economy. These estimates are implicitly a measure of how much harder other macroeconomic policy tools would have to work to neutralize the demand drag stemming these cuts. Further, it is deeply uncertain whether other tools of macroeconomic policy have the ability to neutralize negative fiscal shocks. See Gabriel Chodorow-Reich, Laura Feiveson, Zachary Liscow, and William Gui Woolston, “Does State Fiscal Relief During Recessions Increase Employment?,” *American Economic Journal: Economic Policy*, August 2012, pp. 118-145.

⁵ Data for the analysis come from tables 1.1.5 and 6.5 from the National Income and Product Accounts of the Bureau of Economic Analysis. The quotient was increased by the growth in its nominal value in 2017 to forecast what it would be in 2018.