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

Douglas Holtz-Eakin, Director

December 1, 2005

Honorable Bob Goodlatte
Chairman
Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has received several requests to provide additional information about our estimate of the budget impact of the nutrition provisions in Title I of H.R. 4241, the Deficit Reduction Act of 2005, as passed by the House of Representatives on November 18, 2005. Attached is a memorandum providing additional detail in response to those requests.

I hope this information is helpful to you. The staff contact for further information is Kathleen FitzGerald.

Sincerely,

Douglas Holtz-Eakin

Attachment

cc: Honorable Collin C. Peterson
Ranking Minority Member

Honorable John A. Boehner
Chairman
Committee on Education and the Workforce

Honorable George Miller
Ranking Member

Honorable Jim Nussle
Chairman
Committee on the Budget

Honorable John M. Spratt Jr.
Ranking Member

December 1, 2005

Congressional Budget Office

Additional Information on CBO's Estimate for the Nutrition Provisions of H.R. 4241, the Deficit Reduction Act of 2005, as passed by the House of Representatives on November 18, 2005

The Congressional Budget Office (CBO) estimates that the nutrition provisions in subtitle F of Title I of H.R. 4241, the Deficit Reduction Act of 2005, would reduce federal spending for nutrition assistance by $647 million over the 2006-2010 period and by $733 million over the 2006-2015 period.

Subtitle F would extend and modify the Food Stamp program. The 2002 farm act (Public Law 107-171) authorized the Food Stamp program through 2007. This legislation would extend that authority through 2011. Under the assumptions underlying CBO's March 2005 baseline projections, we estimate that extending the program through 2011 would result in outlays of $137 billion over the 2008-2011 period. Pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, this extension is assumed in the baseline projection and has no cost relative to this projection. Other provisions in the subtitle would reduce spending for the Food Stamp program, increase the federal administrative match for certain disaster benefits, and increase spending for the Emergency Food Assistance Program (see attached table).

Food Stamp Eligibility. Subtitle F would change eligibility for the Food Stamp program by restricting categorical eligibility and by extending the residency requirement for certain legal permanent residents. It would also preserve free school meal benefits for children in households losing Food Stamp benefits as a result of the change in categorical eligibility.

Section 1601—Eligible Households. Under current law, households that receive or are eligible to receive any type of benefit from the Temporary Assistance to Needy Families (TANF) program are among those considered categorically eligible for food stamps. For this purpose, TANF benefits include non-cash benefits such as job vacancy listing services. Categorically eligible households are not subject to the same income and asset tests as other participants. This provision would restrict categorical eligibility to only those households receiving cash assistance or "substantial and ongoing" non-cash services (including shelter, utilities, child care, health care, transportation, and job training) and have incomes at or below 150 percent of the poverty line. Based on information from the Food Stamp Quality Control (QC) data and data on the TANF program, CBO estimates that about 185,000 people who would lose categorical eligibility would not be able to meet the income and asset tests for the program. On average, those individuals would lose about $45 a month in Food Stamp benefits in 2007.

This provision would take effect upon enactment in 2006 and would expire on September 30, 2010. CBO assumes that, in 2011, newly eligible individuals would gradually join the program over the course of the year.

H.R. 4241 also includes a provision to maintain eligibility for free school meals for children in households that would lose Food Stamp benefits under the categorical eligibility change described above. Under current law, all children in Food Stamp households are categorically eligible for free school lunches and breakfasts. Based on their household income, some of the children in households categorically-eligible for food stamps through non-cash TANF services would no longer be eligible for free meals if they no longer received food stamps. This bill would incorporate into the Richard B. Russell National School Lunch Act the current eligibility standards for categorical eligibility for food stamps through receipt of non-cash TANF services.

Initially, this provision would maintain eligibility for children who already covered under current law. However, these changes potentially could affect participation in the child nutrition programs. States could reduce some of the non-cash TANF benefits they provide because those benefits would no longer accord families automatic Food Stamp eligibility nor ease the administrative burden on states of eligibility determinations for such families. Alternatively, some local school systems might use the new child nutrition authority to expand the number of students eligible for free meals. CBO cannot ascertain which of these potential responses would dominate. As a result, we estimate no change in child nutrition costs relative to current law.

Section 1603—Residency Requirement. The 2002 farm act made legal permanent residents (LPRs) who have resided in the United States for at least five years eligible for food stamps. (Certain other legal permanent residents, such as those who are under the age of 18, have a military connection, or qualify as disabled under Food Stamp law, are eligible without a waiting period.) This provision would extend the residency requirement to seven years during the 2006-2010 period. The longer residency requirement would not apply for those LPRs who, on the date of enactment, are participating in the Food Stamp program and are either 60 or older or have an outstanding application for citizenship pending.

CBO estimates that an average of about 50,000 people would no longer be eligible for benefits in fiscal years in 2006 and 2007. That estimate is based on fiscal year 1996 QC data adjusted for changes in Food Stamp rules and recent immigration statistics. That number would rise to 70,000 in 2008, when the effect of the grandfathering provisions would end. (LPRs covered by the grandfathering provision are those who have been in this country for at least five years, but less than seven. By 2008, two years after enactment, all of those initially covered by the provision will have reached the seven-year residency requirement.) As a result, Food Stamp outlays would be lowered by $255 million over the 2006-2010 period. In 2011, when the waiting period would drop back to five years, CBO assumes that newly eligible participants would apply for benefits over the course of the year.

Interaction effects. Taken alone, CBO estimates that restricting categorical eligibility would reduce Food Stamp outlays by $447 million over the 2006-2010 period. However, these estimated savings would decrease after taking into account the provision extending the waiting period for legal permanent residents. CBO estimates that a small share of categorically eligible participants are legal permanent residents who would lose benefits under the new waiting period requirements. As a result, the gross savings cited above would be lowered by an estimated $5 million over the 2006-2010 period.

Sections 1602 and 1604—Emergency Food Assistance Program and the Disaster Food Stamp Program. The bill would provide $12 million to the Emergency Food Assistance Program for the purchase and distribution of commodities to hurricane-affected states. It would also provide reimbursement to states for the full cost of certain administrative expenses for disaster food stamp benefits issued after Hurricanes Katrina and Rita. Under current law, states pay 50 percent of the administrative costs. CBO estimates that the increase in the federal share of administrative costs would be $38 million in fiscal year 2006.

ESTIMATED IMPACT OF H. R. 4241, THE DEFICIT REDUCTION ACT OF 2005, ON SPENDING FOR NUTRITION PROGRAMS

	By Fiscal Year, in Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN DIRECT SPENDING										
Eligible Households										
Estimated Budget Authority	-33	-100	-102	-105	-107	-55	0	0	0	0
Estimated Outlays	-33	-100	-102	-105	-107	-55	0	0	0	0
Residency Requirement										
Estimated Budget Authority	-20	-45	-60	-65	-65	-33	0	0	0	0
Estimated Outlays	-20	-45	-60	-65	-65	-33	0	0	0	0
Food Stamp Interaction Effects										
Estimated Budget Authority	1	1	1	1	1	1	0	0	0	0
Estimated Outlays	1	1	1	1	1	1	0	0	0	0
Emergency Food Assistance Program										
Estimated Budget Authority	12	0	0	0	0	0	0	0	0	0
Estimated Outlays	12	0	0	0	0	0	0	0	0	0
Disaster Food Stamp Program										
Estimated Budget Authority	38	0	0	0	0	0	0	0	0	0
Estimated Outlays	38	0	0	0	0	0	0	0	0	0
Total										
Estimated Budget Authority	-2	-144	-161	-169	-171	-87	0	0	0	0
Estimated Outlays	-2	-144	-161	-169	-171	-87	0	0	0	0
Memorandum:										
Spending for Food Stamp Program Under CBO's March 2005 Baseline	33,445	33,054	33,275	33,882	34,638	35,542	36,474	37,301	38,273	39,277