



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

October 27, 1999

**H.R. 3073  
Fathers Count Act of 1999**

*As ordered reported by the House Committee on Ways and Means on October 21, 1999*

**SUMMARY**

H.R. 3073 would establish a new grant program to promote responsible fatherhood, change eligibility rules and expand allowed activities in the Welfare-to-Work grant program, and provide an alternative penalty procedure for states that have failed to complete child support disbursement units on time. Other provisions in the bill would seek to improve collections on defaulted student loans, eliminate the Welfare-to-Work performance bonus, improve fraud detection procedures in the unemployment compensation program, and increase funding for welfare research and training about adoption procedures for court personnel.

H.R. 3073 would result in reduced direct spending in some years and increased spending in others, for an estimated net saving of \$138 million over the 2000-2009 period. It would also cause a reduction in revenues from unemployment taxes totaling about \$154 million over the 10-year period. Consequently, CBO estimates that this bill would increase the federal government's surplus by \$37 million in 2000 and by \$2 million over the 2000-2004 period. It would decrease the surplus by an estimated \$16 million over the 2000-2009 period. Because the bill would affect revenues and direct spending, pay-as-you-go procedures would apply.

H.R. 3073 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). New grant provisions, greater flexibility in the Welfare-to-Work program, and the alternative penalty procedure for compliance with child support requirements would benefit states, and in some cases, local and tribal governments. Some provisions would place additional grant conditions on states and would reduce financial assistance; however, these changes would not be mandates as defined in UMRA.

## **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 3073 is shown in Table 1. The costs of this legislation fall within budget functions 370 (Commerce and Housing Credit), 500 (Education, Training, Employment, and Social Services), and 600 (Income Security).

## **BASIS OF ESTIMATE**

The estimated budgetary impact of H.R. 3073, by provision, is shown in Table 2. Provisions with no estimated budgetary effect are excluded from this table.

### **Title I: Fatherhood Grant Program**

**Fatherhood Grants.** Title I would establish a new program to make grants to public and private entities for projects designed to promote marriage, improve parenting, and help fathers and their families leave welfare.

Two interagency panels, funded at a total of \$150,000 for 2000 and 2001, would review applications and make recommendations to the Secretary of Health and Human Services. The Secretary would award up to \$70 million in grants in each of 2001 and 2002. The funding would be available to grantees in four equal annual installments, and grantees would have to commit \$1 for every \$5 of federal grant funding. Grantees could provide services to fathers with incomes below 150 percent of poverty or fathers whose children received funds from the Temporary Assistance for Needy Families (TANF) program sometime in the most recent two-year period. CBO estimates that spending by grantees would initially be slow as the programs are phased in, but would speed up gradually in succeeding years. Spending would total \$86 million over the 2000-2004 period and \$140 million over the 2000-2009 period.

TABLE 1. FEDERAL BUDGETARY EFFECTS OF H.R. 3073

	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
<b>DIRECT SPENDING</b>					
<b>Spending Under Current Law</b>					
Fatherhood Grants	0	0	0	0	0
Child Support	1,790	1,940	2,140	2,450	2,730
TANF	12,600	13,150	14,150	15,250	15,950
Welfare-to-Work Grants	760	835	535	0	0
Student Loans	4,112	4,526	3,807	4,964	4,777
Bureau of the Census Study	10	10	10	3	1
Foster Care	5,296	5,768	6,253	6,751	7,255
Unemployment Compensation	<u>22,622</u>	<u>24,741</u>	<u>26,355</u>	<u>27,654</u>	<u>28,704</u>
Total	47,190	50,970	53,250	57,072	59,417
<b>Proposed Changes</b>					
Fatherhood Grants	0	4	16	32	43
Child Support	0	2	2	2	2
TANF	0	0	1	1	2
Welfare-to-Work Grants	60	-35	-65	0	0
Student Loans	-95	-10	-10	-10	-10
Bureau of the Census Study	1	5	6	5	2
Foster Care	4	10	12	13	14
Unemployment Compensation	<u>-7</u>	<u>-10</u>	<u>-12</u>	<u>-16</u>	<u>-17</u>
Total	-37	-34	-50	26	36
<b>Spending Under H.R. 3073</b>					
Fatherhood Grants	0	4	16	32	43
Child Support	1,790	1,942	2,142	2,452	2,732
TANF	12,600	13,150	14,151	15,251	15,952
Welfare-to-Work Grants	820	800	470	0	0
Student Loans	4,017	4,516	3,797	4,954	4,767
Bureau of the Census Study	11	15	16	8	3
Foster Care	5,300	5,778	6,265	6,764	7,269
Unemployment Compensation	<u>22,615</u>	<u>24,732</u>	<u>26,343</u>	<u>27,638</u>	<u>28,687</u>
Total	47,153	50,936	53,200	57,098	59,453
<b>REVENUES</b>					
Unemployment Taxes	0	-3	-13	-18	-24
<b>DEFICIT (-) / SURPLUS (+)</b>					
Net Effect	37	31	37	-44	-60

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

TABLE 2. ESTIMATED EFFECTS OF H.R. 3073 ON DIRECT SPENDING AND REVENUE, BY PROVISION

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>DIRECT SPENDING</b>										
Title I, Fatherhood Grant Program										
Panels										
Estimated Budget Authority	a	a	0	0	0	0	0	0	0	0
Estimated Outlays	a	a	0	0	0	0	0	0	0	0
Fatherhood Grants										
Estimated Budget Authority	0	18	35	35	35	18	0	0	0	0
Estimated Outlays	0	4	15	29	39	33	17	4	0	0
Option to Distribute More Child Care Arrearages to Participants' Families										
Estimated Budget Authority	0	2	2	2	2	2	2	2	0	0
Estimated Outlays	0	2	2	2	2	2	2	2	0	0
Effect of Grant Program on TANF										
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	1	1	2	2	1	0	0	0
Evaluation										
Estimated Budget Authority	0	6	0	0	0	0	0	0	0	0
Estimated Outlays	0	1	1	1	1	1	2	0	0	0
Subtotal, Title I										
Estimated Budget Authority	0	25	37	37	37	20	2	2	0	0
Estimated Outlays	0	6	18	33	43	39	22	6	0	0
Title II, Fatherhood Projects of National Significance										
Estimated Budget Authority	0	0	4	4	4	4	0	0	0	0
Estimated Outlays	0	0	1	2	4	4	3	1	0	0
Title III, Welfare-to-Work Program Eligibility										
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	80	5	-25	0	0	0	0	0	0	0
Title V, Financing Provisions										
Use of New Hire Data to Collect Defaulted Student Loans										
Estimated Budget Authority	-95	-10	-10	-15	-15	-15	-15	-15	-15	-15
Estimated Outlays	-95	-10	-10	-10	-10	-10	-10	-15	-15	-15
Elimination of Welfare-to-Work Performance Bonus										
Estimated Budget Authority	-100	0	0	0	0	0	0	0	0	0
Estimated Outlays	-20	-40	-40	0	0	0	0	0	0	0
Subtotal, Title V										
Estimated Budget Authority	-195	-10	-10	-15	-15	-15	-15	-15	-15	-15
Estimated Outlays	-115	-50	-50	-10	-10	-10	-10	-15	-15	-15

Continued

TABLE 2. Continued

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Title VI, Miscellaneous										
Welfare Evaluation Study										
Estimated Budget Authority	2	8	6	4	0	0	0	0	0	0
Estimated Outlays	1	5	6	5	2	0	0	0	0	0
Training in Child Abuse and Neglect Proceedings										
Estimated Budget Authority	5	11	12	13	14	0	0	0	0	0
Estimated Outlays	4	10	12	13	14	3	0	0	0	0
Use of New Hire Information for Unemployment Compensation Program										
Estimated Budget Authority	-7	-10	-12	-16	-17	-17	-18	-18	-19	-20
Estimated Outlays	-7	-10	-12	-16	-17	-17	-18	-18	-19	-20
Subtotal, Title VI										
Estimated Budget Authority	0	9	6	1	-3	-17	-18	-18	-19	-20
Estimated Outlays	-2	6	6	1	-1	-14	-18	-18	-19	-20
Total										
Estimated Budget Authority	-195	24	36	26	23	-9	-31	-32	-34	-35
Estimated Outlays	-37	-34	-50	26	36	19	-3	-26	-34	-35
<b>REVENUES</b>										
Use of New Hire Information Program for Unemployment Compensation Program	0	-3	-13	-18	-24	-23	-18	-18	-19	-20
<b>DEFICIT (-) / SURPLUS (+)</b>										
Net Effect	37	31	37	-44	-60	-41	-15	8	15	15

Notes: Components may not sum to totals due to rounding.  
a. Less than \$500,000.

**Child Support Arrearages.** The bill would give states the option of sharing more child support collections with families of participants in fatherhood programs. When a family stops receiving welfare, states continue to collect and enforce the family's child support

order. All amounts collected on time and some past-due amounts are sent directly to the family. The states keep some past-due child support—support collected through the federal tax offset program—to reimburse themselves and the federal government for past welfare payments. The bill would allow states to pay all past-due child support to the families of participants. The federal government would relinquish its share of such payments and would reimburse the state for the state's share of such payments.

CBO estimates that paying the additional child support to families would cost the federal government about \$2 million dollars a year in administrative costs and the federal share of collections. The bulk of the cost would be administrative costs to reprogram computer systems, track participants in the fatherhood grant program, and apply the special distribution rules to those families. Based on information from state child support directors, CBO estimates that 50 percent of states would opt to share more child support collections with the families of participants at an administrative cost of about \$100,000 per state per year. The federal government would pay 66 percent of administrative costs for a total federal cost of \$1.7 million a year.

In addition, CBO estimates that about \$500,000 annually in collections would be paid to families instead of to state and federal governments. That estimate assumes that, in an average year, there would be 9,000 participants in states that opt to pass more child support collections through to families. CBO estimates, using data from the Survey of Income and Program Participation compiled by the Urban Institute and from the child support program, that additional payments to each family would be about \$50 per participant per year.

**Effect of Grant Program on TANF Spending.** The fatherhood grant program would affect spending under the TANF program. Some of the fatherhood grant money would be spent by government entities on families eligible for TANF. This spending could count as maintenance-of-effort spending in the TANF program and would be in addition to TANF spending by those entities under current law. CBO estimates that federal TANF outlays would increase by \$5 for every \$100 of fatherhood grant spending. The estimate assumes that entities contribute the 20-percent matching funds and that 25 percent of those funds would qualify as maintenance-of-effort spending. Additional spending would total \$4 million over the 2000-2004 period and \$7 million over the 2000-2009 period.

**Evaluations.** The Secretary would conduct an evaluation of selected fatherhood projects. The bill would make \$6 million available over the 2000-2006 period for that evaluation.

## **Title II: Fatherhood Projects of National Significance**

The bill would establish a one-time grant of \$5 million for a nonprofit organization to create a national clearinghouse to develop and distribute materials supporting marriage and responsible parenting. In addition, it would establish grants of \$5 million for each of two nonprofits to establish multicity projects to promote marriage and successful parenting and help fathers and their families leave welfare. The grants would be awarded in four equal, annual installments starting in 2002. Spending would total \$7 million over the 2000-2004 period and \$15 million over the 2000-2009 period.

## **Title III: Welfare-to-Work Program Eligibility**

This bill would broaden the eligibility criteria for the Welfare-to-Work block grants, and would also allow funds to be spent on stand-alone vocational training. A survey of states indicated that these changes would make it easier for them to serve clients under the Welfare-to-Work program. CBO estimates that state grants, which have already been awarded, would spend more quickly than under current law. In addition, CBO estimates that overall spending would increase. Under current law, states have four years to spend the grant money, the last of which was provided at the end of fiscal year 1999. Under current law, CBO assumes that about \$300 million would go unspent, in part because of the difficulty states are having in enrolling eligible participants. CBO estimates that the expansion would increase overall spending by about \$60 million over the 2000-2002 period.

## **Title IV: Alternative Penalty Procedure Relating to State Disbursement Units**

H.R. 3073 would establish an alternative penalty procedure for states that fail to operate a statewide disbursement unit (SDU) by the required deadline. An SDU is a centralized, automated unit for collecting and disbursing child support payments. In general, states were required to operate an SDU for child support by October 1, 1998. Some states that distribute child support through their court system have a later deadline of October 1, 1999. A small number of states are believed to have missed that deadline.

Under current law, the penalty for not operating an SDU on time is disapproval of the state's child support state plan. The federal government will not pay the federal share of the expenses to run the state's child support program or TANF program without an approved state plan. However, there is an extensive period for hearings and appeals before a state plan

is disapproved. CBO estimates that no state will have its state plan disapproved under current law, because all states will have an approved SDU before the appeals period ends.

The bill would establish an alternative to the severe penalty under current law. A state that opted for the alternative would receive no penalty if it finished by April 1, 2000. States finishing after that date would pay a penalty equal to some percentage of their federal share of administrative costs. The penalty would be 1 percent for states finishing by September 30, 2000, and would escalate up to 30 percent for states not finishing before September 30, 2004. A state that was already paying a penalty for failure to complete a child support computer system would be exempt from any additional penalty for failure to complete its SDU.

Only three states are expected to have completed a child support computer system, but not an SDU: Texas, Illinois, and Wyoming. CBO assumes that these states would not apply for the alternative penalty and would complete their SDUs before the Secretary disapproves their state plans.

## **Title V: Financing Provisions**

**Use of New Hire Data to Collect Defaulted Student Loans.** H.R. 3073 would give the Department of Education (ED) another wage garnishment tool to collect defaulted student loans. The ED would be able to obtain useful data from the Department of Health and Human Services's database on new hires. ED could use the acquired information only to collect debt owed by people whose new job paid more than \$16,000 annually.

CBO estimates that roughly one million "hard to collect" claims for defaults on student loans are outstanding. Based on discussions with organizations involved in the collection of such debt, CBO estimates that about 10 percent, or about 100,000 defaulters, would be affected by collectors accessing data retrieved through the new hire database. Most of the federal budgetary impact of this provision would result from bringing defaulters into repayment earlier and collecting more of their outstanding debt. CBO expects that only a few defaulters who would pay nothing under current collection measures would be brought into repayment by use of this new tool.

The budgetary impact of this provision is assessed under the requirements of credit reform. As such, the budget records all the collections associated with a new loan on a present-value basis in the year the loan is obligated. The present value of additional collections from all current outstanding loans is displayed in the year the bill is enacted—in this case 2000. On



this basis, CBO estimates that the legislation would save \$95 million in fiscal year 2000, \$135 million over the 2000-2004 period, and \$200 million over the 2000-2009 period.

**Elimination of the Performance Bonus.** Section 502 would eliminate the \$100 million set-aside for Welfare-to-Work performance bonuses. These bonuses were to have been paid over the fiscal years 2000 through 2002. Therefore, eliminating the bonuses would save \$100 million over that period.

## **Title VI: Miscellaneous**

**Welfare Evaluation Study.** Section 604 would increase the funding available to the Bureau of the Census to collect survey data on welfare recipients and other low-income families. An additional \$19.3 million would be provided over the 2000-2004 period. CBO estimates that the additional funding would be spent at the same rate as the current funding for the survey.

**Training in Child Abuse and Neglect Proceedings.** Section 605 would allow federal funds for training in the Foster Care and Adoption programs to be used to train court personnel in matters related to the court's role in expediting adoption procedures, implementing reasonable efforts, and providing for timely permanency planning and case reviews. The new authority would only be available over the 2000-2004 period. Under current law, funds are used only to train foster and adoptive parents or agency personnel, and the federal government pays 75 percent of all allowable training costs. Based on a survey of several foster care state directors, CBO estimates that the federal cost of the program would be \$4 million in 2000, \$10 million when it was fully implemented in 2001, and \$55 million over the 2000-2009 period.

**Unemployment Compensation.** Section 606 would allow states to use information from the national database of new hires to help detect fraud in the unemployment compensation system. Currently, most states may use 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 employers 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 of savings are small—about 0.1 percent of total benefits. 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 upon which many states now rely. A recent survey by the Interstate Conference of State Employment Security Agencies indicated that 19 states

currently were using the state-reported information on new hires, and another 20 states reported that they hoped to make use of this information in the near future.

For purposes of this estimate, CBO assumed that the states currently using their own information would make use of the national information in the year that it became available. The other interested states are assumed to take advantage of the national information within the next few years. CBO estimates that this provision would result in a reduction of \$154 million in spending for unemployment compensation over the 2000-2009 period. CBO assumes that this reduction in spending would be fully offset by reductions in state employment taxes. Consequently, the provision would have no net effect on the federal budget over the 10-year period.

### **PAY-AS-YOU-GO CONSIDERATIONS**

Section 252 of the Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

TABLE 3. SUMMARY OF THE PAY-AS-YOU-GO EFFECTS OF H.R. 3073

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	-37	-34	-50	26	36	19	-3	-26	-34	-35
Changes in receipts	0	-3	-13	-18	-24	-23	-18	-18	-19	-20

### **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

The bill contains no intergovernmental mandates as defined in UMRA. New grant provisions, greater flexibility in the Welfare-to-Work program, and the alternative penalty procedure for compliance with child support requirements would benefit states, and in some cases, local and tribal governments. Some provisions would place additional grant conditions on states and would reduce financial assistance; however, these changes would not be mandates as defined in UMRA.

CBO estimates that the federal government would spend \$86 million over the 2000-2004 period for fatherhood grants, and some portion of those awards would likely go to state, local, or tribal governments. In order to receive fatherhood grants, those governments would have to provide \$1 for every \$5 in federal assistance.

The bill would allow states to share more child support payments with families of participants in fatherhood programs. Past-due funds collected by states as reimbursement for prior welfare payments could be disbursed to those families at the option of states. The federal government would reimburse states for the states' share of such payments. CBO estimates that states would incur some administrative costs if they chose to implement such a program and that the state share of those costs would total less than \$1 million per year.

CBO estimates that the change in the penalty procedure for state disbursement units would not result in any change in penalty collections associated with the child support program. However, the alternative procedure would reduce the threat that states could lose child support enforcement and TANF funding if they are in noncompliance.

The bill would make a number of changes in the Welfare-to-Work program, broadening eligibility requirements, and expanding the ability of states to use grant funds for vocational training. By making it easier for states to serve clients, the proposed changes would result in an increase of about \$30 million in state spending in the Welfare-to-Work program over the 2000-2004 period. This state spending would be matched by \$60 million in federal assistance, as noted above. The elimination of Welfare-to-Work performance bonuses would decrease assistance to states by \$100 million over the 2000-2002 period. However, given the flexibility that states have to operate the program, this reduction would not be a mandate as defined in UMRA.

Finally, the bill would allow states to use funds from the Foster Care and Adoption program for training court personnel. CBO estimates that this option would result in greater spending, the state portion of which would total about \$18 million over the 2000-2004 period.

**ESTIMATED IMPACT ON THE PRIVATE SECTOR:** None

**ESTIMATE PREPARED BY:**

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Impact on State, Local, and Tribal Governments: Leo Lex

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