THOMAS S. KAHN, MINORITY STAFF DIRECTOR (202) 226–7200



# U.S. House of Representatives

COMMITTEE ON THE BUDGET

## **COMMUNICATION FROM THE CHAIRMAN OF THE**

### **COMMITTEE ON THE BUDGET**

### TOM PRICE, M.D.

#### March 17, 2015

Publication of Budgetary Material

Mr. Speaker, section 3(h) of House Resolution 5 requires the concurrent resolution on the budget to include a section related to means-tested and non-means-tested direct spending programs. Section 3(h) of House Resolution 5 also requires the Chair of the Committee on the Budget to submit a statement in the Congressional Record defining those terms prior to the consideration of such concurrent resolution on the budget.

Enclosed please find two tables prepared in order to fulfill this requirement. I have also included a communication and associated tables from the Director of the Congressional Budget Office, with whom I have consulted in the preparation of this material. While the non-means-tested list is not exhaustive, all programs not considered means-tested can be considered non-means-tested direct spending.

Sincerely,

Tom Price, M.D. Chairman House Budget Committee



March 13, 2015

Honorable Tom Price, M.D. Chairman Committee on the Budget U.S. House of Representatives Washington DC 20515

Re: Spending for Means-Tested Programs

Dear Mr. Chairman:

As you requested, enclosed are two tables that show federal spending for each of the government's major mandatory spending programs and tax credits that are primarily means-tested (that is, spending programs and tax credits that provide cash payments or other forms of assistance to people with relatively low income or few assets). Table 1 shows the Congressional Budget Office's January 2015 baseline projections for the 2015–2025 period; Table 2 shows historical spending data from 2005 through 2014, along with CBO's estimates for 2015.

The tables also include a line showing total spending for mandatory programs that are primarily not means-tested. Some of those programs have means-tested components (for example, student loans), but the tables do not show separate entries for such programs. They also do not include means-tested programs that are discretionary (for example, the Section 8 housing assistance programs and the Low Income Home Energy Assistance Program). However, the tables show discretionary spending for the Pell Grant program as a memorandum item because that program has both discretionary and mandatory components and the amount of the mandatory Pell Grant component depends in part on the annual amount of discretionary funding.

In the projections that CBO published in *The Budget and Economic Outlook: 2015 to 2025* in January 2015, mandatory outlays for means-tested programs are projected to grow over the next decade at an average annual rate of 4.6 percent, compared with an average rate of 5.5 percent for non-means-tested programs, which include, for example, Social Security, most of Medicare, and civilian and military retirement programs (see Table 1).<sup>1</sup>

<sup>&</sup>lt;sup>1</sup> CBO published *Updated Budget Projections: 2015 to 2025* in March 2015; some of the amounts shown in Table 1 are different in the March baseline, but at the request of the committee staff, these tables show the projections from the January baseline. In total, for mandatory spending, the differences between the two baselines are small, and the average annual growth rates over the 2016–2025 period are very similar—5.3 percent in the January projections versus 5.2 percent in the March baseline.

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Overall, the growth rates projected for total mandatory spending over the coming decade are slower than those experienced in the past 10 years—by a little less than one-half percentage point per year, on average. Projected growth from 2016 to 2025 is slightly higher for non-means-tested programs (which will have grown at an average rate of 5.4 percent from 2006 to 2015, CBO estimates), but much lower for means-tested programs (which will have grown at an average rate of 6.8 percent from 2006 to 2015, by CBO's estimate; see Table 2).

A number of programs shown in Tables 1 and 2 have been or are scheduled to be significantly affected by changes in law, the most recent recession, and the continuing recovery. As a result, important aspects of the programs in the future may differ significantly from historical experience, and those differences may be the source of some of the variation between the growth rates in the past 10 years and those in the coming decade. For example, spending for Medicaid, the Children's Health Insurance Program (CHIP), subsidies for health insurance purchased through an exchange, the Supplemental Nutrition Assistance Program (SNAP), and the refundable portions of the earned income and child tax credits has been or will be significantly affected by program changes that unfold over time:

- Medicaid spending shot up by 35 percent from 2008 to 2010, during the most recent recession. After dropping off a bit in the following few years, it has been boosted by the expansion of Medicaid coverage under the Affordable Care Act. As that expansion has been phased in, spending for the program increased by 14 percent last year and is projected to rise by 11 percent in 2015. Under current law, the rate of growth in Medicaid spending will decline through 2018, CBO projects, after which it will level off at a rate of roughly 5.5 percent per year through the end of the projection period.
- Spending authority for the **CHIP** program expires at the end of fiscal year 2015. Consistent with statutory guidelines, CBO assumes in its baseline spending projections that annual funding for the program after 2015 will continue at \$5.7 billion.<sup>2</sup> As a result, in CBO's baseline, spending for CHIP is projected to drop from \$11 billion in 2016 to about \$6 billion in subsequent years; it had grown from \$5 billion to \$10 billion from 2005 to 2015.

 $<sup>^2</sup>$  Under current law, funding for the program in 2015 consists of two semiannual allotments of \$2.85 billion amounts that are much smaller than the allotments made in the four preceding years. (The first semiannual allotment in 2015 will be supplemented by \$15.4 billion in onetime funding for the program.) Following the rules prescribed by the Deficit Control Act, CBO extrapolates the \$2.85 billion provided for the second half of the year to arrive at projected annual funding of \$5.7 billion.

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- Payments of **subsidies for health insurance purchased through an exchange** began in January 2014 and are projected to grow rapidly between 2015 and 2018, largely as a result of significant growth in enrollment. CBO and the staff of the Joint Committee on Taxation project annual growth will average about 4 percent between 2019 and 2025.
- SNAP spending increased markedly during the most recent recession—roughly doubling between 2008 and 2011—as more people became eligible for those benefits. In addition, the American Recovery and Reinvestment Act of 2009 (ARRA) raised the maximum benefit under that program; subsequent legislation eliminated that increase as of October 31, 2013. The program's caseload peaked in 2014, and CBO expects that it will fall in each year of the projection period as the economy continues to improve. As a result, spending for SNAP is projected to decline slightly over the next several years, after growing by an average of 9 percent per year over the 2006–2015 period.
- Outlays for the **earned income and child tax credits** rose by almost 40 percent from 2007 to 2008 and have grown slowly since then. They are expected to dip after 2018 because provisions expanding the refundability of those credits (which were originally enacted in ARRA and were subsequently extended) are scheduled to expire on December 31, 2017.<sup>3</sup> In 2025, those outlays are projected to be about what they were in 2014.

Finally, because of the unique budgetary treatment of the Pell Grant program—which has both mandatory and discretionary components—the growth rates for the mandatory portion of that program give incomplete information. The bulk of the funding for Pell grants is provided annually in appropriation acts and thus is discretionary. In recent years, spending for Pell grants also has included two mandatory components, which have allowed the discretionary budget authority provided by the regular appropriation acts to remain well below the full cost of the program.

In keeping with procedures that govern CBO's baseline, the projection for the discretionary portion of the Pell Grant program is based on the budget authority appropriated for fiscal year 2015, adjusted for inflation. (Discretionary spending for the program is shown as a memorandum item in both tables.) Thus, the baseline projection for both discretionary and mandatory spending for Pell grants does not represent an estimate of the expected future costs of the program; such a projection also would take into account such factors as changes in eligibility and enrollment.

<sup>&</sup>lt;sup>3</sup> Refundable tax credits reduce a filer's overall income tax liability; if the credit exceeds the rest of the filer's income tax liability, the government pays all or some portion of that excess to the taxpayer. Those tax credits also affect the budget, to a lesser extent, by reducing tax revenues; those revenue effects are not shown in the tables.

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I hope that you find this information helpful. If you have any further questions, please contact me or my staff. The primary staff contact is Barry Blom who can be reached at 226-2880.

Sincerely,

Douglas W. Elmendorf Director

Enclosure

cc: Honorable Chris Van Hollen Ranking Member

2016         2016         2017         2016         2017         2016         2017         2012         2012         2013         2014 <th< th=""><th>(Outlays by fiscal year, billions of dollars)</th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th></th><th>Average Annual Growth</th></th<>	(Outlays by fiscal year, billions of dollars)												Average Annual Growth
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<ul> <li>Decision - cooperational managements in previous fiscal years.</li> <li>Defines the initial of fifter outlays for Supplemental Security income, veterans' compensation benefits and pensions, and Mecicare.</li> <li>Defines from the amounts reported in Table 5-2 from <i>The Budget and Economic Outlook: Fiscal Years 2015 to 2025</i> pensations in the one of the preceding September and thus be shifted into the previous fiscal year.</li> <li>Differs from the amounts reported in Table 5-2 from <i>The Budget and Economic Outlook: Fiscal Years 2015 to 2025</i> peratuse in does not include payments to health insurance plans for risk adjustment (amounts paid to plans that attract less healthy enrollees) and reinsurance (amounts paid to plans that enroll individuals who end up with high costs). Spending for grants to states to establish exchanges is also excluded.</li> <li>Defines from the amounts reported on Table 3-2 from <i>The Budget and Economic Outlook: Fiscal Years 2015 to 2025</i> because it does not include other tax credits that were included in that table.</li> <li>Differs from the amounts reported on Table 3-2 from <i>The Budget and Economic Outlook: Fiscal Years 2015 to 2025</i> because it does not include other tax credits that were included in that table.</li> <li>Differs from the amounts reported on Table 3-2 from <i>The Budget and Economic Outlook: Fiscal Years 2015 to 2025</i> because it does not include other tax credits that were included in that table.</li> <li>Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, and other program fract credits that enclose and excellence of the enclose state and the amounts reported on Table 3-2 from <i>The Budget and Economic Outlook: Fiscal Years 2015 to 2025</i> because it does not include other tax credits that were included in that table.</li> <li>Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, and other program, and other program and above the amount set in the appropriation act.<td>Projections of spending for benefit programs in this table exclude a SNAD - Supplemental Numbins Assistance Brossen</td><td>dministrative costs th</td><td>tt are classified a</td><td>s discretionary b</td><td>ut generally inclu</td><td>de administrative</td><td>costs classified</td><td>as mandatory</td><td></td><td></td><td></td><td></td><td></td></li></ul>	Projections of spending for benefit programs in this table exclude a SNAD - Supplemental Numbins Assistance Brossen	dministrative costs th	tt are classified a	s discretionary b	ut generally inclu	de administrative	costs classified	as mandatory					
<ul> <li>Differs from the amounts reported in the Boulder and Economic Outlook Fiscal Years 2015 to 2025 because it does not include payments to health insurance plans for risk adjustment (amounts paid to plans that attract less healthy enrolledes) and reinsurance (amounts paid to plans that attract less healthy enrolledes) and reinsurance (amounts paid to plans that enroll individuals who end up with high costs). Spending for grants to states to establish exchanges is also excluded.</li> <li>Does not include amounts that reduce tax receipts.</li> <li>Differs from the amounts reported on Table 3-2 from <i>The Budget and Economic Outlook Fiscal Years 2015 to 2025</i> because it does not include other tax credits that were included in that table.</li> <li>Differs from the amounts reported on Table 3-2 from <i>The Budget and Economic Outlook Fiscal Years 2015 to 2025</i> because it does not include other tax credits that were included in that table.</li> <li>Differs from the amounts reported on Table 3-2 from <i>The Budget and Economic Outlook Fiscal Years 2015 to 2025</i> because it does not include other tax credits that were included in that table.</li> <li>Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, and other programs that benefit children.</li> <li>Includes mandatory spending designed to reduce the discretionary budget authority needed to support the maximum award level set in the appropriation act, include outlays associated with federal interest payments, which are not considered part of mandatory spending.</li> <li>Does not include outlays associated with federal interest payments, which are not considered part of mandatory spending.</li> <li>Does not include outlays associated with federal interest payments, which are not considered part of mandatory spending.</li> <li>Does not include outlays associated with federal interest payments, which are not considered part of mandatory spending.</li> </ul>	Because October 1 will fall on a weekend in 2016, 2017, 2022, and Those shifts nirinarity affect outbox for Sturonbernertal Security Lines	l 2023, certain federal me_veterans' comper	payments that a	re due on that da	te will instead be Madicare	made at the end	of the preceding	September and t	thus bə shifted in	to the previous fis	scal year,		
<ul> <li>Does not include amounts that reduce tax receipts.</li> <li>Diffes from the amounts that reduce tax receipts.</li> <li>Diffes from the amounts reported on Table 3-2 from <i>The Budget and Economic Outbook Fiscal Years 2015 to 2025</i> because it does not include other tax credits that were included in that table.</li> <li>Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, the Child Care Entitlement program, and other programs that benefit children.</li> <li>Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, the Child Care Entitlement program, and other programs that the refit children.</li> <li>Includes the amount set in the appropriation act.</li> <li>Does not include offsetting receipts.</li> <li>Does not include outlays associated with federal interest payments, which are not considered part of mandatory spending.</li> <li>Does not include outlays associated with federal interest payments, which are not considered part of mandatory spending.</li> <li>The discreteionary baseline does not represent a projection of expected costs for the discretionary portion of the Pell Grant program. As with all other discreteionary programs, the budget authority is calcutated by inflating</li> </ul>	In Differs from the armounts reported in Table 3-2 from The Budget and Eco less healthy enrollees) and reinsurance (armounts paid to plans that enrollees)	onomic Outlook: Fisca oll individuals who en	/ Years 2015 to 2	2025because it d	oes not include p	ayments to healt! to establish evch	insurance plan: annes is also ev	s for risk adjustm. cluded	ent (amounts pai	d to plans that att	ract		
<ol> <li>Differs from the amounts reported on Table 3-2 from <i>The Budget and Economic Outlook: Fiscal Years 2015 to 2025</i> because it does not include other tax credits that were included in that table.</li> <li>Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, the Child Care Entitlement program, and other programs that benefit children.</li> <li>Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, the Child Care Entitlement program, and other programs that benefit children.</li> <li>Includes mandatory spending designed to reduce the discretionary budget authority needed to support the maximum award level set in the appropriation act, award above the amount set in the appropriation act,</li> <li>Does not include offsetting receipts.</li> <li>Does not include outlays associated with federal interest payments, which are not considered part of mandatory spending.</li> <li>Does not include outlays associated with federal interest payments, which are not considered part of mandatory spending.</li> <li>The discretionary baseline does not represent a projection of expected costs for the discretionary portion of the Pell Grant program. As with all other discretionary programs, the budget authority is calculated by inflating</li> </ol>	<ul> <li>Does not include amounts that reduce tax receipts.</li> </ul>												
Linduces the Temporary Assistance for Needy Families program, the Child Support Enforcement program, the Child Care Entitlement program, and other programs that benefit children. - Includes mandatory spending designed to reduce the discretionary budget authority needed to support the maximum award level set in the appropriation act, by formula, increases the total maximum award above the amount set in the appropriation act, - Does not include offsetting receipts. - Does not include outlays associated with federal interest payments, which are not considered part of mandatory spending. - The discretionary baseline does not represent a projection of expected costs for the discretionary porting receiptas.	. Differs from the amounts reported on Table 3-2 from The Budget and Ec	onomic Outlook: Fisc	al Years 2015 to	2025because it d	loes not include o	other tax credits t	nat were included	in that table.					
. Includes mandatory spending designed to reduce the discretionary budget authority needed to support the maximum award level set in the appropriation act plus mandatory spending that, by formula, increases the total maximum award level set in the appropriation act plus mandatory spending that, by formula, increases the total maximum award level set in the appropriation act, boose not include offsetting receipts. Does not include outsit associated with federal interest payments, which are not considered part of mandatory spending. Does not include outsit associated with federal interest payments, which are not considered part of mandatory spending. The discretionary baseline does not represent a projection of expected costs for the discretionary portion of the Pall Grant program. As with all other discretionary programs, the budget authority is calculated by inflating	Lincludes the Temporary Assistance for Needy Families program, the Chil	id Support Enforceme	nt program, the C	child Care Entitle	ment program, a	nd other program	s that benefit chil	dren.					
Dees not include offsetting receipts. Does not include outlays associated with federal interest payments, which are not considered part of mandatory spending. The discretionary baseline does not represent a projection of expected costs for the discretionary portion of the Pell Grant program. As with all other discretionary programs, the budget authority is calcutated by inflating.	<ul> <li>Includes mandatory spending designed to reduce the discretionary budg award above the amount set in the appropriation act.</li> </ul>	jet authority needed to	support the max	cimum award leve	el set in the appr	opriation act plus	mandatory spen	ding that, by form	ula, ir creases th	e total maximum			
The discretionary baseline does not represent a projection of expected costs for the discretionary portion of the Pell Grant program. As with all other discretionary programs, the budget authority is calculated by inflating	Does not include offsetting receipts. Does not include offsetting secreipts.	h are not considered .	tart of mondeton										
	. The discretionary baseline does not represent a projection of expected or	osts for the discretion:	iry portion of the	Pell Grant progra	am. As with all o	ther discretionary	programs, the b	udget authority is	calculated by ini	flating			

Mandatory Outlays Since 2005 (Outlays by fiscal year, billions of dollars)												Average Annual
	2005	2006	2007	2008	2009	2010	2011	2012	2013	Es 2014	Estimated, 1 2015	Growth 2006-2015
Means-Tested Programs Health Care Programs Medicaid	182	181	191	201	251	273	275	251	265	301	335	6.3%
Medicare Part D Low-Income Subsidies Health insurance subsidies <sup>b.c</sup>	00	11 0	17 0	17 0	19 0	21 0	24 0	20	22 0	22 13	24 28	8.9% <sup>a</sup> n.a.
Children's Health Insurance Program Subtotal	5 187	5 197	6 213	7 225	8 277	302 8	308	9 279	9 297	9 346	10 397	7.3% 7.8%
Income Security SNAP Supplemental Security Income Earned income and child tax credits <sup>c</sup> Family support and foster care <sup>d</sup> Child nutrition Subtotal	33 34 163 163	35 37 30 168	35 36 31 170	39 75 32 202	56 45 67 33 217	70 77 35 247	77 53 78 33 260	80 47 30 19 254	83 53 79 266 202	76 54 31 20 263	78 55 83 31 21 268	9.1% 5.3% 5.1% 5.1%
Veterans' pensions	4	4	e	4	4	4	5	5	5ı	g	9	5.0%
Pell Grants <sup>e</sup>	0	0	0	۲	2	4	14	12	16	80	11	n.a.
Subtotal, Means-Tested Programs	354	369	386	431	501	557	587	550	584	623	683	6.8%
Non-Means-Tested Programs <sup>f</sup>	1,094	1,188	1,242	1,349	1,787	1,553	1,648	1,710	1,752	1,757	1,847	5.4%
Total Mandatory Outlays <sup>g</sup>	1,448	1,556	1,628	1,780	2,288	2,110	2,236	2,260	2,336	2,380	2,530	5.7%
Memorandum Pell Grants (Discretionary)	13	13	13	15	13	20	21	21	17	23	20	4.3%
Source: Congressional Budget Office; staff of the Joint Committee on Taxation. Notes: The average annual growth rate over the 2006-2015 period encompasses growth in outlays from the amount recorded in 2005 through the amount projected for 2015	on Taxation. encompasses gro	wth in outlays fro	m the amount re	corded in 2005 t	hrough the amor	int projected for 2	2015					
Data on spending for benefit programs in this table exclude administrative costs that are classified as discretionary but generally include administrative costs classified as mandatory. SNAP = Supplemental Nurtition Assistance Program; n.a. = not applicable, Because October 1 fell on a weekend in 2006, 2007, and 2012, certain federal payments that were due on that date were instead made at the end of the preceding September and thus shifted into the previous fiscal year. Those shifts primarily affected outlays for Supplemental Security Income, veterands compensation benefits and persions, and Medicare	administrative cos r not applicable r12, certain federa , veterans' compei	ts that are classi payments that v nsation benefits	fied as discretion were due on that and pensions, ar	hary but generally date were instea id Medicare	r include adminis id made at the er	trative costs clas	isified as mandat ng September ar	ory. In thus shifted in	to the previous fi	scal year. Those	s hifts	
a. The average annual growth rate reflects the program's growth from its inception in 2006 through 2015, b. Differs from the amounts reported in Table 3-2 from <i>The Budget and Economic Outbook: Fiscal Years</i> 2015 to 2025 because it does not include payments to health insurance plans for ris less healthy enrollees) and reinsurance (amounts paid to plans that enroll individuals who end up with high costs). Spending for grants to states to establish exchanges is also excluded	orn its inception in and Economic Ou that enroll individu	in 2006 through 2015. <i>Outlook: Fiscal Years</i> 2 duals who end up with	15. rs 2015 to 2025 vith high costs).	in 2006 through 2015, <i>Outbook: Fiscal Years 2015</i> to 2025 because it does not include payments to health insurance plans for risk adjustment (amounts paid to plans that attract iduals who end up with high costs). Spending for grants to states to establish exchanges is also excluded.	not include paym nts to states to e	ents to health in stablish exchang	surance plans foi les is also exclud	r risk adjustment ed	(amounts paid t	o plans that attra	ក្ន	
c. Does not include amounts that reduce tax receipts, d. Includes the Termonrary Assistance for Neerly Families oronarm, the Child Sumond Enforcement fromarm, and other monrarms that henefit children.	the Child Suppor	t Enforcement or	ocram the Child	Care Entitlemen	t program and p	ther broarams th	at benefit childre	ġ				
e. Includes mandatory spending designed to reduce the discretionary budget authority needed to support the maximum award level set in the appropriation act plus mandatory spending that, by formula, increases the total maximum award above the amount set in the appropriation act plus mandatory spending that, by formula, increases the total maximum award above the amount set in the appropriation act.	iry budget authori	y needed to sup	oort the maximu	n award level set	t in the appropria	tion act plus mar	ndatory spending	that, by tormula	increases the to	otal maximum		
f. Does not include offsetting receipts.												

9. Does not include outlays associated with federal interest payments, which are not considered part of mandatory spending.