CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 3, 2003

H.R. 4
Personal Responsibility and Individual Development for Everyone Act

As ordered reported by the Senate Committee on Finance on September 10, 2003

SUMMARY

H.R. 4 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);

- Continue funding abstinence education programs at $50 million annually, and increase funding for child care programs by $200 million annually;

- Make several changes to the child support enforcement program, including allowing the distribution to families of more collections from child support payments;

- Require the Social Security Administration (SSA) to change its system of reviewing awards to certain disabled adults in the Supplemental Security Income (SSI) program;

- Extend by five years the requirement that state Medicaid programs provide transitional medical assistance (TMA) to certain Medicaid beneficiaries; and

- Allow states to simplify aspects of TMA administration and prohibit states from using State Children's Health Insurance Program (SCHIP) funds to provide health coverage to childless adults.

CBO estimates that enacting H.R. 4 as approved by the Senate Finance Committee would increase direct spending by $348 million in 2004, by $4.7 billion over the 2004-2008 period, and by $6.4 billion over the 2004-2013 period. It also would reduce revenues by $22 million over the 2004-2008 period, and by $128 million over the 2004-2013 period.

The act would authorize the appropriation of $200 million annually for new grant programs to promote fatherhood, improve tribal services, and encourage car ownership for families with low incomes. CBO estimates that appropriation of the authorized levels would result in $14 million in outlays in 2004, $715 million over the 2004-2008 period, and $1 billion over the 2004-2013 period.

H.R. 4 would impose intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) by preempting state law, and would reduce the amount of child support collections that states could retain. The preemptions would impose no significant costs on state governments. However, the reduction in the amount of child support collections that states retain could impose significant costs. Those costs would depend on the degree to which states would be able to alter their responsibilities within their own child support enforcement programs to compensate for the loss of receipts. In total, states would face losses ranging from $56 million in 2008 growing to $67 million in 2013. These losses would not exceed the threshold established in UMRA ($66 million in 2008, adjusted annually 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.

The legislation would impose a private-sector mandate, as defined in UMRA, on gambling establishments by requiring them to withhold certain gambling winnings from individuals who owe past-due child support, to furnish written notice to those individuals, and to transfer the amount withheld to a federal agency. CBO estimates that the net direct cost of the mandate would fall well below the annual threshold established in UMRA ($117 million in 2003, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4 is shown in Table 1. For this estimate, CBO assumes that H.R. 4 will be enacted early in fiscal year 2004. The costs of this legislation fall within budget functions 500 (education, training, employment, and social services), 550 (health), and 600 (income security).

TABLE 1. ESTIMATED COSTS OF H.R. 4, THE PERSONAL RESPONSIBILITY AND INDIVIDUAL DEVELOPMENT FOR EVERYONE ACT, BY TITLE

	By Fiscal Year, in Millions of Dollars											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2008	2004-2013
CHANGES IN DIRECT SPENDING												
Title I: TANF												
Estimated Budget Authority	913	496	500	502	186	185	285	284	283	281	2,597	3,915
Estimated Outlays	267	536	337	643	434	349	317	286	283	281	2,217	3,733
Title II: Abstinence Education												
Estimated Budget Authority	25	50	50	50	50	0	0	0	0	0	225	225
Estimated Outlays	7	25	38	44	49	37	16	10	5	0	162	228
Title III: Child Support												
Estimated Budget Authority	84	70	89	102	172	208	220	232	240	250	517	1,667
Estimated Outlays	64	65	94	115	184	204	218	233	240	250	522	1,667
Title IV: Child Welfare												
Estimated Budget Authority	0	6	6	6	6	20	21	21	22	22	25	131
Estimated Outlays	0	6	6	6	6	16	17	17	18	19	25	112
Title V: Supplemental Security Income												
Estimated Budget Authority	-6	-24	-51	-81	-116	-152	-188	-229	-259	-307	-278	-1,413
Estimated Outlays	-6	-24	-51	-81	-116	-152	-188	-229	-259	-307	-278	-1,413
Title VI: Transitional Medical Assistance												
Estimated Budget Authority	17	400	564	630	664	455	34	-36	-69	-92	2,275	2,567
Estimated Outlays	17	386	526	583	586	367	-43	-105	-114	-110	2,098	2,093
Total Direct Spending												
Estimated Budget Authority	1,033	998	1,158	1,209	962	716	372	272	217	154	5,361	7,092
Estimated Outlays	348	994	950	1,309	1,143	821	337	212	172	133	4,746	6,420
CHANGES IN REVENUES												
Title III: Child Support												
Estimated Revenues	0	0	-2	-7	-13	-17	-20	-22	-23	-24	-22	-128
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Title I: TANF												
Authorization Level	200	200	200	200	200	0	0	0	0	0	1,000	1,000
Estimated Outlays	14	95	191	218	197	186	90	9	0	0	715	1,000

Notes: Components may not sum to totals because of rounding. TANF = Temporary Assistance for Needy Families.

BASIS OF ESTIMATE

Most of H.R. 4's budgetary effects would stem from new direct spending. A portion of the new spending would be offset by some savings, resulting in a net increase in direct spending of about $6.4 billion over the next 10 years. The act also would reduce federal revenues by an estimated $128 million over the 10-year period and increase discretionary spending by $1 billion over that period.

Direct Spending and Revenues

H.R. 4 would increase direct spending primarily for TANF, Child Care, and Medicaid TMA, but also for abstinence education and child welfare. Those increases would total nearly $9 billion over the 2004-2013 period, but would be partially offset by $4.4 billion in savings from changes to the TANF, Medicaid, SSI, and other programs. In addition, H.R. 4 would make changes to the child support program that would result in a loss of federal collections of $1.9 billion over the 10-year period. Finally, a provision in title III would lead to a reduction in federal revenues of $128 million by allowing states to use a national directory of new hires to help detect fraud in the unemployment compensation system. (That provision would reduce spending for unemployment compensation, and as a result, lead to some reduced taxation for funding such compensation.)

Title I: TANF. H.R. 4 would reauthorize basic TANF grants through 2008 at the current level of funding of $16.6 billion. That amount is assumed to continue in the current budget resolution baseline; thus, enacting H.R. 4 would not change basic TANF grants relative to that baseline. TANF and related grants were originally authorized through fiscal year 2002. They have been extended several times in subsequent legislation, most recently through March 31, 2004, by Public Law 108-89, which was enacted on October 1, 2003.

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. However, it would alter the funding of some grants related to TANF and make several other changes to program rules and reporting requirements. CBO estimates that enacting title I would increase direct spending by $267 million in 2004 and $3.7 billion over the 2004-2013 period (see Table 2).

TABLE 2. DIRECT SPENDING EFFECTS OF TITLE I: TANF

	By Fiscal Year, in Millions of Dollars											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2008	2004-2013
Eliminate Out-of-Wedlock Bonus												
TANF												
Estimated Budget Authority	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-500	-1,000
Estimated Outlays	0	-35	-79	-96	-163	-122	-100	-100	-100	-100	-373	-895
Food Stamps												
Estimated Budget Authority	0	0	1	1	2	1	1	1	1	1	4	9
Estimated Outlays	0	0	1	1	2	1	1	1	1	1	4	9
Subtotal												
Estimated Budget Authority	-100	-100	-99	-99	-98	-99	-99	-99	-99	-99	-496	-991
Estimated Outlays	0	-35	-78	-95	-161	-121	-99	-99	-99	-99	-369	-886
Establish Healthy Marriage Promotion Grant												
Budget Authority	100	100	100	100	100	100	100	100	100	100	500	1,000
Estimated Outlays	1	28	74	124	122	111	100	100	100	100	349	860
Continue Supplemental Grant at $319 Million Through 2007												
TANF												
Budget Authority	128	319	319	319	0	0	0	0	0	0	1,085	1,085
Estimated Outlays	64	217	284	340	109	48	24	0	0	0	1,013	1,085
Food Stamps												
Estimated Budget Authority	-2	-3	-4	-4	-2	-1	0	0	0	0	-15	-16
Estimated Outlays	-2	-3	-4	-4	-2	-1	0	0	0	0	-15	-16
Subtotal												
Estimated Budget Authority	126	316	315	315	-2	-1	0	0	0	0	1,070	1,069
Estimated Outlays	62	214	280	336	107	47	24	0	0	0	998	1,069
Reduce High-Performance Bonus												
TANF												
Budget Authority	400	-200	-200	-200	-200	-200	-100	-100	-100	-100	-400	-1,000
Estimated Outlays	0	-35	-79	-96	-163	-122	-100	-100	-100	-100	-373	-895
Food Stamps												
Estimated Budget Authority	0	0	1	1	2	1	1	1	1	1	4	9
Estimated Outlays	0	0	1	1	2	1	1	1	1	1	4	9
Subtotal												
Estimated Budget Authority	400	-200	-199	-199	-198	-199	-99	-99	-99	-99	-396	-991
Estimated Outlays	0	-35	-78	-95	-161	-121	-99	-99	-99	-99	-369	-886
Modify Contingency Fund												
TANF												
Estimated Budget Authority	40	25	28	30	29	29	28	27	26	24	152	286
Estimated Outlays	28	25	32	32	33	30	28	27	26	24	150	285

Continued

TABLE 2. Continued

	By Fiscal Year, in Millions of Dollars											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2008	2004-2013
Increase Transfer Authority to SSBG												
TANF												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	37	98	-54	-34	-35	-12	0	0	0	0	12	0
Establish Secretary's Fund for Research, Demonstration, and National Studies												
Budget Authority	100	100	100	100	100	100	100	100	100	100	500	1,000
Estimated Outlays	10	60	108	115	109	101	100	100	100	100	402	903
Extend Funding of Studies and Demonstrations												
Budget Authority	7	15	15	15	15	15	15	15	15	15	67	142
Estimated Outlays	*	4	11	15	15	15	15	15	15	15	45	120
Increase Funding for Child Care												
Child Care												
Budget Authority	200	200	200	200	200	200	200	200	200	200	1,000	2,000
Estimated Outlays	150	182	194	198	200	200	200	200	200	200	924	1,924
TANF												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-21	-16	-7	6	20	8	8	2	0	0	-18	0
Subtotal												
Budget Authority	200	200	200	200	200	200	200	200	200	200	1,000	2,000
Estimated Outlays	129	166	187	204	220	208	208	202	200	200	906	1,924
Establish Grants to Capitalize and Develop Sustainable Social Services												
Budget Authority	40	40	40	40	40	40	40	40	40	40	200	400
Estimated Outlays	*	11	30	50	49	44	40	40	40	40	140	344
Effect of Title I Interactions on TANF												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	-175	-9	137	47	0	0	0	0	-47	0
Total Changes: Title I												
Estimated Budget Authority	913	496	500	502	186	185	285	284	283	281	2,597	3,915
Estimated Outlays	267	536	337	643	434	349	317	286	283	281	2,217	3,733

Notes: Components may not sum to total because of rounding.
TANF= Temporary Assistance for Needy Families. SSBG = Social Services Block Grant.

* = Less than $500,000.

State Family Assistance Grant. Section 102 would extend the state family assistance grant through 2008 at the current funding level of $16.6 billion. As noted above, 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 2004-2013 period, relative to the baseline.

Healthy Marriage Promotion Grants. Section 103 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 $895 million over the 2005-2013 period. The impact of the reduction in funding on outlays is delayed (no effect in 2004) 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 $9 million over the 2006-2013 period.

Section 103 would establish a new competitive grant to states, territories, and Indian tribes for developing and implementing programs to promote and support marriage. The act would appropriate $100 million annually for grants that could be used for a variety of activities including public advertising campaigns, education and training programs on topics related to marriage, marriage mentoring programs, and programs to reduce disincentives to marriage in means-tested programs. The grants could be used to cover up to 50 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 as a provision of TANF in the baseline after 2008, in accordance with the Deficit Control Act. Estimated spending of these grants would total $1 million in 2004 and $860 million over the 2004-2013 period.

Supplemental Grants. Section 104 would extend the supplemental grants for population increases through 2007 at the 2003 funding level of $319 million. Supplemental grants are currently funded for the first two quarters of fiscal year 2004 at $191 million, consistent with an annual level of funding of $319 million. Current law specifies that supplemental grants should not be assumed to continue in baseline projections after March 31, 2004, 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.

Because many states have unspent balances from prior-year TANF grants, CBO assumes that states would not spend the new funds quickly. CBO estimates that states would spend $64 million in 2004 and $1.1 billion over the 2004-2010 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 $16 million over the 2004-2009 period.

Bonuses for High-Performing States. Section 105 would reduce funding for a bonus to high-performing states and refocus the bonus toward rewarding performance in improving job outcomes. 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 provided $1 billion for bonuses, averaging $200 million annually, over the 1999-2003 period. CBO assumes that funding will continue at $200 million annually in accordance with the Deficit Control Act.

The revised bonus—the Bonus to Reward Employment Achievement—would be focused on rewarding success in employment entry, job retention, and increased earnings for families receiving assistance. The act would make $600 million available for bonuses averaging $100 million annually over the 2004-2009 period. Section 105 would make all the bonus funds immediately available to the Secretary of HHS, so CBO allocates the entire $600 million in budget authority to 2004 (a $400 million increase over what CBO assumes under current law).

The net effect of section 105 would be a reduction in budget authority of $400 million over the 2004-2008 period and $1 billion over the 10-year period. Because the bonuses are usually granted in the following fiscal year, TANF spending would fall by only $895 million over the 2005-2013 period.

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 $9 million over the 2006-2013 period.

Contingency Fund. Section 106 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. To be eligible, 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 the 1994 level of state spending, because most states currently spend well below that level.

Section 106 would change the eligibility conditions, grant determination, and state spending requirements of the contingency fund. It would establish new thresholds of growth in the unemployment rate and Food Stamp participation for states to qualify for funds. The amount of funding a state would receive would be derived by multiplying the state's caseload increase over the level in the two years prior to its qualification, its TANF benefit level for a family of three, 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 rates, Food Stamp participation, TANF caseloads and state TANF spending, CBO estimates that states would qualify for an additional $20 million to $40 million annually from the fund. The revised program would increase outlays by $28 million in 2004 and $285 million over the 2004-2013 period.

Social Services Block Grant. Section 107 would allow states to maintain the authority to transfer up to 10 percent of TANF funds to SSBG. The 1996 welfare law that established the TANF program set the level of the transfer authority at 10 percent. Subsequent legislation permanently lowered the authority to 4.25 percent. However, the Congress has restored the authority to 10 percent every year since, most recently through March 31, 2004. In the absence of further legislation, the authority will fall to 4.25 percent after that date.

In recent years, states have transferred about $1 billion annually. 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 $130 million in the second half of 2004 ($400 million in later years) under the provision, but because some of this money would have been spent within the TANF program anyway, only $37 million of additional spending would occur in 2004. The provision also would increase net TANF spending by $98 million in 2005. Because states would have found alternate ways to spend the funds in later years, the increase in spending in 2004 and 2005 would be offset by decreased spending in subsequent years. Thus, there would be no net impact on TANF spending over the 2004-2013 period as a whole.

Work Participation Requirements. Section 109 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 assumes no state would be subject to financial penalty for failing to meet the new requirements.

Section 109 would require states to engage an increasing share of families receiving TANF in work activities. The required participation rate would rise by 5 percentage points a year from 50 percent in 2004 to 70 percent in 2008. The act would eliminate a separate requirement in current law that sets even higher participation rates for two-parent families. In addition, it 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.

The act also would increase the minimum number of hours a family would need to participate to fully count toward the standard from 30 to 34 hours a week. However, it would allow partial credit for recipients who participate for between 20 and 33 hours and extra credit for recipients who participate more than 34 hours. Two-parent families would be required to work more hours and parents with children under the age of six could be fully counted at 24 hours.

Finally, section 109 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 credits are calculated as a percent of caseload. The caseload reduction credit has significantly lowered the required participation rate in all states and reduced it to zero in more than half the states. The new employment credit also would result in significant reductions in the required participation rates for some states. However, the act would limit the size of any credit to 40 percentage points in 2004, shrinking to 20 percentage points by 2008. So, in 2008, a state that earned a maximum credit would face a required participation rate of 50 percent (70 percent minus 20 percent).

To the extent that states find the new work requirements difficult to meet, CBO expects states would employ strategies such as moving nonworking families into separate state programs to reduce the number of families subject to the requirements and increase the percentage of families remaining in the program that meet the requirements. For example, under current law, states that fail to meet work requirements, particularly the higher requirements applying to two-parent families, set up separate state programs to serve those families. States can count funds they spend in separate state programs toward their maintenance of effort (MOE) requirement in TANF, but families served under those programs do not count in the work participation rate.

Research, Demonstrations, and Technical Assistance. Section 114 would make funds available to the Secretary of Health and Human Services to conduct and support research and demonstration projects and provide technical assistance, primarily on the promotion of marriage. The program would be funded at $100 million annually over the 2004-2008 period. Based on rates of spending in other social service research and grant programs, CBO estimates that spending would increase by $10 million in 2004 and $903 million over the 2004-2013 period.

Section 114 also would make annual grants of $15 million for research. Specifically, it would fund research on the effects, costs, and benefits of state TANF programs and innovative approaches for reducing welfare dependency and increasing the well-being of children. It also could fund evaluations of TANF programs initiated by the states and on-going demonstration projects approved before 1996. (The 1996 welfare law provided funding for those purposes and at the same $15 million annual level, but each year in appropriation acts the Congress rescinded the funds and instead made appropriations for research under another authority.) Public Law 108-89 (recently enacted) provided $8 million in funding for the first half of 2004. Section 114 would raise that to $15 million for the year. Based on recent spending patterns, CBO estimates that this provision would increase outlays by an insignificant amount in 2004 and by $120 billion over the 2004-2013 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 116 would raise the annual funding level by $200 million to $2.917 billion over the 2004-2008 period. CBO assumes funding would continue at the 2008 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 $150 million in 2004 and by $1.9 billion over the 10-year period.

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 $21 million in 2004 and a total of $44 million over the 2004-2006 period, but since states would find alternative ways to spend any funds no longer transferred, spending would increase in later years. There would be no net impact on TANF spending over the 2004-2013 period.

Grants to Capitalize and Develop Sustainable Social Services. Section 119 would appropriate $40 million each year over the 2004-2008 period to make grants for the purpose of capitalizing and developing sustainable social services. CBO treats the grants as a provision of the TANF program and assumes they would continue in baseline after 2008 in accordance with the Deficit Control Act. Grantees would develop programs that would generate their own sources of revenue while assisting TANF recipients. CBO estimates that the grants would increase outlays by an insignificant amount in 2004, $11 million in 2005, and by $344 million over the 2005-2013 period.

Interactions. CBO estimates that several provisions in title I would accelerate the rate of spending of prior-year balances in the TANF program. Provisions that would increase the transfer authority to SSBG, eliminate the out-of-wedlock grant, and eliminate the high-performance bonus 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 2006-2007 period by $184 million below the sum of the provisions estimated individually, but raise it by $184 million over the 2008-2009 period. Thus, there would be no net impact on TANF spending over the 10-year period as a whole.

Title II: Abstinence Education. Public Law 108-89 authorized $25 million for the Abstinence Education program in 2004. H.R. 4 would provide an additional $25 million in 2004 and extend the program through 2008 at a $50 million annual funding level. In addition, it would allow any unrequested funds under the program to be reallocated to states that require additional funds to carry out their Abstinence Education programs. Based on the program's past spending patterns, CBO estimates that the act would increase outlays by $7 million in 2004 and by $228 million over the 2004-2013 period (see Table 1). That increase includes $3 million in spending from 2004 funds that would have remained unrequested without the reallocation provision.

Title III: Child Support. H.R. 4 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.) It would require states to periodically update child support orders and expand the use of certain enforcement tools. It would provide increases in funding for HHS and for grants that facilitate noncustodial parent access to their children. Overall, CBO estimates that enacting title III would increase direct spending by $64 million in 2004 and $1.7 billion over the 2004-2013 period. We also estimate that this title would reduce revenues by $128 million over the 2004-2013 period (see Table 3).

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. Those 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.

TABLE 3. DIRECT SPENDING AND REVENUE EFFECTS OF TITLE III: CHILD SUPPORT

	By Fiscal Year, in Millions of Dollars											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2008	2004-2013
CHANGES IN DIRECT SPENDING												
Distribute More Support to Current TANF Families												
Child Support Collections												
Estimated Budget Authority	52	57	66	75	85	96	99	103	106	110	335	848
Estimated Outlays	52	57	66	75	85	96	99	103	106	110	335	848
Food Stamps												
Estimated Budget Authority	-1	-3	-6	-9	-13	-16	-17	-18	-18	-19	-32	-120
Estimated Outlays	-1	-3	-6	-9	-13	-16	-17	-18	-18	-19	-32	-120
TANF												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-23	-9	-1	7	14	6	5	1	0	0	-12	0
Subtotal												
Estimated Budget Authority	51	54	60	66	72	80	82	85	88	91	303	728
Estimated Outlays	28	45	59	73	86	86	87	86	88	91	291	728
Distribute More Past-Due Support to Current and Former TANF Families												
Child Support Collections												
Estimated Budget Authority	13	27	56	87	168	201	209	218	227	236	351	1,441
Estimated Outlays	13	27	56	87	168	201	209	218	227	236	351	1,441
Food Stamps												
Estimated Budget Authority	-1	-1	-2	-4	-5	-6	-7	-7	-7	-7	-13	-47
Estimated Outlays	-1	-1	-2	-4	-5	-6	-7	-7	-7	-7	-13	-47
TANF												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	3	4	6	6	-2	-10	-7	0	0	0	17	0
Student Loans												
Estimated Budget Authority	15	*	*	*	*	*	*	*	*	*	15	15
Estimated Outlays	15	*	*	*	*	*	*	*	*	*	15	15
Subtotal												
Estimated Budget Authority	27	26	54	84	163	194	202	211	220	229	353	1,409
Estimated Outlays	30	30	60	90	161	184	195	211	220	229	370	1,409
Require Triennial Update of Child Support Orders												
Administrative Costs												
Estimated Budget Authority	0	0	14	15	12	12	12	13	13	13	41	104
Estimated Outlays	0	0	14	15	12	12	12	13	13	13	41	104
Child Support Collections												
Estimated Budget Authority	0	0	-6	-14	-20	-21	-20	-20	-20	-20	-40	-141
Estimated Outlays	0	0	-6	-14	-20	-21	-20	-20	-20	-20	-40	-141
Food Stamps												
Estimated Budget Authority	0	0	-1	-2	-3	-3	-3	-3	-3	-4	-6	-22
Estimated Outlays	0	0	-1	-2	-3	-3	-3	-3	-3	-4	-6	-22
Medicaid												
Estimated Budget Authority	0	0	-3	-8	-13	-13	-10	-8	-10	-10	-24	-75
Estimated Outlays	0	0	-3	-8	-13	-13	-10	-8	-10	-10	-24	-75

Continued

TABLE 3. Continued

	By Fiscal Year, in Millions of Dollars											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2008	2004-2013
Subtotal												
Estimated Budget Authority	0	0	4	-9	-24	-25	-21	-18	-20	-21	-29	-134
Estimated Outlays	0	0	4	-9	-24	-25	-21	-18	-20	-21	-29	-134
Use New Hire Directory for Unemployment Compensation Program												
Estimated Budget Authority	0	-14	-17	-22	-22	-23	-24	-25	-25	-26	-75	-198
Estimated Outlays	0	-14	-17	-22	-22	-23	-24	-25	-25	-26	-75	-198
Reduce Threshold for Passport Denial to $2,500												
Estimated Budget Authority	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-9
Estimated Outlays	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-9
Withhold Child Support from Social Security Disability Payments												
Estimated Budget Authority	0	-3	-4	-4	-4	-5	-5	-5	-6	-6	-15	-42
Estimated Outlays	0	-3	-4	-4	-4	-5	-5	-5	-6	-6	-15	-42
Maintain Funding for Technical Assistance and Federal Parent Locator Service												
Estimated Budget Authority	1	0	0	0	0	0	0	0	0	0	1	1
Estimated Outlays	1	0	0	0	0	0	0	0	0	0	1	1
Allow Federal Seizure of Accounts in Multi-State Financial Institutions												
Administrative Costs												
Estimated Budget Authority	1	2	*	*	*	*	*	*	*	*	3	3
Estimated Outlays	1	2	*	*	*	*	*	*	*	*	3	3
Child Support Collections												
Estimated Budget Authority	0	-2	-6	-9	-9	-9	-9	-9	-10	-10	-26	-73
Estimated Outlays	0	-2	-6	-9	-9	-9	-9	-9	-10	-10	-26	-73
Subtotal												
Estimated Budget Authority	1	0	-6	-9	-9	-9	-9	-9	-10	-10	-23	-70
Estimated Outlays	1	0	-6	-9	-9	-9	-9	-9	-10	-10	-23	-70
Match Databases of Insurance Claims												
Administrative Costs												
Estimated Budget Authority	1	2	*	*	*	*	*	*	*	*	3	3
Estimated Outlays	1	2	*	*	*	*	*	*	*	*	3	3
Child Support Collections												
Estimated Budget Authority	0	0	-2	-4	-3	-3	-3	-3	-3	-3	-9	-24
Estimated Outlays	0	0	-2	-4	-3	-3	-3	-3	-3	-3	-9	-24
Subtotal												
Estimated Budget Authority	1	2	-2	-4	-3	-3	-3	-3	-3	-3	-6	-21
Estimated Outlays	1	2	-2	-4	-3	-3	-3	-3	-3	-3	-6	-21
Intercept Gambling Proceeds												
Administrative Costs												
Estimated Budget Authority	1	2	*	*	*	*	*	*	*	*	3	3
Estimated Outlays	1	2	*	*	*	*	*	*	*	*	3	3

Continued

TABLE 3. Continued

	By Fiscal Year, in Millions of Dollars											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2008	2004-2013
Child Support Collections												
Estimated Budget Authority	0	0	-4	-9	-10	-10	-11	-12	-13	-13	-23	-82
Estimated Outlays	0	0	-4	-9	-10	-10	-11	-12	-13	-13	-23	-82
Subtotal												
Estimated Budget Authority	1	2	-4	-9	-10	-10	-11	-12	-13	-13	-20	-79
Estimated Budget Authority	1	2	-4	-9	-10	-10	-11	-12	-13	-13	-20	-79
Increase Grants to States for Access and Visitation												
Budget Authority	2	4	6	10	10	10	10	10	10	10	32	82
Estimated Outlays	2	4	6	10	10	10	10	10	10	10	32	82
Total Title III Changes in Direct Spending												
Estimated Budget Authority	84	70	89	102	172	208	220	232	240	250	517	1,667
Estimated Outlays	64	65	94	115	184	204	218	233	240	250	522	1,667
CHANGES IN REVENUES												
Use of New Hire Directory for Unemployment Compensation Program												
Estimated Revenues	0	0	-2	-7	-13	-17	-20	-22	-23	-24	-22	-128

Notes: Components may not sum to totals because of rounding. TANF = Temporary Assistance for Needy Families.

* = Less than $500,000.

Section 301 would allow states to pay up to $400 each month of child support to a family (up to $600 to a family with two or more children) receiving assistance and would not require the state to pay the federal government's share of those payments. The state could not count the child support as income in determining the families' benefits under the TANF program.

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 one-third 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 states would put in place those increases slowly and that the increases would not be fully effective until 2009. Based on administrative data for child support and information supplied by state officials, CBO expects that states would raise payments to families in 2009 from the $105 million anticipated under current practices to $175 million under the proposal. CBO estimates that federal offsetting receipts (from reimbursements) would fall by $52 million in 2004, $96 million in 2009, and $848 million over the 2004-2013 period.

Because additional child support income would reduce Food Stamp benefits, CBO estimates savings in the Food Stamp program totaling $1 million in 2004, $16 million in 2009, and $120 million over the 2004-2013 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 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 $33 million over the 2004-2006 period, but, because states would find alternative ways to spend the funds in later years, it would have no net effect over the 2004-2013 period.

Distribute More Past-Due Support to Current and Former TANF Recipients. Section 301 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 who used to receive welfare.

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. 4 would require states to implement the new policy by October 1, 2007, but would give states the option of implementing the policy sooner.

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 301 would give states the option to change the order of the distribution rules so that all collections would be paid to families first before the government is reimbursed. In addition, it would allow states to pay any additional amount to families from support owed for the period the family was on assistance.

CBO estimates that states with 40 percent of collections would implement optional policies by 2009. Based on conversations with state child-support officials and policy experts, and on administrative data, CBO estimates that families would receive an additional $24 million in 2004, rising to $365 million by 2009, and $2.6 billion over the 2004-2013 period, as a result of these changes. CBO estimates that those increased distributions to families would reduce the federal share of collections by $13 million in 2004, $201 million in 2009, and $1.4 billion over the 2004-2013 period.

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 $6 million in 2004 and $474 million over the 2004-2013 period. Food Stamp savings would be about $1 million in 2004 and $47 million over the 2004-2013 period.

Section 301 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 $3 million in 2004 and $19 million over the 2004-2007 period, but reduced spending in later years would result in no net effect on TANF spending over the 2004-2013 period.

Finally, section 301 would affect federal collections in the student loan program. Under a program called the federal tax offset refund program, tax refund payments are withheld from individuals who owe over-due child support and certain federal debts, mainly related to student loans, and used to pay the debts. Beginning in 2008, H.R. 4 would give child support debt priority over all other federal debts. In current law, child support that is owed to the government is given such priority, but child support owed to families is paid off after all other federal debts. In cases where an individual owes both child support debt and other federal debt, the new priority order would decrease payments to the federal government in the student loan program.

Currently one-half of one percent of tax filers are subject to a tax refund offset for child support owed to a family and one percent for student loan debt. Assuming people who owe student loan debt are neither more nor less likely to owe child support debt, 6,800 filers could be subject to an offset for either child support and student loan debt. CBO estimates that the provision would delay or reduce recoveries in the student loan program by $8 million annually beginning in 2008.

The provisions affecting the student loan programs are assessed under the requirements of the federal credit reform act. As such, the budget records all the costs and collections associated with a new loan on a present-value basis in the year the loan is obligated and the costs of all changes (i.e., "modifications") affecting outstanding loans are displayed in the fiscal year the bill is enacted—assumed to be 2004 for this estimate. This results in a federal cost of $15 million in 2004 and insignificant amounts each year for 2005 through 2013.

Mandatory Three-Year Update of Child Support Orders. Section 302 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, 2005, and CBO estimates that the net impact of this provision would be direct spending savings of $134 million over the 2004-2013 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 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. Children who receive TANF are generally eligible for Medicaid, so the new coverage would reduce spending in that program.

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 administrative costs for child support to rise by $14 million in 2006 and $104 million over the 2006-2013 period. Federal collections would increase by $6 million in 2006 and $141 million over the 2006-2013 period. Finally, Food Stamp and Medicaid savings would total $22 million and $75 million respectively over the 2006-2013 period.

Use of New Hire Information. Section 304 would allow states, beginning in fiscal year 2005, 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 $14 million in 2005 and $198 million over the 2005-2013 period. CBO assumes this reduction in spending would lead states to reduce their unemployment taxes. As a result, CBO estimates that revenues would fall by an insignificant amount in 2005 and $128 million over the 2005-2013 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 $70 million over the 10-year 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. Beginning in fiscal year 2005, section 305 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. CBO assumes the same share of those payments would be on behalf of current and former welfare families as in the overall program—13 percent—and would be retained by the government as reimbursement for welfare benefits. The federal share of such collections would be about $1 million a year and $9 million over the 2005-2013 period.

Improved Debt Collection: SSA Benefit Match. Section 308 would allow states to collect past-due child support by withholding Social Security, Black Lung, and Railroad Retirement Board payments. Because parents affected by the legislation are generally younger than 62, we assume that most of them receive benefits under the Disability Insurance (DI) program rather than the retirement or survivors programs. The Debt Collection Improvement Act of 1996 limits the amount that can be withheld annually from an individual's Social Security check to the lesser of any amount over $9,000 or 15 percent of benefits.

Based on an analysis done by the Treasury Department, CBO estimates that 50,000 beneficiaries a month could be subject to an offset. Based on states' current use of administrative offsets of other federal programs, we estimate two out of three of those beneficiaries would potentially have their check offset. On average, the offsets could amount to about $1,800 by 2008 and could yield more than $60 million in collections for child support from Social Security payments.

CBO estimates that the additional collections under section 308 would be less than one-half of the potential $60 million because of several factors. First, some of this money may have been collected anyway through other enforcement tools, such as offsets currently applied to federal tax refunds. Second, noncustodial parents are younger than average DI recipients, and younger men receive lower DI benefits than older men. Third, children of DI recipients are entitled to a benefit from Social Security that averages more than $2,000 annually. Some states consider these benefits in determining the amount of child support owed by the non-custodial parent. Fourth, in some cases the estimated offset would exceed the amount of arrears owed. Finally, CBO expects a small percentage of all non-custodial parents owing past-due support would slip through the administrative process.

The estimated $24 million in child support would result in a net increase in federal offsetting receipts of about $4 million in 2008. The estimate assumes 33 percent of collections would be on behalf of current and former welfare families.

The provision would be effective October 1, 2004, and CBO assumes that the program would take several months to establish, so that full savings would not be realized until 2006. As DI benefits rise over time, federal receipts under these provisions would climb from $3 million in 2005 to $6 million in 2013, and total $42 million over the 2005-2013 period.

Maintenance of Technical Assistance and Federal Parent Locator Service Funding. Current law allows the Secretary to use 3 percent of the federal share of child support collections to fund technical assistance efforts and to operate the federal parent locator service. Sections 309 and 310 would set a minimum funding level for those purposes equal to the 2002 level of $37 million. Because CBO projects that such payments will fall to $36 million in 2004 under the current formula, this provision would increase payments by $1 million in that year. CBO expects that the federal share of child support payments will continue to grow after 2004 such that the payment would not fall below $37 million after that year.

Seizure of Assets held by Multi-state Financial Institutions. Under current law, HHS matches lists of noncustodial parents who owe child support arrears against data from financial institutions to identify assets that might be seized to pay overdue child support. HHS forwards any matches to states so that states can pursue collection. On average, states make a collection in 8 percent of cases with a match. The reported performance of states varies widely from 55 percent of cases to less than 1 percent. States' collection rates are low on average for a variety of reasons. In some cases, multi-state financial institutions will not honor a seizure by a state unless the institution has branch offices in the state. Also, some states have policies of pursuing matches only when a large financial asset is identified or only when the arrearage is long-standing or no current payments are being made.

Section 311 would give the federal government the authority to act on behalf of states to seize financial assets for the purpose of paying child support. The new authority would resolve problems of jurisdiction in cases where a state is pursuing an asset in a different state. Also, the federal government plans to pursue collections in a higher percent of cases.

Currently, HHS compares a list of about 3 million cases with arrears with data from financial institutions and identifies potential financial assets in more than 1 million cases. Some of those cases are later found to be false matches or are uncollectible for other reasons. Based on conversations with child-support administrators and policy experts, CBO expects that, when fully effective, the federal government would seize assets 20 percent of the time a potential asset is identified, up from 8 percent. Based on administrative data from HHS, CBO expects the average collection would be $700 per seizure down from $930 per seizure under current law. (The average seizure would go down because the federal government would be pursuing a broader set of cases, many of which would have lower levels of assets available.) CBO assumes the policy would take some time to implement and would not be fully effective until 2007. The policy would result in new collections of $24 million in 2005 and $974 million over the 2005-2013 period. CBO assumes the same share of those payments would be on behalf of current and former welfare families as in the overall program—13 percent—and would be retained by the government as reimbursement for welfare benefits. The federal share of such collections would be $73 million over the 2004-2013 period.

Information Comparison with Insurance Data. Section 312 would authorize the Secretary to compare information of noncustodial parents who owe past-due child support with information maintained by insurers concerning insurance payments and to furnish any information resulting from the match to state agencies to pursue payments to pay overdue child support. States representing about one-third of child support collections currently participate in an existing system operated by the Child Support Lien Network that performs a similar function. The number of participating states has been growing rapidly in the last several years and CBO expects that eventually, even without federal intervention, that about three-quarters of states would participate. Under the proposal, CBO expects all states would participate by 2007. Based on data for the existing program, CBO expects that collection would increase by more than $10 million annually when fully phased in and that half of those collections would be on behalf of current or former TANF families. The federal share of collections would be $24 million over the 2006-2013 period.

Interception of Gambling Proceeds. Section 318 would authorize the Secretary of HHS to compare information obtained from gambling establishments with information on individuals who owe past-due child support and direct the establishment to withhold from the individuals' net winnings all amounts up to the child support owed. The procedures would apply whenever an individual won enough to be required to fill out an IRS form W2-G, generally $600.

HHS would compare a list of more than 3 million noncustodial parents with overdue support to the information on winners reported by gambling establishments. CBO assumes that 3 percent of such parents will receive gambling winnings above the threshold level, in line with the rate of winning in the adult population and that percentage would increase to 5 percent by 2013. Based on data on average winnings, CBO assumes $2,800 would be collected, on average, per match. CBO expects it would take several years to establish a system of matching with the gambling establishments such that the program would not be fully operational until 2007. In that year, potential collections would total about $375 million.

CBO assumes that several factors would result in only one-third of that amount actually collected. First, child support is already regularly withheld from lottery winnings which form a substantial percent of gambling winning. Second, Indian casinos are not required to withhold winnings. Third, CBO assumes administrative errors and imperfect enforcement would result in a further reduction in potential collections.

CBO estimates that implementing the policy would result in increased collections of $57 million in 2006, $121 million in 2007, and $1.1 billion over the 2006-2013 period. CBO assumes the same share of those payments would be on behalf of current and former welfare families as in the overall program—13 percent—and would be retained by the government as reimbursement for welfare benefits. The federal share of such collections would be $82 million over the 2004-2013 period.

Grants to States for Access and Visitation. The 1996 welfare law authorized grants to states funded at $10 million annually to establish and operate access and visitation programs. The purpose of the grants is to facilitate noncustodial parents' access to and visitation of their children. Section 320 would increase funding to $12 million in 2004, $14 million in 2005, $16 million in 2006, and $20 million in 2007 and in subsequent years. The new funding would result in increased outlays of $82 million over the 2004-2013 period.

Title IV: Child Welfare. Title IV would extend 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, we expect the federal budget impact would not be significant.

Beginning in fiscal year 2005, section 402 would allow Puerto Rico to claim more federal matching funds for foster care expenses by excluding amounts in excess of grants received in fiscal year 2002 from the limitation specified in section 1108 of the Social Security Act. The amount of spending above the limitation would be capped at $6.25 million for fiscal years 2005 through 2008, but would be unconstrained beginning in 2009.

The Social Security Act currently limits total federal spending in Puerto Rico on certain social service programs, including foster care, to $107 million in any year. In fiscal year 2002, foster care payments comprised $11 million of that total. Although Puerto Rico is eligible for federal matching funds for foster care administrative costs, it has not received any such payments because it does not yet have an approved cost allocation methodology. (Even if it had submitted claims for administrative costs, because Puerto Rico already is using all of the funds available under the section 1108 limit, these claims would have either reduced funding for other social services, or would have been unpaid.) CBO estimates that reimbursements of administrative costs could equal or exceed the amount of matching funds Puerto Rico receives for foster care expenses. Moreover, if the constraints imposed by the section 1108 limit were loosened, reimbursements for maintenance payments also could increase.

Section 402 would effectively raise the limit on foster care reimbursements for the 2005-2008 period, and eliminate it after that. The act would constrain these additional costs at $6.25 million annually during the 2005-2008 period, after which time there would be no limit on claims above the 2002 amount. CBO estimates this provision would increase outlays by $25 million between fiscal years 2005 and 2008, and by $112 million from 2005 through 2013 (see Table 1).

Title V: Supplemental Security Income. Section 501 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 20 percent of all favorable adult-disability determinations made by state-level Disability Determination Service (DDS) offices in 2004. Under the legislation, the agency would have to review at least 40 percent of the adult-disability awards made by DDS offices in 2005 and 50 percent in 2006 and beyond.

CBO anticipates state DDS offices will approve between 350,000 and 400,000 adult disability applications for SSI benefits annually between 2004 and 2013. Based on recent data for comparable reviews in the Social Security Disability Insurance program, CBO projects that by 2013, more than 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 501 would reduce SSI benefits by $2 million and Medicaid outlays by $4 million in 2004. Over the 2004-2013 period, CBO estimates this provision would lower SSI outlays by $405 million and Medicaid spending by $1 billion (see Table 4).

TABLE 4. DIRECT SPENDING EFFECTS OF TITLE V: SUPPLEMENTAL SECURITY INCOME

	By Fiscal Year, in Millions of Dollars											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2008	2004-2013
Pre-effectuation Reviews												
SSI												
Estimated Budget Authority	-2	-9	-17	-25	-37	-46	-55	-68	-66	-80	-90	-405
Estimated Outlays	-2	-9	-17	-25	-37	-46	-55	-68	-66	-80	-90	-405
Medicaid												
Estimated Budget Authority	-4	-15	-34	-56	-79	-106	-133	-161	-193	-227	-188	-1,008
Estimated Outlays	-4	-15	-34	-56	-79	-106	-133	-161	-193	-227	-188	-1,008
Total Changes in Title V												
Estimated Budget Authority	-6	-24	-51	-81	-116	-152	-188	-229	-259	-307	-278	-1,413
Estimated Outlays	-6	-24	-51	-81	-116	-152	-188	-229	-259	-307	-278	-1,413

Title VI: Transitional Medical Assistance. Title VI would make several changes to Medicaid and the State Children's Health Insurance Program. The act would extend through 2008 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 VI also would allow states to simplify aspects of TMA administration. Finally, it would prohibit states from using SCHIP funds to provide health coverage to childless adults.

Overall, CBO estimates that enacting title VI would increase direct spending by $17 million in 2004 and by $2.1 billion over the 2004-2013 period (see Table 5).

Extension of Transitional Medical Assistance. State Medicaid programs are required to temporarily provide Medicaid coverage, known as transitional medical assistance, for certain individuals (usually former TANF recipients) and their dependents who otherwise would lose coverage because of increased earnings. States currently are required to provide TMA to welfare-related beneficiaries who lose their eligibility prior to March 31, 2004. Section 601 of the act would extend the requirement through September 30, 2008.

CBO estimates that this provision would increase federal Medicaid outlays by $21 million in 2004 and by $2.6 billion over the 2004-2013 period. The budgetary effects of the extension would continue beyond 2008 because families who qualify for TMA would be entitled to up to 12 months of additional eligibility, even if that eligibility runs beyond September 30, 2008. Moreover, some states provide more than 12 months of TMA through Medicaid waivers; families living in those states could remain eligible through 2011.

Without H.R. 4, CBO anticipates that some of the families leaving welfare between 2004 and 2008 would have incomes high enough to make their children ineligible for Medicaid, and that some of the children in those families would enroll in SCHIP instead. By extending TMA, the act would make those children eligible for Medicaid. 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 $47 million over the 2004-2008 period. 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 $20 million over the 2009-2013 period.

Optional TMA Simplifications. Section 601 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 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.

TABLE 5. DIRECT SPENDING EFFECTS OF TITLE VI: TRANSITIONAL MEDICAL ASSISTANCE

	By Fiscal Year, in Millions of Dollars											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2008	2004-2013
CHANGES IN DIRECT SPENDING												
Extension of TMA through 2008												
Medicaid												
Estimated Budget Authority	21	385	515	575	625	417	65	13	-1	-6	2,121	2,609
Estimated Outlays	21	385	515	575	625	417	65	13	-1	-6	2,121	2,609
SCHIP												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-15	-11	-8	-13	5	0	2	2	11	-47	-27
Optional TMA Simplifications												
Medicaid												
Estimated Budget Authority	0	21	55	63	68	63	9	1	0	-1	207	279
Estimated Outlays	0	21	55	63	68	63	9	1	0	-1	207	279
SCHIP												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	-2	-1	-1	0	0	0	0	1	-4	-3
Prohibition on SCHIP Coverage for Childless Adults												
Medicaid												
Estimated Budget Authority	-4	-6	-6	-8	-29	-25	-40	-50	-68	-85	-53	-321
Estimated Outlays	-4	-6	-6	-8	-29	-25	-40	-50	-68	-85	-53	-321
SCHIP												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	1	-25	-38	-64	-93	-77	-71	-47	-30	-126	-444
Total Changes in Title VI												
Estimated Budget Authority	17	400	564	630	664	455	34	-36	-69	-92	2,275	2,567
Estimated Outlays	17	386	526	583	586	367	-43	-105	-114	-110	2,098	2,093

Notes: SCHIP = State Children's Health Insurance Program. TMA = Transitional Medical Assistance.

CBO anticipates that those provisions would boost federal Medicaid spending by $21 million in 2005 and by $279 million over the 2005-2013 period. Most of those costs would stem from the elimination of the income-reporting requirements. States already have the flexibility under current law 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.

CBO also estimates that the effect of those provisions would have a slight impact on SCHIP, decreasing outlays by $3 million over the 2004-2013 period. By relaxing TMA rules, the act would make some children newly eligible for Medicaid, and therefore ineligible for SCHIP.

Prohibit SCHIP Coverage for Childless Adults. Section 602 of the act would prohibit the Secretary of Health and Human Services from allowing states to use SCHIP funds to provide health coverage to childless adults (including pregnant women who have no children). Several states currently provide such coverage through temporary waivers approved by the Secretary under section 1115 of the Social Security Act, and other states have applications for similar waivers pending or in the development stage. The provision would prohibit the Secretary from approving any new waivers to cover childless adults or renewing the existing waivers once they expire.

CBO estimates that this provision would have no effect on SCHIP spending in 2004 and would decrease the program's spending by $444 million over the 2004-2013 period. Because state SCHIP programs would no longer be able to cover childless adults, they would have more funding available to cover children and their parents. CBO anticipates that states would use a portion of the freed-up funds to do so, with the remainder being spent after 2013.

Under current law, CBO anticipates that the limited nature of SCHIP funding will restrict program spending in some states, and that states will partly offset these funding shortfalls by expanding Medicaid eligibility. The provision would lessen the funding shortfalls and reduce states' use of Medicaid funding to offset them. As a result, CBO estimates that the provision would reduce Medicaid spending by $321 million over the 2004-2013 period.

Spending Subject to Appropriation

H.R. 4 would establish several new grant programs that would require annual appropriations. Assuming appropriation of the authorized amounts, CBO estimates that implementing the legislation would cost $14 million in 2004 and $1 billion over the 2004-2011 period (see Table 6). Estimated outlays are based on historical spending patterns for social service grant programs.

Tribal TANF Improvement Fund. Section 113 would authorize $100 million for each year through 2008 for the Secretary of HHS to carry out a program of technical assistance and competitive grants to Indian tribes operating TANF programs. CBO estimates implementing the program would cost $10 million in 2004 and $500 million over the 2004-2011 period, assuming appropriation of the authorized amounts.

Fatherhood Grants. Section 118 would establish several new grant programs to promote fatherhood and would authorize appropriations totaling $75 million annually over the 2004-

2008 period. Assuming appropriation of the authorized amounts, CBO estimates implementing section 118 would cost $1 million in 2004 and $375 million over the 2004-2013 period.

TABLE 6. ESTIMATED COSTS FOR NEW DISCRETIONARY SPENDING

	By Fiscal Year, in Millions of Dollars											
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2004-2008	2004-2013
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Tribal TANF Improvement Fund												
Authorization Level	100	100	100	100	100	0	0	0	0	0	500	500
Estimated Outlays	10	60	108	100	84	88	45	5	0	0	362	500
Fatherhood Grants												
Authorization Level	75	75	75	75	75	0	0	0	0	0	375	375
Estimated Outlays	1	20	56	93	92	76	34	3	0	0	262	375
Grants for Car Ownership												
Authorization Level	25	25	25	25	25	0	0	0	0	0	125	125
Estimated Outlays	3	15	27	25	21	22	11	1	0	0	91	125
Total Changes												
Authorization Level	200	200	200	200	200	0	0	0	0	0	1,000	1,000
Estimated Outlays	14	95	191	218	197	186	90	9	0	0	715	1,000

Section 118 would authorize the appropriation of $20 million per year during the 2004-2008 period for grants to up to 10 states to conduct demonstrations to promote responsible fatherhood through promoting marriage, responsible parenting, or economic stability. It also would authorize $30 million each year over the 2004-2008 period for grants to eligible entities for the same purposes. Eligible entities would include local governments, local private agencies, community-based or nonprofit organizations, Indian tribes, or private entities.

Section 118 also would authorize $5 million annually through 2008 for the Secretary of HHS to contract with a nationally recognized nonprofit organization to develop, promote, and distribute a media campaign promoting responsible fatherhood and to develop a national clearinghouse to assist states and communities in their effort to promote marriage and responsible fatherhood. Finally, it would authorize a program of formula grants to states to conduct media campaigns to promote marriage and responsible fatherhood funded at $20 million each year over the 2004-2008 period.

Grants for Car Ownership. Section 119 would authorize the appropriation of $25 million each year through 2008 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 employment opportunities and access to training by providing low-income families with more reliable transportation. CBO estimates that implementing this provision would cost $3 million in 2004 and $125 million over the 2004-2011 period, assuming the appropriation of the authorized amounts.

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. Preemptions and some other requirements in the act would be intergovernmental mandates as defined in UMRA, and the limit on amounts that states could retain for state child support enforcement programs also could be an intergovernmental mandate because of the narrow focus of and limited flexibility in that program.

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 child support enforcement program is narrower in scope, and its primary goal is to collect and redistribute child support payments. This narrower focus does not afford states as much flexibility as other large entitlement programs, so reductions in funding for the child support program could be intergovernmental mandates as defined in UMRA. CBO estimates, however, that the cost of the intergovernmental mandates would not exceed the threshold established in UMRA ($66 million in 2008, adjusted annually for inflation).

Child Support Enforcement. H.R. 4 would reduce the amounts that states may retain from child support collections to reimburse themselves for public assistance spending, in particular for TANF. As a result, states would lose a total of about $56 million in 2008 and about $370 million over the 2008-2013 period. Retained child support collections are intended to reimburse states for their portion of spending for public assistance programs. Some states rely on these reimbursements for operating their child support enforcement program, and in those states a reduction in outside sources of revenue likely would result in the need for additional state funding. The extent of that need would determine the costs of the mandate, and if states are able to carry out their responsibilities more efficiently or to pare back their activities while maintaining a basic level of compliance, the aggregate costs of the mandate may be lower. 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 $62 million in the child support program and $57 million in Medicaid over the 2006-2013 period.

Preemptions. The act contains three preemptions of state law that would be considered intergovernmental mandates as defined in UMRA. The act would preempt state laws that could prevent an individual from contesting liens or levies on property seized in an effort to collect past-due child support. The act also would protect insurers from state liability laws in cases where they have shared information with the Secretary of HHS for the purpose of identifying individuals that owe past-due child support. Similarly, both public and private gambling facilities that share information with the Secretary (as required by the act) would be protected from state liability laws. None of these preemptions would result in significant costs to state, local, or tribal governments.

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. 4 could alter the way in which states administer the program and provide benefits, and such changes could increase costs to states. However, states could make other changes of their own, 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 generally are not 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 to offset 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 2008 and continue supplemental grants for states that historically have had rising populations or that provided relatively low levels of benefits. It also would alter the Contingency Fund program and increase the likelihood that states would qualify for funding. In addition to $16.6 billion for family assistance that states will receive under current baseline assumptions, CBO estimates that states would receive $1.1 billion for supplemental grants and $285 million from the Contingency Fund over the 2004-2013 period.

Increased Flexibility. The act would allow states to use unspent funds from prior years to pay for services in addition to benefits, and it would allow them to continue to use up to 10 percent of their TANF funds for SSBG purposes. States also could use a portion of TANF funds for projects that foster access to jobs or reverse commuting.

Child Care. The act would extend child care grants through 2008 and increase funding for those grants by $200 million annually over the 2004-2013 period.

Healthy Marriage Promotion. The act would repeal bonus grants for the reduction of illegitimacy, which were available to up to five states through 2003, and replace them with grants for developing and implementing innovative programs to promote and support healthy, two-parent married families. Grants could be used for a variety of education and media activities associated with the core goals, but they also must incorporate issues of domestic violence and ensure that participation in any related programs is voluntary. Grants of $100 million annually would be available from 2004 through 2008. State spending on related programs for otherwise non-eligible families could be counted toward a state's maintenance-of-effort requirements in TANF.

Fatherhood Grants. The act would authorize the appropriation of $75 million annually over the 2004-2008 period for a variety of grant programs to promote fatherhood, responsible parenting, and marriage—either directly or through educational and media campaigns.

Abstinence Education. The act would extend abstinence education grants and provide $50 million annually over the 2004-2008 period. Any unspent funds allocated to individual states would be periodically reallocated by the Secretary.

Tribal Family Assistance. The act would reauthorize direct funding for tribal TANF programs through 2008. It also would authorize the appropriation of $100 million annually for a fund to support technical assistance, economic development activities, and research associated with family assistance programs administered by tribal organizations.

Access and Visitation. The act would allow tribes to receive grants for access and visitation programs, and the act would increase grants to state and tribes for such programs by $82 million over the 2004-2013 period. The act also would increase the minimum state allotment, increasing from $120,000 in 2004 (up from $100,000 in current law) to $180,000 in 2007 and thereafter.

Grants to Support Work Activities. The act would authorize and appropriate $40 million annually over the 2004-2008 period for grants to capitalize and develop sustainable social services that help move recipients of assistance into work activities. The act also would authorize $25 million annually over the same period for grants to state, local, tribal, and non-profit entities for programs that help low-income families with children acquire and maintain dependable cars and insurance.

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 require states to continue providing transitional medical assistance through fiscal year 2008. TMA provides benefits to certain individuals and their dependents who otherwise would lose coverage because of increased earnings. The act also would allow states to implement simplifications of the TMA system, enabling them to provide TMA for an additional year in some cases and easing the qualification requirements. Finally, the act would prohibit SCHIP coverage for childless adults. CBO estimates that the total net effect of these provisions would be additional state spending of $1.9 billion in Medicaid and savings of about $200 million in SCHIP over the 2004-2013 period.

Bonus Grants Change to Employment Basis. Under current law, states are eligible to receive bonus grants totaling up to 5 percent of their family assistance grant if they are identified by the Secretary as a high performing state in terms of meeting the goals of the TANF program. The act would reduce those grants by half, from averages of $200 million to $100 million annually, and would change the basis of the grant from general performance to a focus on employment entry, retention, and increased earnings for beneficiaries. Grants also would be available to tribal organizations.

Work Participation Requirements. The act would increase work-participation requirements in the TANF program, but CBO estimates that states would move nonworking families into separate state programs to effectively reduce the new requirements. The act 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 no state would be subject to financial penalty for failing to meet the new requirements.

The bill would increase the minimum work participation rate from 50 percent to 70 percent over a five-year period. To meet those requirements, 70 percent of families would have to be engaged in work activities by 2008. The act would eliminate a separate requirement in current law that sets even higher participation rates for two-parent families. In addition to overall participation rates, the act would increase the minimum number of hours a family would need to participate to fully count toward the standard from 30 to 34 hours a week. However, it would allow partial credit for recipients who participate for between 20 and 33 hours. Two-parent families would be required to work more hours, but parents with children under the age of six would only have to work 24 hours in order to meet the requirements. The increase in the number of hours of work per week could result in a modest spending increase by states and tribes for administration, worker support activities, and child care. As the overall participation rates increase, states and tribes would have to direct more resources toward programs such as administrative support, child care, and worker supervision to comply with the 70 percent requirement.

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.

To the extent that states find the new work requirements difficult to meet, CBO expects states would employ strategies such as moving nonworking families into separate state programs to effectively reduce the new requirements. For example, under current law, states that fail to meet work requirements, particularly the higher requirements applying to two-parent families, set up separate state programs to serve those families. States can count funds they spend in separate state programs toward their MOE requirement in TANF, but families served under those programs do not count in the work participation rate.

Replacement of Caseload Reduction Credit. Under current law, a state's minimum work participation rate may be reduced by the amount that the average number of families receiving assistance declines, assuming the reduction is not the result of changes in eligibility requirements. The act would replace the caseload reduction credit with an employment credit that would be based on the percentage of individuals who no longer receive assistance and who are actively working. Former recipients who are earning at comparably higher salaries would be weighted heavier in calculating the state's employment credit. In total, however, the size of any credit would be limited to 40 percentage points in 2004, decreasing to 20 percentage points by 2008. States could opt to have the shift in the basis for the credit delayed until October 1, 2006.

Individual Responsibility v. Family Self-Sufficiency. The act would change the requirement that states develop individual responsibility plans for beneficiaries to a requirement for family self-sufficiency plans. States that fail to implement family self-sufficiency plans would be subject to the same penalties as failing to meet work participation requirements.

New Requirements. States would have to implement new performance measurement standards and comply with a standardized format for submitting amendments to their state plans for TANF programs. The act also would require states to collect and report additional data on families enrolled in TANF programs and on those who leave the rolls because of ineligibility. The act would require monthly reports on caseload levels and it would require an annual report on how states are achieving their performance goals.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

Section 318 would impose a mandate on gambling establishments by requiring them to withhold certain gambling winnings from individuals who owe past-due child support, to furnish written notice to those individuals, and to transfer the amount withheld to a federal agency. The gambling establishments may retain 2 percent of the amount withheld as a processing fee. CBO expects that the net direct cost of the mandate would fall well below the annual threshold established by UMRA ($117 million in 2003, adjusted annually for inflation).

PREVIOUS CBO ESTIMATE

On February 13, 2003, CBO transmitted a cost estimate for H.R. 4, the Personal Responsibility, Work, and Family Promotion Act of 2003, as introduced in the House of Representatives on February 4, 2003.

H.R. 4, as approved by the Senate Committee on Finance, would increase direct spending by nearly $5 billion over the 2004-2008 period compared to about $2 billion in the House version of the legislation. Both versions of H.R. 4 would reduce revenues by $22 million over those five years. The Senate version of H.R. 4 would increase authorizations of appropriations by $1 billion above the current baseline over the 2004-2008 period, whereas the House version would raise such authorizations by more than $2 billion.

Both versions of H.R. 4 would extend TANF and related programs through 2008, increase direct spending on child care by $200 million annually, and make changes to the child support enforcement, SSI, and Medicaid programs. The estimates for some identical provisions in the versions differ because CBO estimated the House version of the act under its January 2003 baseline assumptions and the Senate version under the baseline completed in March, and which underlies the 2004 budget resolution. The major difference relates to spending under the abstinence education program. Also, CBO assumed a later enactment date in its estimate of the Senate version. Differences in other estimated costs reflect differences in the legislation.

Among the significant differences in the legislation, the Senate version of H.R. 4 would expand the contingency fund more than the House version. It would allow states to share more child support with current and former recipients of welfare and would forgive the federal share of collections on child support that states are currently sharing with families. The Senate version would establish several new enforcement tools in the child support program that were not included in the House version. It does not contain a provision in the House version that would institute a program of charging fees for certain child support clients.

The Senate version of H.R. 4 would extend TMA for five years compared with one year in the House version, and it would allow states to adopt administrative simplifications. It also contains a provision not in the House version that would prohibit states from using SCHIP funds to provide health coverage for childless adults and does not include a provision to reduce the amount of reimbursement to states for Medicaid administrative costs.

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