Testimony of New York City Human Resources Administration/ Department of Social Services Hearing before New York State Senate Committees on Social Services and Aging October 21, 2019

Good morning Chair Persaud, Chair May and members of the Social Services and Aging Committees. My name is Grace Bonilla and I am the Administrator for the New York City Human Resources Administration (HRA). I want to thank the committees for hosting this hearing on this very important topic.

HRA is the nation's largest social services agency assisting over three million New Yorkers annually through the administration of public assistance programs including cash assistance, employment programs, food stamps, public health insurance and other supports that help New Yorkers remain in the workforce. HRA also plays a role in the administration of housing programs such as supportive housing, and services designed to assist individuals who are chronically homeless, individuals with HIV/AIDS, individuals with serious mental illness and/or individuals who are survivors of domestic violence, among others. Much of our work focuses on advancing one of NYC's chief priorities: reducing income inequality and leveling the playing field for all New Yorkers. As the agency responsible for administering essential assistance, HRA has proactively worked to fight against the proposed federal rules that would harm low-income New Yorkers. We have been particularly concerned with the federal government's recent proposed rules impacting Supplemental Nutrition Assistance Program (SNAP) and the Official Poverty Measure (OPM). HRA has various initiatives focused on reducing hunger and tackling underlying socioeconomic factors that lead to food insecurity.

The HRA Emergency Food Assistance Program (EFAP) provides over 40 food items and purchases the most nutritious food items that also meet the dietary and cooking needs of special populations, such as homeless New Yorkers, those with HIV/AIDS, and those who require a Kosher or Halal diet. The actual purchase of these items is based on an analysis of the needs and trends of the emergency food network. HRA also requires that all 558 emergency food programs funded by EFAP provide SNAP outreach services. These services include SNAP eligibility prescreening, assistance with the SNAP application process, and distributing SNAP materials that promote this nutritional benefit.

To help clients close the gap in their food budgets, the NYC Department of Health and Mental Health (DOHMH), with support from HRA, distributes Health Bucks coupons to provide New Yorkers who receive SNAP benefits with additional purchasing power to buy fresh, locally grown produce at all NYC farmers markets year-round. For every $5 spent in SNAP benefits at farmers markets, shoppers get $2 in Health Bucks representing a 40% increase in purchasing power. This benefits SNAP recipients by enabling them to buy high-quality nutritious produce and allowing them to support regional and local farms – which strengthens the rural economy in New York and in neighboring states. In 2018, more than 450,000 Health Bucks were distributed at farmers markets through the SNAP incentive and by community-based organizations as part of their nutrition and health programming, as well as by elected officials and organizations that purchased Health Bucks to hand out through their programs.

In response to proposed rules impacting New Yorkers and in particular our clients, HRA worked with our partner agencies to submit comments to be considered as a part of the federal rule making process. This includes comments submitted in response to:

- Food and Nutrition Services (FNS) proposed changes to requirements and services for Able-Bodied Adults without Dependents (ABAWD);
- FNS revision of categorical eligibility; and
- Office of Management and Budget (OMB) changes to the Consumer Inflation Measures produced by federal statistical agencies.

Additionally, we are currently working on comments for the recently proposed rules that would revise SNAP regulations regarding the methodology for calculating standard utility allowances.

Categorical Eligibility

Broad-based categorical Eligibility (BBCE) enables states to raise SNAP income eligibility limits to allow those that use a sizable portion of their income on expenses such as housing or child care, to still be able to provide food for their family. On July 24, 2019, the Trump administration released a final proposed rule revising categorical eligibility to in practice eliminate the policy.

The City of New York submitted comments outlining our strong opposition to the proposed rule, which would dramatically change the longstanding rules for SNAP eligibility. It would increase food insecurity for working-class families and vulnerable populations and negatively impact public health while imposing additional administrative and fiscal burdens on state and local governments.

According to data from the Office of Temporary and Disability Assistance (OTDA), under the proposed rule, as of June 2019, 19,193 NYC SNAP households (with 47,257 individuals) would immediately become ineligible for SNAP because their current household income exceeds the statutory 130% of FPL gross income limit for households without any members who are age 60 or older or who have disabilities. 12,354 of these households are working households with an average monthly benefit of $82.51. 6,839 of these households currently pay out-of-pocket for dependent care costs as they are working, looking for work, or are engaged in an approved employment training activity, and have an average monthly benefit of $215.90. An undetermined number of New York State and New York City households would be denied eligibility upon applying or would lose eligibility at recertification due to the re-imposition of the resource/asset test for SNAP eligibility.

Not only does the categorical eligibility rule raise legal issues because Congress has rejected these draconian eligibility restrictions, the City of New York believes the rule will have harmful effects on clients, the economy, and increase the burden on local and state governments. To begin, SNAP protects family health and well-being, improves economic outcomes, and promotes greater self-sufficiency. The United States Department of Agriculture (USDA), in its own Regulatory Impact Analysis, sets forth the vast numbers of households who would no longer be eligible to participate in SNAP.[1] For example, the USDA estimates that 9% of households (an estimated 1.7 million households in FY 2020, containing 3.1 million persons) will be ineligible under the proposed rule.[2] The USDA states that approximately 12.5% of SNAP households with earnings will lose benefits.[3] Most immediately, food-insecure households may have to choose between spending limited resources on food or on other needs, including healthcare. Moreover, food insecurity is linked to serious health conditions such as diabetes, obesity, complications in pregnancy, low birth weight, and mental health problems.[4] Given the health problems associated with inadequate nutrition, food insecurity is also associated with increased use of healthcare services, including more emergency room visits and hospital admissions, while SNAP participation is associated with lower healthcare expenditures.[5] The proposed rule would also overwhelmingly harm seniors and children. By

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[1] 84 FR at 35575

[2] Id.

[3] Id.

[4] Food Research and Action Center. (December 2017). The role of the Supplemental Nutrition Assistance Program in improving health and well-being. Accessed at http://frac.org/research/resource-library/snap-public-health-role-supplemental-nutrition-assistance-program-improving-health-well%e2%80%90being-americans.

[5] Berkowitz S. Seligman H., & Basu S. (2017). Impact of food insecurity and SNAP participation on healthcare utilization and expenditures. University of Kentucky Center for Poverty Research Discussion Paper Series, DP2017-02. Accessed at https://uknowledge.uky.edu/ukcpr_papers/103/ .

the USDA's own admission, the proposed rule would eliminate access to SNAP for 13.2% of participating households with seniors[6] and 7.4% of participating households with children.

SNAP also provides benefits to the economy as a whole. It is well documented that the economic gains from public benefits are even greater than the volume of direct assistance due to a "multiplier" effect. Benefits are spent at local food retailers, with SNAP recipients spending more dollars on food at local retailers compared to eligible non-recipients.[7] The USDA has estimated that, during times of economic downturn, every additional $5 in SNAP benefits generates up to $9 of economic activity, and every $1 billion increase in SNAP benefits results in 8,900 full-time equivalent jobs.[8] Research conducted after temporary increases in SNAP expired found that household grocery store spending declined by $0.37 for every $1 lost in SNAP benefits.[9]

Along with the impact on the economy, repeal of BBCE will create disincentives to work and save for the future. SNAP households in states that implemented flexible asset limits or eliminated them altogether under BBCE are both more likely to have a bank account and more likely to have at least $500 saved.[10] The proposed rule fails to support working families by creating a hard "benefit cliff" at 130% of FPL (or $2,311 per month for a family of three in FY 2020), where even a small increase in income would make the household ineligible, which creates a disincentive to work or attain increased wages. In addition, NYS SNAP participants with earned income currently remain eligible up to 150% FPL, and this rule would no longer permit that. This proposal would weaken SNAP's role in supporting work while making it harder for working families that struggle to get by on low wages to meet their basic needs. The proposed rule would also discourage savings among low-income families who already struggle to establish financial security. Building modest assets allows low-income families to avoid accumulating debt and to be better financially prepared for old age and unforeseen events, such as a home or car repair or the loss of a job in a recession. Recent reports show most City residents do not have enough savings to cover an emergency.[11] Data from the 2015 New York City Poverty Tracker shows that three-quarters of SNAP recipients reported less than $700 in liquid assets and 80% reported they would not be able to cover 3 months of expenses.[12]

Clients with limited savings who lose categorical eligibility may have to use those savings for food instead of shelter, which could drive up homelessness. Additionally, the proposed rule would make it more difficult for households to save money, including first and last months' rents and security deposits, which could exacerbate homelessness.

The proposal would create unnecessary churning of cases where low-income households' resources slightly exceed the resource limit at the end of the month, are found ineligible, and in the following month after bills are paid, are under the limit and then reapply. These households will face hardship during the time in which they are not receiving benefits. In addition, it is likely many households will be discouraged

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[6] 84 FR at 35575

[7] U.S. Department of Agriculture, "The Benefits of Increasing the Supplemental Nutrition Assistance Program Participation in Your State," December 2011, https://www.fns.usda.gov/sites/default/files/bc_facts.pdf.

[8] Economic Research Service, US Department of Agriculture. (2010). The Food Assistance National Input-Output Multiplier (FANIOM) Model and the stimulus effect of SNAP. Accessed at https://www.ers.usda.gov/webdocs/publications/44748/7996_err103_1_.pdf.

[9] Bruich G. (2014). The effect of SNAP benefits on expenditures: new evidence from scanner data and the November 2013 benefit cuts. Access at http://scholar.harvard.edu/files/bruich/files/bruich_2014b.pdf

[10] Ratcliffe C., McKernan S., Wheaton L., Kalish E., Ruggles C., Armstrong S., & Oberlin C. (2016). *Asset Limits, SNAP Participation, and Financial Stability*. Washington, DC: Urban Institute.

[11] https://anhd.org/wp-content/uploads/2016/11/20161106_anhd_ed_poster.pdf, https://www.theatlantic.com/magazine/archive/2016/05/my-secret-shame/476415/

[12] Center on Poverty and Social Policy, Columbia University School of Social Work. Analysis of 2015 Poverty Tracker data (unpublished).

from reapplying for benefits because they see the reapplication process as too burdensome, including the additional documentation required for clients to demonstrate their resources. This harmful and unnecessary churn will result in increased administrative costs.

The proposed rule would create administrative burdens, specifically for the City of New York. As the local social services district, we have embraced BBCE because it helps us better serve working families and those saving for the future. It also helps to streamline our operations. Few low-income households that apply for SNAP have assets above the federal limits, but under the proposed rule, our workers would have to ask about assets during the application process and eligibility interview. Documentation may be difficult for applicants to find, and the time involved in the applicant locating, and staff reviewing, the requested documentation increases administrative workload on the backs of those in need.

Finally, the impact of this rule goes beyond the work of HRA. The proposed rule would create a financial burden on the City of New York and other jurisdictions that use the Community Eligibility Provision to maintain school lunch programs. The City has made a commitment that all NYC public school children can receive free breakfast and lunch without regard to their parent's income. The City of New York uses the Community Eligibility Provision under the National School Lunch Program to serve no cost lunch to students without collecting household applications on the basis of being a high poverty school district. Any decline in families being determined to be categorically eligible for benefits will shift costs for school meals onto the City.

Able-Bodied Adults without Dependents (ABAWD)

Currently, federal law dictates that ABAWDs can only receive SNAP for up to 3 months in a 36-month period unless they meet work requirements. States can request the USDA to waive the time limit under two circumstances – where the area's unemployment rate is over 10% or there is a lack of sufficient jobs for the individuals.

The USDA will continue to allow approvals where the unemployment rate is over 10%, but the ABAWD proposed rule seeks to amend the criteria relating to lack of sufficient jobs for the individuals. The proposed rule now establishes "core standards" for waivers that include a 24-month average unemployment rate that is 20% higher than the national average and a floor, which requires a minimum average unemployment rate of 7%. So, although an area may have an unemployment rate that is more than 20% above the national average for a 24-month period, that area must have an unemployment rate of at least the 7% floor to be considered for a waiver of the ABAWD time limits. This means the proposed rule removes the statutory focus on individuals and instead places the focus on the employment rate as a whole.

States also receive percentage exemptions that allow them to extend SNAP eligibility for ABAWDs. The Trump administration is proposing to amend the regulatory standards by which the USDA evaluates state SNAP agency requests to waive the time limit and to end the unlimited carryover of ABAWD percentage exemptions.

The City of New York strongly opposes the proposed rule because its blatant disregard for the socio-economic realities facing ABAWDs will result in significant negative outcomes, including food insecurity and harm to the economy. For example, the ABAWD population faces employment barriers based on race and education that are not reflected in declining national unemployment rates. Available evidence shows that ABAWDs, including the more than 70,000 ABAWDs on NYC's SNAP caseload, often face substantial barriers to employment. ABAWDs in New York City are much more likely than the general U.S. labor force to be members of racial or ethnic groups that face employment discrimination and, as a result, elevated levels of unemployment.

In addition, the ABAWD population in New York City has high rates of housing instability, which adds another barrier to seeking and retaining employment.[13] As of January 2019, almost 30 percent (21,246) of the ABAWD population in New York City had no permanent address associated with their SNAP case, typically meaning they were temporarily doubled-up with friends or family. An additional 3,259 (4.4%) were living in homeless shelters. By amending the current standard relating to lack of sufficient jobs, a standard that is more flexible and based on the circumstances and availability of jobs of specific individuals, the USDA is ignoring historical barriers to employment faced by ABAWDs.

SNAP is designed to reduce food insecurity, and the available evidence indicates that it does. Not surprisingly, the reverse is also true: researchers at the USDA found that between 17 to 34 percent of ABAWDs that left SNAP due to the time limit reported very low food security, meaning they had to skip meals or otherwise disrupt their eating because they could not afford food.[14] There is also no evidence that ABAWD work requirements increase self-sufficiency. We believe the primary impact of further restrictions on ABAWD time limits will be to deprive individuals in need of SNAP benefits without meaningfully improving ABAWD employment outcomes.

In addition to increasing food insecurity among the ABAWD population, the proposed rule will harm New York City's economy. The USDA estimates that the net reduction in spending as a result of the proposed rule will be approximately $1.1 billion in FY 2020 and $7.9 billion over the next five years from 2020 to 2024. It is well documented that the economic gains from public benefits are even greater than the volume of direct assistance due to a "multiplier" effect, as discussed earlier in my testimony.

Along with the impact to the ABAWD population and the City's economy, the proposed rule would also be an administrative and fiscal burden on state and local governments. Changing the criteria by which these waivers must be developed and approved will require the expertise of dedicated personnel and an increase in supportive resources to draft, create, and implement. This is a significant fiscal and programmatic burden as NYC's ABAWD program for 2019 has already been established and implemented.

New York State is a pledge state and, as a result, receives additional funding to develop engagement opportunities. The City of New York, as an agent of the state, is allocated funding to implement employment programs. The vendors contracted to provide these services have developed opportunities based on the current rules pertaining to the ABAWD population. These contracts will have to be modified and new contracts with additional providers will have to be developed to provide services for the ABAWD population that will no longer be exempt from the ABAWD requirements because of the reduced availability of waivers. This has a substantial fiscal and programmatic impact.

Ending the "carryover" of ABAWD exemptions in the proposed rule is both unreasonable and punitive. The current rules permit the carryover of unused ABAWD exemptions and do not restrict the timeframe in which these carryover exemptions can accrue. This proposed rule, if promulgated, would eliminate the

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[13] Groton,D, Gromer, J, Mennicke, A, Lee,J, Gul,M, Dupree,E and Munn,J. (2015). "Give Us a Chance": Understanding Job Seeking Among Women Experiencing Homelessness. Journal of Employment Counseling, 54(3):115-131.
Long, D, Rio,J, and Rosen,J. (2007). Employment and Income Supports for Homeless People. 2007 National Symposium onHomelessness Research. Retrieved February 22, 2019 from https://aspe.hhs.gov/system/files/pdf/180356/report.pdf
National Alliance to End Homelessness. (2013). Resources: Overcoming Employment Barriers. Retrieved February 22, 2019 from https://endhomelessness.org/resource/overcoming-employment-barriers/.
Poremski, D, Whitley, R and Latimer, E. (2014). Barriers to obtaining employment for people with severe mental illness experiencing homelessness. Journal of Mental Health, 23(4):181-185. DOI: 10.3109/09638237.2014.910640.
U.S. Department of Labor. (1997). Employment and Training for America's Homeless: Best Practices Guide. Research and Evaluation Report Series 97-F. Retrieved February 22, 2019 from https://wdr.doleta.gov/opr/FULLTEXT/1997_09b.pdf.
[14] Dagata, E, USDA Economic Research Service (2002). Assessing the Self-Sufficiency of Food Stamp Leavers. Retrieved March 18 from https://www.ers.usda.gov/webdocs/publications/46644/31106_fanrr26-8_002.pdf?v=0.

unlimited nature of these carryover exemptions and would apply, essentially, an annual adjusted carryover allotment based on the number of exemptions earned in the preceding fiscal year minus the number of exemptions used in the preceding fiscal year. This calculation is complex and penalizes jurisdictions if the carryover amount is utilized by decreasing the allotment for the upcoming fiscal year. Upon promulgation, this rule will eliminate any remaining accrued exemptions.

The City of New York also strongly opposes the restricting of combining data to group substate areas, which prevents the USDA from considering applications that reflect local conditions. The current flexibility is critical to ensuring that states are able to apply to the USDA for waivers that reflect local economic realities. The City's labor market is inherently unique and there are extreme disparities in the boroughs. Eliminating the ability to group areas will ultimately penalize those individuals who are most food insecure. For example, Upper Manhattan is a sub-Labor Market Area (LMA) with a population nearly as large as some states and economic conditions that differ markedly from other parts of the LMA. Specifically, more than half a million residents of Upper Manhattan face an unemployment rate far above that of both the county and New York City as a whole. In recognition of its status as a separate and disadvantaged economic area, Upper Manhattan has been designated by the federal government as an empowerment zone with federal grants targeted to the area to support economic revitalization and job creation. If this area loses its status as a separate and disadvantaged economic area, federal grants will be jeopardized.

Consumer Inflation Measures

The City of New York strongly opposes a proposed rule that replaces the Consumer's Price Index for All Urban Customers (CPI-U) with a chained inflation metric for annually adjusting the OPM. As inflation rates vary across demographic groups, the use of a "chained" inflation metric such as the Personal Consumption Expenditures Price Index (PCEPI) or the Chained Consumer Price Index for All Urban Consumers (C-CPI-U) will exacerbate the existing flaws in the OPM, which is already insufficient as a standard of need. Chained inflation metrics may be useful for measuring the overall inflation rate, but there is substantial research suggesting that they are ill-suited to update the OPM as they may not reflect the higher rates of inflation experienced by low-income families, a flaw which then compounds over time.

As poverty guidelines are directly derived from the OPM, before considering any change to the OPM annual adjustment methodology, the City of New York called upon US OMB to conduct a full analysis of the impact on federal means-tested programs, including the number of people who would lose eligibility for these programs and the effects of such a loss.

One issue with this proposed rule is there is strong evidence that the OPM is already insufficient as a standard of need, particularly in the City. Any steps to change the methods used to set the poverty thresholds each year should be designed to address this issue. By contrast, adopting an inflation metric that grows more slowly will only exacerbate this problem by reducing the poverty thresholds' rate of growth over time.

The original poverty thresholds were set in 1965 as three times the cost of food, based on a 1955 survey by the USDA that found that families of three or more spent about one third of their total after-tax income on food. In 1969, the U.S. Bureau of the Budget (predecessor of OMB) designated this poverty threshold (with certain revisions) as the federal government's official statistical definition of poverty. The calculation of the cost of food times three was only done once for the 1963 base year poverty threshold, which set approximately $3,100 for a family with two adults and two children as "the standard of need."

Since then, poverty thresholds have been updated using the Consumer Price Index ("CPI").[15] In 1978, OMB Statistical Policy Directive 14 codified adjusting the poverty thresholds based on the CPI, not changes in the cost of the USDA Economy Food Plan (the precursor to the current Thrifty Food Plan).[16] [17] [18] In practice, the CPI-U is the index used to adjust the measure each year. Poverty is calculated at the family level: if a family's total income is less than the family's threshold, based on size and composition, then the family and everyone in it is considered to be in poverty. Total pre-tax income is computed using wages and other cash income streams (such as child support, SSI, pensions, etc.); capital gains, tax credits, and noncash benefits such as SNAP are excluded.[19]

Two alternative poverty measures, the US Census Bureau's Supplemental Poverty Measure ("SPM"), and the New York City Government Poverty Measure ("NYCGov"), are designed to better measure the number of households whose incomes are insufficient to meet basic needs. Both the SPM and NYCGov use actual household expenditures to compute a threshold below which families cannot cover basic expenses. They also include all household resources, including noncash public benefits such as SNAP, when calculating income. These measures count a greater number of people living in poverty in New York than the OPM. For NYC in 2016, the U.S. OPM poverty rate was 17.6% (with a threshold of $24,339 for a family with two adults and two children), while the NYCgov Poverty Rate was 19.5% (with a threshold of $32,402).[20] The Census Bureau calculates the SPM poverty rate by state: in 2016, 13.4% of New York State residents were under the OPM threshold, compared to 16.0% under the SPM. New York is one of 13 states that have higher poverty rates under the SPM than the OPM. SPM rates were lower than official poverty rates in 20 states, mostly due to lower housing costs. Meanwhile, seventeen states had no statistically significant differences between the two measures.[21]

Also striking is the fact that the federal Fair Market Rent ("FMR") set by the U.S. Department of Housing and Urban Development ("HUD") for a two-bedroom unit in the NYC metropolitan area is $1,789/month for 2018, and $1,831/month for 2019.[22] The 2018 FMR is more than 100% of the 2018 OPM threshold for a family of 3 with two children ($20,231/year) and 84% of the threshold for a family of 4 ($24,465/year). In addition, the U.S. government's own measure of what a family needs to spend on housing in NYC far exceeds the threshold above which a family is not in poverty. HUD considers families rent burdened if they spend more than 30% of their income on housing, and severely rent burdened if it's over 50%. These thresholds are important because rent burdened families "may have

[15] "Frequently Asked Questions Related to the Poverty Guidelines and Poverty." US Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. Retrieved June 12, 2019 from https://aspe.hhs.gov/frequently-asked-questions-related-poverty-guidelines-and-poverty.

[16] US Census Bureau. "Office of Management and Budget (OMB) in Statistical Policy Directive 14 (May 1978)" Retrieved June 12 2019 from https://www.census.gov/topics/income-poverty/poverty/about/history-of-the-poverty-measure/omb-stat-policy-14.html.

[17] "Frequently Asked Questions Related to the Poverty Guidelines and Poverty." US Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. Retrieved June 12, 2019 from https://aspe.hhs.gov/frequently-asked-questions-related-poverty-guidelines-and-poverty.

[18] Bureau of Labor Statistics (n.d.) "Research Experimental Poverty Thresholds." Retrieved June 12, 2019 from https://www.bls.gov/pir/spmhome.htm.

[19] US Census Bureau. "How the Census Bureau Measures Poverty." Retrieved June 12, 2019 from http://www.census.gove/topics/income-poverty/poverty/guidance/poverty-measures.html.

[20] New York City Office of the Mayor. April 2018. New York City Government Poverty measure 2005-2016. Retrieved June 12, 2019 from https://www1.nyc.gov/site/opportunity/poverty-in-nyc/poverty-measure.page.

[21] Fox, Liana. September 2017. The Supplemental Poverty Measure: 2016. US Census Bureau. Retrieved June 12, 2019 from https://www.census.gov/content/dam/Census/library/publications/2017/demo/p60-261.pdf.

[22] US Department of Housing and Urban Development. "The FY 2019 New York, NY HUD Metro FMR Area FMRs for All Bedroom Sizes." FY 2019 Fair Market Rent Documentation System. Retrieved June 12, 2019 from https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2019_code/2019summary.odn (Accessed May 30, 2019)

difficulty affording necessities such as food, clothing, transportation and medical care."[23] Thus, to afford $1,789 per month in rent without becoming severely rent burdened, a family would need annual income of at least $42,936.

There is also substantial evidence that many families with income above the OPM have trouble affording food, housing, utilities, and health insurance. A Center on Budget and Policy Priorities Report found that two in five children in families living between 100% and 200% of the poverty line faced hardships including food insecurity, being behind on rent or mortgage, and being behind on utilities.[24]

Another issue with the proposed rule is the standard CPI used by the United States Bureau of Labor Statistics ("BLS") is the CPI-U, which tracks the prices of the items in a "market basket." Data is collected through interview surveys and spending diaries from people around the country. Items are included in the basket based on popularity of purchase, and repriced monthly or bimonthly, and replaced every four years. Price changes are weighted by the importance of the item in population spending patterns, and weights are adjusted every 24 months. The C-CPI-U is a chained version of the CPI-U that was introduced in 2002: it covers the same population but allows for substitutions across categories to adjust for the way consumers change their spending habits based on tastes, preferences, and relative prices. When prices on some goods rise, consumers shift their spending and substitute goods and services with prices that rise more slowly. This behavior is called substitution bias, and some economists argue that it causes standard CPI measures to overstate the effect of inflation by not accounting for consumers' ability to protect themselves from price increases by adjusting spending habits.[25] The C-CPI-U updates the market basket monthly—month-to-month changes in consumer spending are the "chain" of a chained index. Economists generally agree that a chained CPI is a more accurate measure of inflation overall because it is more closely tied to what consumers buy.[26] [27]

Importantly, however, there is evidence that chained measures do not reflect the inflation rate experienced by low-income families. Inflation rates vary across demographic groups, and multiple studies have shown that inflation rates are higher for low-income households. For example, a recent paper by economists Greg Kaplan and Sam Schulhover-Wohl used a dataset of 500 million transactions by 50,000 U.S. households to examine inflation stratification by income. They found that between 2004 and 2010, families making below $20,000 had an inflation rate 8 to 9 percentage points higher than families making over $100,000. Moreover, because their study looks only at items sold in retail outlets, it does not account for differential spending in education, healthcare, housing, child care, or other services that are key sources of inequality in inflation rates.[28] [29] In particular, housing costs, which make up a larger share of

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[23] HUD Office of Policy Development & Research. September 2014 "Rental Burdens: Rethinking Affordability Measures." PD&R Edge: An Online Magazine. Retrieved June 12, 2019 from https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_092214.html

[24] Center on Budget and Policy Priorities. March 21, 2018. Chart Book: Economic Security and Health Insurance Programs Reduce Poverty and Provide Access to Needed Care. Retrieved June 12, 2019 from https://www.cbpp.org/research/poverty-and-inequality/chart-book-economic-security-and-health-insurance-programs-reduce#part5

[25] Whittaker, Julie M. June 12, 2013. "The Chained Consumer Price Index: What Is It and Would It Be Appropriate for Cost-of-Living Adjustments?" Congressional Research Service 7-5700.

[26] Congressional Research Service. March 7, 2014. "Budgetary and Distributional effects of Adopting the Chained CPI" R43347. Retrieved June 12 2019 from https://crsreports.congress.gov/product/pdf/R/R43347.

[27] Bureau of Labor Statistics "Frequently Asked Questions about the Chained Consumer Price Index For All Urban Consumers (C-CPI-U)" Retrieved June 12 2019 from https://www.bls.gov/cpi/additional-resources/chained-cpi-questions-and-answers.htm.

[28] Kaplan, Greg and Schulhofer-Wohl, Sam. 2017. "Inflation at the Household Level." Journal of Monetary Economics 91, pp 19-38.

[29] Hobijn, Bart and Lagakos, David. 2005. "Inflation Inequality in the United States." The Review of Income and Wealth. 51 (4). Pp 581-606.

the income of low-income families than middle- and high-income families, rise faster than CPI.[30] [31] These studies suggest that while chained inflation metrics—which are very sensitive to substitution—may be a better measure of average inflation, they do not accurately reflect the expenditures of the lowest-earning households in the United States.

To truly understand the effect of changing the CPI used to adjust the OPM, the federal government must do a full accounting of the number of people who will lose eligibility for means-tested federal programs and the effects of losing benefits and services to those children and adults.

Changing the way that OPM is adjusted will affect states differently, and it is critical that the implications for federal formula grants distribution be understood and assessed. The City of New York receives substantial funding through formula grants. Between 1998 and 2009, New York City received, on average, $247 million annually in Community Development Block Grants (CDBG) funding – money used to revitalize neighborhoods and promote economic development. These grants fund NYC Housing Preservation and Development (HPD) emergency shelters, among other housing programs and neighborhood revitalization efforts.[32] In 2016, NYC received more money in CDBG funds than any other city.[33] The share of people in poverty is 50% of the funding formula for these grants.[34] If fewer New Yorkers were categorized as in poverty compared to other states, fewer of these federal dollars would be available to address the housing and neighborhood revitalization needs of our residents.

The impact of the federal proposed rules on SNAP and OPM will have devastating impacts on New Yorkers across the state. The City of New York is committed to ensuring those impacted have access to essential services and assistance. Thank you for the opportunity to testify and I look forward to your questions.

[30] Kishan, Hari and Karunaka, Rahul. June 6, 2018. "U.S. house prices to rise at twice the speed of inflation and pay." Reuters Business News. Retrieved June 12, 2019 from https://www.reuters.com/article/us-usa-property-poll/u-s-house-prices-to-rise-at-twice-the-speed-of-inflation-and-pay-reuters-poll-idUSKCN1J20G3

[31] Baker, Dean. August 10, 2018. "Rising Rents Continue to Drive Inflation." Center for Economic and Policy Research Prices Byte. Retrieved June 12, 2019 from http://cepr.net/data-bytes/prices-bytes/prices-2018-08

[32] New York City Council. May 11, 2009. Analysis of the Community Development Block Grant and the American Recovery and Reinvestment Act of 2009. Retrieved June 12, 2019 from https://council.nyc.gov/budget/wp-content/uploads/sites/54/2017/01/fy_10_exec_budget_community_development_rpt.pdf

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