

Congress of the United States

Washington, DC 20515

June 7, 2006

Rob Portman
Director
Office of Management and Budget
725 17th St, NW
Washington, DC 20503

Dear Director Portman,

We write to welcome you to your new position and bring to your attention our concerns with the Administration's proposal to eliminate the Survey of Income and Program Participation (SIPP), which is an essential source of data on American living standards.

The SIPP is the only large-scale longitudinal survey that collects data on cash and noncash income, taxes, assets, liabilities, health, disability, and participation in government transfer programs. The United States currently has no other survey that provides high-quality, policy-relevant data on such a broad range of topics.

It has come to our attention that at a number of federal agencies rely on microsimulation models which utilize data from the SIPP to estimate future expenditures and the impact of potential policy changes. (*See attachment of Census Bureau compilation of the various uses of the SIPP by government agencies.*) The Social Security Administration uses the MINT model for simulating retirement income trends, which is based on SIPP data, and the DYNASIM model used for evaluating changes to Supplemental Security Income. SIPP data allows the US Department of Agriculture to estimate the cost and impact of reforms to Food Stamps, TANF and SSI programs at the national and state level. The Department of Health and Human Service uses the TRIM model which "simulates the major governmental tax, transfer, and health programs...at the individual, family, state, and national levels" and also uses SIPP data.¹

While cutting funding for the SIPP will reduce costs for the Census Bureau during this fiscal year, it will force other federal agencies to recalibrate their research models to use potentially inferior sources of microdata until a new peer-reviewed survey is in the field. Ultimately, any savings that may occur will only happen in the short-term. The Census Bureau does not yet have a plan for the new survey, but they project it will cost nearly as much as the current SIPP budget by 2011. When transition costs are taken into account, there is likely to be little or no savings to taxpayers.

Furthermore, there are many researchers who have already been issued research grants by the National Science Foundation (NSF) whose proposals relied on a full set of SIPP data. These grants will need to be reevaluated by the NSF, as they have already been funded with the assumption that the data will be available.

¹ <http://trim3.urban.org/T3Welcome.php>, 5/17/06.

The fact that several federal agencies will lose their ability to create effective policy models concerns us, as well as the fact that a large sum of money has already been invested by the NSF in projects that may be rendered more difficult to complete. In addition, there is the potential impact that the lost SIPP data will have on the efficient delivery of affected government programs such as Social Security, Food Stamps and TANF programs that account for a very large share of the federal budget.

As the House and Senate begin work on the FY 2007 appropriations bill for the Census Bureau, we have several questions whose answers we believe will help with our deliberations on this proposal:

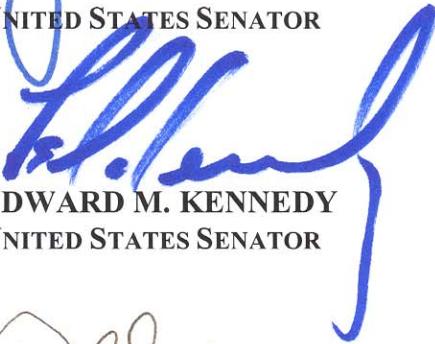
1. Has the Office of Management and Budget assessed the cost savings of the President's budget, which federal agencies were contacted to determine whether they use data from the SIPP, either by directly analyzing SIPP data or by using it within a microsimulation model?
2. Which agencies responded affirmatively?
3. Which alternative data sources are available to recalibrate their existing models?
4. How do these alternative sources compare to the SIPP in terms of usefulness for the models?
5. How does this impact the efficiency of the models?
6. What will be the impact of the lack of data be on program delivery?
7. What will be the impact of inaccurate data on program funding? For example, how will the USDA's Food and Nutrition Service estimate funding needs for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program? Has the USDA warned Congress that its estimates may be inaccurate in the future?
8. Can the Social Security Administration and Congressional Budget Office use other data to project Social Security's future solvency? How do these less reliable data sources change their conclusions?
9. Has OMB contacted the NSF to determine the effects of SIPP elimination on research grants that have already been funded? Are there other agencies who provide research grants who could confront a similar problem?
10. Are there cases where the alternative data are incompatible with existing models and the agency will need to create new models? If so, please provide a list of these instances.
11. What are the full cost estimates for the recalibration and creation of these models?

We would appreciate answers to these questions as soon as possible in order to assist us in reviewing the President's proposal. We look forward to working with you on economic and social programs, and thank you for your attention to this matter.

Sincerely,



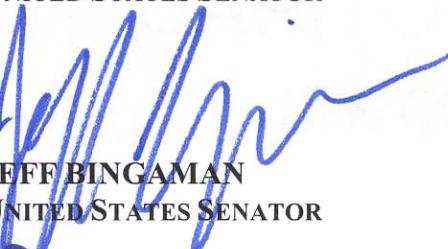
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UNITED STATES SENATOR



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MEMBER OF CONGRESS

USES OF SIPP



GOVERNMENT AGENCIES

- SIPP is used by many government agencies to measure the effectiveness of government programs, to anticipate effects of program changes, and to aid in program budget projections. Some specific examples are:

Survey of Income and Program Participation



DEPARTMENT of AGRICULTURE

- Model food stamp eligibility and measure food stamp participation using asset amounts, child care expenses, medical expenses, real estate holdings and vehicles, shelter costs, and work disability.
- There is no other nationally representative data source that has the information needed to determine this program eligibility
 - Roberta Spalter-Roth and Enrique Soto. [for U.S. Dept. of Agriculture, Food and Consumer Services, Office of Analysis and Evaluation] An IWPR report funded by U.S. Department of Agriculture, Food and Consumer Services, and using data from the Census Bureau's Survey of Income and Program Participation, examines the importance of food stamps in the income packages of single mothers.
 - Rebecca M. Blank and Patricia Ruggles. *When Do Women Use Aid to Families with Dependent Children and Food Stamps? The Dynamics of Eligibility versus Participation. Journal of Human Resources. Vol. 31.*
 - Michael P. Keane. *A new idea for welfare reform.* A work subsidy targeted at all low-income single mothers is believed to be a cost-effective way to build work incentives into the AFDC system.

Survey of Income and Program Participation

DEPARTMENT of HEALTH and HUMAN SERVICES

- Measure the economic effect of disabling conditions on children and adults; measure outcome and participation of disabled women on AFDC; measure the effect of welfare reform on the disabled; determine “what-triggers” get people to go on or to go off programs
 - *Population Profile of Disability: Task 1*. U.S. Department of Health and Human Services Office of the Assistant Secretary for Planning and Evaluation. The report provides a profile of the disabled population in the United States, based primarily on data from the 1984 Panel of the Survey of Income and Program Participation (SIPP), a nationally representative, ongoing survey of U.S. households.
 - Barbara R. Stucki. 1995. *Living in the community with a disability: demographic characteristics of the population with disabilities under age 65*. Provides an overview of the prevalence and characteristics of disability among persons under the age of 65 who live in the community.
 - Pat Doyle, E. Miller and J. Sears. *Program Participation Patterns among Persons with Disabilities*. U.S. Department of Health and Human Services. Office of the Assistant Secretary for Planning and Evaluation. The report contains information on the extent to which persons with disabilities rely on Federal programs, based on the 1984 Survey of Income and Program Participation.
 - Assistant Secretary Planning and Evaluation, Indicators of Welfare Dependence, indicators 6, 7, 8, and 10. See <http://aspe.hhs.gov/hsp/indicators05/ch2.htm>.



Survey of Income and Program Participation



SOCIAL SECURITY ADMINISTRATION

- Model SSI benefits; model the restructuring of Social Security such as age threshold changes, effects of benefits for couples vs. surviving spouses; project “baby boomer” retirement income
 - Peter Diamond and Jonathan Gruber. *Social Security and Retirement in the U.S.* The largest entitlement program in the United States today is the Social Security program (SS). We provide an overview of the interaction between the SS system and retirement behavior.
 - Courtney Coile. *Retirement and Couples Retirement Decisions.* The typical family in the US is now a dual-earner couple, yet relatively few studies examine the retirement decision in a household context. This paper explores how husbands and wives’ retirement behavior is influenced by their own financial incentives from Social Security and private pensions and by spillover effects’ from their spouses’ incentives.
 - Olivia S. Mitchell. *Social Security Reforms and Poverty Among Older Dual-Earner Couples.* This paper extends the focus of analysis to examine older dual-earner couples. It further evaluates the impact of Social Security reforms on older working couples’ retirement ages and retirement incomes.
 - Michael J. Boskin, et al. *Social Security: A Financial Appraisal Across and Within Generations.* This paper computes the expected present value of Social Security retirement benefits and taxes for households of different marital circumstances, incomes and age cohorts.
 - Edward P. Lazear. *Social Security and Pensions.* Four proposed changes in the social security system are analyzed. The cost savings associated with the change, as well as the effect on pensions and worker compensation in general are discussed.



Survey of Income and Program Participation

DEPARTMENT of LABOR

- Research and simulations to identify characteristics of workers with and without pensions and health plan coverage
 - Jeanette A. Rogowski. *Retirement and health insurance coverage*. Documented the prevalence of employer-based health benefits and other sources of insurance coverage among a cross-section of retirees aged 55-64 and analyzed the transitions in health insurance coverage that occur for early retirees.

Survey of Income and Program Participation

SMALL BUSINESS ADMINISTRATION

- Policy research on employer and employee information by firm size
 - S. Haber. *Aspects of Labor Market Turnover and the Impact of Fringe Benefits in Small and Large Firms. Small Business Research Summary No. 141.* Regression models were developed to analyze the significance of factors affecting whether a worker is offered three specific fringe benefits – health insurance, pensions or sick leave.
 - William E. Even and David A. Macpherson. *Employer size and labor turnover: the role of pensions.* This study investigates whether the relationship between firm size and turnover can instead be accounted for in part by size-related differences in availability, portability, or generosity of pension plans.

Survey of Income and Program Participation

CONGRESSIONAL BUDGET OFFICE

- Measure actual counts of participants and non-participants and dollars associated with major government programs



- *Disability and Retirement: The Early Exit of Baby Boomers from the Labor Force For Financing Long-Term Care for the Elderly* This paper--prepared as part of the Congressional Budget Office's (CBO's) ongoing examination of the future composition of the labor force and the performance of the economy--uses data from a national survey to provide information about the men and women who leave the labor force before age 62 and their sources of income. November 2004.
- *Family Income of Unemployment Insurance Recipients* This Congressional Budget Office (CBO) paper--prepared at the request of the Ranking Democrat of the House Committee on Ways and Means--uses data from a national survey to provide information about the income of UI recipients who lost their job during the 2001 recession but prior to the enactment of the Temporary Extended Unemployment Compensation program. March 2004.



Survey of Income and Program Participation

CONGRESSIONAL RESEARCH SERVICE

- Conduct policy research and microsimulations for spells of unemployment, spells without health insurance, participation rates for programs such as AFDC and Medicaid
 - Patrick Purcell. *Retirement Savings and Household Wealth: A Summary of Recent Data Retirement Plan Participation and Contributions: from 1998 to 2003*. The analysis in this report focuses on workers 18 and older with a paid job in the private sector.
 - Patrick Purcell. *Pension Issues: Lump-Sum Distributions and Retirement Income Security*. This report discusses the disposition of pre-retirement lump-sum distributions from pension plans and presents estimates of the potential losses in retirement wealth that can occur when these distributions are spent rather than saved.
 - Carmen Solomon-Fears. *A Review of Medical Child Support: Background, Policy, and Issues*. This report provides a legislative history of medical support provisions in the CSE program, describes current policy with respect to medical child support, examines available data, and discusses some of the issues related to medical child support.



Survey of Income and Program Participation

GENERAL ACCOUNTABILITY OFFICE

- Measure adequacy and impact of all government programs. Has reported that for welfare reform issues only SIPP, SPD, and CPS are available. Of those three SIPP is the best for evaluation of welfare reform programs
 - Gail Harris, et al. *Means-Tested Programs: Information on Program Access Can Be an Important Management Tool*. This report provides information on: (1) the proportion of those eligible who are participating in 12 selected low-income programs; (2) factors that influence participation in those programs; and (3) strategies used by federal, state, and local administrators to improve both access and integrity, and whether agencies monitor access by measuring participation rates.
 - Kay Brown, et al. *Food Stamp Program: Steps Have Been Taken to Increase Participation of Working Families, but Better Tracking of Efforts Is Needed* This report examines: (1) what proportion of eligible working families participate in the program and what family characteristics are associated with a family's participation; (2) what factors may be acting as impediments to a working family's decision to participate in the program; and (3) what steps are being taken, or have been suggested, to help eligible low-income working families participate in the program while ensuring program integrity.
 - Sigurd Nilsen, et al. *Welfare Reform: Former TANF Recipients with Impairments Less Likely to Be Employed and More Likely to Receive Federal Supports*. This report covers Debates surrounding the reauthorization of welfare reform legislation have involved some discussion regarding outcomes for TANF recipients with physical or mental impairments.



Survey of Income and Program Participation

FEDERAL INTERAGENCY FORUM ON CHILD AND FAMILY STATISTICS



America's Children report, Key Indicators Family Structure and Children's living arrangements POP6B;
Child Care POP8B See: <http://childstats.gov/americaschildren/pop.asp>