



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

July 20, 1998

S. 2206

Human Services Reauthorization Act of 1998

*As ordered reported by the Senate Committee on Labor and Human Resources
on June 24, 1998*

SUMMARY

S. 2206 would reauthorize the Head Start, Low-Income Home Energy Assistance, and Community Service Block Grant programs. It would also authorize a new demonstration program designed to encourage saving by individuals with low income and assets. Assuming appropriation of the authorized amounts, outlays for these programs would total \$38 billion over the 1999-2003 period, including adjustments for inflation. Without adjustments for inflation, outlays would total \$37 billion. Because enactment of S. 2206 would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

S. 2206 contains no intergovernmental or private sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would, however, impose new data collection and monitoring requirements on state, local, and tribal governments that administer community service programs. CBO estimates that the costs of meeting these requirements would total about \$1 million annually. Under UMRA, such conditions of federal assistance are not mandates.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of S. 2206 is summarized in Table 1. The costs of this legislation fall within budget function 500 (education, training, employment, and social services) and function 600 (income security).

Table 1. Summary of Estimated Budgetary Effects of S. 2206

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
SPENDING SUBJECT TO APPROPRIATION						
Without Adjustments for Inflation						
Authorizations Under Current Law						
Estimated Authorization Level ^a	6,197	2,650	0	0	0	0
Estimated Outlays	5,767	4,917	923	47	0	0
Proposed Changes						
Estimated Authorization Level	--	5,050	7,700	7,700	7,700	7,700
Estimated Outlays	--	2,041	6,540	7,502	7,557	7,551
Authorizations Under S. 2206						
Estimated Authorization Level ^a	6,197	7,700	7,700	7,700	7,700	7,700
Estimated Outlays	5,767	6,958	7,463	7,549	7,557	7,551
With Adjustments for Inflation						
Authorizations Under Current Law						
Estimated Authorization Level ^a	6,197	2,650	0	0	0	0
Estimated Outlays	5,767	4,917	923	47	0	0
Proposed Changes						
Estimated Authorization Level	--	5,146	7,916	8,041	8,166	8,302
Estimated Outlays	--	2,078	6,670	7,741	7,925	8,048
Authorizations Under S. 2206						
Estimated Authorization Level ^a	6,197	7,796	7,916	8,041	8,166	8,302
Estimated Outlays	5,767	6,995	7,593	7,788	7,925	8,048

a. The 1998 level is the amount appropriated for that year.

BASIS OF ESTIMATE

Tables 2 and 3 detail the estimated impact of S. 2206 on spending subject to appropriation by title, with and without adjustments for inflation. In general, CBO assumes current spending patterns in estimates of outlays.

Title I: Head Start. S. 2206 would reauthorize Head Start, a program which provides comprehensive early child development services to low-income children, at such sums as are necessary for 1999-2003. Title I contains increased research requirements that would raise the estimated authorization level, along with several program changes that would not affect the resources necessary to run the program. CBO estimates authorizations would equal the 1998 appropriation plus \$5 million a year to meet the new research requirements. Estimated authorizations under Title I of S. 2206 would total \$4.36 billion in fiscal year 1999 and \$21.8 billion for fiscal years 1999-2003, not including adjustments for inflation.

S. 2206 authorizes \$5 million each year for 1999 through 2003 for a new national study of the impact of Head Start. The Secretary would use the funds to contract with an organization to conduct the research and to pay the expenses of an expert panel to review and advise on the research. CBO assumes that the funds would be spent at the same rate as funds in similar research programs.

S. 2206 would make several other program changes, but CBO estimates they would not have a significant budgetary effect. The major changes are an increase in the set-aside for the Early Head Start program, an emphasis on educational performance measures, and encouragement of collaboration between Head Start and child care agencies to provide full-day, full-year services. The bill would also reserve a portion of the Early Head Start funds for training and technical assistance and make for-profit organizations eligible to compete for Head Start grants.

Title II: Community Services Block Grant. S. 2206 would reauthorize CSBG and related programs. CSBG is a grant to states to provide a wide variety of anti-poverty activities. Authorizations would total \$665 million in 1999 and \$3.3 billion for 1999 through 2003, not including adjustments for inflation.

The bill would authorize CSBG at \$625 million in 1999 and such sums as necessary for the following four years. It would make several changes to the program that CBO estimates would have no budgetary effect including allowing states to recapture and reobligate funds that had been passed through to local agencies and remain unspent for a given period of time, clarifying that nonprofit organizations include faith-based organizations, requiring states to participate in a performance measurement system, and establishing a new program of grants to neighborhood-based nonprofit organizations.

Table 2. Estimated Effects of S. 2206 on Authorizations of Appropriations, Without Adjustments for Inflation

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
Authorizations Under Current Law						
Head Start Programs						
Budget Authority	4,355	0	0	0	0	0
Estimated Outlays	4,067	2,678	261	0	0	0
Community Service Block Grant Program						
Budget Authority	542	0	0	0	0	0
Estimated Outlays	542	232	23	0	0	0
Low-Income Home Energy Assistance						
Estimated Authorization Level ^a	1,300	2,650	0	0	0	0
Estimated Outlays	1,158	2,008	639	47	0	0
Total Authorizations						
Estimated Authorization Level ^a	6,197	2,650	0	0	0	0
Estimated Outlays	5,767	4,917	923	47	0	0
Changes Under S. 2206						
Head Start Programs						
Estimated Authorization Level	--	4,360	4,360	4,360	4,360	4,360
Estimated Outlays	--	1,656	4,098	4,360	4,360	4,360
Community Service Block Grant Program						
Estimated Authorization Level	--	665	665	665	665	665
Estimated Outlays	--	308	589	654	663	665
Low-Income Home Energy Assistance						
Estimated Authorization Level	--	0	2,650	2,650	2,650	2,650
Estimated Outlays	--	75	1,835	2,453	2,500	2,500
Assets for Independence						
Estimated Authorization Level	--	25	25	25	25	25
Estimated Outlays	--	3	19	35	34	26
Total Changes						
Estimated Authorization Level	--	5,050	7,700	7,700	7,700	7,700
Estimated Outlays	--	2,041	6,540	7,502	7,557	7,551
Total Authorizations Under S. 2206						
Total Authorizations						
Estimated Authorization Level ^a	6,197	7,700	7,700	7,700	7,700	7,700
Estimated Outlays	5,767	6,958	7,463	7,549	7,557	7,551

a. The 1998 level is the amount appropriated for that year.

Table 3. Estimated Effects of S. 2206 on Authorizations of Appropriations, With Adjustments for Inflation

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
Authorizations Under Current Law						
Head Start Programs						
Budget Authority	4,355	0	0	0	0	0
Estimated Outlays	4,067	2,678	261	0	0	0
Community Service Block Grant Program						
Budget Authority	542	0	0	0	0	0
Estimated Outlays	542	232	23	0	0	0
Low-Income Home Energy Assistance						
Estimated Authorization Level ^a	1,300	2,650	0	0	0	0
Estimated Outlays	1,158	2,008	639	47	0	0
Total Authorizations						
Estimated Authorization Level ^a	6,197	2,650	0	0	0	0
Estimated Outlays	5,767	4,917	923	47	0	0
Changes Under S. 2206						
Head Start Programs						
Estimated Authorization Level	--	4,456	4,560	4,669	4,778	4,896
Estimated Outlays	--	1,692	4,227	4,589	4,704	4,816
Community Service Block Grant Program						
Estimated Authorization Level	--	665	681	697	713	731
Estimated Outlays	--	308	589	663	687	705
Low-Income Home Energy Assistance						
Estimated Authorization Level	--	0	2,650	2,650	2,650	2,650
Estimated Outlays	--	75	1,835	2,453	2,500	2,500
Assets for Independence						
Estimated Authorization Level	--	25	25	25	25	25
Estimated Outlays	--	3	19	35	34	26
Total Changes						
Estimated Authorization Level	--	5,146	7,916	8,041	8,166	8,302
Estimated Outlays	--	2,078	6,670	7,741	7,925	8,048
Total Authorizations Under S. 2206						
Total Authorizations						
Estimated Authorization Level ^a	6,197	7,796	7,916	8,041	8,166	8,302
Estimated Outlays	5,767	6,995	7,593	7,788	7,925	8,048

a. The 1998 level is the amount appropriated for that year.

The bill would also reauthorize the Community Food and Nutrition programs at \$25 million in 1999 and such sums as necessary for the following four years and the National Youth Sports programs at \$15 million annually for 1999 through 2003.

Title III: Low-Income Home Energy Assistance. S. 2206 would reauthorize the LIHEAP program at \$2.65 billion annually for 2000 through 2004. The program is currently authorized through the end of 1999. The bill makes three separate authorizations for LIHEAP.

First, the bill would authorize the basic LIHEAP grant, a formula grant to states to provide energy assistance to low-income households, at \$2 billion annually over the 2000-2004 period.

Second, the bill would authorize additional energy assistance needed by states because of a natural disaster or other emergency at \$600 million annually for 2000 through 2004. Such funds would be made available only after a formal request by the President that includes a designation of the amount requested as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985.

Third, the bill authorizes \$50 million to be spent each year on an incentive program to encourage states to develop nonfederal energy assistance resources and the Residential Energy Assistance Challenge (REACH) program that gives grants to states to operate energy-efficiency education programs. If less than \$1.4 million is appropriated for the basic grant program and emergency assistance, then only \$30 million is authorized to be appropriated for the incentive and REACH programs. For the purpose of this estimate CBO assumes appropriations at the authorized levels, so \$50 million is estimated to be available.

S. 2206 would include a new definition of emergency that would result in a greater share of available emergency funds being spent than in the past. Under current law, in an average year, 50 percent of the emergency funds made available are distributed by the administration. The bill would define emergency to include: a natural disaster; a significant shortage of home energy supply; or a significant increase in the cost of home energy, the number of home energy disconnections, participation in public benefit programs or the number of unemployed. That definition of emergency is much broader than the one the administration currently uses to determine whether to declare an emergency and release additional LIHEAP funds. CBO estimates that, under the new definition, 75 percent of the emergency funds available would be spent. The provision would affect outlays starting in 1999.

Title IV. Assets for Independence. S. 2206 would establish a new demonstration program designed to encourage saving by individuals with low income and assets. The program would be authorized at \$25 million annually for 1999 through 2003. Demonstration grants would be awarded to nonprofit organizations up to the lesser of \$1 million or the aggregate amount of funds committed as matching funds by nonfederal sources. Grantees would deposit federal and nonfederal funds received for the demonstration project in a reserve fund pending disbursement to program participants. Grantees would use the interest earned on the reserve fund for program purposes.

Individuals with low incomes and assets would be eligible to participate in the program. Grantees would match participants' deposits into savings accounts, called individual development accounts (IDAs). The matching contributions would be between \$0.50 and \$4 for every \$1 of earned income deposited in the IDA by a participant. Participants could withdraw funds from the IDA only for specified purposes such as paying for postsecondary education, first-time home purchase, or business capitalization.

Because it would take several months for the Secretary to award grants and for the grantees to accumulate matching funds, CBO estimates that only 10 percent of the grant would be spent in 1999. The rate of spending would accelerate in each of the following three years.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 2206 contains no intergovernmental mandates as defined in UMRA. The bill would reauthorize the Head Start, Community Services Block Grant, and Low-Income Home Energy Assistance programs that provide grants to state, local, and tribal governments and nonprofit agencies. S. 2206 would impose new data collection and monitoring requirements on state, local, and tribal governments that operate these programs. CBO estimates that the costs of meeting these requirements would total about \$1 million annually. Under UMRA, such conditions of federal assistance are not mandates. For fiscal 1998, CBO estimates that state, local, and tribal governments will receive approximately \$2.8 billion in grants from the programs being reauthorized under the bill. Some of these funds will be distributed to individuals and nonprofit organizations.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 3874 contains no private-sector mandates as defined in UMRA.

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