



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 13, 2007

H.R. 337 **Military Families Financial Security Act of 2007**

As introduced on January 9, 2007

SUMMARY

H.R. 337 would amend Title XVI of the Social Security Act to make changes related to the Supplemental Security Income (SSI) program. The bill would change how certain military cash allowances are treated in determining eligibility and benefits for SSI, and would codify SSI's current treatment of the military basic allowance for housing (BAH). The Congressional Budget Office estimates that those changes would increase direct spending by \$11 million over the 2007-2012 period and by \$24 million over the 2007-2017 period.

H.R. 337 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA), but it would result in some spending increases by states for SSI supplemental payments and for Medicaid.

ESTIMATED COSTS TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 337 is presented in the following table. The cost of this legislation falls within budget functions 600 (income security) and 550 (health).

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 337 will be enacted before October 1, 2007, and take effect on January 1, 2008.

	By Fiscal Year, in Millions of Dollars													
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2007-2012	2007-2017	
CHANGES IN DIRECT SPENDING														
Supplemental Security Income														
Estimated Budget Authority	0	1	2	2	2	2	2	2	2	2	2	9	19	
Estimated Outlays	0	1	2	2	2	2	2	2	2	2	2	9	19	
Medicaid														
Estimated Budget Authority	0	*	*	*	*	*	1	1	1	1	1	2	5	
Estimated Outlays	0	*	*	*	*	*	1	1	1	1	1	2	5	
Total Changes														
Estimated Budget Authority	0	2	2	2	3	2	3	3	3	3	3	11	24	
Estimated Outlays	0	2	2	2	3	2	3	3	3	3	3	11	24	

NOTES: Components may not add to totals because of rounding.

* = Less than \$500,000.

Military Cash Allowances

Under current law, the SSI program treats most military cash allowances—payments other than basic pay, such as the basic allowance for subsistence (BAS)—as unearned income when determining SSI eligibility and benefit amounts. The Social Security Administration (SSA) reduces SSI payments by one dollar for each dollar of unearned income (after disregarding the first \$20). H.R. 337 would treat those military cash allowances as earned income, subjecting them to a more generous treatment when determining the income to be deemed from a parent to a child or from one spouse to another. ("Deeming" is the process by which SSA identifies a portion of the parent's or spouse's income that is available for use on behalf of the beneficiary; that amount is used to determine both eligibility and benefit level.)

Using data from SSA, CBO projects that nearly 3,000 existing SSI beneficiaries—military children and spouses—would benefit from the change. Their monthly SSI payments would increase on average by nearly \$50. Additionally, CBO estimates that H.R. 337 would make approximately 200 military children and spouses eligible for SSI benefits beginning in fiscal year 2008. Another 40 to 90 beneficiaries would be added to the program in each subsequent year. Their monthly benefits would average \$65.

Most of those new SSI beneficiaries would become eligible for Medicaid as a result of their SSI eligibility. Those new beneficiaries would be dependents of members of the military,

and CBO expects that they would already have health coverage through the TRICARE program. When an individual is covered by both Medicaid and another source of health insurance, the Medicaid program provides “wraparound” coverage—covering services that are not provided by the primary source of health insurance but are available under Medicaid. Because the individuals that would be affected by the bill would already have another source of health insurance, CBO estimates that Medicaid spending on those individuals would be only about 20 percent of the per capita average for current disabled beneficiaries, or about \$1,800 in 2008, rising to \$3,100 by 2017.

Special and incentive pay—such as hostile fire/imminent danger pay and hazardous duty pay—are also treated as unearned income. However, since September 2002, SSA has excluded that income from parent-to-child and spouse-to-spouse deeming calculations if (a) the earner receives the special pay as a result of deployment to or while serving in a combat zone and (b) the earner was not receiving the special pay immediately before that deployment. H.R. 337 would not affect that exclusion.

Basic Allowance for Housing

Under current administrative practice, SSA subjects certain military cash allowances to the rules for in-kind support and maintenance (ISM), which is treated as unearned income. However, the dollar-for-dollar reduction in SSI benefits because of ISM is capped at one-third of the federal benefit rate.

The basic allowance for housing is a cash allowance available to military personnel for whom government quarters are not available (about 70 percent of military personnel). When a military service member lives in privatized military housing and the BAH is paid to the private housing contractor, SSA counts the BAH as in-kind support and maintenance. H.R. 337 would codify existing practice. That provision would not affect federal outlays.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 337 contains no intergovernmental or private-sector mandates as defined in UMRA. By increasing eligibility for SSI among some military personnel, the bill could result in some additional spending by states for supplemental SSI payments and for Medicaid. Most states provide optional supplemental benefits to SSI recipients, and assuming they make no changes to their benefit packages, those costs would increase. Because only a small number of individuals would be affected by the bill, CBO estimates that such additional spending would be small.

Because SSI beneficiaries qualify for Medicaid, state spending for that program also would increase, but by far less than \$1 million per year over the 2008-2012 period. Because states have flexibility in both SSI and Medicaid to adjust their programmatic responsibilities, the changes made by the bill would not be intergovernmental mandates as defined in UMRA.

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