

February 13, 2003

Honorable William "Bill" M. Thomas
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has prepared an estimate of the budgetary impact of H.R. 4, the Personal Responsibility, Work, and Family Promotion Act of 2003, as introduced on February 4, 2003. CBO estimates that, over the 2003-2008 period, H.R. 4 would increase direct spending by \$1.9 billion, reduce revenues by \$22 million, and authorize appropriations of \$13.6 billion. The estimated budgetary impact of H.R. 4 is summarized in Table 1 (for mandatory programs) and shown in detail in Table 2.

Impact on the Federal Budget

H.R. 4 would reauthorize existing programs, create new ones, and require certain changes in others. It would reauthorize, through 2008, the Temporary Assistance for Needy Families (TANF) and abstinence education programs at their 2002 funding levels, and the child care entitlement to states program with annual funding \$200 million above current levels. As specified in the Deficit Control Act of 1985 (as amended), the costs of extending those mandatory programs at their current levels are included in CBO's baseline projections and are therefore not counted as costs of this bill. Those reauthorizations would result in outlays of \$104 billion over the 2003-2008 period.

By authorizing new mandatory programs or changing existing ones, H.R. 4 would increase direct spending. The bill would provide new grants to promote marriage and would authorize states to run certain demonstration projects, while eliminating other existing grant programs. It would allow more child support payments to be passed on to families, impose new fees for that

program, and require the Social Security Administration to add another level of review for decisions to award certain disability benefits under the Supplemental Security Income program. Finally, the bill would affect Medicaid spending by authorizing transitional medical assistance for 2004 and by limiting federal payments for certain administrative costs.

CBO estimates that, relative to CBO's baseline projections, H.R. 4 would increase federal direct spending by \$433 million in 2004, \$1.9 billion over the 2004-2008 period, and \$2.3 billion over the 2004-2013 period. It would also reduce federal revenues (from state unemployment taxes) by \$22 million over the 2006-2008 period and \$128 million over the 2006-2013 period.

H.R. 4 could also affect discretionary spending. It would authorize appropriations of \$2.3 billion in 2004 and \$13.5 billion over the 2004-2008 period for the child care and development grant program. (The 2002 appropriation was \$2.1 billion.) It would also authorize \$20 million for each year from 2004 through 2008 for a new program of grants promoting fatherhood. CBO estimates that appropriation of the authorized levels would result in outlays of \$1.5 billion in 2004 and \$12.3 billion over the 2004-2008 period.

Intergovernmental and Private-Sector Impact

H.R. 4 would maintain TANF funding at the fiscal year 2002 level through fiscal year 2008, extend the availability of unspent 2003 funds, and increase the amount of TANF funding that could be used for other social services and child care. At the same time, the bill would increase requirements for work participation, change the basis for caseload reduction credits, and reduce bonus grants.

The Unfunded Mandates Reform Act (UMRA) specifies that increased conditions of assistance or caps on federal funding in large entitlement grant programs such as TANF are to be considered intergovernmental mandates only if state, local, or tribal governments lack authority to change their financial or programmatic responsibilities in order to continue providing required services. Because of the broad flexibility generally afforded states under the TANF program to structure the program and determine benefits, the new requirements in H.R. 4 would not be intergovernmental mandates as defined in UMRA.

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The bill could, however, significantly affect the ways states administer the program and provide benefits to beneficiaries. The new work requirements in particular could result in additional costs to states for administrative support, transportation assistance, child care and worker supervision. Last year, CBO estimated that these costs could range from \$8 billion to \$11 billion over the 2003-2007 period, assuming states took no action to reduce or avoid such costs. However, CBO expects states to avoid most or all of those costs by moving many nonworking families into separate state programs, which would not be subject to the new requirements.

Because of the flexibility states have in the Medicaid program resulting from the optional coverage of benefits and beneficiaries by states, the extension of transitional medical assistance and reduced federal payments for administrative costs also would not be intergovernmental mandates as defined in UMRA. Overall, H.R. 4 would reduce state spending for the Medicaid program.

H.R. 4 contains no private-sector mandates as defined in UMRA.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Sheila Dacey (for federal costs), and Leo Lex (for the state and local impact).

Sincerely,

Douglas Holtz-Eakin
Director

Enclosure

cc: Honorable Charles B. Rangel
Ranking Minority Member

TABLE 1

CBO Estimate of H.R. 4, The Personal Responsibility, Work, and Family Promotion Act of 2003--Impact on Ma
 As Introduced on February 4, 2003
 Estimated Using CBO January 2003 Baseline
 Assumes Enactment in September 2003

(Outlays in millions, by fiscal year)

	2003	2004	2005	2006	2007	2008
MANDATORY PROGRAMS						
CBO January 2003 Baseline						
TANF	19,500	18,900	18,400	17,900	17,400	16,900
Child Care	2,936	2,661	2,690	2,693	2,717	2,717
Child Support Administration	4,163	4,261	4,502	4,745	5,427	5,520
Child Support Collections	-1,186	-1,234	-1,271	-1,318	-1,361	-1,408
Food Stamps	22,428	24,738	24,965	25,339	26,008	26,758
Medicaid	157,032	166,848	178,900	194,664	211,790	230,826
SCHIP	4,468	4,816	4,608	4,557	4,853	5,051
Supplemental Security Income	32,275	33,314	37,476	36,206	34,787	39,577
Unemployment Compensation	46,713	45,387	41,876	42,225	43,987	44,893
Abstinence Education	51	52	50	50	50	50
Change in Direct Spending under H.R. 4:						
TANF	0	290	385	193	363	99
Child Care	0	150	182	194	198	200
Child Support Administration	0	0	-40	-30	-30	-35
Child Support Collections	0	0	-3	54	81	120
Food Stamps	0	-3	-1	-13	-17	-22
Medicaid	0	5	-49	-9	-56	-91
SCHIP	0	-7	-5	-1	0	0
Supplemental Security Income	0	-2	-9	-17	-25	-37
Unemployment Compensation	0	0	-14	-17	-22	-22
Abstinence Education	0	0	0	0	0	0
Total	0	433	446	354	492	212
Total Direct Spending under H.R. 4:						
TANF	19,500	19,190	18,785	18,093	17,763	16,999
Child Care	2,936	2,811	2,872	2,887	2,915	2,917
Child Support Administration	4,163	4,261	4,462	4,715	5,397	5,485
Child Support Collections	-1,186	-1,234	-1,274	-1,264	-1,280	-1,288
Food Stamps	22,428	24,735	24,964	25,326	25,991	26,736
Medicaid	157,032	166,853	178,851	194,655	211,734	230,735
SCHIP	4,468	4,809	4,603	4,556	4,853	5,051
Supplemental Security Income	32,275	33,312	37,467	36,189	34,762	39,540
Unemployment Compensation	46,713	45,387	41,862	42,208	43,965	44,871
Abstinence Education	51	52	50	50	50	50

TABLE 2**CBO Estimate of H.R. 4, The Personal Responsibility, Work, and Family Promotion Act of 2003**

As Introduced on February 4, 2003

Estimated Using CBO January 2003 Baseline

Assumes Enactment in September 2003

(by fiscal year, in millions of dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2003- 2008	2003- 2013
Spending Subject to Appropriations													
Title I: TANF													
Authorization Level	0	20	20	20	20	20	0	0	0	0	0	100	100
Estimated Outlays	0	0	6	15	25	24	20	9	1	0	0	70	100
Title II: Child Care /a													
Authorization Level	0	2,300	2,500	2,700	2,900	3,100	0	0	0	0	0	13,500	13,500
Estimated Outlays	0	1,472	2,290	2,593	2,814	3,014	1,102	184	31	0	0	12,183	13,500
Total Authorizations													
Authorization Level	0	2,320	2,520	2,720	2,920	3,120	0	0	0	0	0	13,600	13,600
Estimated Outlays	0	1,472	2,296	2,608	2,839	3,038	1,122	193	32	0	0	12,253	13,600
Changes in Direct Spending													
Title I: TANF													
Eliminate Out-of-Wedlock Bonus /b													
Estimated Budget Authority	-100	-100	-99	-99	-98	-98	-99	-99	-99	-99	-99	-594	-1,089
Estimated Outlays	0	-25	-61	-100	-124	-158	-119	-99	-99	-99	-99	-468	-984
Establish Healthy Marriage Promotion Grant													
Budget Authority	100	100	100	100	100	100	100	100	100	100	100	600	1,100
Estimated Outlays	0	2	53	109	163	122	111	100	100	100	100	449	960
Continue Supplemental Grant at \$319 through 2007 /b													
Estimated Budget Authority	128	316	316	315	315	-2	-1	0	0	0	0	1,388	1,387
Estimated Outlays	0	221	278	312	368	138	47	24	0	0	0	1,316	1,387
Reduce High Performance Bonus by \$100 million /b													
Estimated Budget Authority	-100	300	-199	-199	-198	-198	-99	-99	-99	-99	-99	-594	-1,089
Estimated Outlays	0	-25	-61	-100	-124	-158	-119	-99	-99	-99	-99	-468	-984
Modify Contingency Fund /b													
Estimated Budget Authority	0	0	0	1	2	5	9	17	38	58	73	8	203
Estimated Outlays	0	0	0	0	2	5	9	17	37	57	72	7	199
Increase Transfer Authority to SSBG													
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	114	84	0	-81	-88	-29	0	0	0	0	29	0

Establish Secretary's Fund for
Research, Demonstration, and
National Studies

Budget Authority	102	102	102	102	102	102	102	102	102	102	102	102	612	1,122
Estimated Outlays	0	20	107	151	122	111	103	102	102	102	102	102	512	1,023

Interactions Title I

Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	0	-175	29	109	37	0	0	0	0	0	-37	0

Title I Subtotal

Estimated Budget Authority	130	718	220	220	223	-91	12	21	42	62	77	1,420	1,634
Estimated Outlays	0	308	400	196	355	81	39	45	41	61	76	1,339	1,601

Title II: Child Care /c

Budget Authority	0	200	200	200	200	200	200	200	200	200	200	1,000	2,000
Estimated Outlays	0	129	166	187	204	220	208	208	202	200	200	906	1,924

Title III: Child Support

Distribute More Support to Current
TANF Families /b /c

Estimated Budget Authority	0	0	0	5	8	15	17	16	21	20	20	28	122
Estimated Outlays	0	0	0	7	10	15	15	14	21	20	20	32	122

Distribute More Support to Former
TANF Families /b

Estimated Budget Authority	0	0	0	50	77	109	141	145	155	159	164	236	1,000
Estimated Outlays	0	0	0	50	77	109	141	145	155	159	164	236	1,000

Require Triennial Update of Child
Support Orders /b /d

Estimated Budget Authority	0	0	0	4	-9	-24	-25	-21	-18	-20	-21	-29	-134
Estimated Outlays	0	0	0	4	-9	-24	-25	-21	-18	-20	-21	-29	-134

Assess \$25 annual fee for never-
TANF cases with collections of at
least \$500

Estimated Budget Authority	0	0	-40	-44	-45	-47	-48	-49	-49	-50	-50	-176	-422
Estimated Outlays	0	0	-40	-44	-45	-47	-48	-49	-49	-50	-50	-176	-422

Use of New Hire Directory for
Unemployment Compensation

Estimated Budget Authority	0	0	-14	-17	-22	-22	-23	-24	-25	-25	-26	-75	-198
Estimated Outlays	0	0	-14	-17	-22	-22	-23	-24	-25	-25	-26	-75	-198

Reduce threshold for passport
denial: \$2,500

Estimated Budget Authority	0	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-3	-8
Estimated Outlays	0	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-3	-8

Withhold Child Support from
Social Security Disability

Estimated Budget Authority	0	0	-3	-4	-4	-4	-5	-5	-5	-6	-6	-15	-42
Estimated Outlays	0	0	-3	-4	-4	-4	-5	-5	-5	-6	-6	-15	-42

Title III Subtotal

Estimated Budget Authority	0	0	-57	-7	4	26	56	61	78	77	80	-34	318
Estimated Outlays	0	0	-57	-5	6	26	54	59	78	77	80	-30	318

Title IV: Child Welfare

Estimated Budget Authority	/e												
Estimated Outlays	/e												

Title V: Supplemental Security Income /d

Estimated Budget Authority	0	-6	-24	-51	-81	-115	-150	-186	-227	-256	-303	-277	-1,399
Estimated Outlays	0	-6	-24	-51	-81	-115	-150	-186	-227	-256	-303	-277	-1,399

Title VI: State and Local Flexibility

Estimated Budget Authority	/e												
Estimated Outlays	/e												

Title VII: Abstinence Education /f

Budget Authority	0	0	0	0	0	0	-50	-50	-50	-50	-50	0	-250
Estimated Outlays	0	0	0	0	0	0	-14	-34	-41	-46	-50	0	-184

Title VIII: Transitional Medical Assistance

Authorize TMA for FY 2004

Estimated Budget Authority	0	129	196	28	8	0	-5	0	0	0	0	361	356
Estimated Outlays	0	122	191	27	8	0	4	0	0	0	0	348	352

Cost Allocation

Estimated Budget Authority	0	-120	-230	0	0	0	0	0	0	0	0	-350	-350
Estimated Outlays	0	-120	-230	0	0	0	0	0	0	0	0	-350	-350

Title VIII Subtotal

Estimated Budget Authority	0	9	-34	28	8	0	-5	0	0	0	0	11	6
Estimated Outlays	0	2	-39	27	8	0	4	0	0	0	0	-2	2

TOTAL Direct Spending

Estimated Budget Authority	130	921	305	390	354	20	63	46	43	33	4	2,120	2,309
Estimated Outlays	0	433	446	354	492	212	141	92	54	37	3	1,936	2,263

Changes in Revenues**Title III: Child Support**

Use of New Hire Directory for Unemployment Compensation

Revenues	0	0	0	-2	-7	-13	-17	-20	-22	-23	-24	-22	-128
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NET EFFECT OF DIRECT SPENDING AND REVENUE EFFECTS

TOTAL	0	433	446	356	499	225	158	112	76	60	27	1,958	2,391
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Details may not sum to totals due to rounding.

Notes:

a\ The authorizations for child care represent an increase of more than \$2.3 billion over the 2003-2008 period relative to CBO's January 2003 baseline, including annual adjustments for anticipated inflation:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Estimated Budget Authority	0	161	317	472	624	777
Estimated Outlays	0	103	251	405	558	711

b\ Estimate includes effects on spending in the Food Stamp program.

c\ Estimate includes effects on spending in the TANF program.

d\ Estimate includes effects on spending in the Medicaid program.

e\ Title IV would extend and expand the authority that states have to operate demonstration projects involving child welfare programs. Title VI would establish a new authority to operate demonstration projects for a broad range of programs, including welfare, child care, housing, employment and training, education and food assistance programs.

The two demonstration authorities affect programs that are open-ended entitlements, including the Food Stamp, Foster Care, and Adoption Assistance programs. Both demonstration programs are required to be cost-neutral to the federal government. However, it is possible that demonstrations would lead to increased cost to the federal government because of measurement or methodological errors in the cost-neutrality calculation. CBO cannot estimate the likely level of such costs.

Title VI would also allow up to five states to receive a food assistance block grant for up to five years in lieu of participating in the Food Stamp program. Under the block grants states would be funded at their 2003 level (or the average of 2001 - 2003, if greater) and have more flexibility than the Food Stamp program allows. The grant program could result in federal savings or costs but we expect the federal budget impact would not be significant.

f\ Title VII would extend the abstinence education program for the 2004 through 2008 period at its current funding level of \$50 million a year. CBO already assumes funding at that level in its baseline in accordance with rules for constructing baseline projections, as set forth in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985. Therefore, CBO assumes that the provision would have no direct spending effects through 2008. CBO estimates that outlays in 2008 would not exceed the \$50 million threshold, and therefore, we would not assume budget authority to continue in this program beyond the authorization ending in 2008. As a result, CBO estimates that implementing this provision would decrease outlays by \$184 million from 2009 to 2013, relative to the current law baseline.
