

**TABLE 5. FEDERAL BUDGETARY EFFECTS OF CHANGES IN CHILD PROTECTION (FOSTER CARE)  
IN TITLE V OF P.L. 104-193 (By fiscal year, in millions of dollars)**

	1996	1997	1998	1999	2000	2001	2002	Total, 1996-2002
<b>Extend Enhanced Match Rate for Computer Purchases for Foster Care Data Collection</b>								
Budget authority	0	80	0	0	0	0	0	80
Outlays	0	66	14	0	0	0	0	80
<b>National Random Sample Study of Child Welfare</b>								
Budget authority	6	6	6	6	6	6	6	42
Outlays	a	2	11	6	6	6	6	37
<b>Total</b>								
Budget authority	6	86	6	6	6	6	6	122
Outlays	a	68	25	6	6	6	6	117

SOURCE: Congressional Budget Office.

a. Less than \$500,000.

**TABLE 6. FEDERAL BUDGETARY EFFECTS OF CHANGES IN CHILD CARE PROGRAMS  
IN TITLE VI OF P.L. 104-193 (By fiscal year, in millions of dollars)**

	1996	1997	1998	1999	2000	2001	2002	Total, 1996-2002
<b>New Child Care Block Grant</b>								
Budget authority	0	1,967	2,067	2,167	2,367	2,567	2,717	13,852
Outlays	0	1,635	1,975	2,082	2,227	2,377	2,482	12,778
<b>Memorandum:</b>								
<b>Repeal of Child Care Programs in Title I</b>								
Budget authority	0	-1,405	-1,480	-1,540	-1,595	-1,655	-1,715	-9,390
Outlays	0	-1,345	-1,475	-1,535	-1,590	-1,650	-1,710	-9,305
<b>Total Spending on Child Care</b>								
Budget authority	0	562	587	627	772	912	1,002	4,462
Outlays	0	290	500	547	637	727	772	3,473

SOURCE: Congressional Budget Office.

On balance, repealing former child care programs (in title I) and creating a new block grant under this title will increase federal outlays by \$0.3 billion in 1997 and \$3.5 billion over the 1997-2002 period.

## TITLE VII: CHILD NUTRITION PROGRAMS

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Provisions in title VII that affect child nutrition programs will lower federal outlays by an estimated \$128 million in 1997, \$670 million in 2002, and \$2.9 billion over the 1997-2002 period relative to prior law (see Table 7).

### Child and Adult Care Food Program

Section 708 makes several changes in the Child and Adult Care Food Program. Those changes will save \$90 million in 1997 and \$585 million in 2002. The act restructures the family day care home component of the program to introduce an income test. Under prior law, all meals served in family day care homes would have had the same reimbursement rates from July 1996 to June 1997: \$1.575 for lunches, \$0.8625 for breakfasts, and \$0.470 for supplements. The act creates two tiers of reimbursement rates, a change that saves \$80 million in 1997 and \$565 million in 2002.

The first tier applies to two groups of homes: those that are located in an area in which at least half of the children are from households whose income is below 185 percent of poverty, and those that are operated by a provider whose household income is less than 185 percent of poverty. Rates for tier I homes are the same as under prior law, except the rates will be rounded down each year to the nearest whole cent, rather than to the nearest quarter cent. All other homes will receive a lower, tier II rate—\$0.95 for lunches, \$0.27 for breakfasts, and \$0.13 for supplements. Those rates will be adjusted annually (beginning July 1, 1997) and rounded down to the nearest whole cent. Homes in tier II will be able to claim the tier I rates for any children whose family income is below 185 percent of poverty.

Studies of the Child Care Food Program have shown that most of the children served in family day care homes are not from low-income households.<sup>6</sup> Based on that research, and using the rate of receipt of free and reduced-price meals in the School Lunch program as an indicator of the fraction of low-income children in an

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6. Department of Agriculture, Food and Nutrition Service, *Study of the Child Care Food Program* (prepared by Abt Associates, August 1988); Mathematica Policy Research, *Participation in the Child and Adult Care Food Program: New Estimates and Prospects for Growth* (prepared for the Department of Agriculture, April 1993).

**TABLE 7. FEDERAL BUDGETARY EFFECTS OF CHANGES IN CHILD NUTRITION PROGRAMS  
IN TITLE VII OF P.L. 104-193 (By fiscal year, in millions of dollars)**

	1996	1997	1998	1999	2000	2001	2002	Total, 1996-2002
<b>Child and Adult Care Food Program</b>								
Budget Authority	0	-105	-380	-430	-480	-535	-595	-2,525
Outlays	0	-90	-340	-420	-470	-525	-585	-2,430
<b>Extension of Payment Period</b>								
Budget Authority	0	a	a	1	1	1	1	4
Outlays	0	a	a	1	1	1	1	4
<b>Rounding Rules</b>								
Budget Authority	0	-2	-15	-15	-15	-15	-15	-77
Outlays	0	-1	-10	-15	-15	-15	-15	-71
<b>Summer Food Service Program for Children</b>								
Budget Authority	0	-24	-29	-29	-34	-34	-39	-189
Outlays	0	-19	-29	-29	-34	-34	-39	-184
<b>School Breakfast Program Authorization</b>								
Budget Authority	0	-10	-15	-22	-25	-22	-22	-116
Outlays	0	-8	-14	-21	-25	-22	-22	-112
<b>Nutrition Education and Training</b>								
Budget Authority	0	-10	-10	-10	-10	-10	-10	-60
Outlays	0	-10	-10	-10	-10	-10	-10	-60
<b>Total</b>								
Budget authority	0	-151	-449	-505	-563	-615	-680	-2,963
Outlays	0	-128	-403	-494	-553	-605	-670	-2,853

SOURCE: Congressional Budget Office.

a. Less than \$500,000.

area, CBO estimates that 35 percent of meals will be reimbursed at the higher tier I rates. CBO also assumes that paying lower rates for the remaining 65 percent of meals will modestly reduce the number of homes that participate in the program and will slow the growth in the number of meals served.

Section 708 also limits to three the number of meals that can be reimbursed in a given day in eligible child care centers. CBO estimates savings of \$10 million in 1997 and \$20 million in 2002 from that change.

#### Extension of Payment Period

A provision of the National School Lunch Act known as provision 2 allows schools to offer all meals free and to collect applications less frequently if the school agrees to pay the cost of providing free meals to students who would otherwise pay. Until the 1994 reauthorization of the National School Lunch Act, a school participating under provision 2 was required to collect applications every three years. The 1994 reauthorization allowed schools participating under provision 2 at that time to participate for five years without collecting applications. Public Law 104-193 extends that policy to all schools participating under provision 2. CBO assumed that this change makes provision 2 marginally more attractive to schools and will cost \$1 million a year in 1999 through 2002.

#### Rounding Rules

The act changes the rounding rules for annual inflation adjustments in the reimbursement rates for meals served to those who pay full price in schools and day care centers. Under prior law, the rates were rounded to the nearest quarter cent. Under the act, the rates for paying children and adults are rounded down to the nearest whole cent. The change is effective on July 1, 1997. The provision will lower federal outlays for child nutrition programs by \$1 million in 1997 and \$15 million in 2002.

#### Summer Food Service Program for Children

Section 706 reduces reimbursement rates for the Summer Food Service program to \$1.97 for lunches, \$1.13 for breakfasts, and \$0.46 for supplements. Those rates will be adjusted for inflation on January 1, 1997, and will first become effective in the summer of 1997. Rates will be rounded down to the nearest whole cent, rather than to the nearest quarter cent, in calculating the annual adjustment for inflation. CBO

projects that under prior law, the summer 1997 rates would have been \$2.22 for lunches, \$1.24 for breakfasts, and \$0.58 for supplements. The new rates will save \$19 million in 1997 and \$39 million in 2002.

#### School Breakfast Program Authorization

Section 723 eliminates funding for school breakfast startup grants under the Child Nutrition Act starting in 1997. Previously, startup grants were funded at \$5 million a year through 1997, \$6 million in 1998, and \$7 million in 1999. Funds were used for assisting schools and other institutions in initiating and expanding the School Breakfast and Summer Food Service programs. In addition, CBO estimates that repealing the money for startup grants will result in fewer meals being served over the period. The savings from fewer meals amount to \$3 million in 1997 and \$22 million in 2002.

#### Nutrition Education and Training

Under section 731, funding for nutrition education and training will become a discretionary appropriation rather than mandatory spending. Savings in direct spending amount to \$10 million each year starting in 1997.

#### Noncitizens Served in Child Nutrition Programs

Section 742 provides that if an individual is eligible to receive public education in a state, assistance under the National School Lunch Act and the Child Nutrition Act shall not be contingent on citizenship or immigration status. That section conflicts with a provision in title IV that could render undocumented noncitizens ineligible for means-tested child nutrition programs. No savings result from the provision in title IV because section 742 supersedes it.

### TITLE VIII: FOOD STAMPS AND COMMODITY DISTRIBUTION

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CBO estimates that changes to the Food Stamp program in title VIII of the act will reduce federal outlays by \$1.8 billion in 1997, \$5.0 billion in 2002, and \$23.1 billion over the 1997-2002 period relative to prior law (see Table 8). The bulk of the savings will stem from imposing a work requirement for childless individuals (\$5.1 billion), changing the treatment of young parents living at home (\$1.4 billion),

reducing the maximum level of benefits (\$6.3 billion), counting nonfederal energy assistance as income (\$1.0 billion), limiting deductions from income (\$8.5 billion), and freezing the vehicle allowance (\$1.0 billion).

CBO uses a number of data sources and models to estimate the effects of proposals on Food Stamp spending. CBO also examines studies of specific policy issues and conducts interviews with state officials and others to determine the level of interest in provisions that are left to the states' discretion.

CBO relies heavily on the Food Stamp Quality Control (QC) data, which are constructed from each state's quality control reviews. In compliance with the Food Stamp Act, states draw monthly samples of their Food Stamp cases to measure the accuracy of eligibility and benefit determinations. The result is detailed information on household characteristics, income, expenses, and deductions that is used in determining Food Stamp benefits for participating households.

The Survey of Income and Program Participation (SIPP), a nationally representative household survey conducted by the Census Bureau, also provides information on Food Stamp eligibility and participation. SIPP contains less detail on the Food Stamp program but includes information on households and individuals who do not currently receive Food Stamp benefits but are potential recipients. The survey follows the same households for several years, and it contains information on labor force participation of household members.

The Food and Consumer Service, which administers the Food Stamp program, has developed microsimulation models of Food Stamp eligibility and participation using both QC and SIPP data. Those models replicate the determination of Food Stamp eligibility and benefits at the household level under current law and under alternative scenarios. CBO used output from those models in preparing estimates of the fiscal effects of several of the changes in the Food Stamp program.

Finally, in constructing the projections of spending under prior law, CBO uses two regression models. One projects the number of individuals who will participate in the program based on CBO's forecast of unemployment and other factors. The other projects the average individual benefit based on the statutory levels of the maximum benefit and deductions from income, including the standard deduction. CBO employed the latter model to estimate the effect of provisions changing the maximum benefit or standard deduction. CBO projects that under prior law, 10.7 million households (26.8 million individuals) would have received Food Stamp benefits in an average month in 1997. By 2002, 11.6 million households (29.0 million individuals) would have been on the benefit rolls. The average monthly benefit would have increased from \$78 per person in 1997 to \$92 per person in 2002.

**TABLE 8. FEDERAL BUDGETARY EFFECTS OF CHANGES IN FOOD STAMPS AND COMMODITY DISTRIBUTION IN TITLE VIII OF P.L. 104-193 (By fiscal year, in millions of dollars)**

	1996	1997	1998	1999	2000	2001	2002	Total, 1996-2002
<b>By Provision</b>								
Work Requirement	0	-160	-830	-960	-1,010	-1,050	-1,100	-5,110
Treatment of Children Living at Home	0	-115	-245	-255	-265	-280	-290	-1,450
Reduce Maximum Benefit	0	-935	-980	-1,025	-1,070	-1,115	-1,155	-6,280
Energy Assistance	0	-125	-170	-175	-175	-180	-180	-1,005
Deductions from Income								
Freeze standard deduction	0	0	-555	-770	-990	-1,220	-1,465	-5,000
Cap deduction for excess shelter expenses	0	-350	-570	-505	-565	-490	-550	-3,030
State option for mandatory standard utility allowance	0	-35	-70	-75	-80	-80	-85	-425
Homeless shelter allowance	0	-1	-1	-2	-3	-3	-5	-15
Freeze Vehicle Allowance	0	-45	-140	-175	-200	-225	-245	-1,030
Noncompliance with Public Assistance Requirements								
Periods of disqualification	0	-5	-5	-5	-5	-5	-5	-30
Disqualification from another program	0	-20	-20	-20	-20	-20	-25	-125
Disqualification for receipt of multiple benefits	0	-5	-5	-5	-5	-5	-5	-30
Failure to comply with other programs	0	-25	-25	-25	-25	-25	-25	-150
Earnings of Older Students	0	-10	-10	-10	-10	-15	-15	-70
Vendor Payments for Transitional Housing	0	-10	-10	-10	-10	-10	-10	-60
Employment and Training	0	2	6	9	11	13	15	56
Food Stamp Eligibility	0	-15	-21	-27	-27	-27	-27	-145
Option to Require Custodial Parents' Cooperation with Child Support Agencies								
Food Stamp program	0	-5	-10	-15	-20	-20	-20	-90
Family support payments	0	5	10	10	15	15	15	70
Disqualification Relating to Child Support Arrears	0	-5	-15	-25	-25	-30	-30	-130
Minimum Allotment	0	0	-30	-30	-30	-35	-35	-160
Benefits on Recertification	0	-25	-25	-25	-25	-30	-30	-160

(Continued)

TABLE 8. Continued

	1996	1997	1998	1999	2000	2001	2002	Total, 1996-2002
<b>By Provision (Continued)</b>								
Income, Eligibility, and Immigration Status Verification Systems	0	-5	-5	-5	-5	-5	-5	-30
Collection of Overissuances	0	-25	-30	-30	-25	-25	-30	-165
End Federal Match	0	-2	-2	-2	-2	-2	-2	-12
Work Supplementation or Support Program	0	5	15	20	30	30	30	130
Employment Initiatives Program	0	-1	-2	-2	-2	-2	-2	-11
Simplified Food Stamp Program	0	0	5	10	20	20	25	80
Emergency Food Assistance Program	0	100	100	100	100	100	100	600
Interactions Among Provisions	0	20	101	111	136	141	166	674
<b>By Program</b>								
Food Stamp Program								
Budget authority	0	-1,797	-3,549	-3,928	-4,297	-4,595	-5,005	-23,173
Outlays	0	-1,797	-3,549	-3,928	-4,297	-4,595	-5,005	-23,173
Family Support Payments								
Budget authority	0	5	10	10	15	15	15	70
Outlays	0	5	10	10	15	15	15	70
<b>Total</b>								
All Provisions/ All Programs								
Budget authority	0	-1,792	-3,539	-3,918	-4,282	-4,580	-4,990	-23,103
Outlays	0	-1,792	-3,539	-3,918	-4,282	-4,580	-4,990	-23,103

SOURCE: Congressional Budget Office.

### Work Requirement

Section 824 limits receipt of Food Stamp benefits to a period of three months in any 36-month period for able-bodied individuals who do not have dependent children and who are not working or participating in an appropriate training or work activity. Based on the Food Stamp Quality Control data, the Survey of Income and Program Participation, and studies of caseload dynamics, CBO estimates that approximately 1.1 million people could be subject to disqualification in an average month.

The act allows for waivers and exemptions from the three-month restriction. First, if the Secretary of Agriculture determines that an area has an unemployment rate greater than 10 percent or has insufficient jobs, the area can receive a waiver from the provision. Based on unemployment rates for metropolitan areas, CBO estimates that 30,000 people who would otherwise be disqualified because of the provision live in such areas. Second, an individual can reestablish eligibility for another three-month period after a month of working or participating in an allowable employment or training program. CBO estimates that about 30,000 people in an average month will be in a subsequent period of eligibility within the 36-month period. Furthermore, CBO assumes that states will focus their Food Stamp employment and training on people who would otherwise be disqualified—more than 140,000 people in an average month. After those exclusions, the provision will remove an estimated 900,000 people from the rolls in an average month in 1998 and up to a million individuals in an average month once the provision is fully in place, saving \$830 million in Food Stamp benefits in 1998 and \$1.1 billion in 2002. (On December 3, 1996, the Food and Consumer Service issued guidance to states for seeking waivers. The guidance suggests that the agency will approve more waivers than assumed in CBO's estimate, primarily for areas with insufficient jobs but with less than 10 percent unemployment.)

### Treatment of Children Living at Home

Members of households who purchase food and prepare meals together must generally participate in the program as part of the same Food Stamp unit. In addition, certain people, such as spouses who live together, are required to participate in the same unit. The act changes the definition of household by removing the exception that allows people age 21 and under, who are themselves parents or married and who live with a parent, to participate as a separate household. That change lowers Food Stamp benefits because it counts the income and resources of the household members who are not now in the Food Stamp unit. Based on output from the QC microsimulation model, CBO estimates that the change will affect about 150,000 households and will reduce outlays by \$115 million in 1997 and \$290 million in 2002.

### Reduction of Maximum Benefit

Section 804 reduces the maximum Food Stamp benefit. Under prior law, maximum benefits were set each October at 103 percent of the cost of the Thrifty Food Plan—a specific low-cost diet for a family of four. Maximum benefits were \$397 a month for a family of four in 1996 and would have risen to \$412 in 1997. The act sets maximum benefits at 100 percent of the Thrifty Food Plan—\$400 a month in 1997. Based on CBO's model of the average benefit, a decrease of \$1 in the maximum monthly benefit for a family of four leads to a 25 cent decrease in average monthly benefits per person. As a result, the average monthly Food Stamp benefit (compared with prior law) will be about \$3 per person lower in 1997. Food Stamp outlays will decrease by an estimated \$935 million in 1997 and \$1.2 billion in 2002.

### Energy Assistance

Under prior law, energy assistance was not counted as income in determining Food Stamp benefits. Public Law 104-193, however, requires that energy assistance from nonfederal sources be counted as income in such calculations.

Nine states currently provide part of their AFDC or general assistance benefit as a separate energy assistance payment to about 1.1 million Food Stamp households. Those payments range from about \$15 to \$120 a month and average about \$42 a month. CBO estimates that a \$1 increase in a household's countable income results in about a 30 cent reduction in Food Stamp benefits. Counting the energy assistance payments in the nine states as income will save \$125 million in Food Stamp benefits in 1997 and \$180 million in 2002.

### Deductions from Income

Section 809 lowers the amounts that can be deducted from income in calculating Food Stamp benefits. It freezes the standard deduction, extends the limit on the deduction for excess shelter expenses, and allows states to require a standard utility allowance.

The act sets the standard deduction in most states at \$134 for 1997 and later years. Under prior law, the standard deduction was adjusted annually to reflect changes in the consumer price index. CBO estimates that the level of the standard deduction will be \$8 below prior law in 1997 and \$30 below in 2002. Based on CBO's model of the average benefit, a decrease of \$1 in the standard deduction leads to a 14 cent decrease in average monthly benefits per person. The savings from the

lower standard deduction amount to \$555 million in 1998 and \$1.5 billion in 2002. Those savings correspond to an average decrease in monthly benefits, relative to prior law, of about \$2 per person in 1998 and \$4 per person by 2002.

The Agriculture Appropriations Act of 1997 froze the standard deduction in the Food Stamp program for 1997 at \$134, the same level that is set by Public Law 104-193. Because the appropriation bill passed both Houses of Congress before Public Law 104-193, the CBO estimate does not include any savings for 1997 from the freeze on the standard deduction.

The act also extends the cap on the deduction for excess shelter expenses. In determining Food Stamp benefits, a household can deduct shelter costs that exceed 50 percent of net income after all other deductions. Prior law capped the excess shelter deduction at \$247 through December 1996, when the cap expired. Public Law 104-193 extends the cap at \$250 for the remainder of 1997 and 1998, \$275 for 1999 and 2000, and \$300 for each year thereafter. Based on the distribution of shelter expenses in the QC data, CBO estimates savings of \$350 million in 1997 and \$490 million to \$570 million in later years. An estimated 2 million households will lose, on average, about \$20 a month.

Another provision of the act changes the amount of utility costs that can be applied toward the shelter deduction. Under prior law, recipients could use a standard allowance for utilities or their actual utility costs, whichever was higher. The act, however, allows states to require recipients to use the standard allowance rather than the actual utility costs. Households in states that do not require such an allowance will be permitted to switch from the standard allowance to actual costs only at recertification, rather than at one additional time during a certification period. CBO assumes that half of the households receiving Food Stamp benefits will be subject to a mandatory standard utility allowance. Based on the QC microsimulation model, CBO estimates that these provisions will lower Food Stamp outlays by \$35 million in 1997 and \$85 million in 2002.

Under Public Law 104-193, states must establish a standard deduction of \$143 or less per month for homeless households that do not receive free shelter throughout the month. Previously, homeless households could claim either a standard amount for shelter expenses set by the state or actual shelter expenses, if higher. CBO estimates that the provision will save \$5 million a year by 2002.

#### Freeze Vehicle Allowance

The fair market value of vehicles is counted as an asset in determining Food Stamp eligibility when the value is more than a specified amount. That figure was

scheduled to increase from \$4,600 in 1996 to an estimated \$5,150 in 1997 and to rise with inflation in each succeeding year. Section 810 freezes the vehicle allowance at \$4,650 beginning in 1997, reducing Food Stamp outlays by \$45 million in 1997 and \$245 million in 2002. Based on data from SIPP, CBO estimates that in 1997, this provision will make ineligible 17,000 households that would have received Food Stamp benefits under prior law. By 2002, an estimated 75,000 households will be rendered ineligible.

### Other Provisions

Several other changes in law will have only small effects on the budget.

Noncompliance with Public Assistance Requirements. Four sections of the act change the penalties for noncompliance with public assistance requirements. Section 815 establishes new mandatory minimum periods of disqualification for individuals and households that fail to comply with work rules. During those periods, the individual and—at state option—the entire household will be ineligible for benefits. This change will save \$5 million a year.

Section 819 allows states to disqualify an individual from receiving food stamps if the individual is disqualified from another public assistance program for failing to perform a required action under that program. For example, an individual who is disqualified from AFDC for failing to have a child immunized under a state's welfare program can also be disqualified from receiving food stamps. This provision will save \$20 million a year from 1997 through 2001 and \$25 million in 2002.

Section 820 permanently bars from receiving food stamps any individual who participates fraudulently in the Food Stamp program simultaneously in two or more states. Under prior law, an individual was disqualified from the Food Stamp program permanently only after the third violation and faced periods of ineligibility for the first and second violation. This provision saves approximately \$5 million a year.

Section 829 prohibits Food Stamp benefits from increasing if an individual's benefits under another public assistance program are reduced because he or she failed to perform an action required under that program. In addition, the state agency can reduce the Food Stamp allotment by up to 25 percent. CBO estimates that this provision will save \$25 million a year.

Earnings of Older Students. Under prior law, the earned income of household members who were elementary or secondary school students and were 21 years old

or younger was disregarded in determining Food Stamp benefits. Section 807 lowers the cutoff to age 17, reducing spending for the Food Stamp program by \$10 million in 1997 and \$15 million in 2002.

Vendor Payments for Transitional Housing. Housing assistance payments made to a third party on behalf of a household that resides in transitional housing for the homeless have not been counted as income. Section 811 deletes that exclusion, saving \$10 million a year.

Employment and Training. The 1996 farm bill (Public Law 104-127) provided grants to states for Food Stamp employment and training of \$75 million annually through 2002. Section 817 funds the program at higher levels in each fiscal year. CBO estimates costs of \$2 million in 1997 and \$15 million in 2002.

Eligibility for Food Stamps. If a household has a member who is not eligible for food stamps on the basis of his or her citizenship status, the income of that person is prorated, and only a portion of it is counted toward the Food Stamp benefit. Section 818 gives states the option to count all of the ineligible person's income. CBO assumes that one-quarter of the states will elect this option and that Food Stamp spending will be lowered by \$15 million in 1997 and \$27 million in 2002.

Cooperation with Child Support Agencies. Section 822 allows states to require custodial parents to cooperate with child support agencies as a condition for Food Stamp eligibility. That requirement affects only custodial parents who receive food stamps but not AFDC, because AFDC recipients are already required to comply with child support enforcement. Based on a recent study published by the Food and Consumer Service, CBO estimates that the Food Stamp program will save money because some recipients will receive more income from child support, a few additional people will choose not to participate in the program, and some participants will have their benefits reduced for noncompliance.<sup>7</sup> Because of the administrative costs of finding noncustodial parents and obtaining and enforcing child support orders, much of the Food Stamp savings will be offset by costs in the child support enforcement system, which are shared by states and the federal government. CBO estimates that in 2000, when the provision will be fully implemented, states with 25 percent of the Food Stamp caseload will opt to implement the provision, outlays for food stamps will be \$20 million lower, and federal outlays for child support enforcement will be \$15 million higher.

Disqualification Relating to Child Support Arrears. Section 823 allows states to eliminate Food Stamp eligibility for noncustodial parents who are delinquent in

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7. Department of Agriculture, *Participation in the Child Support Enforcement Program Among Non-AFDC Food Stamp Households* (prepared by Abt Associates, February 1995).

paying child support. CBO assumes that half the states will choose to implement the new provision. Drawing on an Urban Institute study of data from SIPP, CBO estimates that the change will eliminate 25,000 people from the program and save \$30 million annually by 2002.<sup>8</sup>

Minimum Allotment. Food Stamp households with one or two individuals who are eligible for less than \$10 a month receive a minimum allotment of \$10. That minimum allotment has been adjusted each October to reflect the change in the cost of the Thrifty Food Plan, with the result rounded to the nearest \$5. Under prior law and CBO's economic forecast, the minimum benefit would have risen to \$15 in 1998. Section 826 removes the inflation adjustment and keeps the minimum benefit at \$10. CBO estimates that retaining a \$10 minimum benefit yields annual savings of \$30 million in 1998 through 2000 and \$35 million in 2001 and 2002.

Benefits on Recertification. Prior law allowed Food Stamp households that failed to complete recertification requirements in the last month of a certification period to receive full benefits in the following month if they were certified eligible by the end of the first month of the next certification period. Section 827 prorates benefits for the first month of the new certification period based on the date on which the household is determined to be eligible. CBO estimates that this change saves \$25 million a year in 1997 through 2000 and \$30 million in 2001 and 2002.

Income, Eligibility, and Immigration Status Verification Systems. Section 840 grants states a greater degree of flexibility in the types of verification systems they use, resulting in \$5 million a year in estimated savings.

Collection of Overissuances. Section 844 amends the procedures to recover benefits that were incorrectly paid and saves money in four ways. First, CBO estimates savings of \$5 million a year from mandating that states use the Internal Revenue Service's procedures for offsetting taxes. Second, allowing states to recoup benefits to collect overpayments resulting from errors by state agencies saves another \$5 million a year. Third, allowing states to garnish federal pay saves \$1 million a year once the provision is fully implemented but \$5 million in 1998 and 1999 because it affects a backlog of claims. Fourth, the act allows states to retain 35 percent of all claims collected from overissuances stemming from fraud and 20 percent for other types of collections, except for collections from claims resulting from errors by state agencies. Under this policy, the federal government will receive a larger portion of claims collections and states will retain less. Annual federal savings will be \$15 million in 1997 through 2001 and \$20 million in 2002.

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8. Elaine Sorenson, *Noncustodial Fathers: Can They Afford to Pay More Child Support?* (Washington, D.C.: Urban Institute, 1993).

End Federal Match for Optional Information Activities. Section 847 ends the federal match of administrative funds spent on informational activities. Based on information from the Food and Consumer Service, CBO estimates that \$2 million a year would otherwise be spent on those activities.

Work Supplementation or Support Program. Section 849 allows states to use the amount of Food Stamp benefits that would otherwise be provided to a household to subsidize employers in hiring and employing recipients of public assistance. CBO estimates that the federal government will incur additional costs from this provision, because research has demonstrated that people participating in grant diversion programs receive public assistance for longer periods of time. Based on the interest of states in work supplementation in the JOBS program, CBO estimates that about 20,000 additional people will participate in a work supplementation program in any given month in 2000, when the provision will be fully in place. Food Stamp outlays in that year will be higher by \$30 million.

Employment Initiatives Program. Section 852 allows states in which half or more of the Food Stamp households in the summer of 1993 were also AFDC recipients to pay benefits in cash to households that also receive benefits from Temporary Assistance for Needy Families and have a member who is employed. Based on recent studies of cash-out demonstrations, CBO estimates that issuing food stamps as cash saves about a dollar a month relative to issuing coupons. Furthermore, based on Quality Control data, CBO estimates that 10 states will be eligible to participate based on the proportion of their caseload that was also receiving AFDC benefits in the summer of 1993, and that those states will have about 300,000 households eligible for cash benefits under the policy. CBO assumes that half of those households will receive benefits in cash. Total savings will reach \$2 million a year once the provision is phased in.

Simplified Food Stamp Program. Section 854 gives states the option of simplifying the rules of the Food Stamp program, within certain limits, for families who receive assistance under TANF. The act stipulates that the Secretary of Agriculture may approve a state plan for a simplified program only if the state documents that the plan will not increase federal costs. CBO cannot determine how many states will apply to use simplified rules or what the Secretary's criteria for approving such plans will be. Because there is no mechanism for states to reimburse the federal government if costs rise, and because there is a lag between when such costs occur and when corrective action is taken, CBO estimates that the provision will entail some costs. CBO assumes that 10 percent of states will ultimately choose to operate a simplified program and that benefits in those programs will average 3 percent higher, resulting in higher Food Stamp outlays of \$5 million in 1998 and \$25 million in 2002.

Emergency Food Assistance Program. The Emergency Food Assistance program provides commodities and cash grants to states for distributing food to needy families. The program has been subject to annual appropriation and in 1997 will receive about \$40 million in discretionary funds. Section 871 creates an entitlement to states to an additional \$100 million a year in commodities.

### Interactions Among Provisions

The estimates of individual provisions shown in Table 8 do not reflect the effects of other provisions in the title. Total savings, however, will be less than the sum of the estimates of individual provisions. For example, savings attributed to lower maximum benefits, a lower standard deduction, and reinstating the cap on the excess shelter deduction—which were estimated based on Food Stamp participation under prior law—will not be achieved for people who lose their benefits because of the work requirements. The interactions among overlapping provisions in title VIII reduce savings relative to the sum of the independent estimates by \$20 million in 1997 and \$166 million in 2002.

## TITLE IX: MISCELLANEOUS

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This title includes reductions in the Social Services Block Grant and the earned income tax credit. Budgetary savings (including the revenue effect) total \$0.6 billion in 1997 and \$3.9 billion during the 1997-2002 period (see Table 9).

### Reduction in the Social Services Block Grant

Under title XX of the Social Security Act, funds in the form of a block grant are made available to states for providing a variety of social services to low-income families and individuals. Among the services covered are home-based services (such as homemaker, home health, and home maintenance services), day care for children and adults, special services for the disabled, social support, prevention and intervention services, and family planning. The Social Services Block Grant has had a permanent authorization of \$2.8 billion. Title IX reduces that amount by 15 percent, saving \$375 million in 1997 and \$2.5 billion over six years.<sup>9</sup>

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9. The Omnibus Consolidated Appropriations Act restored \$120 million of budget authority to the Social Services Block Grant in 1997.

TABLE 9. FEDERAL BUDGETARY EFFECTS OF TITLE IX OF P.L. 104-193 (By fiscal year, in millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	Total, 1996-2002
<b>By Provision</b>								
<b>Reduction in Block Grants to States for Social Services</b>								
Budget authority	0	-420	-420	-420	-420	-420	-420	-2,520
Outlays	0	-375	-420	-420	-420	-420	-420	-2,475
<b>Denial of Earned Income Tax Credit on Basis of Disqualified Income</b>								
Budget authority	0	-170	-168	-151	-146	-152	-160	-947
Outlays	0	-170	-168	-151	-146	-152	-160	-947
Revenues	0	26	27	27	23	23	25	151
Deficit	0	-196	-195	-178	-169	-175	-185	-1,098
<b>Modified Definition of Adjusted Gross Income for Earned Income Tax Credit</b>								
Budget authority	0	-98	-106	-112	-120	-129	-138	-704
Outlays	0	-98	-106	-112	-120	-129	-138	-704
Revenues	0	15	18	20	22	25	28	128
Deficit	0	-113	-125	-133	-141	-154	-166	-832
<b>Abstinence Education</b>								
Budget authority	0	0	50	50	50	50	50	250
Outlays	0	0	18	35	50	50	50	203
<b>Interactions Among Revenue Provisions</b>								
Budget authority	0	47	50	36	28	33	34	229
Outlays	0	47	50	36	28	33	34	229
Revenues	0	-9	-13	-14	-10	-10	-6	-62
Deficit	0	56	63	50	38	43	40	291
<b>By Account</b>								
<b>Social Services Block Grant</b>								
Budget authority	0	-420	-420	-420	-420	-420	-420	-2,520
Outlays	0	-375	-420	-420	-420	-420	-420	-2,475
<b>Earned Income Tax Credit</b>								
Budget authority	0	-221	-224	-227	-238	-248	-264	-1,422
Outlays	0	-221	-224	-227	-238	-248	-264	-1,422
<b>Maternal and Child Health Services Block Grant</b>								
Budget authority	0	0	50	50	50	50	50	250
Outlays	0	0	18	35	50	50	50	203
<b>Total</b>								
<b>All Provisions/ All Accounts</b>								
Budget authority	0	-641	-594	-597	-608	-618	-634	-3,692
Outlays	0	-596	-626	-612	-608	-618	-634	-3,694
<b>Revenues</b>	0	32	32	33	35	38	47	217
<b>Deficit</b>	0	-628	-658	-645	-643	-656	-681	-3,911

SOURCES: Congressional Budget Office; Joint Committee on Taxation.

### Earned Income Tax Credit

The earned income tax credit is a refundable tax credit directed toward low-income workers. Outlays for the refundable portion of the credit are estimated to be \$20 billion in 1997. Income tax filers with two or more children are eligible for an EITC of 40 percent of earnings in 1996, with a maximum credit of \$3,556. The credit is phased out based on the maximum of earnings or adjusted gross income (AGI) over the range from \$11,610 to \$28,495. The maximum credit for a filer with one child is \$2,152, and it is phased out at income between \$11,610 and \$25,078. Finally, a maximum credit of \$323 is available for filers without children and is phased out between \$5,280 and \$9,500.

Title IX contains two changes to the EITC. Section 909 denies the credit in cases in which the tax filer has any disqualified income. Previously, tax filers with more than \$2,350 in taxable investment income were not allowed to use the EITC. The act lowers the limit to \$2,200 and expands the definition of investment income to include positive capital gains and passive income. That change, which is effective for tax years beginning after December 31, 1995, reduces outlays by \$170 million in 1997 and \$947 million over the 1997-2002 period. The corresponding revenue increases are \$26 million and \$151 million, respectively.

Section 910 modifies the definition of adjusted gross income for calculating the EITC. Certain losses—such as losses from nonbusiness rent and royalties, capital losses, and other business or investment losses—will not be allowed in modified AGI for those calculations. Outlays for the refundable component of the EITC will be lower by \$98 million in 1997 and \$704 million over six years. Revenues will be higher by \$15 million in 1997 and by \$128 million over the 1997-2002 period.

Because of interactions between the various EITC provisions, including those in title IV and title IX, the total estimated effect of the changes to the EITC differs from the sum of the individual estimates over six years.

### Funding for Abstinence Education

Subtitle D of title IX amends the Social Security Act to authorize grants to states for providing abstinence education, which is defined as an educational or motivational program that "has as its exclusive purpose, teaching the social, psychological, and health gains to be realized by abstaining from sexual activity." The act provides \$50 million in budget authority annually for those activities from 1998 through 2002. The funds will be distributed among the states according to the proportion of children in each state. CBO estimates that outlays of \$18 million in 1998 and \$203 million through 2002 will result.

