



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 23, 2012

Agricultural Reconciliation Act of 2012

As approved by the House Committee on Agriculture on April 18, 2012

SUMMARY

The Agricultural Reconciliation Act of 2012 would make several changes to the Supplemental Nutrition Assistance Program (SNAP) and extend its authorization for one year. CBO estimates that enacting this legislation would reduce direct spending by \$5.6 billion in 2013 and by \$33.7 billion over the 2013-2022 period, relative to CBO's March 2012 baseline projections. Those estimates are based on CBO's assumption that the legislation will be enacted on or near October 1, 2012.

In addition, the Chairman of the House Committee on the Budget has directed CBO to prepare estimates assuming a July 1, 2012, enactment date for this year's reconciliation proposals. If the legislation were enacted by that earlier date, some of the SNAP proposals would result in greater reductions in direct spending than those estimated assuming an October 1 enactment date. Under the alternative assumption of a July 1 enactment date, CBO estimates that the SNAP proposals would reduce direct spending by \$7.8 billion over the 2012-2013 period and \$35.8 billion over the 2012-2022 period.

The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the Agricultural Reconciliation Act of 2012 is shown in the following table (on pages 2 and 3). The costs of this legislation fall within budget function 600 (income security).

| By Fiscal Year, in Millions of Dollars | | | | | | | | | | | | | |
|--|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2012-2017 | 2012-2022 |
| CHANGES IN DIRECT SPENDING ASSUMING ENACTMENT OCTOBER 1, 2012 | | | | | | | | | | | | | |
| Changes to SNAP Eligibility and Benefits | | | | | | | | | | | | | |
| Standard Utility Allowances | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -750 | -1,470 | -1,490 | -1,500 | -1,470 | -1,450 | -1,450 | -1,460 | -1,470 | -1,470 | -6,680 | -13,980 |
| Estimated Outlays | 0 | -750 | -1,470 | -1,490 | -1,500 | -1,470 | -1,450 | -1,450 | -1,460 | -1,470 | -1,470 | -6,680 | -13,980 |
| Restrict Categorical Eligibility | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -620 | -1,245 | -1,255 | -1,255 | -1,235 | -1,210 | -1,195 | -1,180 | -1,170 | 1,155 | -5,610 | -11,520 |
| Estimated Outlays | 0 | -615 | -1,240 | -1,255 | -1,255 | -1,235 | -1,210 | -1,195 | -1,180 | -1,170 | 1,155 | -5,600 | -11,510 |
| Benefit Increase Sunset ^a | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -4,084 | -289 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -4,372 | -4,372 |
| Estimated Outlays | 0 | -4,084 | -289 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -4,372 | -4,372 |
| Interaction Effects | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 140 | 25 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 225 | 325 |
| Estimated Outlays | 0 | 140 | 25 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 225 | 325 |
| Changes to Other SNAP Activities | | | | | | | | | | | | | |
| Employment and Training | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -256 | -295 | -299 | -305 | -311 | -317 | -324 | -331 | -338 | -346 | -1,466 | -3,121 |
| Estimated Outlays | 0 | -256 | -295 | -299 | -305 | -311 | -317 | -324 | -331 | -338 | -346 | -1,466 | -3,121 |
| Awards and Grants | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -68 | -74 | -80 | -87 | -95 | -104 | -114 | -124 | -135 | -145 | -404 | -1,026 |
| Estimated Outlays | 0 | -68 | -74 | -80 | -87 | -95 | -104 | -114 | -124 | -135 | -145 | -404 | -1,026 |
| Total Changes in Direct Spending | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -5,638 | -3,347 | -3,104 | -3,127 | -3,091 | -3,061 | -3,063 | -3,075 | -3,093 | -3,096 | -18,307 | -33,694 |
| Estimated Outlays | 0 | -5,633 | -3,342 | -3,104 | -3,127 | -3,091 | -3,061 | -3,063 | -3,075 | -3,093 | -3,096 | -18,297 | -33,684 |

(Continued)

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes the bill will be enacted on or near October 1, 2012, as shown in the first panel of the table (above). As directed by the Chairman of the House Budget Committee, CBO has also prepared a set of estimates based on the assumption that the legislation is enacted by July 1, 2012. Those alternative estimates are presented on the second panel of the table (on the next page).

| By Fiscal Year, in Millions of Dollars | | | | | | | | | | | | | |
|---|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2012-2017 | 2012-2022 |
| CHANGES IN DIRECT SPENDING ASSUMING ENACTMENT JULY 1, 2012 (Per the Direction of the Chairman of the House Committee on the Budget) | | | | | | | | | | | | | |
| Changes to SNAP Eligibility and Benefits | | | | | | | | | | | | | |
| Standard Utility Allowances | | | | | | | | | | | | | |
| Estimated Budget Authority | -30 | -1,070 | -1,470 | -1,490 | -1,500 | -1,470 | -1,450 | -1,450 | -1,460 | -1,470 | 1,470 | -7,030 | -14,330 |
| Estimated Outlays | -30 | -1,070 | -1,470 | -1,490 | -1,500 | -1,470 | -1,450 | -1,450 | -1,460 | -1,470 | 1,470 | -7,030 | -14,330 |
| Restrict Categorical Eligibility | | | | | | | | | | | | | |
| Estimated Budget Authority | -25 | -875 | -1,245 | -1,255 | -1,255 | -1,235 | -1,210 | -1,195 | -1,180 | -1,170 | -1,155 | -5,890 | -11,800 |
| Estimated Outlays | -25 | -870 | -1,240 | -1,255 | -1,255 | -1,235 | -1,210 | -1,195 | -1,180 | -1,170 | -1,155 | -5,880 | -11,790 |
| Benefit Increase Sunset ^a | | | | | | | | | | | | | |
| Estimated Budget Authority | -675 | -5,000 | -289 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -5,963 | -5,963 |
| Estimated Outlays | -675 | -5,000 | -289 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -5,963 | -5,963 |
| Interaction Effects | | | | | | | | | | | | | |
| Estimated Budget Authority | 10 | 205 | 25 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 300 | 400 |
| Estimated Outlays | 10 | 205 | 25 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 300 | 400 |
| Changes to Other SNAP Activities | | | | | | | | | | | | | |
| Employment and Training | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -256 | -295 | -299 | -305 | -311 | -317 | -324 | -331 | -338 | -346 | -1,466 | -3,121 |
| Estimated Outlays | 0 | -256 | -295 | -299 | -305 | -311 | -317 | -324 | -331 | -338 | -346 | -1,466 | -3,121 |
| Awards and Grants | | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -68 | -74 | -80 | -87 | -95 | -104 | -114 | -124 | -135 | -145 | -404 | -1,026 |
| Estimated Outlays | 0 | -68 | -74 | -80 | -87 | -95 | -104 | -114 | -124 | -135 | -145 | -404 | -1,026 |
| Total Changes in Direct Spending | | | | | | | | | | | | | |
| Estimated Budget Authority | -720 | -7,064 | -3,347 | -3,104 | -3,127 | -3,091 | -3,061 | -3,063 | -3,075 | -3,093 | -3,096 | -20,453 | -35,840 |
| Estimated Outlays | -720 | -7,059 | -3,342 | -3,104 | -3,127 | -3,091 | -3,061 | -3,063 | -3,075 | -3,093 | -3,096 | -20,443 | -35,830 |

Memorandum:

| | | | | | | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| Spending for SNAP Under CBO's March 2012 Baseline | 80,993 | 81,986 | 79,886 | 80,048 | 79,679 | 78,089 | 76,637 | 75,388 | 74,274 | 73,497 | 72,624 | 480,682 | 853,102 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|

Notes: Components may not sum to totals because of rounding.

SNAP = Supplemental Nutrition Assistance Program.

a. The benefit increase, originally provided in the American Recovery and Reinvestment Act, was previously designated as spending for an emergency requirement.

Changes to SNAP Eligibility and Benefits

The Agricultural Reconciliation Act of 2012 would make several changes to the amount of SNAP benefits that households receive as well as eligibility for the program. In particular, the legislation would change the terms for granting heating and cooling (utility) allowances under SNAP, restrict the automatic extension of SNAP eligibility for individuals in households that receive assistance under certain other federal programs, and accelerate the sunset date for enhanced SNAP benefits pursuant to a provision enacted in the American Recovery and Reinvestment Act of 2009 (ARRA). Together, those provisions would reduce direct spending by about \$29.5 billion over the 2012-2022 period, assuming enactment on October 1, 2012; and by about \$31.7 billion over the same period under the July 1 enactment assumption.

Standard Utility Allowances. Under current law, households qualify for a Heating and Cooling Standard Utility Allowance (HCSUA) if they provide proof that they pay heating or cooling expenses or receive assistance through the Low-Income Home Energy Assistance Program (LIHEAP). The Agriculture Committee's proposal would eliminate the automatic qualification for those allowances for SNAP households who receive energy assistance. Some states currently send nominal LIHEAP benefit amounts (typically between \$1 and \$5, and typically only once per year) to SNAP participants to automatically qualify them for the utility allowance. The value of the HCSUA is used, along with other factors, to determine the amount of housing expenses that households can deduct from their income.

The legislation would eliminate that automatic qualification and require all households to provide proof that they paid heating or cooling expenses to claim the utility allowance. CBO estimates that under this provision about 1.3 million households would have their SNAP benefits reduced by an average of \$90 per month. CBO estimates that about 80 percent of households with reduced benefits would be those that qualify for the HCSUA under current law through their receipt of nominal LIHEAP benefits (as described above). We estimate that this provision would reduce direct spending by \$14.0 billion over the 2012-2022 period, assuming enactment on October 1, 2012. (Assuming a July 1, 2012, enactment date, CBO estimates that this provision would reduce direct spending by \$14.3 billion over the 2012-2022 period.)

Restrict Categorical Eligibility. Individuals in households in which all members receive cash assistance from the Temporary Assistance to Needy Families Program (TANF), Supplemental Security Income, or similar state cash assistance programs are considered automatically eligible for SNAP and are not subject to the program's income and asset requirements. States currently have the option to extend such *categorical eligibility* to households that receive or are eligible to receive non-cash services through TANF.

The legislation would restrict categorical eligibility to only households receiving cash assistance. Based on data from the Department of Agriculture, CBO estimates that about 1.8 million people per year, on average, would lose benefits if they were subject to SNAP's income and asset tests. In addition, about 280,000 school-age children in those households would no longer be automatically eligible for free school meals through their receipt of SNAP benefits. Assuming enactment on October 1, 2012, CBO estimates that this provision would lower direct spending by \$11.5 billion over the 2012-2022 period. (We estimate the reduction would be \$11.8 billion for a July 1, 2012, enactment date.)

Benefit Increase Sunset. The maximum SNAP benefit is determined by the cost of the Thrifty Food Plan—a basket of goods selected by the Department of Agriculture to provide a nutritious diet—published in June of each year. The American Recovery and Reinvestment Act of 2009 raised the maximum SNAP benefit in 2009 by 13.6 percent and held it at that amount until the annual inflation adjustment exceeded that amount. Subsequent legislation established a sunset date of October 31, 2013, for this increase. ARRA designated this temporary benefit increase as an emergency requirement.

The legislation would accelerate the sunset date for the ARRA benefit increase to June 30, 2012. Based on discussions with states, CBO expects that states would need about two months to implement the benefit calculation change in their payment systems. As a result, we assume that the effective date for the change in benefits will be after August 31, 2012. CBO estimates that in fiscal year 2013, the maximum benefit for a household of four would be \$34 lower than it would have been under current law. In total, CBO estimates enacting this provision would reduce direct spending by nearly \$6.0 billion if the legislation is enacted by July 1, 2012, but the savings would drop to \$4.4 billion if the legislation is not enacted until October 1, 2012.

Interaction Effects. Changes to standard utility allowances and benefit amounts set by ARRA would reduce benefit amounts that households receive; restricting categorical eligibility would reduce the total number of households receiving SNAP. Therefore, the estimated savings from each provision would be reduced if all three were enacted simultaneously. Accounting for the interactions of those provisions, CBO estimates that the total savings would decline by \$325 million over the 2013-2022 period for an assumed enactment on October 1, 2012. (CBO estimates that the interaction effect would be \$400 million for the July 1 enactment date.)

Changes to Other SNAP Activities

The Agricultural Reconciliation Act of 2012 also would make changes to the level of administrative and award funding under SNAP. Finally, it would reauthorize SNAP through fiscal year 2013. Those changes would reduce direct spending by about \$4.1 billion over the 2012-2022 period for both enactment date assumptions.

Employment and Training Funding. Under current law, states receive a base grant to fund employment and training activities for SNAP participants. In addition, the federal government shares costs above that amount with states on a matching basis. The legislation would eliminate the authority for the federal government to provide such additional funds above the base grant level. As a result of that reduction in funding, CBO estimates that a small number of nondisabled adults without children, who are subject to a work requirement in order to receive SNAP benefits, would lose eligibility if states scale back their employment and training activities. In total, CBO estimates that this provision would lower direct spending by \$3.1 billion over the 2012-2022 period.

Awards and Grants. The proposal also would eliminate \$48 million in annual funding for awards to states with high or improved performance in administering SNAP. The legislation also would eliminate the annual inflation adjustment of grants to states for nutrition education. CBO estimates that these two provisions together would reduce direct spending by \$1.0 billion over the 2012-2022 period.

Program Extensions. The Food, Conservation, and Energy Act of 2008 authorized SNAP through 2012. The reconciliation proposal would extend the program through the end of fiscal year 2013. Under the assumptions underlying CBO's March 2012 baseline projections, we estimate that extending the program for one year would result in outlays of \$82 billion in 2013. Pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, this extension is assumed in CBO's current baseline projections and has no cost relative to that baseline.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

For large entitlement programs such as SNAP, UMRA defines an increase in the stringency of conditions as an intergovernmental mandate if the affected governments lack authority to offset those costs while continuing to provide required services. The legislation would decrease federal payments to states for administering employment and training services under SNAP. CBO estimates that the decrease in federal aid would total \$256 million in 2013 and \$3.1 billion over the 2012-2022 period. However, because states have flexibility to amend their employment and training services to offset those costs, the decrease in federal aid would not impose an intergovernmental mandate as defined in UMRA.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The legislation contains no new private-sector mandates as defined in UMRA.

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