PAUL RYAN, WISCONSIN
CHAIRMAN

AUSTIN SMYTHE, STAFF DIRECTOR
(202) 226–7270

CHRIS VAN HOLLEN, RANKING MEMBER

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

U.S. House of Representatives

COMMITTEE ON THE BUDGET

Washington, DC 20515

COMMUNICATION FROM THE CHAIRMAN OF THE

COMMITTEE ON THE BUDGET

PAUL RYAN

APRIL 1, 2014

PUBLICATION OF BUDGETARY MATERIALS

Mr. Speaker, at the beginning of this Congress, two additional requirements for the consideration of a concurrent resolution on the budget resolution were set forth in Section 3(e) of House Resolution 5 (113th Congress).

The first requires the concurrent resolution on the budget include a section related to means-tested and nonmeans-tested direct spending programs. The second requires a statement from the Chair of the Committee on the Budget defining those terms to be included in the Congressional Record prior to the consideration of such concurrent resolution on the budget. Amendments to, and conference reports on, the concurrent resolution must also fulfill these provisions.

Enclosed please find two tables prepared in order to fulfill the terms of section 3(e) referred to above. 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 nonmeans-tested list is not exhaustive, all programs not considered means-tested can be considered nonmeans-tested direct spending. The description of programs considered to be means-tested direct spending and nonmeans-tested direct spending is the same as the one filed on March 7, 2013 in compliance with the section 3(e) requirement.

Sincerely,

Paul D. Ryan of Wisconsin
Chairman
House Budget Committee

(202) 226–7270 207 Cannon House Office Building e-mail: budget@mail.house.gov

PRINTED ON RECYCLED PAPER

CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas W. Elmendorf, Director

March 25, 2014

Honorable Paul Ryan
Chairman
Committee on the Budget
U.S. House of Representatives
Washington DC 20515

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 assistance in obtaining health care, food, or education to people with relatively low income or few assets). Table 1 shows CBO's baseline projections for the 2014–2024 period; Table 2 shows historical spending data from 2004 through 2013, along with CBO's estimates for 2014.

The tables include total spending for mandatory programs that are primarily not means-tested, but they do not include separate entries for individual programs in that group that have means-tested components (for example, student loans and some portions of Medicare, other than low-income subsidies for Part D). 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 spending components and the amount of the mandatory Pell grant component is partially dependent on the annual amount of discretionary funding.

In CBO's latest baseline projections, published in *The Budget and Economic Outlook: 2014 to 2024* (February 2014), mandatory outlays for both means-tested and non-means-tested programs are projected to grow over the next decade at an average annual rate of 5.4 percent (see Table 1).

Overall, the growth rates projected for total mandatory spending over the coming decade are slower than those experienced in the past 10 years—by about one-half percentage point per year, on average. Over the 2005–2014 period, CBO estimates that total mandatory outlays will have increased at an average annual rate of 6.0 percent—means-tested programs by an average of 6.8 percent per year and non-means-tested programs by 5.7 percent per year (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 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), health insurance subsidies, 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:

- The difference in growth rates for **Medicaid** in the two periods stems in part from policy changes that, on net, *reduced* those rates for the past decade (when they averaged 5.4 percent) but *will increase* them in the coming decade (when they are projected to average 6.8 percent). For example, in 2006, Medicaid spending contracted when spending for prescription drugs for certain people was shifted to the new Medicare Part D program. By contrast, projected rates of growth in Medicaid spending over the coming decade are elevated by the expansion of Medicaid coverage under the Affordable Care Act. CBO expects growth in such spending to average about 10 percent per year over the 2014–2017 period, as the expansion is phased in, and then to level off at a steady-state rate of roughly 5.5 percent per year in the final years of the projection period.

- The difference in growth rates between the two periods for **CHIP** (11.8 percent in the 2005–2014 period vs. -8.6 percent in the 2015-2024 period) reflects the sunset of CHIP's existing authority at the end of fiscal year 2015. Consistent with statutory guidelines, CBO assumes in its baseline spending projections that funding for the program after 2015 will continue at $5.7 billion, which is a significant reduction from the amount available at the start of the 2015–2024 period.[1]

- Payments of **health insurance subsidies** under the Affordable Care Act began in January 2014, and the high rates of growth projected for the next several years reflect a startup period for the new program. In the current projection, the number of people gaining coverage through the exchanges rises from 6 million in 2014 to 22 million in 2016. CBO projects that, after the initial startup, annual growth will average about 6 percent over the 2018–2024 period.

---

1. 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 one-time 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.

- **SNAP** spending increased markedly during the recent recession—particularly in 2009 and 2010—as more people became eligible for those benefits. CBO expects that SNAP caseloads will fall in each year of the projection period as the economy continues to improve. In addition, provisions in the American Recovery and Reinvestment Act of 2009 (ARRA) raised the maximum benefit under that program; those provisions expired in October 2013.

- The outlay portions of the **earned income and child tax credits** 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.

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 portions of that program give incomplete information. The bulk of the funding for Pell grants is discretionary and is provided annually in appropriation acts. In recent years, spending for Pell grants also has included two mandatory components that 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 projections, the projection for the discretionary portion of the Pell Grant program is based on the budget authority appropriated for fiscal year 2014, 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.

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

Table 1

Mandatory Outlays in CBO's February 2014 Baseline

(Outlays by fiscal year, billions of dollars)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Average Annual Growth 2015-2024
Means-Tested Outlays												
Health Care Programs												
Medicaid	298	328	368	393	413	437	461	487	515	543	574	6.8%
Medicare Part D Low-Income Subsidies	24	26	30	31	32	37	40	44	51	53	54	8.3%
Health insurance subsidies[a]	15	41	75	95	104	108	115	122	128	135	143	24.9%
Children's Health Insurance Program	14	15	7	6	6	6	6	6	6	6	6	-8.6%
Subtotal	352	410	481	525	555	588	622	659	700	737	775	8.2%
Income Security												
SNAP	80	80	79	78	76	76	75	75	74	74	74	-0.8%
Supplemental Security Income	54	55	61	59	55	62	64	66	74	71	67	2.1%
Earned income and child tax credits[b]	82	84	87	88	89	78	80	81	82	84	85	0.4%
Family support and foster care[c]	31	31	32	32	32	32	32	33	33	33	33	0.6%
Child nutrition	21	22	23	23	24	25	26	27	28	30	31	3.9%
Subtotal	268	272	281	279	277	273	277	282	292	291	291	0.8%
Veterans Pensions	6	6	6	7	7	7	7	7	8	8	8	3.2%
Pell Grants[d]	13	6	7	8	10	10	10	10	10	10	10	-3.1%
Subtotal, Means-Tested Outlays	639	694	774	818	848	877	916	958	1,009	1,046	1,083	5.4%
Non-Means-Tested Outlays[e]	1,766	1,846	1,955	2,035	2,124	2,266	2,399	2,546	2,736	2,851	2,994	5.4%
Total Mandatory Outlays	**2,405**	**2,540**	**2,729**	**2,853**	**2,972**	**3,144**	**3,315**	**3,504**	**3,744**	**3,897**	**4,077**	5.4%
Memorandum												
Pell Grants (Discretionary)[f]	18	27	29	24	24	25	25	26	26	27	27	3.8%

Source: Congressional Budget Office.

Notes: Unless otherwise noted, the projections shown here are the same as those reported in Congressional Budget Office, *The Budget and Economic Outlook: 2014 to 2024* (February 2014).

The average annual growth rate over the 2015-2024 period encompasses growth in outlays from the amount recorded in 2014 through the amount projected for 2024.

Projections 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 Nutrition Assistance Program.

a. Differs from the amounts reported in Table 3-2 of *The Budget and Economic Outlook: 2014 to 2024* (February 2014) because it does not include payments to health insurance plans for risk adjustment (amounts paid to plans that attract less healthy enrollees), reinsurance (amounts paid to plans that enroll individuals who end up with high costs), and risk corridors (amounts paid to health insurance plans whose actual costs for medical claims exceed expected costs). According to CBO's projections, that spending will be more than offset by corresponding collections. Spending for grants to states to establish exchanges is also excluded.

b. Differs from the amounts reported in Table 3-2 of *The Budget and Economic Outlook: 2014 to 2024* (February 2014) because it does not include other tax credits.

c. Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, the Child Care Entitlement program, and other programs that benefit children.

d. 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.

e. Does not include offsetting receipts.

f. The discretionary baseline does not represent a projection of expected costs for the discretionary portion of the Pell grant program. The budget authority is calculated by inflating the budget authority appropriated for fiscal year 2014. Outlays for future years are based on those projected amounts of budget authority and on the budget authority provided in 2014.

Table 2

Mandatory Outlays Since 2004

(Outlays by fiscal year, billions of dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Projected, 2014	Average Annual Growth 2005-2014
Means-Tested Outlays												
Health Care Programs												
Medicaid	176	182	181	191	201	251	273	275	251	265	298	5.4%
Medicare Part D Low-Income Subsidies	0	0	11	17	17	19	21	26	20	22	24	10.0% [a]
Health insurance subsidies	0	0	0	0	0	0	0	0	0	0	15	n.a.
Children's Health Insurance Program	5	5	5	6	7	8	8	9	9	9	14	11.8%
Subtotal	181	187	197	213	225	277	302	309	279	297	352	6.9%
Income Security												
SNAP	29	33	35	35	39	56	70	77	80	83	80	10.9%
Supplemental Security Income	34	38	37	36	41	45	47	53	47	53	54	4.8%
Earned income and child tax credits	42	49	52	54	75	67	77	78	77	79	82	6.9%
Family support and foster care[b]	31	31	30	31	32	33	35	33	30	32	31	0.2%
Child nutrition	12	13	14	14	15	16	17	18	19	20	21	5.6%
Subtotal	147	163	168	170	202	217	247	260	254	266	268	6.2%
Veterans Pensions	3	4	4	3	4	4	4	5	5	5	6	5.2%
Pell Grants[c]	0	0	0	0	1	2	4	14	12	16	13	n.a.
Subtotal, Means-Tested Outlays	331	354	369	386	431	501	557	589	550	584	639	6.8%
Non-Means-Tested Outlays[d]	1,015	1,094	1,188	1,242	1,349	1,787	1,553	1,646	1,710	1,753	1,766	5.7%
Total Mandatory Outlays	**1,346**	**1,448**	**1,556**	**1,628**	**1,780**	**2,288**	**2,110**	**2,235**	**2,260**	**2,338**	**2,405**	6.0%
Memorandum												
Pell Grants (Discretionary)	13	13	13	13	15	13	20	21	21	17	18	3.6%

Source: Congressional Budget Office.

Notes: The average annual growth rate over the 2005-2014 period encompasses growth in outlays from the amount recorded in 2004 through the amount projected for 2014.

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 Nutrition Assistance Program; n.a. = not applicable.

* = between zero and $500 million.

a. The average annual growth rate reflects the program's growth from its inception in 2006 through 2014.

b. Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, the Child Care Entitlement program, and other programs that benefit children.

c. 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.

d. Does not include offsetting receipts.