CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 18, 2002

H.R. 4737
Work, Opportunity, and Responsibility for Kids Act of 2002

As ordered reported by the Senate Committee on Finance on June 26, 2002

SUMMARY

H.R. 4737 would:

- Reauthorize the Temporary Assistance for Needy Families (TANF) program at current funding levels. It would increase funding for some grants and establish several new grants, but also would eliminate funding for other related grants.
- Increase funding for child care programs by $1 billion or more annually;
- Extend by five years the requirement that state Medicaid programs provide transitional medical assistance (TMA) to certain Medicaid beneficiaries and allow states to provide coverage under Medicaid and the State Children's Health Insurance Program (SCHIP) to certain pregnant women and children who are legal immigrants;
- Make several changes to the child support enforcement program, including allowing the distribution to families of more collections from child support payments;
- Increase funding for tribal welfare and employment services programs;
- Require the Social Security Administration (SSA) to change its system of reviewing awards to certain disabled adults in the Supplemental Security Income (SSI) program; and
- Extend customs user fees through February 28, 2005.

CBO estimates that enacting H.R. 4737 as approved by the Senate Finance Committee would increase mandatory spending by $1.2 billion in 2003 and by $23.2 billion over the 2003-2012 period. It also would reduce revenues by $119 million over the 2004-2012 period. Because the act would affect direct spending and revenues, pay-as-you-go procedures would apply.

The act would authorize the appropriation of $15 million in 2003 and $457 million over the 2003-2007 period for new grant programs to aid noncustodial parents, teen mothers and low-income families lacking adequate transportation or housing. CBO estimates that appropriation of the authorized levels would result in $2 million in outlays in 2003 and $457 million over the 2003-2012 period.

CBO believes that H.R. 4737 probably would impose intergovernmental mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on states because it is likely that not all states could offset the costs of the act's changes to the child support enforcement program. The costs of the mandates would depend on the degree to which states would be able to alter their responsibilities within the child support enforcement program and to compensate for the loss of receipts as a result of the act. In total, states would face losses ranging from $73 million in 2007 to $90 million in 2011. To the extent that states are able to alter their programmatic responsibilities and offset some of these costs, the aggregate amounts may be lower than the threshold established in UMRA ($65 million in 2007, as adjusted for inflation).

Other provisions of the act would significantly affect the way states administer their TANF and Medicaid programs, but because of the flexibility in those programs, the new requirements would not be intergovernmental mandates as defined in UMRA. In general, state, local, and tribal governments would benefit from the continuation of existing grants in TANF, the creation of new grant programs, and broader flexibility and options in some areas.

By extending the government's authority to collect certain customs user fees, the act would impose a private-sector mandate as defined in UMRA. CBO cannot determine whether the direct cost of the mandate would exceed the annual threshold for private-sector mandates ($115 million in 2002, adjusted annually for inflation) because UMRA does not clearly specify how to determine the direct cost associated with extending an existing mandate that has not yet expired. Depending on how it is measured, the direct cost to the private sector could exceed the threshold.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4737 is shown in Table 1. The costs of this legislation fall within budget functions 500 (education, training, employment, and social services), 550 (health), 600 (income security), and 750 (administration of justice).

TABLE 1. ESTIMATED COSTS OF H.R. 4737, THE WORK, OPPORTUNITY, AND RESPONSIBILITY FOR KIDS ACT OF 2002, BY TITLE

	By Fiscal Year, in Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
CHANGES IN DIRECT SPENDING											
Title I: Funding											
Estimated Budget Authority	1,522	1,520	1,770	1,767	1,767	1,766	1,766	1,767	1,767	1,768	17,181
Estimated Outlays	940	1,234	1,670	1,616	1,779	1,946	1,996	1,873	1,842	1,781	16,678
Title II: Work											
Budget Authority	120	0	0	0	0	0	0	0	0	0	120
Estimated Outlays	6	24	30	30	24	6	0	0	0	0	120
Title III: Family Promotion and Support											
Estimated Budget Authority	155	156	156	156	156	57	57	56	56	56	1,061
Estimated Outlays	27	85	171	197	184	71	53	75	65	56	984
Title IV: Health Coverage											
Estimated Budget Authority	190	485	585	675	765	585	315	320	340	380	4,640
Estimated Outlays	186	473	584	666	754	588	345	325	345	385	4,650
Title V: Child Support and Child Welfare											
Estimated Budget Authority	131	101	188	224	309	322	340	354	369	383	2,720
Estimated Outlays	60	113	208	246	333	306	339	359	373	385	2,720
Title VI: Tribal Issues											
Estimated Budget Authority	129	44	54	64	75	87	89	92	94	97	829
Estimated Outlays	13	64	80	80	84	87	89	91	94	96	778
Title VII: Innovation, Flexibility, and Accountability											
Estimated Budget Authority	242	38	38	38	40	40	40	39	39	39	593
Estimated Outlays	16	138	164	128	7	-27	5	39	39	39	548
Title VIII: Other Provisions											
Estimated Budget Authority	-6	-1,301	-705	-82	-109	-144	-176	-211	-253	-280	-3,267
Estimated Outlays	-6	-1,301	-705	-82	-109	-144	-176	-211	-253	-280	-3,267
Interactions											
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	-181	-71	53	133	66	0	0	0	0
Total Changes in Direct Spending											
Estimated Budget Authority	2,484	1,043	2,087	2,842	3,004	2,713	2,432	2,417	2,412	2,444	23,877
Estimated Outlays	1,242	829	2,022	2,810	3,109	2,965	2,716	2,551	2,505	2,462	23,211
CHANGES IN REVENUES											
Estimated Revenues	0	-1	-3	-7	-13	-16	-18	-20	-20	-21	-119
CHANGES IN SPENDING SUBJECT TO APPROPRIATION											
Authorization Level	15	148	98	98	98	0	0	0	0	0	457
Estimated Outlays	2	40	83	139	110	61	22	0	0	0	457

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

BASIS OF ESTIMATE

Direct Spending and Revenues

CBO estimates that enacting H.R. 4737 would increase direct spending by $23.2 billion and reduce revenue by $119 million over the 2003-2012 period, for a net reduction in projected surpluses of about $23.3 billion over the next 10 years.

Title I: Funding. H.R. 4737 would reauthorize basic TANF grants through 2007 at the current level of funding of $16.6 billion. The act would not alter current requirements on states to spend a certain percentage of their historic spending level (80 percent, or 75 percent if the state meets the work participation requirements) and to limit assistance paid with federal funds to five years. It would alter the funding of some grants related to TANF and make several other changes to program rules and reporting requirements. CBO estimates title I would increase direct spending by $940 million in 2003 and $16.7 billion over the 2003-2012 period (see Table 2).

State Family Assistance Grant. Section 101 would extend the state family assistance grant through 2007 at the current funding level of $16.6 billion. CBO already assumes funding at that level in its baseline in accordance with rules for constructing baseline projections, as set forth in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act). Therefore, CBO estimates the provision would have no effect on direct spending over the 2003-2012 period, relative to the current-law baseline.

Supplemental Grants. Section 101 also would provide additional funding totaling $441 million annually to certain states. It would extend the supplemental grants for population increases through 2007 at the 2002 funding level of $319 million and incorporate them into the state family assistance grants. Current law specifies that supplemental grants should not be assumed to continue in baseline projections after 2002, overriding the continuation rules specified in section 257 of the Deficit Control Act. Seventeen states that had lower-than-average TANF grants per poor person or had rapidly increasing populations would be eligible for supplemental grants. In addition, 17 states (10 of the states that now get a supplemental grant and seven additional states) would qualify for an increase in their state family assistance grant based on their low per-capita-income levels. Those increases would total $122 million a year.

TABLE 2. ESTIMATED COSTS OF TITLE I: FUNDING

	By Fiscal Year, in Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
CHANGES IN DIRECT SPENDING											
Extend and Increase Supplemental Grants											
Estimated Budget Authority	441	441	441	441	441	441	441	441	441	441	4,410
Estimated Outlays	176	265	397	485	507	540	573	496	496	452	4,388
Food Stamp Effect of Supplemental Grants											
Estimated Budget Authority	-2	-3	-5	-6	-6	-7	-7	-6	-6	-5	-53
Estimated Outlays	-2	-3	-5	-6	-6	-7	-7	-6	-6	-5	-53
Expand Contingency Fund											
Estimated Budget Authority	80	80	80	80	80	80	80	80	80	80	800
Estimated Outlays	32	48	72	88	92	98	104	90	90	82	796
Food Stamp Effect of Contingency Fund											
Estimated Budget Authority	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-9
Estimated Outlays	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-9
Increase Child Care Funding											
Estimated Budget Authority	1,000	1,000	1,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	11,750
Estimated Outlays	750	910	970	1,178	1,228	1,243	1,248	1,250	1,250	1,250	11,276
TANF Effect of New Child Care Spending											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-198	-132	-33	0	37	159	116	41	10	0	0
Increase Territory Ceilings											
Estimated Budget Authority	3	3	3	3	3	3	3	3	3	3	31
Estimated Outlays	1	2	3	4	3	3	3	3	3	3	28
Increase SSBG Funding in 2005											
Budget Authority	0	0	252	0	0	0	0	0	0	0	252
Estimated Outlays	0	0	214	30	8	0	0	0	0	0	252
TANF Effect of New SSBG Funding											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	-35	10	7	9	9	0	0	0	0
Increase Transfer Authority to SSBG											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	181	145	89	-172	-96	-98	-49	0	0	0	0
Total Changes in Title I											
Estimated Budget Authority	1,522	1,520	1,770	1,767	1,767	1,766	1,766	1,767	1,767	1,768	17,181
Estimated Outlays	940	1,234	1,670	1,616	1,779	1,946	1,996	1,873	1,842	1,781	16,678

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

SSBG = Social Services Block Grant.

In all, 24 states would receive one or both of the increases to their basic grant amount and payments would total $441 million annually. Because many states have unspent balances from prior-year TANF grants, CBO assumes that many states would not spend the new funds quickly. CBO estimates that states would spend $176 million in 2003 and $4.4 billion over the 2003-2012 period. CBO expects some of the additional funding provided would be used to increase benefits to families that also receive food stamps. Additional TANF income would reduce Food Stamp benefits, lowering spending in the Food Stamp program by $53 million over the 2003-2012 period.

Contingency Fund. Section 102 would significantly alter the Contingency Fund for State Welfare Programs. Under current law, the contingency fund provides additional federal funds to states with high and increasing unemployment rates or significant growth in Food Stamp participation. States are required to maintain state spending at 100 percent of their 1994 levels and to match federal payments. CBO estimates that states will draw federal funds totaling between $1 million and $4 million annually under current law. A major factor restraining spending in the current program is the requirement to maintain a high level of state spending. Most states currently spend well below their historic levels.

Section 102 would change the eligibility conditions, grant determination, and state spending requirements of the contingency fund. A state would need to experience high growth in its unemployment rate, Food Stamp participation, or TANF caseload to qualify for funds. The amount of funding a state would receive would be based on the state's caseload increase over the level in the two years prior to its qualification and its Medicaid matching rate. A state with high unspent TANF balances from prior years would not be eligible for payments from the contingency fund. Unlike the current contingency fund, a state would not need to maintain a high level of historic spending or put up any matching funds in order to receive a contingency fund grant.

Based on CBO's projections of unemployment, Food Stamp participation, TANF caseloads and state TANF spending, CBO estimates that states would qualify for an additional $80 million annually from the fund. CBO estimates states would spend $32 million in 2003 and $796 million over the 2003-2012 period. CBO expects some of the additional funding provided would be used to increase benefits to families that also receive food stamps. Additional TANF income would reduce Food Stamp benefits, lowering spending in the Food Stamp program by $9 million over the 2003-2012 period.

Child Care. The child care entitlement to states program provides funding to states for child care subsidies to low-income families and for other activities. Section 103 would amend the program by appropriating a total of $19.1 billion over the 2003-2007 period. It would appropriate $3.717 billion in years 2003 through 2005 and $3.967 billion in 2006 and 2007. That is a total of $5.5 billion over the amounts assumed in baseline for the 2003-2007 period.

CBO assumes funding would continue at the 2007 level in its baseline in accordance with the rules set forth in the Deficit Control Act. Based on recent spending patterns, CBO estimates that outlays would increase by $750 million in 2003 and by $11.3 billion over the 10-year period.

Under current law, the total mandatory child care appropriation is distributed by two separate formulas. First, a fixed amount based on historical spending—$1.235 billion in 2002—is allocated to states and this amount requires no match. H.R. 4737 would increase this funding by $1.0 billion annually for the next five years. Second, the remaining funds—$1.482 billion in 2002—are distributed under a formula based on states' relative share of children under age 13, but states are required to supply matching funds to access these grants. The act would increase this component of child care funding by $250 million in both 2006 and 2007.

CBO expects the additional child care funding would induce some states to reduce the amount of TANF spending on child care (either directly or through transfers to the Child Care and Development Fund) and result in a temporary slowing of TANF spending. CBO estimates TANF spending would slow by nearly $200 million in 2003, but since states would find alternative ways to spend any funds no longer transferred, there would be no net impact on TANF spending over the 2003-2012 period.

Territories. Section 108 would increase the amount of funding available to Puerto Rico, Guam, the Virgin Islands, and American Samoa by $3 million per year. Based on historic rates of spending, CBO estimates those territories would spend $1 million in 2003 and $28 million over the 2003-2012 period.

Social Services Block Grant (SSBG). Section 110 would increase the funding level for SSBG in 2005 and raise the percentage of the TANF grant that states could transfer to SSBG.

SSBG is permanently authorized at $1.7 billion annually. Section 110 would increase funding for one year only to $1.952 billion in 2005. CBO estimates, based on current rates of spending, that states would spend $214 million in 2005 and $252 million over the 2005-2012 period. Section 110 also would allow states to maintain the authority to transfer up to 10 percent of TANF funds to SSBG. That authority is scheduled to fall to 4.25 percent in 2003 and after. In recent years, states have transferred about $1 billion annually.

Those provisions would affect TANF spending in two ways. First, the additional SSBG spending would tend to reduce the need for TANF transfers to SSBG and slow TANF spending by an estimated $35 million in 2005. Second, maintaining the transfer authority at the higher level would make it easier for states to spend their TANF grants and would tend to accelerate spending relative to current law. (Based on recent state transfers, CBO expects that states would transfer an additional $600 million under the provision, but because some of this money would have been spent within the TANF program anyway, only $181 million of additional spending would occur in 2003.) The net effect of the provisions would be to increase TANF spending in 2003 through 2005 and reduce spending in later years. Overall, the provision would have no net impact over the over the 2003-2012 period.

Title II: Work. Title II would establish a new grant program for states and revise requirements on states related to the participation in work and training of families receiving assistance. CBO estimates that enacting title II would increase direct spending by $120 million over the 2003-2012 period.

Implementation Grants. Section 201 would make grants to states to train caseworkers, improve coordination of support programs, conduct outreach, and establish advisory panels to improve states' policies and procedures for assisting individuals with barriers to work. The act would provide $120 million to the Secretary of Health and Human Services (the Secretary) to award over the 2003-2006 period. Because it would take states some time to plan how they would spend the funds, CBO assumes the money would be spent slowly. CBO estimates states would spend $6 million in 2003 and $120 million over the 2003-2012 period (see Table 1).

Work Participation Requirements. Section 202 would require states to have an increasing percentage of TANF recipients participate in work activities while receiving cash assistance. It would maintain current penalties for the failure to meet those requirements. Those penalties can total up to 5 percent of the TANF block grant amount for the first failure to meet work requirements and increase with each subsequent failure. CBO expects most states would meet the requirements with little additional effort and no state would be subject to financial penalty for failing to meet the new requirements.

Section 202 would require states to engage an increasing share of families receiving TANF in activities for 30 hours a week with at least 24 of those hours (up from 20 hours under existing law) in a limited set of activities. The required participation rate would rise by 5 percentage points a year from 50 percent in 2003 to 70 percent in 2007. The act also would eliminate a requirement in current law that sets even higher participation rates for two-parent families and would allow partial credit for recipients who participate for at least 15 hours against the participation standard.

The act would expand the types of activities that would count toward meeting the work participation requirements and the allowed exclusions from the calculation of the work participation rate. It also would give states the option of including additional families receiving child care and transportation or nonrecurring benefits in the calculation.

Another provision of H.R. 4737 could have a significant impact on the work requirements that states actually would face. Under current law, certain states have waivers that allow them to use different rules to determine whether they meet the work participation requirement. Section 711 would allow certain states to continue to operate under their waivers and allow other states to adopt the provisions of those waivers as long as they are consistent with the purposes of the TANF program. Provisions of those waivers would allow states to expand the types of activities, reduce the required hours of participation, and expand the number of families exempted from the work participation standards.

Finally, section 202 would reduce the required participation rate of a state based on the number of families in the state who leave assistance for work. That replaces a provision in current law that bases such reductions on TANF caseload declines since 1995. The caseload reduction credit has reduced significantly the required participation rate in all states and reduced it to zero in more than 30 states. The new employment credit also would result in significant reductions in the required participation rates for some states. The new credit is capped and cannot reduce the standard by more than 20 percentage points by 2007. However, the cap does not apply to states that meet at least two criteria for being a needy state for purposes of the contingency program (described under title I).

Title III: Family Promotion and Support. Title III would eliminate one grant program related to out-of-wedlock birth rates and replace it with another directed at promoting marriage. It would reauthorize an existing abstinence education program and establish two new programs aimed at pregnancy prevention. CBO estimates that title III would increase direct spending by $27 million in 2003 and $984 million over the 2003-2012 period (see Table 3).

Healthy Marriage Promotion Grants. Section 301 would eliminate an out-of-wedlock birth grant program, but would create a new grant program to promote healthy marriages. CBO projects funding for out-of-wedlock birth grants at $100 million annually in accordance with the Deficit Control Act. We estimate that eliminating this program would reduce outlays by $900 million over the 2004-2012 period. The impact of the reduction in funding on outlays is delayed (no effect in 2003) because the grants are awarded in the last days of a fiscal year. CBO expects the reduced funding would cause states to decrease benefits to families that also receive food stamps. The reduced TANF income would increase Food Stamp benefits, increasing spending in the Food Stamp program by $11 million over the 2003-2012 period.

Section 301 also would establish a new competitive grant to states, Indian tribes, and non-profit entities for developing and implementing programs to promote stronger families, with an emphasis on promoting healthy marriages. The act would appropriate $200 million annually for grants that could be used for a variety of activities including public advertising campaigns, education programs on topics related to marriage, teen pregnancy prevention programs, income support programs, and development of best practices for addressing domestic violence. The grants could be used to cover up to 75 percent of the cost of the new programs. CBO expects grants would be spent slowly in the first few years because the Department of Health and Human Services (HHS) would need to set up a system for awarding grants and states would need to set up programs to use the funds. CBO projects that the grants would continue in baseline after 2007, in accordance with the Deficit Control Act. We estimate states would spend $11 million in 2003 and $1.8 billion over the 2003-2012 period.

TABLE 3. ESTIMATED COSTS OF TITLE III: FAMILY PROMOTION AND SUPPORT

	By Fiscal Year, in Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
CHANGES IN DIRECT SPENDING											
Repeal Out-of Wedlock Grant											
Estimated Budget Authority	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-1,000
Estimated Outlays	0	-42	-57	-94	-103	-169	-135	-100	-100	-100	-900
Food Stamp Effect of Repeal of Grant											
Estimated Budget Authority	0	1	1	1	1	2	2	1	1	1	11
Estimated Outlays	0	1	1	1	1	2	2	1	1	1	11
Establish Healthy Marriage Grants											
Estimated Budget Authority	200	200	200	200	200	200	200	200	200	200	2,000
Estimated Outlays	11	88	182	239	231	212	200	200	200	200	1,763
Continue Abstinence Education											
Estimated Budget Authority	0	0	0	0	0	-50	-50	-50	-50	-50	-250
Estimated Outlays	0	0	0	0	0	-14	-34	-41	-46	-50	-185
Establish Abstinence First Grants											
Budget Authority	50	50	50	50	50	0	0	0	0	0	250
Estimated Outlays	15	35	40	45	50	35	15	10	5	0	250
Fund Teen Pregnancy Prevention											
Estimated Budget Authority	5	5	5	5	5	5	5	5	5	5	50
Estimated Outlays	1	3	5	6	5	5	5	5	5	5	45
Total Changes in Title III											
Estimated Budget Authority	155	156	156	156	156	57	57	56	56	56	1,061
Estimated Outlays	27	85	171	197	184	71	53	75	65	56	984

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

Abstinence Education. Section 302 would provide funding totaling $250 million for the abstinence education program, administered by the Health Resources and Services Administration (HRSA), through 2007. CBO estimates that outlays would total $185 million over the 2003-2007 period (with the remainder of the $250 million to be spent after 2007). However, CBO already assumes mandatory appropriations for this program in its baseline, based on the provisions in the Deficit Control Act for projecting direct spending for expiring programs. Therefore, CBO estimates that the provision would have no direct spending effects through 2007, relative to the current-law baseline.

CBO estimates that outlays in 2007 would not exceed the $50 million threshold, and therefore, we would <u>not</u> assume budget authority to continue in this program beyond the authorization ending in 2007. As a result, CBO estimates that implementing this provision would decrease outlays by $185 million from 2008-2012, relative to the current-law baseline.

H.R. 4737 also would make an additional $250 million in grants available to scientifically proven interventions that emphasize abstinence, but could include other strategies for prevention of teen pregnancy. The act also would require the Secretary to use some of the money to do an evaluation comparing the efficiency of abstinence-only and abstinence-first programs. CBO estimates that spending for this provision would be similar to the current abstinence education program. We estimate outlays for this provision of $15 million in 2003, $185 million over the 2003-2007 period, and $250 million over the 2003-2012 period.

Teen Pregnancy Prevention Research Center. Section 303 would create a grant available to a nationally recognized, nonpartisan, nonprofit organization for the purpose of establishing and operating a resource center for issues of teen pregnancy prevention. The act would appropriate $5 million each year over the 2003-2007 period and CBO projects these grants would continue in baseline beyond 2007, as they are part of the overall TANF program. CBO estimates that $1 million would be spent in 2003 and $45 million over the 2003-2012 period.

Title IV: Health Coverage. Title IV would make several changes to Medicaid and the State Children's Health Insurance Program. The act would extend by five years the requirement that state Medicaid programs provide transitional medical assistance to certain Medicaid beneficiaries (usually former welfare recipients) who otherwise would be ineligible because they have returned to work and have increased earnings. Title IV also would allow states to simplify aspects of TMA administration. Finally, it would give states the option of extending coverage under Medicaid and SCHIP to certain pregnant women and children who are legal immigrants.

Overall, CBO estimates that enacting title IV would increase direct spending by $186 million in 2003 and by $4.7 billion over the 2003-2012 period (see Table 4).

TABLE 4. ESTIMATED COSTS OF TITLE IV: HEALTH COVERAGE

	By Fiscal Year, in Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
CHANGES IN DIRECT SPENDING											
Extension of Transitional Medical Assistance (TMA)											
Medicaid											
Estimated Budget Authority	130	320	345	390	425	280	10	10	0	0	1,910
Estimated Outlays	130	320	345	390	425	280	10	10	0	0	1,910
State Children's Health Insurance Coverage											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-8	-18	-4	-14	-16	-11	47	0	0	0	-24
Optional TMA Simplifications											
Medicaid											
Estimated Budget Authority	30	75	110	125	130	55	5	0	0	0	530
Estimated Outlays	30	75	110	125	130	55	5	0	0	0	530
State Children's Health Insurance Coverage											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-1	-4	-2	-5	-5	-2	12	0	0	0	-7
Optional Coverage of Certain Legal Immigrants											
Medicaid											
Estimated Budget Authority	30	90	130	160	210	250	300	310	340	380	2,200
Estimated Outlays	30	90	130	160	210	250	300	310	340	380	2,200
State Children's Health Insurance Coverage											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	5	10	5	10	10	15	-30	5	5	5	40
Total Changes in Title IV											
Estimated Budget Authority	190	485	585	675	765	585	315	320	340	380	4,640
Estimated Outlays	186	473	584	666	754	588	345	325	345	385	4,650

Extension of Transitional Medical Assistance. State Medicaid programs are required to temporarily provide Medicaid coverage, known as TMA, for certain individuals and their dependents who would otherwise become ineligible because their earnings have increased above the state's eligibility limits under section 1931 of the Social Security Act. (Section 1931 is an eligibility category for families established under the 1996 welfare reform bill.) Many of these individuals are former welfare recipients who have returned to work. TMA recipients are guaranteed to remain eligible for Medicaid for six months; after that, they may remain eligible for another six months if they report their income periodically and have incomes below 185 percent of the poverty level.

States are currently required to provide TMA to individuals who lose their eligibility under section 1931 prior to September 30, 2002. Section 401 of H.R. 4737 would extend the requirement through September 30, 2007. CBO estimates that this extension would increase federal Medicaid spending by $130 million in 2003 and about $1.9 billion over the 2003-2012 period. We estimate that federal SCHIP spending would decrease by $8 million in 2003 and by $24 million over the 2003-2012 period.

Number of beneficiaries. Many families move on and off the Medicaid and TANF rolls as their family and employment circumstances change. Under current law, CBO anticipates that each year about 1.4 million families enrolled under section 1931 will lose their Medicaid eligibility over the 2003-2007 period. Many of those families will lose TANF benefits at the same time. Based in part on experience with welfare case closures, CBO projects that slightly more than one million families will leave the TANF rolls annually in those years. Loss of Medicaid eligibility will occur in most of those cases because TANF and Medicaid eligibility limits are similar in many states. The remaining families losing coverage under section 1931 will be Medicaid recipients who were not enrolled in TANF.

Based on research on families leaving welfare, CBO anticipates that about 500,000 families annually would meet the basic requirements for TMA between 2003 and 2007. Recent TANF data on the number of recipients in each family suggest that there are about 500,000 adults and 900,000 children in those families. (Virtually all families that receive TANF and have an adult recipient are single-parent families.)

From this eligible population, CBO estimates that under H.R. 4737 about 290,000 additional adults and 360,000 additional children would enroll in TMA each year. Those estimates account for individuals who would remain enrolled in Medicaid under other eligibility categories after losing their section 1931 eligibility (and thus not receive TMA). CBO assumes only moderate participation in TMA, based on studies of families leaving welfare. Although children in families that lose their section 1931 eligibility typically remain eligible for Medicaid under other eligibility rules, studies suggest that many children drop off the rolls once their parents lose eligibility. Therefore, by extending TMA, the act would keep a significant share of those children enrolled in Medicaid.

CBO anticipates that the act's effect on Medicaid enrollment would be much smaller when measured on a full-year-equivalent basis. Under current law, families losing their eligibility under section 1931 would receive four months of eligibility—even without TMA—under a separate provision of Medicaid law. The act would therefore provide most families with another eight months of eligibility instead of 12. Even then, research on TMA recipients indicates that many people do not remain eligible for a full 12 months because they fail to report their incomes on a periodic basis.

After accounting for these factors, CBO estimates that the act would increase Medicaid enrollment on a full-year-equivalent basis by about 115,000 in 2003, between 260,000 and 280,000 in 2004 through 2007, 170,000 in 2008, and smaller amounts in 2009 and 2010. The act's effects would extend beyond 2007 because families who qualify for TMA at any point in that year would be entitled to as many as 12 months of additional eligibility, even if that period of eligibility runs beyond 2007. (Families living in states that provide more than 12 months of TMA through a waiver could remain eligible into 2009 or 2010.)

Per capita costs. CBO estimates that the federal share of costs per full-year-equivalent enrollee would be about $1,350 for an adult and $975 for a child in 2003, rising to about $1,750 and $1,275, respectively, by 2007. Those figures are lower than CBO's baseline figures for adults and children (by about 30 percent and 10 percent, respectively) because of a number of adjustments. First, CBO excluded pregnancy-related costs for adults. Pregnant women are typically eligible for Medicaid at higher income levels than under section 1931, so they would be unlikely to receive TMA. Second, we assume that adults and children in families receiving TMA would be somewhat healthier than other Medicaid recipients and thus have lower costs, on average. Finally, we assume that some TMA recipients would receive a more limited set of benefits than Medicaid usually provides since states do not have to provide nonacute-care services to TMA recipients in their second six-month period of eligibility.

Effects on SCHIP. CBO anticipates that under current law about 10 percent of the families leaving welfare because of higher earnings would have incomes high enough to make their children ineligible for Medicaid, but some children in these families would enroll in SCHIP instead. The act's extension of TMA would make those children newly eligible for Medicaid, and therefore ineligible for SCHIP. Since children who are eligible for Medicaid cannot receive SCHIP, the act would lead to savings in SCHIP.

CBO estimates that the act would reduce federal SCHIP outlays by a total of $71 million between 2003 and 2008. Because states generally have three years to spend their SCHIP allotments, those savings would free up funds that could be spent on benefits in later years, and CBO estimates that spending would increase by $47 million in 2009.

Optional TMA Simplifications. Section 401 of H.R. 4737 also would allow states to waive or relax various requirements that currently apply to TMA. In particular, the act would allow states to expand TMA eligibility to individuals who have not been eligible for Medicaid under section 1931 for at least three of the previous six months (a requirement under current law), provide up to 12 additional months of TMA eligibility, and eliminate some or all of the requirements for TMA recipients to report their incomes periodically. States with Medicaid eligibility for adults and children set at 185 percent of the poverty level or higher also would no longer be required to provide TMA.

CBO anticipates that those provisions would boost federal Medicaid spending by $30 million in 2003 and by $530 million over the 2003-2012 period. Most of those costs would stem from the elimination of the income-reporting requirements. States already have the flexibility under section 1931 to effectively waive the three-out-of-six months requirement or provide more than 12 months of TMA by disregarding some or all of an individual's income when determining eligibility. Finally, only two small states cover adults and children up to 185 percent of the poverty level. Ending TMA in those states would reduce enrollment for beneficiaries with income above the limit in the six months after leaving Medicaid. However, savings would be limited because the states are small.

CBO also estimates that the effect of those provisions would have a slight impact on SCHIP, decreasing outlays by $7 million over the 2003-2012 period. By relaxing TMA rules, the act would make some children newly eligible for Medicaid, and therefore ineligible for SCHIP.

Optional Coverage of Certain Legal Immigrants. The 1996 welfare reform law restricted the eligibility of certain legal immigrants for Medicaid and SCHIP. Under the law, legal immigrants entering the United States after August 22, 1996, are generally ineligible during their first five years in the country. After that, states have the option of providing Medicaid and SCHIP coverage. However, most immigrants will likely remain ineligible because the law requires that states include the income and resources of an immigrant's sponsor when determining eligibility, a procedure known as deeming. Deeming is required until the immigrant has naturalized or accumulated a significant work history. Despite these restrictions, legal immigrants can still receive emergency care services under Medicaid.

Section 402 of H.R. 4737 would give states the option of providing coverage under Medicaid to two groups of legal immigrants—pregnant women and children—entering the United States after August 22, 1996. The act would allow states to cover one or both of these groups. States that provide Medicaid coverage also would have the option of providing SCHIP coverage. Immigrants who receive Medicaid or SCHIP under the act would be exempt from the five-year ban on eligibility and deeming.

CBO estimates that this provision would increase federal Medicaid outlays by $30 million in 2003 and $2.2 billion over the 2003-2012 period. SCHIP outlays would rise by $5 million in 2003 and $40 million over the 2003-2012 period. The following discussion details these effects.

Number of beneficiaries. CBO relied on data provided by the Immigration and Naturalization Service on the number of legal immigrants admitted to the United States each year and historical data on the number of immigrants enrolled in Medicaid to estimate the provision's cost. Our estimate reflects the fact that immigrants admitted as refugees are eligible under current law, and assumes that participation rates in Medicaid would be lower than they were prior to enactment of welfare reform in 1996. (A number of studies have indicated that Medicaid participation rates by immigrants have fallen since 1996.) CBO also anticipates that many immigrants would ultimately gain Medicaid eligibility under current law by becoming naturalized citizens.

Although H.R. 4737 only would affect the Medicaid eligibility of legal immigrants, CBO expects the act would slightly increase Medicaid participation by the U.S.-born children of immigrant parents. As U.S. citizens, these children are not directly affected by the 1996 restrictions, but studies have suggested that their participation in Medicaid has fallen, probably because of confusion by their parents about eligibility rules. Once all these factors are taken into account, CBO estimates that Medicaid enrollment in 2003 would rise by about 155,000 children and 60,000 pregnant women on a full-year-equivalent basis, if all states provided Medicaid coverage under the act. The additional enrollment would reach 170,000 children and 110,000 pregnant women by 2012. About 90 percent of newly enrolled children would be legal immigrants.

Per capita costs. CBO estimates that federal Medicaid costs per full-year-equivalent enrollee in 2003 would be about $500 for an immigrant child, $800 for a citizen child, and $1,200 for a pregnant woman. Those figures are well below CBO's baseline figures of about $1,100 per child and $3,400 for a pregnant woman for several reasons. Studies indicate that immigrant children enrolled in Medicaid use significantly fewer services than Medicaid children generally. Furthermore, spending on emergency services for immigrants are covered under current law, which we anticipate would reduce per capita costs for immigrant children by about a third and exclude labor and delivery costs for pregnant women. Finally, CBO assumes that the average federal match rate for immigrants would be lower than the national average of 57 percent because a disproportionate number of immigrants live in states with lower match rates. By 2012, we expect that per capita costs would rise to about $900 for an immigrant child, $1,500 for a citizen child, and $2,200 for a pregnant woman.

State participation. CBO anticipates that under the act states with 25 percent of potential Medicaid costs would choose to cover children and pregnant women who are legal immigrants in 2003. After 2007, we expect that proportion to reach 90 percent.

CBO believes that many states would opt to cover legal immigrant children and pregnant women for two reasons. First, most states have extended optional Medicaid coverage to other groups of immigrants. Every state but Wyoming provides coverage to legal immigrants who entered the United States prior to the enactment of welfare reform, and 42 states provide coverage to legal immigrants who entered after enactment (subject to the five-year ban and deeming). Second, about 20 states—including many states with large immigrant populations, such as California and New York—currently provide Medicaid-like coverage to immigrant children and pregnant women using state funds. These states would save money under the act by using federal Medicaid funds to replace state funds.

Effects on SCHIP. CBO estimates that federal SCHIP spending under H.R. 4737 would increase by $5 million in 2003 and by $40 million over the 2003-2012 period. CBO anticipates that fewer states, representing 75 percent of potential costs, would opt to provide SCHIP coverage under the act than those opting to expand Medicaid coverage. Many states have already committed available SCHIP funds to covering non-immigrant children and would not be able to expand under the act. Because total funding for the SCHIP program is capped, SCHIP spending would be shifted from later years to earlier years, and would result in a decrease in spending in 2009.

Title V: Child Support and Child Welfare. H.R. 4737 would change many aspects of the operation and financing of the child support program. It would allow (and in one case, require) states to share more child support collections with current and former recipients of TANF, thereby reducing the amount the federal and state governments would recoup from previous TANF benefit payments. The federal government's share of child support collections is 55 percent, on average. The act also would provide a one-time grant to states to improve various state processes. It would require states to periodically update child support orders and expand the use of certain enforcement tools. Finally, H.R. 4737 would extend and expand a program of child welfare demonstrations. Overall, CBO estimates that enacting title V would increase direct spending by $60 million in 2003 and $2.7 billion over the 2003-2012 period. We also estimate that this title would reduce revenues by $119 million over the 2003-2012 period (see Table 5).

Distribute More Support to Current TANF Recipients. When a family applies for TANF, it assigns any rights the family has to child support collections to the state. While the family receives assistance, the state uses any collections it receives to reimburse itself and the federal government for TANF payments. These reimbursements to the federal government are recorded as offsetting receipts (a credit against direct spending). States may choose to give some of the child support collected to families, but states must finance those payments out of their share of collections.

Section 501 would allow states to increase the amount of child support they pay to families receiving assistance and would not require the state to pay the federal government share of the increased payments. The state could not count the child support as income in determining the families' benefits under the TANF program.

TABLE 5. ESTIMATED COSTS OF TITLE V: CHILD SUPPORT AND CHILD WELFARE

	By Fiscal Year, in Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
CHANGES IN DIRECT SPENDING											
Distribute More Support to Current TANF Families											
Child Support Collections											
Estimated Budget Authority	72	82	97	113	130	134	139	144	149	154	1,214
Estimated Outlays	72	82	97	113	130	134	139	144	149	154	1,214
Food Stamps											
Estimated Budget Authority	-2	-5	-11	-17	-23	-24	-25	-26	-27	-27	-187
Estimated Outlays	-2	-5	-11	-17	-23	-24	-25	-26	-27	-27	-187
TANF											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-38	-23	-1	11	14	13	13	5	4	2	0
Subtotal											
Estimated Budget Authority	70	77	86	96	107	110	114	118	122	127	1,027
Estimated Outlays	32	54	85	107	121	123	127	123	126	129	1,027
Distribute More Past-Due Support to Current and Former TANF Families											
Child Support Collections [a]											
Estimated Budget Authority	18	37	77	120	210	219	227	236	245	255	1,643
Estimated Outlays	18	37	77	120	210	219	227	236	245	255	1,643
Food Stamps											
Estimated Budget Authority	-1	-1	-3	-4	-6	-6	-6	-6	-6	-6	-46
Estimated Outlays	-1	-1	-3	-4	-6	-6	-6	-6	-6	-6	-46
TANF											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	4	7	12	11	10	-29	-14	0	0	0	0
Subtotal											
Estimated Budget Authority	17	36	74	116	204	213	221	230	239	248	1,597
Estimated Outlays	21	43	86	127	214	184	207	230	239	248	1,597
Ban on Recovery of Medicaid Costs for Certain Births											
Estimated Budget Authority	0	0	41	43	44	46	48	50	52	54	378
Estimated Outlays	0	0	41	43	44	46	48	50	52	54	378
Mandatory 3-Year Update of Child Support Orders											
Administrative Costs											
Estimated Budget Authority	0	2	14	14	12	12	12	13	13	13	105
Estimated Outlays	0	2	14	14	12	12	12	13	13	13	105
Child Support Collections											
Estimated Budget Authority	0	0	-6	-14	-20	-21	-19	-20	-20	-20	-140
Estimated Outlays	0	0	-6	-14	-20	-21	-19	-20	-20	-20	-140

Continued

Continued

	By Fiscal Year, in Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
Food Stamps											
Estimated Budget Authority	0	0	-1	-2	-3	-3	-3	-3	-3	-4	-22
Estimated Outlays	0	0	-1	-2	-3	-3	-3	-3	-3	-4	-22
Medicaid											
Estimated Budget Authority	0	0	-3	-8	-13	-13	-10	-10	-10	-10	-77
Estimated Outlays	0	0	-3	-8	-13	-13	-10	-10	-10	-10	-77
Subtotal											
Estimated Budget Authority	0	2	4	-10	-24	-25	-20	-20	-20	-21	-134
Estimated Outlays	0	2	4	-10	-24	-25	-20	-20	-20	-21	-134
Reduced Threshold for Passport Denial											
Estimated Budget Authority	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-19
Estimated Outlays	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-19
Financing Review and Administrative Funding											
Budget Authority	50	0	0	0	0	0	0	0	0	0	50
Estimated Outlays	13	28	9	0	0	0	0	0	0	0	50
Use of New Hire Information for Unemployment Compensation											
Estimated Budget Authority	-5	-12	-15	-19	-20	-20	-21	-22	-22	-23	-179
Estimated Outlays	-5	-12	-15	-19	-20	-20	-21	-22	-22	-23	-179
Total Direct Spending Changes in Title V											
Estimated Budget Authority	131	101	188	224	309	322	340	354	369	383	2,720
Estimated Outlays	60	113	208	246	333	306	339	359	373	385	2,720
CHANGES IN REVENUES											
Use of New Hire Directory for Unemployment Compensation Program											
Estimated Revenues	0	-1	-3	-7	-13	-16	-18	-20	-20	-21	-119

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

a. Breakdown of the effect on child support receipts of changes in distribution rules affecting past-due support:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
Assignment Rules	3	7	14	21	73	75	78	81	84	86	522
Federal Tax Refund Offset	12	25	53	83	115	121	126	132	139	145	951
Distribution Order	7	15	30	47	64	66	69	71	74	76	518
Additional Support to Families	1	2	4	6	9	9	9	10	10	10	70
Interactions	-5	-11	-23	-37	-51	-53	-55	-58	-60	-63	-418
Total	18	37	77	120	210	219	227	236	245	255	1,643

In recent years, states with about 60 percent of child support collections shared some of those collections with families receiving TANF. CBO expects states will continue to share at least that amount and the federal government would share that cost. In addition, based on conversations with state child support officials and other policy experts, CBO expects that states with about two-thirds of collections would choose to institute a policy of sharing the first $50 collected, or, if they already have such a policy, to increase the amount of child support they share with families on assistance. CBO anticipates that those increases would be instituted slowly and would not be fully effective until 2007. Based on administrative data for child support and information supplied by state officials, CBO expects that states would increase payments to families by $100 million to a total of $235 million in 2007, when we assume the provision would be fully phased in. CBO estimates that federal offsetting receipts would fall by $72 million in 2003, $130 million in 2007, and $1.2 billion over the 2003-2012 period.

Because additional child support income would reduce Food Stamp benefits, CBO estimates savings in the Food Stamp program totaling $2 million in 2003, $23 million in 2007, and $187 million over the 2003-2012 period. In addition, the provision would have a small effect on the rate of TANF spending. States can count payment of child support to families out of their share of collections toward the TANF maintenance of effort (MOE) requirement (the requirement that states maintain funding at their 1994 level), if such payments are not counted as income in determining the TANF benefit. States that would spend less of their own funds because of the federal contribution would have less to count toward their MOE requirement. States that increased payments to families could count more toward the requirement. CBO estimates that the net effect would be smaller state contributions to child support payments, resulting in a deceleration in their use of federal TANF funds. CBO estimates that the provision would decrease estimated TANF outlays by $38 million in 2003 but have no net effect over the 2003-2012 period.

Distribute More Past-Due Support to Current and Former TANF Recipients. Section 501 also would require states to share more child support with families through a change in assignment rules and allow states to share more support with families through several other optional rule changes. Implementing those policies would reduce federal offsetting receipts by $18 million in 2003 and $1.6 billion over the 2003-2012 period. It also would lower Food Stamp outlays by $46 million over the 2003-2012 period and accelerate TANF spending by $43 million over the 2003-2007 period, but have no effect over the 10-year period.

Change in assignment rules. Under current law, families assign to the state the right to any child support due before and during the period the families received assistance. The act would eliminate the requirement that families assign support due in the period before the families received assistance. H.R. 4737 would require states to implement the new policy by October 1, 2006, but would give states the option of implementing the policy sooner. CBO estimates that states with 5 percent of child support collections would adopt the new policy in 2003, states with another 25 percent of collections would adopt it by 2006, and the remainder would institute the policy in 2007.

Based on data from state child support officials, CBO expects the change in assignment rules would affect 5 percent of child support collections on behalf of current and former recipients of TANF assistance, when the policy is fully implemented. Based on CBO projections of those collections, families would receive an additional $6 million in 2003 and $950 million over the 2003-2012 period. CBO estimates that federal offsetting receipts would fall by $3 million in 2003 and $522 million over the 2003-2012 period.

Option to treat tax offset like other collections and change distribution order. When a family ceases to receive public assistance, states continue to enforce the family's child support order. All amounts of child support collected on time are sent directly to the family. However, both the government and the family have a claim on collections of past-due child support: the government claims the support owed for the period when the family was on assistance, up to the amount of the assistance paid, and the family claims the remainder. A set of distribution rules determines which claim is paid first when a collection is made. That order matters because, in many cases, past-due child support is never fully paid.

Section 501 would give states the option to change the order of the distribution rules so that more money is paid to families first. Under current law, with two exceptions, the state pays the family all past-due support that was owed to the family before reimbursing itself for TANF benefits paid. The first exception is if the support is collected through the federal tax refund offset program. The second exception is past-due support that was owed, but not paid, during the time the family was on assistance, to the extent that the support owed exceeded the TANF benefits paid. H.R. 4737 would give states the option to remove those two exceptions so that all past-due support owed to the family would be paid to the family before the government reimburses itself for any previous benefit payments. Based on conversations with state child support officials and policy experts, CBO estimates that states with 5 percent of child support collections would adopt the new policy in 2003 and states with another 35 percent of collections would adopt it by 2007.

Under the federal tax refund offset program, the Internal Revenue Service intercepts tax refunds going to noncustodial parents who owe past-due child support, and pays them to custodial parents as child support. CBO projects that the government will collect $1 billion from tax offsets on behalf of current and former welfare recipients in 2003 and that those collections will grow at about 5 percent a year. Based on data provided by federal and state child support officials, CBO estimates that two-thirds of those collections are on behalf of former recipients of assistance and that two-thirds of those collections would go to families instead of the government, under the legislation. In states opting for the policy, families would receive an additional $20 million in 2003, rising to $200 million in 2007, and $1.7 billion over the 2003-2012 period. CBO estimates that federal offsetting receipts would fall by $12 million in 2003, $115 million in 2007, and $951 million over the 2003-2012 period.

Section 501 also would give families more child support collections through changing the order in which they are distributed. Under current law, if a family has past-due child support from the period the family was on assistance that exceeds the total benefits paid to the family, then the family only receives those collections after the state has been fully reimbursed for welfare benefits paid. Based on a 1999 report to the Congress by HHS, CBO estimates that giving those collections to families first would result in a 20 percent decline in the amount of collections the state retains on behalf of former recipients in states opting for the policy. CBO estimates that families would receive an additional $15 million in 2003, rising to $120 million by 2007, and $950 million over the 2003-2012 period, as a result of this change. CBO estimates that federal offsetting receipts would fall by $7 million in 2003, $64 million in 2007, and $518 million over the 2003-2012 period.

Option to share any additional child support with families. Finally, H.R. 4737 would allow states to share any amount of additional support with families that they choose out of the amounts that had been assigned to states for the period the families were on assistance. CBO assumes states with collections totaling 5 percent of national collections would choose to pay an additional amount to families totaling $130 million over the 2003-2012 period. CBO estimates that federal offsetting receipts would fall by $1 million in 2003, $9 million in 2007, and $70 million over the 2003-2012 period.

Interactions. Several of the provisions giving more past-due support to families would interact, so the total amount going to families and total cost to the federal government are lower than the sum of the effects for all provisions. For example, collections from amounts assigned from the period before a family went on assistance may be collected after the family leaves assistance through the federal tax refund offset. Those interactions would reduce the amounts newly going to families by $10 million in 2003, $93 million in 2007, and $759 million over the 2003-2012 period. The interactions would reduce the loss of federal offsetting receipts by $5 million in 2003, $51 million in 2007, and $418 million over the 2003-2012 period.

Food Stamp benefits. The new collections paid to former TANF recipients would affect spending in the Food Stamp program. CBO expects that one-third of the former TANF recipients with increased child support income would participate in the Food Stamp program, and that benefits would be reduced by 30 cents for every extra dollar of income. Increased income from the tax refund offset, which is paid as a lump sum, would not count as income for determining Food Stamp benefits. For purposes of calculating such benefits, incomes of former TANF recipients would increase by $7 million in 2003 and $470 million over the 2003-2012 period. Food Stamp savings would be about $1 million in 2003 and $46 million over the 2003-2012 period.

Temporary Assistance for Needy Families. H.R. 4737 would allow states to count increased state spending stemming from the new distribution policy towards their MOE requirement in the TANF program. Many states have unspent balances of federal TANF funds from prior years. Those states could reduce the amount of state money they spend on TANF by the amount that they pay to families under the new policy. To maintain TANF spending levels, those states then could accelerate spending of federal dollars. CBO estimates TANF spending would accelerate by $4 million in 2003 and $43 million over the 2003-2007 period, but reduced spending in later years would result in no net effect on TANF spending over the 2003-2012 period.

Ban on Recovery of Medicaid Birth Costs. Effective in 2005, section 501 would prohibit states from using their child support programs to recoup costs for the birth of a child that were paid by Medicaid. Based on administrative data and data from state officials, CBO estimates that states now collect about $60 million annually from noncustodial parents to reimburse Medicaid. CBO expects those collections will grow at about 4 percent a year, based on the projected increase in wages. The federal government's share of Medicaid collections is 57 percent on average. As a result, CBO estimates the cost to the federal government would be $41 million in 2005 and $378 million over the 2005-2012 period.

Mandatory 3-Year Update of Child Support Orders. Section 502 would require states to adjust child support orders of families on TANF every three years. States could use one of three methods to adjust orders: full review and adjustment, cost-of-living adjustment (COLA), or automated adjustment. Under current law, nearly half of states perform periodic adjustments. Most perform a full review and the remainder apply a COLA. No state currently makes automated adjustments. The provision would take effect on October 1, 2004, and CBO estimates that the net impact of this provision would be direct spending savings of $134 million over the 2003-2012 period.

CBO estimates that there are 700,000 TANF recipients with child support orders in states that do not periodically adjust orders and one-third of those orders would be adjusted each year. CBO assumes half the states not already adjusting orders would choose to perform full reviews and half would apply a COLA.

Full review and adjustment. When a state performs a full review of a child support order, it obtains current financial information from the custodial and noncustodial parents and determines whether any adjustment in the amount of ordered child support is indicated.

The state also may revise an order to require the noncustodial parent to provide health insurance.

Based on evaluations of review and modification programs, CBO estimates the average cost of a review would be about $180 with the federal government paying 66 percent of such administrative costs. The average adjustment to a child support order of a family on TANF would be $90 a month and about 18 percent of the orders reviewed would be adjusted.

In addition, CBO expects some children would receive health insurance coverage from the noncustodial parent as a result of the new reviews. CBO estimates 40 percent of orders with a monetary adjustment also would be adjusted to include a requirement that the noncustodial parent provide health insurance for their child and that insurance would be provided in about half of those cases. After the first few years, we assume newly provided medical insurance would decline by half, because many families would have already had such insurance recently added to their order.

Cost-of-living adjustment. When a state makes a cost-of-living adjustment it applies a percentage increase reflecting the rise in the cost of living to every order, regardless of how the financial circumstances of the individuals may have changed. The process is considerably less cumbersome and expensive than a full review but also results in smaller adjustments on average. Based on recent research on COLA programs, CBO estimates that the average cost would be $11 per case modified, and the average adjustment to a support order would be $6 per month. There would be no additional health insurance coverage.

Summary. Under either method of adjustment, CBO expects any increased collections for a family would continue for up to three years. While a family remains on TANF, the state would keep all the increased collections to reimburse itself and the federal government for welfare payments. The states would pay any increased collections stemming from reviews of child support orders to families once they leave assistance. That additional child support income for former recipients would result in savings in the Food Stamp program.

Overall, CBO expects the federal share of child support administrative costs to rise by $2 million in 2004 and $105 million over the 2004-2012 period. Federal collections would increase by $6 million in 2005 and $140 million over the 2005-2012 period. Finally Food Stamp and Medicaid savings would total $22 million and $77 million respectively over the 2005-2012 period.

Denial of Passports. Under current law, the State Department denies a request for a passport for a noncustodial parent if he or she owes more than $5,000 in past-due child support. Effective upon enactment, section 503 would lower that threshold and deny a passport to a noncustodial parent owing $2,500 or more. Generally, when a noncustodial parent seeks to restore eligibility for a passport, he or she will arrange to pay the past-due amount down to the threshold level.

The State Department currently denies about 15,000 passport requests annually. Data from HHS shows there are 4.2 million noncustodial parents owing more than $5,000 in past-due child support and an additional 1.0 million owing between $2,500 and $5,000. If noncustodial parents owing between $2,500 and $5,000 apply for passports at the same rate as those owing more than $5,000, then the proposal would generate an additional 3,400 denials annually.

CBO assumes that 20 percent of noncustodial parents who have a passport request denied would make a payment to get their passport rather than just doing without one. (In a study by the State Department, for 85 percent of applications that were denied because of child support arrears, passports were not issued within the next three months.) A noncustodial parent owing more than $5,000 would have to pay an additional $2,500 to receive a passport. On average, a noncustodial parent owing between $2,500 and $5,000 would have to pay $1,250 to receive a passport. As a result, CBO estimates the policy would result in new payments of child support of about $8 million annually. About one-third of those payments would be on behalf of current and former welfare families and would be retained by the government as reimbursement for welfare benefits. The federal share of such collections would be about $2 million a year and $19 million over the 2003-2012 period.

Financing Review and Administrative Funding. Section 505 would establish a one-time grant to states totaling $50 million for 2003. The Secretary would allocate the money based on each state's number of child support cases. States could use the funds to review policies on fees and distribution, to update automated systems, to study undistributed collections or management of arrears, to develop approaches to improve interstate collections or establishment of support orders, or to review state policies regarding periodic updates of child support orders. CBO estimates spending would total $13 million in 2003 and $50 million over the 2003-2005 period.

Use of New Hire Information. Section 509 would allow states, beginning in fiscal year 2003, to access information in the national database of new hires to help detect fraud in the unemployment compensation system. Currently, most states may access the information that they send to the national registry. However, without access to the national information, a state may not receive important data regarding recent hires by national corporations that may report in other states. Only a few states have examined potential savings that could be realized if they had access to the national data, and their estimates are small—less than 0.1 percent of total outlays. Nevertheless, states generally believe that access to the national data would be a valuable tool in detecting fraud earlier, as the information on new hires is more current than that contained in quarterly wage reports on which many states now rely.

Based on information provided by the National Association of State Workforce Agencies, CBO estimates that about 40 percent of the states would make use of the national information in the year that it became available, and that another 40 percent would take advantage of the national information within the next few years. CBO estimates that this proposal would result in a reduction in spending for unemployment compensation of $5 million in 2003 and $179 million over the 2003-2012 period. CBO assumes this reduction in spending would lead states to reduce their unemployment taxes. CBO estimates that such revenues would fall by an insignificant amount in 2003 and $119 million over the 2003-2012 period. Because state spending and tax collection for unemployment compensation are reflected on the federal budget, enactment of this section would result in a net deficit reduction of $60 million over the 10-year period.

Child Welfare Demonstrations. Sections 511 and 512 would extend and expand a program of demonstration projects related to child welfare programs. Currently, 18 states are using waivers to test the efficiency of innovations in child welfare, such as subsidized guardianship, managed care, and substance abuse treatment. The demonstration projects are required to be cost-neutral to the federal government. However, it is possible that the demonstrations would lead to increased costs to the federal government because of measurement or methodological errors in the cost-neutrality calculation. CBO cannot estimate the likely level of such costs, but based on experience with the demonstrations, expects the federal budgetary impact would not be significant.

Title VI: Tribal Issues. Title VI would extend funding for tribal TANF programs, establish a grant to help tribes improve infrastructure and economic development, increase funding for tribal programs that provide employment services, and expand the ability of tribes to participate in the federally funded foster care program. CBO estimates that enacting title VI would increase direct spending by $13 million in 2003 and $778 million over the 2003-2012 period (see Table 6).

Tribal TANF Programs. Tribes may administer their own TANF programs, rather than participating in the state-run program. As of September 30, 2001, the Secretary had approved 34 tribal TANF plans. Funds for tribal TANF programs are reserved from the state family assistance grant in the state where the tribe is located. Section 601 would reauthorize tribal TANF programs at current levels. CBO already assumes funding at that level in its baseline in accordance with the Deficit Control Act, as they are part of the overall TANF program. Therefore, CBO estimates the provision would have no effect on direct spending over the 2003-2012 period.

TABLE 6. ESTIMATED COSTS OF TITLE VI: TRIBAL ISSUES

	By Fiscal Year, in Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
CHANGES IN DIRECT SPENDING											
Tribal TANF Improvement Fund											
Budget Authority	75	0	0	0	0	0	0	0	0	0	75
Estimated Outlays	8	25	24	12	5	1	0	0	0	0	75
Tribal Contingency Fund											
Estimated Budget Authority	25	0	0	0	0	5	5	5	5	5	50
Estimated Outlays	2	3	5	6	6	5	5	5	5	5	47
Establish Tribal Employment Services Grants											
Estimated Budget Authority	37	37	37	37	37	37	37	37	37	37	370
Estimated Outlays	4	30	35	37	37	37	37	37	37	37	328
Eliminate Tribal Work Program Funding											
Estimated Budget Authority	-8	-8	-8	-8	-8	-8	-8	-8	-8	-8	-76
Estimated Outlays	-1	-6	-7	-8	-8	-8	-8	-8	-8	-8	-70
Expand Participation of Tribes in IV-E Foster Care											
Estimated Budget Authority	0	15	25	35	46	53	55	58	60	63	410
Estimated Outlays	0	12	23	33	44	52	55	57	60	62	398
Total Changes in Title VI											
Estimated Budget Authority	129	44	54	64	75	87	89	92	94	97	829
Estimated Outlays	13	64	80	80	84	87	89	91	94	96	778

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

Tribal TANF Improvement Fund. Section 601 would provide $75 million for grants as follows: it would allocate $35 million for a program of grants to improve tribal human services infrastructure, $35 million for grants to provide technical assistance to tribes and tribal organizations on issues of economic development, and $5 million for the Secretary to provide technical assistance to tribes. Based on spending in similar programs, CBO estimates that spending would total $8 million in 2003 and $75 million over the 2003-2008 period.

Tribal Contingency Fund. Section 601 also would establish a contingency fund of up to $25 million over the 2003-2007 period for grants to Indian tribes experiencing increased economic hardship. The criteria for access to the fund would be established by the Secretary in consultation with Indian tribes. CBO assumes that these grants would continue in baseline projections beyond 2007, as they are part of the overall TANF program, and we estimate that the Secretary would make $5 million available each year for such grants. Spending would total $2 million in 2003 and $47 million over the 2003-2012 period. (Title I appropriates the funds for the tribal contingency fund, but we show the costs in this title.)

Tribal Employment Services. Section 601 also would repeal an existing program of grants to Indian tribes to conduct work programs and replace it with an expanded program. Current law funds grants to Indian tribes to conduct work programs at $7.6 million annually and allocates grants based on tribes' participation in the former Job Opportunities and Basic Skills Training Program. This act would establish a new Tribal Employment Services program funded at $37 million each year 2003-2007, and CBO assumes the grants would continue in baseline after 2007, as they are part of the overall TANF program. The grants to Indian tribes, tribal organizations, and Alaskan Native organizations would support comprehensive services to enable beneficiaries to support themselves through employment. Based on historic rates of spending, CBO estimates that spending would total $4 million in 2003 and $328 million over the 2003-2012 period.

Tribal Foster Care and Adoption Assistance. Section 602 would permit tribal entities to participate in foster care and adoption assistance programs authorized under title IV-E of the Social Security Act, effective as of October 1, 2003. Based on information from the Indian Child Welfare Association, CBO estimates that this provision could allow coverage of between 2,000 and 3,000 children per year. In addition, some states with tribal agreements could receive slightly higher match rates for children that they currently cover under such agreements. CBO estimates that this section would increase costs by $12 million in 2004 and by $398 million over the 2004-2012 period.

Title VII: Innovation, Flexibility, and Accountability. Title VII would expand funding for research, replace a bonus to reward high-performing states with a program of grants to improve employment outcomes in partnership with employers, and establish a program of at-home infant care. The new grant programs would be authorized through 2007, but CBO assumes they would continue in baseline after 2007 as they are part of the overall TANF program. CBO estimates that enacting title VII would increase direct spending by $16 million in 2003 and $548 million over the 2003-2012 period (see Table 7).

Child Well-Being Indicators. Section 703 would direct the Secretary to develop comprehensive indicators to assess child well-being in each state through grants, contracts, or interagency agreements. It would establish an advisory panel to help in the development and would provide $15 million annually. CBO estimates the provision would increase spending by $2 million in 2003 and $135 million over the 2003-2012 period.

TABLE 7. ESTIMATED COSTS OF TITLE VII: INNOVATION, FLEXIBILITY, AND ACCOUNTABILITY

	By Fiscal Year, in Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
CHANGES IN DIRECT SPENDING											
Establish Program to Develop Child Well-Being Indicators											
Estimated Budget Authority	15	15	15	15	15	15	15	15	15	15	150
Estimated Outlays	2	9	16	17	16	15	15	15	15	15	135
Increase TANF Research Funding											
Estimated Budget Authority	7	5	5	5	5	5	5	5	5	5	52
Estimated Outlays	0	3	6	5	5	5	5	5	5	5	44
Eliminate Census Grant											
Estimated Budget Authority	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-100
Estimated Outlays	-9	-10	-10	-10	-10	-10	-10	-10	-10	-10	-99
Establish Innovative Business Link Grants											
Estimated Budget Authority	200	200	200	200	200	200	200	200	200	200	2,000
Estimated Outlays	20	120	216	230	218	202	200	200	200	200	1,806
Repeal High-Performance Bonus											
Estimated Budget Authority	0	-200	-200	-200	-200	-200	-200	-200	-200	-200	-1,800
Estimated Outlays	0	0	-94	-147	-255	-269	-235	-200	-200	-200	-1,600
Food Stamp Effect of Bonus Repeal											
Estimated Budget Authority	0	0	1	2	3	3	3	2	2	2	18
Estimated Outlays	0	0	1	2	3	3	3	2	2	2	18
Establish At-Home Infant Care Grants											
Estimated Budget Authority	30	30	30	30	30	30	30	30	30	30	300
Estimated Outlays	3	18	32	35	33	30	30	30	30	30	271
Food Stamp Effect of At-Home Infant Care Grants											
Estimated Budget Authority	0	-2	-3	-4	-3	-3	-3	-3	-3	-3	-27
Estimated Outlays	0	-2	-3	-4	-3	-3	-3	-3	-3	-3	-27
Total Changes in Title VII											
Estimated Budget Authority	242	38	38	38	40	40	40	39	39	39	593
Estimated Outlays	16	138	164	128	7	-27	5	39	39	39	548

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

TANF Research. Section 703 also would increase the current funding for TANF-related studies from $15 million to $20 million annually and add several new areas of study. The new studies would include a longitudinal study of the factors that contribute to positive employment and family outcomes, a study on the effect of sanctions, and a study of teen parent recipients. In addition, it would add $2 million in 2003 only for the study of tribal welfare programs and poverty among Indians. CBO estimates research spending would increase by an insignificant amount in 2003, $3 million in 2004, and $44 million over the 2003-2012 period.

This section would not extend the current $10 million in annual funding for studies conducted by the Census Bureau. Currently, CBO assumes funding would continue at that level in its baseline projections (as part of the TANF program), in accordance with the Deficit Control Act. Based on historic rates of spending, CBO estimates that eliminating the studies would save $9 million in 2003 and $99 million over the 2003-2012 period.

The funds for child well-being indicators and research are appropriated in title I, but because they are reserved for this purpose, the costs are shown as part of title VII.

Innovative Business-Link Partnership Grants. Section 704 would establish a grant program for innovative business-link partnerships. The Secretaries of the Departments of Health and Human Services and Labor would jointly award grants to states, localities, Indian tribes, nonprofit organizations, and local workforce investment boards to promote business linkages and to provide for transitional jobs programs. These programs would be designed to increase wages of low-income individuals by working with employers to upgrade the skills of these workers. A transitional jobs program would combine subsidized employment with skill development activities for individuals with limited skills, experience, or other barriers to employment. The grants would be funded at $200 million annually. CBO expects spending of the grants would initially be slow, but would speed up to match rates of spending in similar programs. CBO estimates that spending would be $20 million in 2003 and $1.8 billion over the 2003-2012 period.

Bonuses for High-Performing States. Section 705 would eliminate funding for a bonus to high-performing states in 2004 and later. The bonus in current law rewards states for moving TANF recipients into jobs, providing support for low-income working families, and increasing the percentage of children who reside in married-couple families. Current law provides $1 billion for such bonuses, averaging $200 million annually, over the 1999-2003 period. CBO assumes in its baseline projections that funding will continue at $200 million annually in accordance with the Deficit Control Act. Because the bonuses are usually granted in the following fiscal year and many states have prior-year balances of TANF funds that they can use to replace any grant reductions, CBO estimates that TANF spending would not be affected in 2004 and would fall by only $94 million in 2005. We estimate cumulative savings over the 2005-2012 period of $1.6 billion. CBO expects the reduced funding would cause states to decrease benefits to families that also receive food stamps. The reduced TANF income would increase Food Stamp benefits, increasing spending in the Food Stamp program by $18 million over the 2005-2012 period.

At-Home Infant Care. Section 706 would fund demonstration projects for at-home infant care at $30 million annually. The Secretary would award grants to between five and 10 states to carry out demonstration projects to provide at-home infant care benefits to low-income families. (A participating family could receive a payment up to the state-established payment for providers of infant care.) H.R. 4737 specifies that the payments would count as earned income to the family in several means-tested programs, including the Food Stamp program. Based on data on state reimbursement levels and participation in the Food Stamp program among families with children, CBO estimates grants would result in Food Stamp savings of about $3 million annually.

Title VIII: Other Provisions. Title VIII would require SSA to change its system of reviewing awards to certain disabled adults in the SSI program and extend customs user fees through February 2005. In total, it would result in federal savings of $6 million in 2003 and $3.3 billion over the 2003-2012 period (see Table 8).

Review of State Agency Blindness and Disability Determinations. Section 801 would require the Social Security Administration to conduct reviews of initial decisions to award SSI benefits to certain disabled adults. The legislation mandates that the agency review at least 25 percent of all favorable adult disability determinations made by state-level Disability Determination Service (DDS) offices in 2003. Under the legislation, the agency would have to review at least half of the adult disability awards made by DDS offices in 2004 and beyond.

CBO anticipates state DDS offices will approve between 350,000 and 400,000 adult disability applications for SSI benefits annually between 2003 and 2012. Based on recent data for comparable reviews in the Social Security Disability Insurance program, CBO projects that by 2012, nearly 20,000 DDS awards will have been ultimately overturned, resulting in lower outlays for SSI and Medicaid (in most states SSI eligibility automatically confers entitlement to Medicaid benefits). CBO estimates that section 801 would reduce SSI benefits by $2 million and Medicaid outlays by $4 million in 2003. Over the 2003-2012 period, CBO estimates this provision would lower SSI outlays by $407 million and Medicaid spending by $936 million.

TABLE 8. ESTIMATED COSTS OF TITLE VIII: OTHER PROVISIONS

	By Fiscal Year, in Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
CHANGES IN DIRECT SPENDING											
Review of Disability Determinations											
Supplemental Security Income											
Estimated Budget Authority	-2	-10	-21	-28	-34	-46	-54	-63	-77	-72	-407
Estimated Outlays	-2	-10	-21	-28	-34	-46	-54	-63	-77	-72	-407
Medicaid											
Estimated Budget Authority	-4	-17	-34	-54	-75	-98	-122	-148	-176	-208	-936
Estimated Outlays	-4	-17	-34	-54	-75	-98	-122	-148	-176	-208	-936
Subtotal											
Estimated Budget Authority	-6	-27	-55	-82	-109	-144	-176	-211	-253	-280	-1,343
Estimated Outlays	-6	-27	-55	-82	-109	-144	-176	-211	-253	-280	-1,343
Customs User Fees											
Estimated Budget Authority	0	-1,274	-650	0	0	0	0	0	0	0	-1,924
Estimated Outlays	0	-1,274	-650	0	0	0	0	0	0	0	-1,924
Total Changes in Title VIII											
Estimated Budget Authority	-6	-1,301	-705	-82	-109	-144	-176	-211	-253	-280	-3,267
Estimated Outlays	-6	-1,301	-705	-82	-109	-144	-176	-211	-253	-280	-3,267

Customs User Fees. Under current law, customs user fees expire after September 30, 2003. This legislation would extend these fees through February 28, 2005. CBO estimates that this provision would increase offsetting receipts (a credit against direct spending) by about $1.9 billion over the 2004-2005 period.

Interactions. CBO estimates that several provisions in H.R. 4737 would accelerate the rate of spending of prior-year balances in the TANF program. Provisions that would increase the transfer authority to SSBG, increase payments of child support to families, eliminate the out-of-wedlock grant, and eliminate the high-performance bonus (discussed in titles I, III, V, and VII) would induce states to spend uncommitted TANF funds from prior years sooner than under current law. However, those combined effects would exceed the amount of uncommitted TANF funds. Consequently, the budgetary effect of all the provisions enacted together would be smaller than the sum of the estimated effects for the individual provisions. CBO estimates that those interactions would lower TANF spending over the 2005-2006 period by $252 million below the sum of the provisions estimated individually, but raise it by $252 million over the 2007-2009 period. Thus, there would be no net impact on TANF spending over the 10-year period as a whole.

Spending Subject to Appropriation

H.R. 4737 would establish several new grant programs that would require annual appropriations. Assuming appropriation of the authorized amounts, CBO estimates implementing the legislation would cost $2 million in 2003, $374 million over the 2003-2007 period, and $457 million over the 2003-2012 period (see Table 9). For this estimate, CBO assumes that H.R. 4737 will be enacted by September 30, 2002. Estimated outlays are based on historical spending patterns for similar programs.

Noncustodial Parent Employment Grant. Section 304 would authorize the appropriation of $25 million each year for fiscal years 2004 through 2007 for the Departments of Health and Human Services and Labor to award grants to eligible states for the purpose of establishing a supervised employment program for noncustodial parents with a history of nonpayment of child support obligations. Grants only could be awarded to eligible states that contribute one dollar for every four dollars of federal funds provided. CBO estimates that implementing this provision would cost $8 million in 2004 and $100 million over the 2004-2009 period, assuming the appropriation of the authorized amounts.

Grants to Coordinate Services for Low-Income, Noncustodial Parents. Section 304 also would authorize the appropriation of $25 million each year for fiscal years 2004 through 2007 for grants to states to conduct policy reviews and develop recommendations to improve the delivery and coordination of services to low-income, noncustodial parents. CBO estimates that implementing this provision would cost $8 million in 2004 and $100 million over the 2004-2009 period, assuming the appropriation of the authorized amounts.

Second-Chance Homes. Section 305 would authorize the appropriation of $33 million each year for fiscal years 2004 through 2007 for the Secretary to award grants to eligible entities to promote second-chance homes. A second-chance home is a community-based, adult-supervised group home that provides support for young mothers and their children. Mothers are required to learn parenting skills and other skills to promote their long-term economic independence and the well-being of their children. The grant would be only awarded to those entities that agree to contribute at least one dollar for every five dollars of the federal funds provided. The grant would be awarded for a period of five years. The Secretary would reserve $1 million for fiscal year 2004 to carry out an evaluation and could use up to $500,000 to provide technical assistance. CBO estimates that implementing this provision would cost $10 million in 2004 and $132 million over the 2004-2009 period, assuming the appropriation of the authorized amounts.

TABLE 9. AUTHORIZATIONS OF APPROPRIATIONS FOR H.R. 4737, THE WORK, OPPORTUNITY, AND RESPONSIBILITY FOR KIDS ACT OF 2002

	By Fiscal Year, in Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION											
Noncustodial Parent Employment Grant Program											
Authorization Level	0	25	25	25	25	0	0	0	0	0	100
Estimated Outlays	0	8	18	28	26	15	5	0	0	0	100
Grants to Coordinate Services for Low-income Noncustodial Parents											
Authorization Level	0	25	25	25	25	0	0	0	0	0	100
Estimated Outlays	0	8	18	28	26	15	5	0	0	0	100
Second-Chance Homes											
Authorization Level	0	33	33	33	33	0	0	0	0	0	132
Estimated Outlays	0	10	23	36	35	20	8	0	0	0	132
Grants to Improve Access to Transportation											
Authorization Level	15	15	15	15	15	0	0	0	0	0	75
Estimated Outlays	2	9	16	17	16	11	4	0	0	0	75
Grants to Conduct Housing Demonstration Projects											
Authorization Level	0	50	0	0	0	0	0	0	0	0	50
Estimated Outlays	0	5	8	30	7	0	0	0	0	0	50
Total Changes											
Authorization Level	15	148	98	98	98	0	0	0	0	0	457
Estimated Outlays	2	40	83	139	110	61	22	0	0	0	457

Grants to Provide Transportation. Section 705 would authorize the appropriation of $15 million each year for fiscal years 2003 through 2007 for a program of grants to states, Indian tribes, localities, and nonprofit organizations to assist low-income families with children in buying automobiles. The program is designed to facilitate continuing work by providing earners in low-income families with more reliable transportation. CBO estimates that implementing this provision would cost $2 million in 2003 and $75 million over the 2003-2009 period, assuming the appropriation of the authorized amounts.

Grants to Conduct Housing Demonstration Projects. Section 707 would authorize the appropriation of $50 million in 2004 for grants to study different methods of combining housing assistance with other support and services. The demonstrations would be focused on services to promote the employment of parents and caretaker relatives who receive TANF services and who have multiple barriers to work, including lack of adequate housing. CBO estimates that implementing this provision would cost $5 million in 2004 and $50 million over the 2004-2007 period, assuming the appropriation of the authorized amount**.**

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted.

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	1,242	829	2,022	2,810	3,109	2,965	2,716	2,551	2,505	2,462
Changes in receipts	0	0	-1	-3	-7	-13	-16	-18	-20	-20	-21

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The act would extend funding for a number of state programs, most notably TANF, and it also would establish new grants that target a variety of worker and family programs. The act also would place new requirements and limitations on state programs as conditions for receiving federal assistance. A limit on amounts that states could retain for state child support enforcement programs could be an intergovernmental mandate as defined in the Unfunded Mandates Reform Act. Similarly, a limit on using the child support enforcement system to recoup the costs of certain births paid for by Medicaid could also be an intergovernmental mandate.

CBO believes that H.R. 4737 probably would impose intergovernmental mandates, as defined in UMRA, on states because it is likely that not all states could offset the costs of the act's changes to the child support enforcement program. The costs of the mandates would depend on the degree to which states would be able to alter their responsibilities within the child support enforcement program and to compensate for the loss of receipts as a result of the act. In total, states would face losses ranging from $73 million in 2007 to $90 million in 2011. To the extent that states are able to alter their programmatic responsibilities and offset some of these costs, the aggregate amounts may be lower than the threshold established in UMRA ($65 million in 2007, as adjusted for inflation).

Mandates

Generally, conditions of federal assistance are not considered intergovernmental mandates as defined in UMRA. However, UMRA makes special provisions for identifying intergovernmental mandates in large entitlement grant programs (those that provide more than $500 million annually to state, local, or tribal governments), including TANF, Medicaid, and child support enforcement. Specifically, if a legislative proposal would increase the stringency of conditions of assistance, or cap or decrease the amount of federal funding for the program, such a change would be considered an intergovernmental mandate only if the state, local, or tribal government lacks authority to amend its financial or programmatic responsibilities to continue providing required services. The TANF and Medicaid programs allow states significant flexibility to alter their programs and accommodate new requirements. However, the rules for implementing the child support enforcement system do not afford states as much flexibility.

Child Support Enforcement. H.R. 4737 would reduce the amounts that states may retain from child support collections in order to reimburse themselves for public assistance spending, in particular for TANF and Medicaid. As a result, states would lose a total of about $60 million in 2007 and about $320 million over the 2007-2011 period. The act also would prohibit states from using the child support enforcement system to collect costs associated with the birth of a child that are paid for by Medicaid after October 1, 2004. This provision would result in a loss of receipts to states of over $30 million beginning in 2005 and about $240 million over the 2005-2011 period. (States also would be required to conduct mandatory reviews of child support cases every three years, but this requirement is expected to result in net savings to states of about $50 million in the child support program and $44 million in Medicaid over the same period.)

TANF and Medicaid. The TANF program affords states broad flexibility to determine eligibility for benefits and to structure the programs offered as part of the state's family assistance program. Changes to the program as embodied in H.R. 4737 could alter the way in which states administer the program and provide benefits, and such changes could increase costs to states. States would continue to be able to make changes, however; for example by adjusting eligibility criteria or the structure of programs, to avoid or offset such costs. Because the TANF program affords states such broad flexibility, new requirements would not be considered intergovernmental mandates as defined by UMRA. Similarly, a large component of the Medicaid program includes optional services that states may alter to accommodate new requirements and additional costs in that program.

Other Impacts

Benefits. Many provisions of the act would benefit state assistance programs by increasing funding, broadening flexibility, or providing new grants.

TANF. The act would reauthorize family assistance grants through 2007 and increase grants for states that received supplemental grants in the past or have low per capita incomes. It also would alter the Contingency Fund program and increase the likelihood that states would qualify for funding. States would receive additional funds for TANF programs over the 2003-2012 period, including $11.3 billion for child care, $4.4 billion for supplemental grants, and $0.8 billion from the contingency fund.

The act would broaden the uses of TANF funds to include assistance, benefits, and services for legal immigrants, some of the costs associated with post-secondary education programs, and supplemental housing benefits. Over the 2003-2007 period, it would authorize the appropriation of $15 million annually for grants to improve access to transportation and would authorize the appropriation of $50 million in 2004 for housing assistance grants to states and nonprofit organizations. It also would directly appropriate $30 million annually for at-home infant care programs. It would allow states to use unspent funds from prior years to pay for services in addition to benefits. Finally, the act would increase the limit of TANF funds that may be specifically used for SSBG purposes from 4.25 percent to 10 percent, and it would increase the appropriation for SSBG from $1.7 billion to $1.952 billion in fiscal year 2005.

Family Promotion and Support. H.R. 4737 would extend and expand a number of existing grant programs and also would establish new grants for a variety of purposes, including programs for reducing illegitimacy and teenage pregnancy, promoting marriage, expanding abstinence education, increasing employment among noncustodial parents, and improving group homes for young mothers and their children.

Child Support. In addition to the changes in collections and mandatory reviews discussed above under the "Mandates" section, the act would appropriate $50 million in 2003 for grants to states for a variety of child support collection activities. It also would give states the option of passing on the federal portion of child support collections to families that no longer receive TANF or that have received TANF for less than five years. Currently, some states use their own funds to pass on amounts to these families that total both the federal and state portions. This option would allow those states to use federal funds to pay for the portion of passthrough that is attributable to the federal share, thus resulting in savings to states. States may also request the Secretary of Treasury to withhold past-due child support for children who are not minors from the income tax refunds of noncustodial parents.

Tribal Issues. The act would alter time limits for individuals who live in Indian country or a Native Alaskan village where joblessness is above 20 percent, allowing more individuals to receive benefits for a greater period of time.

The act also would authorize direct agreements between tribal entities and the federal government regarding foster care services. Such agreements would allow tribes and states that have agreements with the tribes to receive higher matching rates for foster care services. CBO estimates that tribal entities and states would receive about $12 million in 2004 and $398 million over the 2004-2012 period as a result of this provision, but they also would have to use about $200 million of their own funds over the same period in order to receive those federal dollars.

H.R. 4737 would replace work activity grants to tribes ($7.6 million annually) with grants to tribes, tribal organizations, and native Alaskan organizations for employment services, and CBO estimates that tribes would receive about $330 million over the 2003-2012 period for those grants. The act also would appropriate $75 million for Tribal Capacity and Tribal Development grants to improve the infrastructure of human service programs and to foster business and economic development. Finally, the act would establish a contingency fund for grants to Indian tribes that experience economic hardship. CBO estimates that tribes would receive $2 million in 2003 and $47 million over the 2003-2012 period for those grants.

Other Costs and Additional Requirements. Some provisions of the act, while not intergovernmental mandates as defined in UMRA, would place additional conditions on state, local, and tribal governments or would result in additional spending as a result of meeting federal matching requirements.

Medicaid. The act would extend a requirement that states provide Transitional Medical Assistance for five more years. The act also would allow states to eliminate an income reporting requirement for families receiving TMA, ease the criteria for qualifying for TMA, and continue providing TMA for up to one year. These provisions would increase state spending for Medicaid by $120 million in 2003 and by about $1.8 billion over the 2003-2012 period. The act also would give states the option of providing Medicaid and SCHIP coverage to pregnant women and children who are legal immigrants that entered the United States after August 22, 1996. As a result of this option, CBO estimates that state spending for Medicaid would increase by $27 million in 2003 and by about $2 billion over the 2003-2012 period.

State spending for SCHIP would increase by $2 million in 2003 and $20 million over the 2003-2012 period.

Other Provisions. The act would require state family assistance plans to be made available for public comment and submitted earlier than currently required. It also would require state TANF programs to participate in one-stop employment and assistance centers, and states would be required to establish and maintain grievance procedures to address allegations of worker displacement as a result of TANF work activities.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

Title VIII of the act would extend the government's authority to collect certain customs user fees from its current expiration date of September 30, 2003, until February 28, 2005. This extension would impose a private-sector mandate as defined in UMRA. CBO cannot determine whether the direct cost of this mandate would exceed the annual threshold specified in UMRA ($115 million in 2002, adjusted annually for inflation) because UMRA does not clearly specify how to determine the direct cost associated with extending an existing mandate that has not yet expired.

Under one interpretation, UMRA requires the direct cost to be measured relative to a case that assumes that the current mandate will not exist beyond its current expiration date. Under that interpretation, CBO estimates that the direct cost of the mandate would be about $1.3 billion in 2004 and $650 million in 2005. Both of those amounts would exceed the threshold for private-sector mandates specified in UMRA. Under the other interpretation, UMRA requires the direct cost to be measured relative to the current mandate. Under that interpretation, the direct cost would be zero.

PREVIOUS CBO ESTIMATES

On May 16, 2002, the House of Representatives passed H.R. 4737, which incorporated the provisions of four separate bills as well as additional amendments and provisions. CBO prepared cost estimates for those four bills:

- H.R. 4585, as ordered reported by the House Committee on Energy and Commerce on April 24, 2002 (CBO estimate transmitted on May 2, 2002);

- H.R. 4092, as ordered reported by the House Committee on Education and the Workforce on May 2, 2002 (CBO estimate transmitted on May 9, 2002);

- H.R. 4584, as ordered reported by the House Committee on Energy and Commerce on April 24, 2002 (CBO estimate transmitted on May 10, 2002); and

- H.R. 4090, as ordered reported by the House Committee on Ways and Means on May 2, 2002 (CBO estimate transmitted on May 13, 2002).

H.R. 4737 as approved by the Senate Committee on Finance would increase budget authority by about $11 billion over the 2003-2007 period compared to about $2 billion in the House-passed version of the legislation. (CBO prepared detailed estimates of the provisions of the House-passed act only for the 2003-2007 period.) The Senate Finance Committee's version would reduce revenues by $24 million, in contrast to the version that passed the House which would increase revenues by $1.3 billion over the 2003-2007 period. The Finance Committee version of H.R. 4737 would increase authorizations of appropriations by $457 million above the current baseline over the 2003-2007 period, whereas the House-passed version would raise such authorizations by $2.5 billion.

The areas of the legislation where the direct spending effects differ the most are TANF grants, child care funding, transitional medical assistance, child support enforcement, Medicaid eligibility for certain immigrants, Medicaid administrative expenses, and customs user fees. For activities subject to annual appropriations, the largest difference is in child care funding. Table 10 summarizes the major differences between the two versions of the legislation.

TABLE 10. MAJOR DIFFERENCES IN THE MANDATORY BUDGET AUTHORITY OF H.R. 4737

	Over the 2003-2007 Period, in Billions of Dollars	
	Finance Committee Version	House-Passed Version [a]
TANF and Related Grants	4.4	1.4
Mandatory Child Care Funding [b]	5.5	1.0
Transitional Medical Assistance	2.1	0.4
Customs User Fees	-1.9	0
Child Support Enforcement	1.0	0.1
Medicaid for Immigrants	0.6	0
Medicaid Administrative Expenses	0	-0.4

a. House-passed version of H.R. 4737 also would increase revenues by $1.3 billion.

b. The House-passed version of H.R. 4737 authorized an additional $2.0 billion in discretionary funds.

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