CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 24, 2000

H.R. 4678
Child Support Distribution Act of 2000

As ordered reported by the House Committee on Ways and Means on July 19, 2000

SUMMARY

H.R. 4678 would make several changes to the child support enforcement program, including requiring the distribution to families of more collections from child support payments and the periodic updating of child support orders. Other provisions would establish a program of grants to promote responsible fatherhood, eliminate the welfare-to-work performance bonus to states, increase the federal matching rate for certain foster care training activities, and improve fraud detection procedures in the unemployment compensation program.

CBO estimates that H.R. 4678 would reduce direct spending in 2001 and increase such spending in each year from 2002 to 2010. The estimated net cost would be $733 million over five years and $3.3 billion over 10 years. It would also cause a reduction in revenues from unemployment taxes totaling $59 million over five years and $144 million over the 10-year period. Consequently, CBO estimates that this bill would decrease the government's surplus by $792 million over the 2001-2005 period and $3.4 billion over the 2001-2010 period. Because the bill would affect direct spending and revenues, pay-as-you-go procedures would apply.

The bill's changes to the child support enforcement program may impose intergovernmental mandates on states because they may not have sufficient flexibility to alter their financial and programmatic responsibilities for that program to offset the costs of those changes. In total, losses to states as a result of the changes would exceed the annual thresholds established in the Unfunded Mandates Reform Act (UMRA)—$55 million in 2000, adjusted annually for inflation. Other provisions of the bill would also affect state budgets, but those provisions would not be mandates as defined by UMRA, and in some cases, would provide additional assistance to states. The bill contains no private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4678 is shown in Table 1. 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 BUDGETARY EFFECTS OF H.R. 4678

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
DIRECT SPENDING						
Spending Under Current Law						
Child Support Administration	2,844	3,028	3,268	3,521	3,813	4,052
Child Support Collections	-845	-825	-820	-860	-915	-965
Food Stamps	18,557	19,176	20,064	20,767	21,522	22,260
TANF	15,700	16,400	17,000	17,400	17,750	18,050
Medicaid	115,145	124,254	134,118	145,081	158,181	172,418
Foster Care	5,171	5,625	6,074	6,514	6,962	7,436
Unemployment Compensation	21,522	22,726	24,258	26,539	28,804	30,587
Welfare-to-Work Grants	660	885	540	0	0	0
Fatherhood Grants	0	0	0	0	0	0
Proposed Changes						
Child Support Administration	0	0	37	56	51	49
Child Support Collections	0	0	64	93	124	129
Food Stamps	0	0	-11	-12	-13	-13
TANF	0	0	26	36	37	27
Medicaid	0	0	-5	-15	-20	-20
Foster Care	0	0	21	26	26	27
Unemployment Compensation	0	-7	-10	-12	-15	-16
Welfare-to-Work Grants	0	-25	-25	0	0	0
Fatherhood Grants	0	0	11	28	39	45
Total	0	-32	108	200	229	228
Spending Under H.R. 4678						
Child Support Administration	2,844	3,028	3,305	3,577	3,864	4,101
Child Support Collections	-845	-825	-756	-767	-791	-836
Food Stamps	18,557	19,176	20,053	20,755	21,509	22,247
TANF	15,700	16,400	17,026	17,436	17,787	18,077
Medicaid	115,145	124,254	134,113	145,066	158,161	172,398
Foster Care	5,171	5,625	6,095	6,540	6,988	7,463
Unemployment Compensation	21,522	22,719	24,248	26,527	28,789	30,571
Welfare-to-Work Grants	660	860	515	0	0	0
Fatherhood Grants	0	0	11	28	39	45
CHANGES IN REVENUES						
Estimated Revenues	0	0	-4	-17	-19	-19

BASIS OF ESTIMATE

The estimated budgetary impact of H.R. 4678, by provision, is shown in Table 2. Provisions with no estimated budgetary effect are excluded from the table. H.R. 4678 would be effective October 1, 2001, except where otherwise noted.

Distribution of More Child Support to Families. Section 101 would require the federal and state governments to share more child support collections with current and former recipients of Temporary Assistance for Needy Families (TANF), reducing the amount the federal and state governments recoup from previous TANF benefit payments. The bill would require states to implement the new policy by October 1, 2005, but would give states the option of implementing the policy sooner. CBO estimates that states with 20 percent of child support collections would adopt the new policy in 2002, states with another 20 percent of collections would adopt it by 2005, and the remainder would have the policy in place in 2006.

Collections for Current TANF Recipients. When a family applies for TANF, it assigns to the state any rights the family has to child support collections for the periods before and during the time it receives assistance. While the family receives assistance, the state uses any collections it receives to reimburse itself and the federal government for TANF payments.

The bill would limit the amount that the family assigns to the state to the child support payments due during the period the family receives assistance. CBO projects that under current law the states will collect $1.2 billion in 2002 and $1.7 billion in 2010 in child support payments on behalf of families receiving TANF assistance. H.R. 4678 would reduce those collections by 10 percent when fully implemented. Families would receive an additional $24 million in 2002, rising to $170 million in 2010.

Collections for Former TANF Recipients. 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 all other support. 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.

Under current law, with two exceptions, the state pays the family all past-due support that was owed to the family before reimbursing itself for TANF benefits paid. The first exception is if the support is collected through the federal tax refund offset program. The second exception is past-due support that was owed, but not paid, during the time the family was on assistance, to the extent that the support owed exceeded the TANF benefits paid. This bill would remove those two exceptions so that all past-due support owed to the family would be paid to the family before the government reimburses itself for any previous benefit payments.

These changes would give families more of the collections from the federal tax refund offset program. Under that program, the Internal Revenue Service intercepts tax refunds going to non-custodial parents who owe past-due child support, and pays them to custodial parents as child support. CBO projects that the government will collect $800 million from tax offsets on behalf of current and former welfare recipients in 2002 and that those collections will grow at about 7 percent a year. Based on data provided by federal and state child support officials, CBO estimates that two-thirds of those collections are on behalf of former recipients of assistance and that two-thirds of those collections would go to families, instead of the government, under the bill. Families would receive an additional $70 million in 2002, rising to $590 million in 2010.

H.R. 4678 would provide for the payment of other additional child support collections to certain families. Under current law, if a family has past-due child support from the period the family was on assistance that exceeds the total benefits paid to the family, then the family only receives those collections after the state has been fully reimbursed for welfare benefits paid. Giving those collections to families first would result in a 20 percent decline in the amount of collections the state retains on behalf of former recipients, after implementation of the tax offset policy. Based on a 1999 report to the Congress by the Department of Health and Human Services, CBO estimates that families would receive an additional $30 million in 2002, rising to $180 million by 2010, as a result of this change.

Federal Share of Collections. Total new collections to families from the new distribution policy would be $124 million in 2002, rising to $940 million by 2010. The federal share of child support collections is 56 percent on average. Therefore, CBO estimates that the policies would result in reduced federal collections of $70 million in 2002, rising to $530 million by 2010.

TABLE 2. FEDERAL BUDGETARY EFFECTS OF H.R. 4678, BY PROVISION

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Direct Spending											
Section 101: Distribution of Child Support											
Distribution of More Child Support to Families											
Child Support Collections											
Estimated Budget Authority	0	0	70	110	150	160	415	440	470	500	530
Estimated Outlays	0	0	70	110	150	160	415	440	470	500	530
Food Stamps											
Estimated Budget Authority	0	0	-5	-5	-5	-5	-15	-15	-15	-15	-20
Estimated Outlays	0	0	-5	-5	-5	-5	-15	-15	-15	-15	-20
TANF											
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	25	35	35	25	30	20	10	0	0
Subtotal											
Estimated Budget Authority	0	0	65	105	145	155	400	425	455	485	510
Estimated Outlays	0	0	90	140	180	180	430	445	465	485	510
Ban on Recovery of Birth Costs											
Medicaid											
Estimated Budget Authority	0	0	0	0	0	0	38	40	42	45	47
Estimated Outlays	0	0	0	0	0	0	38	40	42	45	47
Section 201: Review and Adjustment of Child Support Orders											
Review of Orders of TANF Recipients											
Child Support Administrative Costs											
Estimated Budget Authority	0	0	19	24	24	25	26	26	27	28	28
Estimated Outlays	0	0	19	24	24	25	26	26	27	28	28
Child Support Collections											
Estimated Budget Authority	0	0	-5	-15	-24	-29	-31	-32	-32	-33	-34
Estimated Outlays	0	0	-5	-15	-24	-29	-31	-32	-32	-33	-34
Food Stamps											
Estimated Budget Authority	0	0	-1	-2	-3	-3	-3	-4	-4	-4	-4
Estimated Outlays	0	0	-1	-2	-3	-3	-3	-4	-4	-4	-4
Medicaid											
Estimated Budget Authority	0	0	-5	-10	-15	-15	-15	-15	-15	-15	-20
Estimated Outlays	0	0	-5	-10	-15	-15	-15	-15	-15	-15	-20
Subtotal											
Estimated Budget Authority	0	0	8	-3	-18	-22	-23	-25	-24	-24	-30
Estimated Outlays	0	0	8	-3	-18	-22	-23	-25	-24	-24	-30

Continued

TABLE 2. Continued

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Review of Orders of All Recipients that Leave TANF											
Child Support Administrative Costs											
Estimated Budget Authority	0	0	16	20	20	22	22	22	22	24	24
Estimated Outlays	0	0	16	20	20	22	22	22	22	24	24
Food Stamps											
Estimated Budget Authority	0	0	-5	-5	-5	-5	-5	-5	-5	-5	-5
Estimated Outlays	0	0	-5	-5	-5	-5	-5	-5	-5	-5	-5
Medicaid											
Estimated Budget Authority	0	0	0	-5	-5	-5	-10	-10	-10	-10	-10
Estimated Outlays	0	0	0	-5	-5	-5	-10	-10	-10	-10	-10
Subtotal											
Estimated Budget Authority	0	0	11	10	10	12	7	7	7	9	9
Estimated Outlays	0	0	11	10	10	12	7	7	7	9	9
Section 302: Demonstrations Involving Public Non-IV-D Child Support Agencies											
Child Support Administrative Costs											
Estimated Budget Authority	0	0	2	12	7	2	2	2	2	2	2
Estimated Outlays	0	0	2	12	7	2	2	2	2	2	2
Section 401: Denial of Passports											
Child Support Collections											
Estimated Budget Authority	0	0	-1	-2	-2	-2	-2	-2	-2	-2	-2
Estimated Outlays	0	0	-1	-2	-2	-2	-2	-2	-2	-2	-2
Section 501: Fatherhood Grants											
Panels											
Estimated Budget Authority	0	a	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	a	0	0	0	0	0	0	0	0	0
Grants											
Estimated Budget Authority	0	0	35	35	35	35	0	0	0	0	0
Estimated Outlays	0	0	10	25	35	40	25	5	0	0	0
Evaluation											
Estimated Budget Authority	0	0	6	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	1	1	1	1	1	2	0	0	0

Continued

TABLE 2. Continued

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Effect of Grant Program on TANF Spending											
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	1	1	2	2	1	0	0	0	0
Subtotal											
Estimated Budget Authority	0	0	41	35	35	35	0	0	0	0	0
Estimated Outlays	0	0	12	27	38	43	27	7	0	0	0
Section 511: Projects of National Significance											
Estimated Budget Authority	0	0	4	4	4	4	0	0	0	0	0
Estimated Outlays	0	0	1	2	4	4	3	1	0	0	0
Section 603: Use of New Hire Information											
Unemployment Compensation											
Estimated Budget Authority	0	-7	-10	-12	-15	-16	-16	-16	-17	-17	-18
Estimated Outlays	0	-7	-10	-12	-15	-16	-16	-16	-17	-17	-18
Section 606: Elimination of Welfare-to-Work Performance Bonus											
Welfare-to-Work Grants											
Estimated Budget Authority	-50	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-25	-25	0	0	0	0	0	0	0	0
Section 607: Foster Care Training											
Foster Care											
Estimated Budget Authority	0	0	25	26	26	27	28	28	29	30	30
Estimated Outlays	0	0	21	26	26	27	27	28	29	30	30
Total											
Estimated Budget Authority	-50	-7	144	175	192	195	434	459	492	528	548
Estimated Outlays	0	-32	108	200	229	228	494	487	502	528	548
Revenues											
Section 603: Use of New Hire Information											
Revenues	0	0	-4	-17	-19	-19	-18	-16	-17	-17	-18
Net Effect on Surplus											
Net Increase or Decrease (-) in Surplus	0	32	-112	-217	-248	-247	-512	-503	-519	-545	-566

Notes: The estimate assumes enactment before October 1, 2000.

Details may not add to totals due to rounding.

a = Less than $500,000.

Food Stamps. The new collections paid to former TANF recipients under H.R. 4678 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 offset, which is paid as a lump sum, would not count as income for determining Food Stamp benefits. For purposes of calculating Food Stamp benefits, incomes of former recipients would increase by $10 million in 2002, rising to $60 million in 2010. Food Stamp savings would be about $5 million in 2002, rising to about $20 million by 2010.

Temporary Assistance for Needy Families. H.R. 4678 would allow states to count any increased state spending stemming from the new distribution policy towards their maintenance-of-effort requirement in the TANF program. (States are required to maintain spending on TANF at the 1994 level in order to receive federal TANF funding.) Many states have large unspent balances of federal TANF funds. Those states could reduce the amount of state money they spend on TANF by the amount that they could newly count as maintenance-of-effort spending. In order to meet the need for TANF assistance, those states could then accelerate spending of federal dollars.

CBO assumes that states with TANF surpluses would cover half of their additional costs by accelerating the use of federal TANF funds. Those costs would total $180 million over the 2001-2010 period.

Ban on the Recovery of Birth Costs. Effective in 2006, section 101 would prohibit states from using their child support programs to recoup costs for the birth of a child that were paid by Medicaid. Based on a survey of states, CBO estimates that 40 percent of states now collect something from non-custodial parents to reimburse Medicaid and that collections totaled about $50 million in 1999. CBO expects those collections will grow at about five percent a year, a slightly slower rate than the average cost of a Medicaid case. The federal government's share of Medicaid collections is 57 percent on average. As a result, CBO estimates the cost to the federal government would be $38 million in 2006 and $212 million over the 2006-2010 period.

Review and Adjustment of Child Support Orders. Section 201 would require states to review child support orders of families on TANF every three years and when they leave TANF. When a state reviews a child support order, it obtains current financial information from the custodial and non-custodial 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 non-custodial parent to provide health insurance. Under current law, states are required to review orders every three years upon the request of a parent; they may also do so without such a request. About one-third of states perform automatic reviews every three years.

CBO estimates that 220,000 more families on TANF and 190,000 families leaving TANF would have their orders reviewed annually under the proposal and that 18 percent of those orders would be adjusted. The average cost of a review would be about $160 in 2002 and would grow each year with inflation. The federal government pays 66 percent of such administrative costs. CBO expects the proposal would be 80 percent implemented in 2002 and fully implemented by 2003. The additional cost to the federal government would rise from $34 million in 2002 to $52 million in 2010.

The average adjustment to a child support order of a family on TANF would be $80 a month in 2002. CBO expects families leaving TANF would have slightly smaller increases, about $70 a month, because some of those orders may have been updated recently while the family was on TANF. Those adjustments would grow each year with inflation. CBO expects the increased collections for a family would continue for up to five 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. CBO estimates that the federal share of collections, 56 percent, would grow from $5 million in 2002 to $34 million in 2010.

The states would pay any increased collections stemming from reviews of child support orders to families once they leave assistance. CBO expects one-third of families leaving TANF would receive benefits under the Food Stamp program and their benefits would be reduced by 30 cents for every extra dollar of income. This would reduce federal payments in the Food Stamp program by $5 million to $10 million each year. This includes savings from families whose orders are reviewed while they are on assistance who subsequently leave assistance.

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

CBO expects all of the families still on TANF would participate in Medicaid. About half of the children in families that left TANF would still participate in Medicaid six months later, but only 20 percent would still participate three years later. When health insurance is provided by a third party, Medicaid no longer has to provide it, so Medicaid savings would result. CBO estimates that each medical support order would cover an average of

1.5 children and that federal savings would rise from about $1,000 per child in 2002 to about $1,800 per child in 2010. Based on the federal government's average share of Medicaid spending (57 percent), federal Medicaid savings would rise from $5 million in 2002 to $30 million in 2010.

The estimates of the costs of doing reviews and the impact of review and adjustment on collections is based on a 1997 report by Meyer and Dworsky, a 1992 study by Caliber and Associates, and discussions with state officials.

Demonstrations Involving Public Non-IV-D Child Support Agencies. Section 302 would establish a demonstration program to determine the extent to which public child support enforcement agencies other then the IV-D agencies could contribute effectively to the establishment and enforcement of child support obligations.

Every state has an agency, designated the IV-D agency, that operates a child support enforcement program according to federal guidelines and with federal funding available at a 66-percent matching rate. Other public agencies in the state—for example, a county government or clerk of the court—may perform similar functions to the IV-D agency, but do not necessarily follow federal guidelines or claim federal funding. These other public agencies do not have full access to the same enforcement tools and information databases that are available to the IV-D agency. A family may choose to have its child support order enforced by a public agency other than the IV-D agency.

H.R. 4678 would authorize the Secretary of Health and Human Services to approve up to 10 states to participate in the demonstration starting in July 2002. Under the demonstration, the IV-D agency would provide access to enforcement tools and information in databases to other public child support agencies, upon request.

Based on information from state officials and the Department of Health and Human Services, CBO expects the demonstration program to increase administrative spending in the child support program. States would be required to hire new staff and reprogram computers to provide new services to other public child support agencies. CBO estimates that, on average, a state would spend $5 million in start-up costs and $500,000 per year in ongoing operational costs. The operational costs would grow with inflation. CBO expects five states would participate in the demonstration. Start-up costs would be spread over the 2002-2004 period and the federal government would pay 66 percent of any administrative costs. Federal costs would total $33 million over the 2001-2010 period.

Denial of Passports. Under current law, the State Department denies a request for a passport for a non-custodial parent if he or she owes more than $5,000 in past-due child support. Section 401 would lower that threshold and deny a passport to a non-custodial parent owing $2,500 or more. Generally, when a non-custodial 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 is currently denying about 8,750 passport requests annually. If non-custodial parents owing between $2,500 and $5,000 apply for passports at the same rate, the proposal would generate an additional 3,700 denials annually. Data from the Department of Health and Human Services shows there are 3.1 million non-custodial parents owing more than $5,000 in past-due child support and an additional 1.3 million owing between $2,500 and $5,000.

CBO assumes that 50 percent of non-custodial parents who have a request for a passport denied would make a payment in order to get their passport rather than just doing without one. A non-custodial parent owing more than $5,000 would have to pay an additional $2,500 to receive a passport. The average 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 $13 million annually. About one-third of those payments would be on behalf of current and former welfare families and would be retained by the government as reimbursement for welfare benefits. The federal share of such collections, 56 percent, would be $2 million a year.

Fatherhood Grants. Section 501 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.

An interagency panel, funded at $150,000 in 2001, would review applications and make recommendations to the Secretary of Health and Human Services. The Secretary would award $140 million in grants in 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 TANF program within 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 $110 million over the 2001-2005 period and $140 million over the 2001-2010 period.

Evaluations. The Secretary would conduct an evaluation of selected fatherhood projects. The bill would make $6 million available over the 2002-2010 period for that evaluation.

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. Consequently, 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 $7 million over the 2001-2010 period.

Fatherhood Projects of National Significance. Section 502 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 $15 million over the 2001-2010 period.

Use of New Hire Information. Section 603 would allow states to access information in the national database of new hires in order 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—about 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, which many states rely on now.

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. 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 the national information within the next few years. CBO estimates that this proposal would result in a reduction of $144 million in spending for unemployment compensation over the 2001-2010 period. Because this reduction in spending would be fully offset by a reduction in unemployment taxes, CBO estimates that there would be no net effect on the federal budget over the 10-year period. The provision would take effect October 1, 2000.

Elimination of the Welfare-to-Work Performance Bonus. Section 606 would eliminate the $50 million set-aside for Welfare-to-Work performance bonuses. These bonuses were to have been awarded by the end of fiscal year 2000, but states would not be able to draw down the funds from these bonuses until the beginning of fiscal year 2001. If these bonuses are not paid, CBO estimates that $50 million would be saved over the 2001-2010 period. The provision would be effective upon enactment of the bill.

Foster Care Training. Section 607 of the bill would allow states to claim more federal money for efforts they undertake to train staff of private, state-approved child welfare agencies in ways that provide support and assistance to foster and adoptive children. Under current law, states may claim $1 of federal funds for every dollar of state money spent on this type of training. The bill would allow states to receive a higher federal match of $3 for every dollar of state spending. Based on information from several states, CBO estimates that enacting this section would increase federal spending by $21 million in fiscal year 2002 (the first year in which the enhanced match rate would become effective), and by $244 million over the 2001-2010 period.

PAY-AS-YOU-GO CONSIDERATIONS

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

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	0	-32	108	200	229	228	494	487	502	528	548
Changes in receipts	0	0	-4	-17	-19	-19	-18	-16	-17	-17	-18

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 4678 would impose two new requirements on states with regard to their child support enforcement program that may constitute intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would reduce the amounts that states may retain from child support collections in order to reimburse themselves for public assistance spending, in particular for TANF. As a result, states would lose a total of about $55 million in 2002 and $2.2 billion over the 2002-2010 period. The bill would also require states to review child support orders of families on TANF every three years and when they leave TANF. State administrative costs would increase by $18 million in 2002 and by $220 million over the 2002-2010 period. (Those administrative costs would be alleviated somewhat by increased collections retained by the state totaling $4 million in 2002 and $185 million over the 2002-2010 period.) These requirements may be intergovernmental mandates as defined in UMRA because they would affect a large entitlement program in which states may not have sufficient flexibility to alter their financial and programmatic responsibilities to offset the costs of the requirements. States vary widely in how they operate and fund their child support programs, and CBO cannot determine the degree to which losses of this magnitude could be offset. In total, the annual losses to states would exceed the threshold established in UMRA ($55 million in 2000, adjusted annually for inflation).

Other provisions of H.R. 4678 would also affect state budgets, but those provisions would not be mandates as defined by UMRA, and in some cases, would provide for additional assistance to states. The bill would prohibit states from using the state child support program to recoup Medicaid costs for the birth of a child. This prohibition would result in a loss of revenues to states of about $30 million in 2006 and $160 million over the 2006-2010 period. In addition, the bill would eliminate the welfare-to-work performance bonus available to states for successfully placing individuals in jobs with income growth potential for extended periods of time. CBO estimates a reduction of $50 million in grants to states over the 2001-2010 period as a result of this elimination. However, states would have sufficient flexibility in their programs to accommodate these reductions.

Section 302 would allow the Secretary to approve demonstration projects that would enable states to contract with public non-IV-D child support agencies for the enforcement of child support obligations. State participation in demonstration programs would be voluntary, and if they chose to participate, states could charge fees to the agencies for information and services associated with the demonstration projects. Up to 10 states could qualify for the demonstration projects, and CBO estimates that state spending for administrative costs would total $17 million over the 2002-2010 period.

Title V would authorize grants for fatherhood and parenting programs, particularly those designed to reduce dependence on welfare and to strengthen parenting skills. State, local, and tribal entities would be eligible for these grants, though preference would be given to public entities that pass funds through to private organizations. Approval of grants would also depend on the degree to which the prospective grantee could receive assurances from agencies responsible for enforcing child support obligations that they would cancel past due amounts owed by non-custodial parents. Cancellations of those amounts by those agencies and any participation in the fatherhood grant program by public entities would be voluntary.

Title VI would allow states to access national information about new hires to help them detect fraud in the unemployment compensation system. CBO estimates that states would be able to reduce spending for unemployment compensation by $144 million over the 2001-2010 period. Consequently, they would also be able to reduce state unemployment taxes by the same amount, for a net budgetary impact of zero.

The bill would increase the amount of federal matching funds that states could claim for some foster care training activities. The bill would allow states to claim $3 for every $1 of state spending rather than the $1 for $1 match under current law. As a result, CBO estimates that states would receive an additional $21 million in 2002 and $244 million over the 2001-2010 period.

Finally, the stricter requirements for child support payments in order to obtain a passport would result in additional collections, of which approximately $2 million annually would be retained by state governments as reimbursement for prior public assistance payments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 4678 contains no private-sector mandates as defined in UMRA.

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