CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 28, 2005

Reconciliation Recommendations of the House Committee on Ways and Means

As approved by the House Committee on Ways and Means on October 26, 2005

SUMMARY

The legislation would:

- Reauthorize the Temporary Assistance for Needy Families (TANF) program; it would increase funding for some grants and establish several new grants, but also would eliminate funding for other related grants;

- Increase funding for child care programs;

- Make several changes to the child support enforcement program, including reducing the federal share of funding, assessing fees on some families receiving services, and allowing the distribution to families of more collections from child support payments;

- Clarify eligibility for foster care and adoption assistance and place limits on federal matching funds for certain administrative costs for foster care;

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

- End distributions of antidumping and countervailing duties under the Continued Dumping and Subsidy Offset Act (CDSOA).

The legislation would extend the TANF and child care programs through 2010. Those programs are scheduled to expire on December 31, 2005. Continuing the programs at their current funding levels would provide budget authority of $79.4 billion for TANF and $12.6 billion for child care over the 2006-2010 period. However, CBO already assumes that level of funding in its baseline for those programs, pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act). Therefore, the extension of those programs would have no cost relative to CBO's baseline.

CBO estimates that other provisions of the legislation would reduce direct spending by $100 million in 2006, by $8.0 billion over the 2006-2010 period, and by $21.2 billion over the 2006-2015 period, relative to CBO's baseline projections.

Implementing this legislation also would affect spending subject to appropriation action. The legislation would authorize appropriations of $20 million annually over the 2006-2010 period for a new grant program to promote fatherhood. It would also authorize appropriations for new administrative requirements in the SSI program. CBO estimates that appropriation of the authorized levels would result in outlays of $13 million in 2006, $170 million over the 2006-2010 period, and $310 million over the 2006-2015 period.

The legislation would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) by decreasing the federal government's funding for states to administer the child support program. As a result of the reduction in federal assistance, CBO estimates that state spending for administering the child support program would increase significantly, and that increase would exceed the thresholds established in UMRA ($62 million in 2005, adjusted annually for inflation).

State, local, and tribal governments would benefit from the continuation of TANF grants, the creation of new grant programs, and broader flexibility and options in some areas. Other provisions of the legislation would significantly affect the way states administer the TANF program, but because of the flexibility in that program, the new requirements would not be intergovernmental mandates as defined in UMRA.

The legislation contains no private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the legislation is shown in Table 1. For this estimate, CBO assumes that it will be enacted in December 2005. The costs of this legislation fall within budget functions 370 (commerce and housing credit), 550 (health), and 600 (income security).

TABLE 1. ESTIMATED COSTS OF RECONCILIATION RECOMMENDATIONS OF THE HOUSE COMMITTEE ON WAYS AND MEANS

	By Fiscal Year, in Millions of Dollars											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010	2006-2015
CHANGES IN DIRECT SPENDING												
Subtitle A: TANF												
Estimated Budget Authority	135	234	253	262	-41	-34	-29	-29	-27	-20	843	704
Estimated Outlays	237	234	134	274	47	-21	-29	-29	-27	-20	926	800
Subtitle B: Child Care												
Budget Authority	0	50	100	150	200	200	200	200	200	200	500	1,500
Estimated Outlays	0	36	83	133	183	197	200	200	200	200	434	1,430
Subtitle C: Child Support												
Estimated Budget Authority	4	-436	-1,148	-1,501	-1,818	-1,904	-1,988	-2,081	-2,181	-2,284	-4,899	-15,337
Estimated Outlays	4	-436	-1,148	-1,501	-1,818	-1,904	-1,988	-2,081	-2,181	-2,284	-4,899	-15,337
Subtitle D: Child Welfare												
Estimated Budget Authority	-88	-120	-124	-127	-131	-135	-139	-143	-147	-152	-590	-1,306
Estimated Outlays	-80	-116	-123	-127	-131	-133	-138	-143	-147	-152	-577	-1,290
Subtitle E: Supplemental Security Income												
Estimated Budget Authority	-261	-135	-77	-112	-147	-189	-216	-265	-306	-348	-732	-2,056
Estimated Outlays	-261	-135	-77	-112	-147	-189	-216	-265	-306	-348	-732	-2,056
Subtitle G: Repeal of Continued Dumping and Subsidy Offset												
Estimated Budget Authority	-1,300	-1,300	-300	-300	-300	-300	-300	-300	-300	-300	-3,500	-5,000
Estimated Outlays	0	-1,300	-1,300	-300	-300	-300	-300	-300	-300	-300	-3,200	-4,700
Total Changes in Direct Spending												
Estimated Budget Authority	-1,510	-1,707	-1,296	-1,628	-2,237	-2,362	-2,472	-2,618	-2,761	-2,904	-8,378	-21,495
Estimated Outlays	-100	-1,717	-2,431	-1,634	-2,167	-2,351	-2,472	-2,618	-2,761	-2,904	-8,048	-21,153
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	34	37	40	41	42	23	23	25	25	27	194	317
Estimated Outlays	13	28	41	44	44	38	27	24	25	26	170	310
Memorandum: Changes in Direct Spending from Program Extensions That Are Already Assumed in CBO's Baseline												
TANF												
Estimated Budget Authority	11,899	16,875	16,875	16,875	16,875	0	0	0	0	0	79,399	79,399
Estimated Outlays	9,323	15,969	17,253	16,886	16,875	3,038	55	0	0	0	76,306	79,399
Child Care												
Estimated Budget Authority	1,726	2,717	2,717	2,717	2,717	0	0	0	0	0	12,594	12,594
Estimated Outlays	1,163	2,365	2,680	2,718	2,717	761	163	27	0	0	11,643	12,594

NOTE: TANF = Temporary Assistance for Needy Families.

BASIS OF ESTIMATE

Most of the legislation's budgetary effects would stem from reducing spending for the child support enforcement program and stopping distribution of certain duties collected by the federal government. The legislation contains a number of other provisions that reduce or increase spending, resulting in a net decrease in direct spending of $100 million in 2006, $8.0 billion over the 2006-2010 period, and $21.2 billion over the 2006-2015 period.

Subtitle A: TANF

The legislation would reauthorize basic TANF grants through 2010 at the current funding level of $16.6 billion. By law, that amount is assumed to continue in CBO's current baseline; thus, enacting the legislation would not change basic TANF grants relative to that baseline. Subtitle A would alter the funding of some grants related to TANF and make several other changes to program rules and reporting requirements. CBO estimates that enacting subtitle A would increase direct spending by $237 million in 2006, by $926 million over the 2006-2010 period, and by $800 million over the 2006-2015 period, relative to CBO's baseline projections (see Table 2).

State Family Assistance Grants. Section 8102 would extend the state family assistance grant program through 2010 at the current funding level of $16.6 billion. The extension would provide nearly $80 billion in additional direct spending over the 2006-2010 period. 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 Deficit Control Act. Therefore, CBO estimates this provision would have no effect on direct spending over the 2006-2015 period, relative to the baseline projections. The TANF program and related grants were originally authorized through fiscal year 2002. They have been extended several times in subsequent legislation, most recently through December 31, 2005, by Public Law 109-68, which was enacted on September 21, 2005.

Healthy Marriage Promotion Grants. Section 8103 would eliminate a grant program that rewards states for reducing out-of-wedlock birth rates, but would create a new grant program to promote healthy marriages. CBO projects $1 billion in funding ($100 million annually over the 2006-2015 period) under current law for the existing grant program, in accordance with the Deficit Control Act. We estimate that eliminating this program would reduce outlays by $381 million over the 2007-2010 period, relative to CBO's baseline projections. The reduction in outlays would begin in 2007 because the grants are awarded in the last days of a fiscal year. CBO expects the reduced funding would cause states to decrease TANF benefits for families that also receive food stamps. As a result, the Food Stamp payment to those families would rise, and the cost of Food Stamp benefits would grow by an estimated $4 million over the 2007-2010 period.

TABLE 2. DIRECT SPENDING EFFECTS OF SUBTITLE A: TANF

	By Fiscal Year, in Millions of Dollars											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010	2006-2015
Eliminate Grants for Reducing Out-of-Wedlock Births [a]												
Estimated Budget Authority	-100	-99	-99	-99	-99	-99	-99	-99	-99	-99	-496	-991
Estimated Outlays	0	-56	-118	-104	-99	-99	-99	-99	-99	-99	-377	-872
Establish Healthy Marriage Promotion Grant												
Budget Authority	100	100	100	100	100	100	100	100	100	100	500	1,000
Estimated Outlays	1	28	74	124	122	111	100	100	100	100	349	860
Continue Supplemental Grants through 2009 [a]												
Estimated Budget Authority	222	315	315	315	-1	0	0	0	0	0	1,166	1,166
Estimated Outlays	182	292	320	315	56	1	0	0	0	0	1,165	1,166
Eliminate High-Performance Bonus [a]												
Estimated Budget Authority	-200	-199	-197	-197	-198	-198	-198	-198	-198	-198	-991	-1,981
Estimated Outlays	0	-114	-235	-208	-198	-198	-198	-198	-198	-198	-755	-1,745
Modify Contingency Fund [a]												
Estimated Budget Authority	0	0	17	26	40	46	51	51	53	60	83	344
Estimated Outlays	0	0	17	26	40	46	51	51	53	60	83	344
Increase Transfer Authority to SSBG												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	44	14	-47	-11	0	0	0	0	0	0	0	0
Establish Secretary's Fund for Research, Demonstration, and National Studies												
Budget Authority	102	102	102	102	102	102	102	102	102	102	510	1,020
Estimated Outlays	10	61	110	117	111	103	102	102	102	102	409	920
Extend Funding of Studies and Demonstrations												
Budget Authority	11	15	15	15	15	15	15	15	15	15	71	146
Estimated Outlays	*	9	13	15	15	15	15	15	15	15	52	127
Total Changes in Subtitle A												
Estimated Budget Authority	135	234	253	262	-41	-34	-29	-29	-27	-20	843	704
Estimated Outlays	237	234	134	274	47	-21	-29	-29	-27	-20	926	800

NOTES: TANF = Temporary Assistance for Needy Families, SSBG = Social Services Block Grant

* = Costs or savings of less than $500,000.

a. Estimate includes effects on spending in the Food Stamp program.

Section 8103 would establish a new competitive grant to states and Indian tribes for developing and implementing programs to promote and support marriage. The legislation would appropriate $100 million annually for grants that could be used for a variety of activities, including public advertising campaigns, education and training programs on topics related to marriage, marriage-mentoring programs, and programs to reduce disincentives to marriage in means-tested programs. The grants could be used to cover up to 50 percent of the cost of the new programs. Estimated outlays would total $1 million in 2006 and $349 million over the 2006-2015 period.

Supplemental Grants. Section 8104 would provide $319 million annually for supplemental grants for population increases over the 2006-2009 period. (It provides only $223 million in 2006; Public Law 109-68 already provided $96 million for the first quarter of 2006). These grants are awarded to states that have lower-than-average TANF grants per poor person or rapidly increasing populations. Current law specifies that supplemental grants should not be assumed to continue in baseline projections after December 31, 2005, overriding the continuation rules specified in section 257 of the Deficit Control Act.

CBO estimates that states would spend $1.2 billion from this new funding over the 2006-2010 period. We expect that some of the additional funding would be used to increase benefits to families that also receive food stamps. As a result, the Food Stamp payment to those families would fall and the cost of Food Stamp benefits would decline by an estimated $15 million over the 2006-2010 period.

Bonuses for High-Performing States. Section 8105 would eliminate funding for bonuses to high-performing states. Those bonuses reward states for moving TANF recipients into jobs, providing support for low-income working families, and increasing the percentage of children who reside in married-couple families. This change would reduce funding by $1 billion ($200 million a year) over the 2006-2010 period relative to CBO's baseline projections. Because the bonuses are usually granted in the last days of a fiscal year, TANF spending would fall by only $764 million over the five-year period. CBO expects the reduced TANF funding would cause states to decrease benefits to families that also receive food stamps. As a result, the Food Stamp payment to those families would rise and the cost of Food Stamp benefits would grow, by an estimated $9 million over the five-year period.

Contingency Fund. Section 8106 would extend and amend the Contingency Fund for State Welfare Programs. Under current law, the contingency fund provides additional federal funds to states with high and increasing unemployment rates or significant growth in Food Stamp participation. To be eligible, states are required to maintain their TANF spending at 100 percent of their 1994 levels and to match federal payments. CBO estimates that states will draw federal funds totaling between $30 million and $40 million annually under current law.

Starting in fiscal year 2008, the legislation would count more state spending toward the requirement that states match federal payments and increase the federal match for states that qualify for funds for only part of the year. It would make small changes to rules governing eligibility for this funding. Based on CBO's projections of unemployment rates, Food Stamp participation, and state TANF spending, CBO estimates that states would qualify for $83 million more from the contingency fund over the 2008-2010 period.

Social Services Block Grant (SSBG). Section 8107 would allow states to continue to transfer up to 10 percent of TANF funds to the SSBG program. Reflecting provisions in current law, that percentage was assumed to fall to 4.25 percent after December 31, 2005, in CBO’s baseline projections.

Maintaining the transfer authority at the higher level would make it easier for states to spend their TANF grants and would accelerate spending relative to baseline. Based on recent state transfers, CBO expects that states would transfer an additional $215 million in 2006 and $340 million annually thereafter under this provision, but because some of this money would have been spent within the TANF program anyway, only $44 million of additional spending would occur in 2006 and $14 million in 2007. Because states would have found alternate ways to spend the funds in later years, the increase in spending in 2006 and 2007 would be offset by decreased spending in subsequent years. Thus, this provision would have no net impact on TANF spending over the 2006-2010 period.

Work Participation Requirements. Section 8110 would require states to have an increasing percentage of TANF recipients participate in work activities while receiving cash assistance. It would maintain current penalties for the failure to meet those requirements. Those penalties can total up to 5 percent of the TANF block grant amount for the first failure to meet work requirements and increase with each subsequent failure. CBO estimates that any penalties for failing to meet the new requirements would total less than $500,000 annually.

Research, Evaluation, and National Studies. Section 8115 would make funds available to the Secretary of Health and Human Services to conduct and support research and demonstration projects and provide technical assistance, primarily on the promotion of marriage. The program would be funded at $102 million annually. Implementing the provision would boost spending by $10 million in 2006 and $409 million over the 2006-2010 period.

Section 8115 also would continue annual grants of $15 million for research. (Public Law 109-68 already provided $4 million for the first quarter of 2006; this legislation would provide an additional $11 million for 2006.) Based on recent spending patterns, CBO estimates that this provision would increase outlays by $52 million over the 2006-2010 period.

Subtitle B: Child Care

The child care entitlement to states provides funding to states for child care subsidies to low-income families and for other activities. Subtitle B would extend the grant program through 2010 and raise funding by $50 million in 2007, $100 million in 2008, $150 million in 2009, and $200 million in 2010, providing total funding of $13.1 billion over the 2006-2010 period. CBO already assumes funding of $12.6 billion in its baseline in accordance with the Deficit Control Act. CBO estimates that, as a result of the funding increase, outlays would rise by $434 million over the 2007-2010 period and by $1.4 billion over the 2007-2015 period, relative to its baseline projections.

Subtitle C: Child Support

The legislation would change many aspects of the operation and financing of the child support program. It would significantly reduce the federal share of child support administrative spending and require states to assess fees on certain recipients of child support services. It would allow states to share more child support collections with current and former recipients of TANF, thereby reducing the amount the federal and state governments would recoup from previous TANF benefit payments. Finally, it would require states to periodically update child support orders and expand the use of certain enforcement tools. Overall, CBO estimates that enacting subtitle C would increase direct spending by $4 million in 2006, but reduce direct spending by $4.9 billion over the 2006-2010 period and by $15.3 billion over the 2006-2015 period (see Table 3).

Distribute More Collections to Current TANF Recipients. When a family applies for TANF, it assigns to the state any rights the family has to child support collections. While the family receives assistance, the state uses any collections it receives to reimburse itself and the federal government for TANF payments. (The federal government's share of child support collections is 55 percent, on average.) Those reimbursements to the federal government are recorded as offsetting receipts (a credit against direct spending). States may choose to give some of the child support collected to families, but states must finance those payments out of their share of collections.

TABLE 3. DIRECT SPENDING EFFECTS OF SUBTITLE C: CHILD SUPPORT

	By Fiscal Year, in Millions of Dollars (Budget Authority and Outlays)											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010	2006-2015
Distribute More Collections to Current TANF Families												
Child Support Collections	0	0	0	18	24	25	25	26	27	27	42	172
Food Stamps	0	0	0	-8	-11	-11	-11	-11	-12	-12	-19	-76
Subtotal	0	0	0	10	13	14	14	15	15	15	23	96
Distribute More Collections to Former TANF Families												
Child Support Collections	0	0	0	107	146	149	153	156	159	163	253	1,033
Food Stamps	0	0	0	-10	-14	-14	-14	-15	-15	-15	-24	-97
Subtotal	0	0	0	97	132	135	139	141	144	148	229	936
Require Triennial Update of Child Support Orders												
Administrative Costs	0	0	15	15	12	12	13	13	13	13	42	106
Child Support Collections	0	0	-5	-14	-20	-20	-19	-19	-19	-20	-39	-136
Food Stamps	0	0	-1	-2	-2	-2	-2	-2	-3	-3	-5	-17
Medicaid	0	0	-2	-6	-10	-10	-8	-7	-7	-8	-18	-58
Subtotal	0	0	7	-7	-20	-20	-16	-15	-16	-18	-20	-105
Assess $25 Annual Fee												
Administrative Costs	0	-40	-43	-44	-45	-46	-46	-47	-47	-47	-172	-405
Reduce threshold for passport denial to $2,500												
Child Support Collections	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-9
Funding for Technical Assistance												
Children’s Research	2	2	1	0	-1	-2	-3	-4	-5	-6	4	-16
Match Databases of Insurance Claims												
Child Support Collections	0	0	-2	-4	-4	-4	-4	-4	-4	-4	-10	-30
Administrative Costs	2	2	0	0	0	0	0	0	0	0	4	4
Subtotal	2	2	-2	-4	-4	-4	-4	-4	-4	-4	-6	-26
Limit Assignment to On-Assistance Period												
Child Support Collections	0	0	0	4	5	5	6	6	6	6	9	38
Reduce Match Rate and Eliminate Incentive Match												
Administrative Costs	0	-432	-1,197	-1,619	-1,963	-2,050	-2,141	-2,238	-2,339	-2,444	-5,211	-16,423
Child Support Collections	0	31	84	112	130	131	134	136	138	141	357	1,037
Subtotal	0	-401	-1,113	-1,507	-1,833	-1,919	-2,007	-2,102	-2,201	-2,303	-4,854	-15,386

(Continued)

TABLE 3. CONTINUED

	By Fiscal Year, in Millions of Dollars (Budget Authority and Outlays)											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010	2006-2015
Effect of Matching Rate Change on Other Policies												
Administrative Costs	0	2	3	5	8	8	7	8	8	8	18	57
Child Support Collections	0	0	0	-63	-85	-87	-89	-91	-93	-95	-148	-603
Food Stamps	0	0	0	9	13	13	12	13	13	13	22	86
Subtotal	0	2	3	-49	-64	-66	-70	-70	-72	-74	-108	-460
Total Changes in Subtitle C	4	-436	-1,148	-1,501	-1,818	-1,904	-1,988	-2,081	-2,181	-2,284	-4,899	-15,337

NOTE: TANF = Temporary Assistance for Needy Families.

Section 8301 would allow states to increase the amount of child support collections that they pay to a family receiving assistance without turning over to the federal government its share of those payments, beginning in fiscal year 2009. The amount states could pay to families under the provision would be limited to $100 per month or $50 more than the state would have paid under the state law in effect in 2001, whichever is greater. The state could not count the child support as income in determining the families' benefits under the TANF program.

Based on information from state child-support officials, CBO estimates that federal share of collections would fall by $42 million over the 2009-2010 period. Because additional child support income in many cases would reduce the Food Stamp benefits a family receives, CBO estimates savings in the Food Stamp program totaling $19 million over that period.

Distribute More Past-Due Support to Former TANF Recipients. Section 8302 would allow states to share more child support collections with families who used to receive welfare benefits. When a family ceases to receive public assistance, states continue to enforce the family's child support order. All amounts of child support collected on time are sent directly to the family. However, both the government and the family have a claim on collections of past-due child support: the government claims the support owed for the period when the family was on assistance, up to the amount of the assistance paid, and the family claims the remainder. A complicated set of distribution rules determines which claim is paid first when a collection is made.

Section 8302 would give states the option to pay all collections to families who have left public assistance. CBO estimates that states with 20 percent of collections would implement the policy by 2010. Based on information from state child-support officials and policy experts, and on HHS data, CBO estimates that families would receive an additional $450 million over the 2009-2010 period and $1.9 billion over the 2009-2015 period as a result of these changes. CBO estimates that those increased distributions to families would reduce the federal share of collections by $253 million over the 2009-2010 period.

Some of the new collections would be paid to families that also receive food stamps. As a result, the Food Stamp payment to those families would fall and the cost of Food Stamp benefits would decline by an estimated $24 million over the 2009-2010 period.

Mandatory Three-Year Update of Child Support Orders. Section 8303 would require states to adjust child support orders of families on TANF every three years. States could use one of three methods to adjust orders: full review and adjustment, cost-of-living adjustment (COLA), or automated adjustment. Under current law, nearly half of the states perform periodic adjustments. Most perform a full review, and the remainder apply a COLA. No state currently makes automated adjustments. The provision would take effect on October 1, 2007, and CBO estimates that it would reduce direct spending by $20 million over the 2008-2010 period. Although it would require additional spending for administrative costs, this provision would produce more income from child support collections and reduce spending for the Food Stamp and Medicaid programs.

CBO estimates that there are 700,000 TANF recipients with child support orders in states that do not periodically adjust orders and that one-third of those orders would be adjusted each year. We assume that half of the states not already adjusting orders would choose to perform full reviews and half would apply a COLA.

When a state performs a full review of a child support order, it obtains current financial information from the custodial and noncustodial parents and determines whether any adjustment in the amount of ordered child support is indicated. The state also may revise an order to require the noncustodial parent to provide health insurance. Children who receive TANF benefits are generally eligible for Medicaid, so any new health insurance requirements would reduce spending for that program. When a state makes a cost-of-living adjustment, it applies a percentage increase reflecting the rise in the cost of living to every order, regardless of how the financial circumstances of the individuals may have changed. When there are COLA adjustments, no additional health insurance coverage is required.

CBO expects any increased collections for a family would continue for up to three years. While a family remains on TANF, the state would keep all the increased collections to reimburse itself and the federal government for welfare payments. The states would pay any increased collections stemming from reviews of child support orders to families once they leave assistance. That additional child support income for former recipients would result in savings in the Food Stamp program. Overall, CBO expects the federal share of administrative costs for child support to rise by $42 million and federal collections to increase by $39 million over the 2008-2010 period. Food Stamps and Medicaid savings would total $5 million and $18 million, respectively, over that period.

Annual Fee. Section 8304 would require states to impose an annual fee of $25 on each family that never received TANF benefits and for which the child support program collects at least $500 in a year. Based on child support administrative data, CBO estimates that implementing the fee would raise $265 million over the 2007-2010 period. The money would be split between the federal and state governments based on their shares of administrative costs.

Denial of Passports. Under current law, the State Department denies a request for a passport for a noncustodial parent if he or she owes more than $5,000 in past-due child support. Beginning in fiscal year 2007, section 8306 would lower that threshold and deny a passport to a noncustodial parent owing $2,500 or more. Generally, when a noncustodial parent seeks to restore eligibility for a passport, he or she will arrange to pay the past-due amount down to the threshold level.

Based on information from the State Department, CBO estimates the policy would result in new payments of child support of about $11 million annually. We assume the same share of those payments would be on behalf of current and former welfare families as in the overall program—10 percent—and that percentage would be retained by the federal and state governments as reimbursement for welfare benefits. The federal share of such collections would be about $1 million a year.

Maintenance of Technical Assistance and Federal Parent-Locator Service Funding. Current law allows the Secretary of Health and Human Services to use 3 percent of the federal share of child support collections to fund technical assistance efforts and to operate the federal parent-locator service. Sections 8309 and 8310 would set a minimum funding level for those purposes equal to the 2002 level of $37 million. Because CBO projects that such payments will fall below $37 million in each year from 2006 to 2008 under the current formula, this provision would increase payments by $5 million over that period.

Several provisions of subtitle C would affect the amount of child support collections the federal government retains. Provisions reducing funding for the administration of the child support program and allowing states to share more of collections with families would lower the federal share of collections. New enforcement mechanisms would boost the federal share. The net effect of all the provisions of subtitle C would be to lower the federal share of collections by an increasing amount each year. Because funding for technical assistance is set at a percentage of collections, CBO estimates that implementing subtitle C of the bill would lower funding for technical assistance by $1 million in 2010 and $21 million over the 2010-2015 period.

Comparison with Insurance Data. Section 8311 would authorize the Secretary to compare information on noncustodial parents who owe past-due child support with information maintained by insurers concerning insurance payments and to furnish any information resulting from the match to state agencies to pursue payments to pay overdue child support. States representing about one-third of child support collections currently participate in an existing system operated by the Child Support Lien Network that performs a similar function. CBO expects that, eventually, even without federal intervention, about half of the states would participate. Under the proposal, CBO expects all states would participate by 2009. Based on data for the existing program, CBO expects that collections would increase by $15 million annually when fully phased in and that half of those collections would be on behalf of current or former TANF families. The federal share of collections would be $10 million over the 2008-2010 period. CBO estimates that implementing the program would raise administrative costs by about $3 million in each of the years 2006 and 2007. The federal share of those costs would total $4 million over the two years.

Modification of Rule Requiring Assignment of Support Rights. Under current law, families assign to the state the right to any child support payments due before and during the period the families receive assistance. Section 8316 would give states the option to eliminate the requirement that families assign support due in the period before they receive assistance. CBO estimates that families would receive about $10 million more annually under the provision, in addition to amounts distributed to families under sections 8301 and 8302. CBO estimates that those increased distributions to families would reduce the federal share of collections by $9 million over the 2009-2010 period.

Reduction in Rate of Reimbursement. Sections 8319 and 8320 would lower the federal share of administrative spending for child support. In fiscal year 2004, expenditures in the child support program totaled $5.3 billion; the federal government paid $3.5 billion and states paid $1.8 billion. Under current law, CBO expects total spending to grow to $6.6 billion by 2010.

Section 8319 would gradually lower the federal match on child support spending from 66 percent under current law to 62 percent in 2007, 58 percent in 2008, 54 percent in 2009, and 50 percent in 2010. Section 8320 would further reduce the federal contribution toward child support spending. Each year, the Secretary of Health and Human Services awards incentive funds to high-performing states. Such payments totaled $450 million in 2004 and are expected to grow to $505 million by 2010. States are required to spend their incentive payments on child support activities. In 2008, the legislation would eliminate the federal match on child support spending that states finance with incentive payments.

If states did not adjust their own spending for the child support program in response to the policies, total funding for the program would fall by 40 percent in 2010, the year that the policies are fully phased in. CBO expects that states would instead lessen the effect of the policies on total program spending by increasing state spending. That increased state spending would avoid half of the reduction in total spending that would occur if states were to make no change. CBO estimates that the federal share of administrative costs for child support would fall by $5.2 billion over the 2007-2010 period.

Child support funding is used to establish and enforce child support orders and collect money owed to families. CBO estimates that lower spending on the child support program would lead to lower collections. The estimate assumes that the percentage decline in collections would equal half the percentage decline in total administrative spending. On that basis, CBO estimates that the federal share of collections would drop by $357 million over the 2007-2010 period because of reduced spending in the child support program.

It is also possible that states would not meet required performance standards as a result of the reduced investment in the child support program. States are subject to penalties for failure to meet various performance standards, including standards for paternity establishment and data reliability. Penalties equal 1 percent of the TANF block grant amount for the first failure to meet the standards and can increase up to 5 percent of the grant with subsequent failures. CBO cannot estimate the likely amount of such penalties under this legislation.

Effect of Match Rate Change on Other Policies. Enacting these policies would also affect the costs and savings of other provisions of subtitle C. Specifically, they would change the budget effects of the proposals to require periodic review and adjustment, assess a $25 fee for certain child support cases, and distribute more collections to current and former TANF families. The provisions would lower the net cost of those provisions by $108 million over the 2007-2010 period and by $460 million over the 2007-2015 period.

Subtitle D: Child Welfare

Subtitle D would reduce limitations on child welfare waivers, clarify eligibility for foster care and adoption assistance, and place limits on federal matching funds for certain administrative costs for foster care. CBO estimates that enacting this subtitle would reduce expenditures for child welfare by $80 million in fiscal year 2006, by $577 million over the 2006-2010 period, and by $1.3 billion from 2006 through 2015 (see Table 4).

TABLE 4. DIRECT SPENDING EFFECTS OF SUBTITLE D: CHILD WELFARE

	By Fiscal Year, in Millions of Dollars											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010	2006-2015
Clarify Eligibility for Foster Care and Adoption Assistance												
Estimated Budget Authority	-62	-84	-86	-88	-90	-92	-95	-97	-99	-102	-410	-895
Estimated Outlays	-54	-80	-85	-88	-90	-90	-94	-97	-99	-102	-397	-879
Limit Federal Matching Funds for Certain Administrative Costs for Foster Care												
Estimated Budget Authority	-26	-36	-38	-39	-41	-43	-44	-46	-48	-50	-180	-411
Estimated Outlays	-26	-36	-38	-39	-41	-43	-44	-46	-48	-50	-180	-411
Total Changes in Subtitle D												
Estimated Budget Authority	-88	-120	-124	-127	-131	-135	-139	-143	-147	-152	-590	-1,306
Estimated Outlays	-80	-116	-123	-127	-131	-133	-138	-143	-147	-152	-577	-1,290

Child Welfare Waivers. Subtitle D would extend through 2010 the authority that states have to operate demonstration projects involving child welfare programs. In addition, the subtitle would eliminate certain limitations on the number of waivers that may be granted on the same topic, and on the number of waivers that may be granted within a single state. Those demonstration projects are required to be cost-neutral to the federal government. However, it is possible that demonstrations would lead to increased costs to the federal government because of measurement or methodological errors in the cost-neutrality calculation. CBO cannot estimate the likely amount of such costs.

Clarification of Eligibility. Subtitle D would reduce claims for federal foster care and adoption assistance payments in the states located within the 9th Circuit by clarifying the "home of removal" requirement. Under a ruling by the 9th Circuit Court of Appeals, states within that circuit (Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, and Washington) have broader latitude in determining eligibility when a child has lived with a relative outside the home from which he or she was removed by the court. Based on estimates from HHS of the number of children who are likely to be affected, CBO estimates that enacting this provision would reduce payments to about 4,000 children each month, on average, reducing federal spending on child welfare by $54 million in 2006, by $397 million over the 2006-2010 period, and by $879 million over the 2006-2015 period.

Limitation of Matching Funds for Administrative Costs. Subtitle D would reduce states' claims for administrative expenses in cases when a child is placed in an ineligible home. Under current practice, some states claim administrative expenses for placements that are not licensed and eligible for the federal match. This provision would limit those claims to the average time it takes for the state to license or approve a home as a foster home, but no longer than 12 months. Based on information from HHS, CBO estimates that this provision would reduce federal spending on foster care administration by $26 million in fiscal year 2006, $180 million from 2006 through 2010, and $411 million from 2006 through 2015.

Subtitle E: Supplemental Security Income

Subtitle E would make two changes to the Supplemental Security Income program. It would require that a portion of adult disability determinations receive an extra layer of review before benefits are awarded. It would also require the Social Security Administration to pay more SSI awards in installments rather than as a single lump sum. Together, these proposals would reduce direct spending by $261 million in 2006, by $732 million over the 2006-2010 period, and by $2.1 billion over the 2006-2015 period (see Table 5).

Pre-effectuation Reviews. Section 8501 would require SSA to conduct reviews of initial decisions to award SSI benefits to certain disabled adults. The legislation would direct the agency to review at least 20 percent of all favorable adult-disability determinations made by state-level Disability Determination Service (DDS) offices in 2006. That fraction would rise to 40 percent in 2007 and to 50 percent thereafter.

CBO anticipates that state DDS offices will approve between 370,000 and 400,000 adult disability applications for SSI benefits annually between 2006 and 2015. Based on recent data for similar reviews in the Social Security Disability Insurance program, CBO projects that by 2015, more than 20,000 DDS awards would be overturned as a result of this provision, resulting in lower outlays for SSI and Medicaid. (In most states, SSI eligibility automatically confers entitlement to Medicaid benefits.) CBO estimates that this change would trim SSI benefits by $2 million and federal Medicaid outlays by $4 million in 2006. Over the 2006-2010 period, CBO estimates the provision would reduce SSI outlays by $99 million and Medicaid spending by $208 million.

Retroactive Benefits. Section 8502 would require installment payment of more past-due benefits in the SSI program. Past-due benefits occur chiefly because of the time necessary to consider disability applications. Those processing times typically take three-to-five months at the DDS level—much longer on appeal—so that a successful claimant is usually entitled to a large retroactive check.

TABLE 5. DIRECT SPENDING EFFECTS OF SUBTITLE E: SUPPLEMENTAL SECURITY INCOME

	By Fiscal Year, in Millions of Dollars (Budget Authority and Outlays)											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010	2006-2015
Require Pre-effectuation Reviews												
SSI	-2	-8	-19	-30	-40	-54	-54	-68	-77	-85	-99	-437
Medicaid	-4	-17	-38	-62	-87	-115	-142	-172	-204	-238	-208	-1,079
Subtotal	-6	-25	-57	-92	-127	-169	-196	-240	-281	-323	-307	-1,516
Pay More Retroactive Benefits in Installments												
SSI	-255	-110	-20	-20	-20	-20	-20	-25	-25	-25	-425	-540
Total Changes in Subtitle E	-261	-135	-77	-112	-147	-189	-216	-265	-306	-348	-732	-2,056

NOTE: SSI = Supplemental Security Income.

Under current law, SSA divides such retroactive benefits into up to three installments (paid at six-month intervals) when they total more than 12 times the maximum monthly SSI benefit. That maximum will be $603 per month in 2006, so the current rule affects cases in which the initial amount exceeds $7,236. The legislation would tighten that rule to require installments whenever the retroactive benefit exceeds three times the monthly maximum, or $1,809 in 2006. As under current law, people with terminal illnesses or overdue debts for food, clothing, shelter, or medical care would be exempt from the installment requirement, and so would amounts owed to states under SSI's "interim assistance reimbursement" program.

The provision would take effect three months after enactment. It would not affect total amounts paid to disabled claimants, but would stretch them out over a longer period. Based on the volume of SSI awards and their processing times, CBO estimates that the provision would reduce benefit outlays by $255 million in 2006 and $110 million in 2007. After that, savings would decline to $20 million to $25 million annually. Over the 2006-2010 period, total savings would be $425 million.

Both provisions would increase SSA's administrative costs, which are subject to annual appropriation. The proposal to perform more pre-effectuation reviews of disabled-adult awards would increase the number of reviews by about 50,000 in 2006 and by about 135,000 each year when fully effective. Based on SSA's costs for performing similar reviews in the Disability Insurance program, CBO estimates the provision would cost the agency about $8 million in 2006 and $63 million over the 2006-2010 period. Paying more retroactive benefits in installments would cost SSA an estimated $6 million in 2006 and $30 million over the 2006-2010 period. (These costs are included in "changes in spending subject to appropriation" in Table 1.)

Subtitle G: Repeal of Continued Dumping and Subsidy Offset

Antidumping and countervailing duty laws provide for the assessment of duties on imports that cause an injury to competing domestic industries. Antidumping duties are imposed on imports that are thought to be priced too low, and countervailing duties are imposed on imports that are thought to be subsidized by foreign governments. The Continued Dumping and Subsidy Offset Act of 2000 (CDOSA) requires that antidumping and countervailing duties collected by the federal government be distributed to the domestic producers affected by imported goods. The collection of duties is recorded in the federal budget as revenues, and the distribution of the duties is recorded as federal spending.

Based on historical experience with antidumping and countervailing duties, CBO estimates that under current law, CDSOA distributions will total about $300 million a year. In addition to those amounts, we estimate distributions of about $2 billion between 2007 and 2008 from duties on Canadian softwood lumber. This amount is CBO's estimate of the expected value of distributions under the Canadian softwood lumber case. Total collections of duties under the lumber case to date are estimated at about $4 billion. Final determination of the amount of these duties is currently in litigation, and the timing of any distribution is unknown. Thus, our estimate reflects equal chances that the full $4 billion will be distributed and that no duties from the softwood lumber case will be distributed to U.S. companies under CDSOA.

The reconciliation legislation would repeal the CDSOA, stopping the distribution of duties to the affected domestic industries. CBO estimates that repealing the CDSOA would reduce direct spending by $3.2 billion over the 2007-2010 period and by $4.7 billion over the 2006-2015 period. Enacting the legislation would not affect direct spending in fiscal year 2006 because distribution of duties for this year will likely occur before the legislation is enacted (based on an assumed enactment of late December). Antidumping and countervailing duties would still be collected; therefore, enacting the legislation would not affect federal revenues.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

Mandates

Generally, conditions of federal assistance are not defined as intergovernmental mandates in UMRA. However, UMRA makes special provisions for identifying intergovernmental mandates in large entitlement grant programs (those that provide more than $500 million annually to state, local, or tribal governments), including TANF, Medicaid, and child support enforcement. Specifically, if a legislative proposal would increase the stringency of conditions of assistance, or cap or decrease the amount of federal funding for the program, such a change would be considered an intergovernmental mandate if state, local, or tribal governments lack the authority to offset added costs by adjusting their financial or programmatic responsibilities. The TANF and Medicaid programs allow states significant flexibility to alter their programs and accommodate new requirements. However, the child support enforcement program is narrower in scope, and its primary goal is to collect and redistribute child support payments. This narrower focus does not afford states as much flexibility as other large entitlement programs, so significant reductions in funding for the child support program could be intergovernmental mandates as defined in UMRA.

Therefore, CBO concludes that this legislation would impose an intergovernmental mandate as defined in UMRA by decreasing the federal government's responsibility to provide funding to states to administer the child support program. The legislation would reduce the federal matching rate for administrative costs from 66 percent to 50 percent over a four-year period, and it would eliminate federal matching funds for administrative expenses associated with incentive payments to states. As a result of this reduction in federal assistance, states would have to significantly increase their spending in order to administer the program. CBO estimates that additional state spending would exceed the threshold established in UMRA ($62 million in 2005, adjusted annually for inflation).

Other Impacts

The legislation would have a number of other impacts on state, local, and tribal governments—some of which would benefit those governments through additional assistance or broader flexibility in programs, and others would result in reductions in federal aid and additional requirements.

The legislation would provide significant assistance to state and local governments. It would provide over $80 billion to states over the 2006-2010 period for family assistance and supplemental grants. The legislation also would provide over $12 billion to states for the 2006-2010 period for child care programs, an increase over current law of about $500 million. The legislation also would extend a number of demonstration programs, expand waivers in some grant programs, and authorize funding for fatherhood programs.

Some new requirements in the legislation would result in additional revenues or savings for states. The legislation would require mandatory reviews of child support cases every three years—a requirement that CBO estimates would result in net savings to states of about $24 million over the 2006-2010 period. States also would lose the option to charge lower fees for some participants in the child support program. However, the higher fees are estimated to result in an additional $90 million in reimbursements for administrative expenses over the 2006-2010 period.

Finally, the legislation also would tighten some requirements in public assistance programs and establish new responsibilities for states. It would increase minimum work participation rates in the TANF program, likely prompting states and tribes to redirect some of their resources toward administrative support, child care, and worker supervision. The legislation also would require states to implement an ongoing drug testing program for applicants in the family assistance program. This and other requirements for data collection, reporting, and performance evaluation also would require states to reallocate some of their resources.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The legislation contains no private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On March 25, 2005, CBO transmitted a cost estimate for S. 667, the Personal Responsibility and Individual Development for Everyone Act (PRIDE), as reported by the Senate Committee on Finance on March 17, 2005. CBO estimated that S. 667 would increase direct spending by $10.8 billion and revenues by $600 million over the 2005-2010 period. The differences in the estimates reflect differences between the two pieces of legislation.

Both would reauthorize the TANF and child care programs and make changes to the child support enforcement, SSI, and foster care programs. However, this legislation includes many policies not in the Senate bill, such as reducing funding for child support administration and ending distribution of antidumping and countervailing duties under CDSOA. The Senate bill included policies not in this legislation, such as changes to the eligibility rules relating to the earned income tax credit and an extension of the requirements that states provide transitional medical assistance. The Senate bill also provided $5.5 billion more in additional mandatory child care funding over the 2006-2010 period.

ESTIMATE PREPARED BY:

Federal Costs:
Sheila Dacey—TANF, Child Support, and Child Care
Christina Hawley Sadoti—Child Welfare
Kathy Ruffing—Supplemental Security Income
Jeanne De Sa and Eric Rollins—Medicaid and SCHIP
Melissa Petersen—Commerce
Impact on State, Local, and Tribal Governments: Leo Lex
Impact on the Private Sector: Molly Dahl

ESTIMATE APPROVED BY:

Robert A. Sunshine
Assistant Director for Budget Analysis