CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 25, 2005

S. 667
Personal Responsibility and Individual Development for Everyone Act

As reported by the Senate Committee on Finance on March 17, 2005

SUMMARY

S. 667, the Personal Responsibility and Individual Development for Everyone (PRIDE) Act would:

- Reauthorize the Temporary Assistance for Needy Families (TANF) program at current funding levels (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 and the Social Services Block Grant (SSBG), and continue funding abstinence education programs at $50 million annually;

- Make several changes to eligibility rules relating to the earned income credit and various child-related tax benefits.

- Make several changes to the child support enforcement program, including allowing the distribution to families of more collections from child support payments;

- Increase funding for the foster care program for Puerto Rico and for Indian tribes;

- 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 extend the eligibility of certain refugees for benefits in the SSI program; and

- Extend by five years the requirement that state Medicaid programs provide transitional medical assistance (TMA) to certain Medicaid beneficiaries and allow states to simplify aspects of TMA administration.

S. 667 would extend the TANF and child care programs through 2010. Those programs are scheduled to expire on June 30, 2005. Continuing the programs at their current funding levels would provide $88 billion for TANF and $14 billion for child care over the 2005-2010 period. However, CBO already assumes that level of funding in its baseline for those programs, as specified in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act). Therefore the bill's extension of those programs would have no cost relative to CBO's baseline.

CBO estimates that other provisions of S. 667 would increase direct spending by $45 million in 2005, by $10.8 billion over the 2005-2010 period, and by $11.5 billion over the 2005-2015 period, relative to CBO's baseline projections. It also would increase revenues by $606 million over the 2005-2010 period and by $1.2 billion over the 2005-2015 period.

S. 667 also would authorize appropriations for new grant programs and for the administration of new functions in the SSI program. CBO estimates that appropriation of the authorized levels would result in outlays of $41 million in 2006, $1.2 billion over the 2006-2010 period, and $1.7 billion over the 2006-2015 period.

S. 667 would impose intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) by preempting state laws and by reducing the amount of child support collections that states could retain. The preemptions would impose no significant costs on state governments. The reduction in the amount of child support collections that states retain would be a mandate, and its cost would depend on the degree to which states could alter responsibilities within their child support enforcement programs to make up for that reduction. In total, states would face costs ranging from $50 million to $60 million per year from 2010 through 2015. The increased costs from all mandates in the bill would be below the threshold established in UMRA ($62 million in 2005, adjusted annually for inflation).

Other provisions of the bill would significantly affect the way states administer their TANF and Medicaid programs, but because of the flexibility in those programs, the new requirements would not be intergovernmental mandates as defined in UMRA. In general, state, local, and tribal governments would benefit from the continuation of existing TANF grants, the creation of new grant programs, and broader flexibility and options in some areas.

The bill contains a private-sector mandate as defined in UMRA. Section 321 would require the administrator of a group health plan to notify a state child support enforcement agency under certain circumstances when a child loses health care coverage. The cost of this mandate would not exceed the threshold established by UMRA ($123 million in 2005, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 667 is shown in Table 1. For this estimate, CBO assumes that it will be enacted in fiscal year 2005. The costs of this legislation fall within budget functions 500 (education, training, employment, and social services), 550 (health), and 600 (income security).

BASIS OF ESTIMATE

Most of PRIDE's budgetary effects would stem from new direct spending. A portion of the new spending would be offset by savings, resulting in a net increase in direct spending of about $11.5 billion over the 2005-2015 period. The bill also would reduce federal revenues by an estimated $1.2 billion and increase discretionary spending by $1.7 billion over that period, assuming appropriation of the authorized amounts.

S. 667 would extend the authorization for several programs, including the TANF and child care programs, through 2010. The Deficit Control Act directs CBO, in constructing its baseline projections, to assume that such programs continue beyond their final year of authorization. In accordance, we assume that the TANF and child care programs and several provisions of the TANF program (such as healthy marriage grants, the contingency fund, and various research grants) continue beyond 2010. The legislation specifies that two provisions, supplemental grants for TANF and child care, should not be assumed to continue in the baseline after their final year of authorization, overriding the Deficit Control Act.

Direct Spending and Revenues

Title I: TANF. S. 667 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 S. 667 would not change basic TANF grants relative to that baseline. 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 June 30, 2005, by H.R. 1160, which cleared the Congress on March 15, 2005.

Title I would alter the funding of some grants related to TANF and make several other changes to program rules and reporting requirements. That title would also increase funding for the child care and SSBG programs and would alter eligibility rules relating to the earned income credit and various child-related tax benefits. CBO estimates that enacting title I would decrease direct spending by $5 million in 2005 and increase direct spending by $5.1 billion over the 2005-2015 period, relative to CBO's baseline projections. In addition, title I would increase revenues by $1.2 billion over that period (see Table 2).

TABLE 1. ESTIMATED COSTS OF S. 667, THE PERSONAL RESPONSIBILITY AND INDIVIDUAL DEVELOPMENT FOR EVERYONE ACT

	By Fiscal Year, in Millions of Dollars											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-2015
CHANGES IN DIRECT SPENDING												
Increase Funding for Child Care												
Budget Authority	0	900	1,000	1,200	1,300	1,600	200	200	200	200	200	7,000
Estimated Outlays	0	494	917	1,198	1,341	1,496	569	280	215	200	200	6,910
Modify Tax Credits												
Estimated Budget Authority	-5	-97	-563	-541	-530	-517	-470	-415	-424	-432	-451	-4,445
Estimated Outlays	-5	-97	-563	-541	-530	-517	-470	-415	-424	-432	-451	-4,445
Extend and Simplify Transitional Medicaid												
Estimated Budget Authority	0	433	791	906	1,015	1,120	757	41	-2	-13	-2	5,046
Estimated Outlays	0	422	774	898	1,012	1,116	756	42	3	13	3	5,039
Other Changes to Direct Spending												
Estimated Budget Authority	-15	808	760	803	751	475	141	125	82	50	10	3,992
Estimated Outlays	50	593	624	807	762	564	262	144	83	49	10	3,946
Total Direct Spending												
Estimated Budget Authority	-20	2,044	1,988	2,368	2,536	2,678	628	-49	-144	-195	-243	11,593
Estimated Outlays	45	1,412	1,752	2,362	2,585	2,659	1,117	51	-124	-170	-238	11,450
CHANGES IN REVENUES												
Estimated Revenues	1	32	146	144	142	141	162	107	111	111	120	1,217
NET CHANGES IN DIRECT SPENDING AND REVENUES (EFFECT ON DEFICITS)												
Estimated Increase or Decrease (-) in Deficit	44	1,380	1,606	2,218	2,443	2,518	955	-57	-235	-281	-358	10,233
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Additional Spending Subject to Appropriations												
Estimated Authorization Level	0	329	332	335	336	336	16	16	17	17	18	1,752
Estimated Outlays	0	41	205	361	338	288	296	155	30	17	18	1,749
Memorandum: Changes in Direct Spending from Program Extensions in S. 667 That Are Already Assumed in CBO's Baseline												
TANF												
Estimated Budget Authority	3,588	16,870	16,875	16,875	16,875	16,875	0	0	0	0	0	87,958
Estimated Outlays	2,230	14,530	16,930	17,300	17,000	16,875	3,038	55	0	0	0	87,958
Child Care												
Estimated Budget Authority	398	2,717	2,717	2,717	2,717	2,717	0	0	0	0	0	13,983
Estimated Outlays	287	2,044	2,574	2,694	2,717	2,717	761	163	26	0	0	13,983

NOTES: Components may not sum to totals because of rounding. TANF = Temporary Assistance for Needy Families.

State Family Assistance Grant. Section 102 would extend the state family assistance grant program through 2010 at the current funding level of $16.6 billion. The extension would provide more than $80 billion in additional direct spending over the 2006-2010 period. As noted above, 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.

TABLE 2. DIRECT SPENDING EFFECTS OF TITLE I: TANF

	By Fiscal Year, in Millions of Dollars											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-2015
Eliminate Out-of-Wedlock Bonus												
TANF												
Estimated Budget Authority	0	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-1,000
Estimated Outlays	0	0	-57	-119	-105	-100	-100	-100	-100	-100	-100	-881
Food Stamps												
Estimated Budget Authority	0	0	1	1	1	1	1	1	1	1	1	9
Estimated Outlays	0	0	1	1	1	1	1	1	1	1	1	9
Subtotal												
Estimated Budget Authority	0	-100	-99	-99	-99	-99	-99	-99	-99	-99	-99	-991
Estimated Outlays	0	0	-56	-118	-104	-99	-99	-99	-99	-99	-99	-872
Establish Healthy Marriage Promotion Grant												
Budget Authority	0	100	100	100	100	100	100	100	100	100	100	1,000
Estimated Outlays	0	1	28	74	124	122	111	100	100	100	100	860
Continue Supplemental Grant at $319 Million Through 2009												
TANF												
Budget Authority	0	319	319	319	319	0	0	0	0	0	0	1,276
Estimated Outlays	0	262	311	326	319	57	1	0	0	0	0	1,276
Food Stamps												
Estimated Budget Authority	0	-3	-4	4	-4	-1	0	0	0	0	0	-16
Estimated Outlays	0	-3	-4	4	-4	-1	0	0	0	0	0	-16
Subtotal												
Estimated Budget Authority	0	316	315	315	315	-1	0	0	0	0	0	1,260
Estimated Outlays	0	259	307	322	315	56	1	0	0	0	0	1,260
Reduce High-Performance Bonus												
TANF												
Budget Authority	-200	-150	-150	-150	-100	-100	-100	-100	-100	-100	-100	-1,350
Estimated Outlays	0	-82	-168	-211	-161	-109	-100	-100	-100	-100	-100	-1,231
Food Stamps												
Estimated Budget Authority	0	1	2	3	2	1	1	1	1	1	1	14
Estimated Outlays	0	1	2	3	2	1	1	1	1	1	1	14

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-2015
Subtotal												
Estimated Budget Authority	-200	-149	-148	-147	-98	-99	-99	-99	-99	-99	-99	-1,336
Estimated Outlays	0	-81	-166	-208	-159	-108	-99	-99	-99	-99	-99	-1,217
Modify Contingency Fund												
Estimated Budget Authority	0	13	-11	-8	-2	-4	-7	-7	-9	-9	-10	-54
Estimated Outlays	0	13	-11	-8	-2	-4	-7	-7	-9	-9	-10	-54
Reserve Contingency Funding for Tribes												
Budget Authority	0	25	0	0	0	0	5	5	5	5	5	50
Estimated Outlays	0	4	5	5	5	5	5	5	5	5	5	49
Increase Transfer Authority from TANF to SSBG												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	70	-2	-56	-12	0	0	0	0	0	0	0
Increase SSBG Funding												
Budget Authority	0	200	200	200	200	200	0	0	0	0	0	1,000
Estimated Outlays	0	164	196	200	200	200	36	4	0	0	0	1,000
Increase Tribal JOBS Funding												
Budget Authority	0	5	5	5	5	5	5	5	5	5	5	50
Estimated Outlays	0	1	4	5	5	5	5	5	5	5	5	45
Establish Tribal TANF Improvement Grants												
Budget Authority	0	80	0	0	0	0	0	0	0	0	0	80
Estimated Outlays	0	8	26	27	13	5	1	0	0	0	0	80
Establish Secretary's Fund for Research, Demonstration, and National Studies												
Budget Authority	100	100	100	100	100	100	100	100	100	100	100	1,100
Estimated Outlays	0	20	105	148	120	109	101	100	100	100	100	1,003
Extend Funding of Studies and Demonstrations												
Budget Authority	0	15	15	15	15	15	15	15	15	15	15	150
Estimated Outlays	0	1	10	15	15	15	15	15	15	15	15	131
Fund Indicators of Child Well-being												
Budget Authority	0	10	10	10	10	10	10	10	10	10	10	100
Estimated Outlays	0	1	6	11	12	11	10	10	10	10	10	91
Fund Research in Tribal Welfare Programs												
Budget Authority	0	2	0	0	0	0	0	0	0	0	0	2
Estimated Outlays	0	*	1	1	0	0	0	0	0	0	0	2
Increase Funding for Child Care												
Budget Authority	0	200	200	200	200	200	200	200	200	200	200	2,000
Estimated Outlays	0	144	188	198	200	200	200	200	200	200	200	1,930

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-2015
Establish Supplemental Grant for Child Care												
Budget Authority	0	700	800	1,000	1,100	1,400	0	0	0	0	0	5,000
Estimated Outlays	0	350	729	1,000	1,141	1,296	369	80	15	0	0	4,980
Change EIC Identification Requirements												
Estimated Budget Authority	0	0	-399	-377	-365	-352	-310	-295	-302	-312	-326	-3,038
Estimated Outlays	0	0	-399	-377	-365	-352	-310	-295	-302	-312	-326	-3,038
Change Eligibility for the Child Tax Credit												
Estimated Budget Authority	0	0	-65	-63	-62	-60	-60	-8	-9	-8	-11	-346
Estimated Outlays	0	0	-65	-63	-62	-60	-60	-8	-9	-8	-11	-346
Clarify Eligibility for Child-Related Tax Benefits												
Estimated Budget Authority	-5	-97	-99	-101	-103	-105	-100	-112	-113	-112	-114	-1,061
Estimated Outlays	-5	-97	-99	-101	-103	-105	-100	-112	-113	-112	-114	-1,061
Establish Fatherhood Grants												
Budget Authority	0	50	50	50	50	50	0	0	0	0	0	250
Estimated Outlays	0	8	35	55	55	50	38	9	0	0	0	250
Create Resource Center for Teen Pregancy Prevention												
Budget Authority	0	5	0	0	0	0	0	0	0	0	0	5
Estimated Outlays	0	1	1	1	1	1	0	0	0	0	0	5
Effects of Title I Interactions on TANF												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	-91	71	20	0	0	0	0	0	0	0
Total Changes in Direct Spending: Title I												
Estimated Budget Authority	-105	1,475	974	1,200	1,366	1,360	-240	-185	-196	-204	-224	5,221
Estimated Outlays	-5	867	752	1,202	1,419	1,347	217	-92	-181	-204	-224	5,098
CHANGES IN REVENUES												
Change EIC Identification Requirements	0	4	40	40	38	39	66	64	67	66	72	496
Change Eligibility for the Child Tax Credit	0	0	14	14	14	14	13	5	5	5	5	89
Clarify Eligibility for Child-Related Tax Benefits	1	28	92	90	90	88	83	38	39	40	43	632
Total Changes to Estimated Revenues	1	32	146	144	142	141	162	107	111	111	120	1,217

NOTES: Components may not sum to total because of rounding.
TANF = Temporary Assistance for Needy Families. SSBG = Social Services Block Grant.
* = costs or savings of less than $500,000.

Healthy Marriage Promotion Grants. Section 103 would eliminate an out-of-wedlock birth grant program, but would create a new grant program to promote healthy marriages. CBO projects $1 billion in funding for out-of-wedlock birth grants, $100 million annually over the

2006-2015 period, in accordance with the Deficit Control Act. We estimate that eliminating this program would reduce outlays by $881 million over the 2007-2015 period, relative to CBO's baseline projections. The impact on outlays of the reduction in funding is delayed (no effect in 2006) because the grants are awarded in the last days of a fiscal year. CBO expects the reduced funding would cause states to decrease 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 $9 million over the 2007-2015 period.

Section 103 would establish a new competitive grant to states and Indian tribes for developing and implementing programs to promote and support marriage. The bill 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. CBO expects that the grants would be spent slowly in the first few years because the Department of Health and Human Services (HHS) would need to set up a system for awarding grants, and states would need to set up programs to use the funds. Estimated outlays would total $1 million in 2006 and $860 million over the 2006-2015 period.

Supplemental Grants. Section 104 would provide $319 million annually for the supplemental grants for population increases over the 2006-2009 period. (These grants are awarded to states that have lower-than-average TANF grants per poor person or rapidly increasing populations.) Supplemental grants are currently funded for the first three quarters of fiscal year 2005 at $255 million, consistent with an annual level of $319 million. (Section 702 of the bill would fund the grants for the final quarter of 2005.) Current law specifies that supplemental grants should not be assumed to continue in baseline projections after June 30, 2005, overriding the continuation rules specified in section 257 of the Deficit Control Act.

CBO estimates that states would spend $262 million in 2006 and $1.3 billion over the 2006-2011 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 $16 million over the 2006-2010 period.

Bonuses for High-Performing States. Section 105 would reduce funding for a bonus to high-performing states and refocus the bonus toward rewarding performance in improving job outcomes for TANF recipients. The bonus in current law rewards 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.

The Secretary would develop criteria for the new bonus—the Bonus to Reward Employment Achievement—in consultation with the states. The criteria would measure workplace attachment and advancement. The bill would make $450 million available for bonuses averaging $50 million annually over the 2006-2008 period and $100 million annually over the 2009-2011 period. Pursuant to the Deficit Control Act, CBO's baseline projections include $200 million a year in funding for bonuses. Therefore, the net effect of section 105 would be a reduction in budget authority of $1.35 billion over the 2005-2015 period. Because the bonuses are usually granted in the last days of a fiscal year, TANF spending would fall by only $1.2 billion over the 10-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 $14 million over the 10-year period.

Contingency Fund. Section 106 would significantly alter 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 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.

Section 106 would change the eligibility conditions, grant determination, and state spending requirements for the contingency fund. It would establish new thresholds of growth in the unemployment rate and Food Stamp participation for states to qualify for funds. The amount of funding a state would receive would be derived by multiplying the state's caseload increase over the level two years prior to its qualification, its TANF benefit level for a family of three, and its Medicaid matching rate. A state with high unspent TANF balances from prior years would not be eligible for payments from the contingency fund. In contrast to current law, a state would not need to maintain a high level of historic spending or put up any matching funds in order to receive a contingency fund grant.

Based on CBO's projections of unemployment rates, Food Stamp participation, TANF caseloads, and state TANF spending, CBO estimates that states would qualify for $13 million more from the contingency fund in 2006, but between $2 million and $11 million per year less over the 2007-2015 period. The net effect of the changes would be a reduction in outlays of $54 million over the 10-year period.

Section 106 would also appropriate $25 million over the 2006-2010 period for making payments to Indian tribes that experience increased economic hardship. Those payments would increase outlays by $5 million annually.

Social Services Block Grant. Section 107 would allow states to continue to transfer up to 10 percent of TANF funds to SSBG. The 1996 welfare law that established the TANF program set the level of the transfer authority at 10 percent. Subsequent legislation permanently lowered the authority to 4.25 percent. However, the Congress has restored the authority to 10 percent every year since, most recently through September 30, 2005. In the absence of further legislation, the authority will fall to 4.25 percent after that date.

In recent years, states have transferred about $1 billion annually. 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 current law. Based on recent state transfers, CBO expects that states would transfer an additional $340 million annually under this provision, but because some of this money would have been spent within the TANF program anyway, only $70 million of additional spending would occur in 2006. Because states would have found alternate ways to spend the funds in later years, the increase in spending in 2006 would be offset by decreased spending in subsequent years. Thus, this provision would have no net impact on TANF spending over the 2006-2015 period as a whole.

Section 107 would also increase the amount of funding for the social services block grant by $200 million annually over the 2006-2010 period, adding $1.0 billion to outlays over the 2006-2012 period.

Work Participation Requirements. Section 109 would require states to have an increasing percentage of TANF recipients participate in work activities while receiving cash assistance. It would generally 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.

Direct Funding and Administration by Indian Tribes. Section 113 would increase grants to tribes to operate employment programs from the current $7.6 million level to $12.6 million annually. The new funding would raise outlays by $45 million over the 2006-2015 period.

Section 113 would also appropriate $80 million in 2006 for tribal improvement grants. The Secretary of HHS would carry out a program of technical assistance and competitive grants to Indian tribes focused on improving tribes' capacity to deliver human services and promote economic development. CBO estimates implementing the program would cost $8 million in 2006 and $80 million over the 2006-2011 period.

Research, Demonstrations, and Technical Assistance. Section 114 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 $100 million annually. Because the 2005 grant would not be available until late in the year, CBO expects an insignificant amount would be spent in 2005. Implementing the provision would boost spending by $20 million in 2006 and $1.0 billion over the 2006-2015 period.

Section 114 also would continue annual grants of $15 million for research. Specifically, it would fund research on the effects, costs, and benefits of state TANF programs and innovative approaches for reducing welfare dependency and increasing the well-being of children. It also could fund evaluations of TANF programs initiated by the states and ongoing demonstration projects approved before 1996. Based on recent spending patterns, CBO estimates that this provision would increase outlays by $1 million in 2006 and by $131 million over the 2006-2015 period.

Section 114 also would provide $10 million annually to the Secretary of HHS to develop comprehensive indicators to assess the well-being of children in each state. CBO estimates that this provision would increase outlays by $1 million in 2006 and by $91 million over the 2006-2015 period. Finally, the bill would provide $2 million in 2006 for research on tribal welfare programs.

Child Care. The child care entitlement to states provides funding to states for child care subsidies to low-income families and for other activities. Section 116 would extend the grant program through 2010, providing funding of $14 billion over the 2006-2010 period. CBO already assumes funding of $2.717 billion annually in its baseline in accordance with the Deficit Control Act, so the extension would have no effect on direct spending relative to the baseline projection. Section 116 would also raise annual funding by $200 million to $2.917 billion. CBO estimates that, as a result, outlays would increase by $144 million in 2006 and by $1.9 billion over the 10-year period relative to its baseline projections.

Section 116 would also create a new supplemental grant for child care, with funding of $700 million in 2006, rising to $1.4 billion in 2010. States would be required to put up some matching funds in 2009 and 2010. Based on current spending patterns, CBO expects that some states would not put up the full state match, so that a small amount would lapse. The bill specifies that the supplemental grants should not be assumed to continue in baseline projections after 2010, overriding the continuation rules specified in section 257 of the Deficit Control Act. Under that assumption, CBO estimates that outlays would increase by $350 million in 2006 and by nearly $5.0 billion over the 10-year period.

Tax Credits. The bill would make several changes to eligibility rules relating to the earned income tax credit and various child-related tax benefits. In total, JCT and CBO estimate those changes would increase revenues by $606 million over the 2005-2010 period and by about $1.2 billion over the 2005-2015 period. Because some or all of each of those changes applies to refundable tax credits, which are recorded in the budget as outlays, CBO also estimate that enacting the bill would reduce direct spending by about $4.4 billion over the 2005-2015 period.

Change Identification Requirements for the Earned Income Tax Credit. The bill would change the type of identification that taxpayers must possess in order to claim the earned income tax credit. To receive the credit, taxpayers would be required to possess a Social Security number that authorizes them to work in the United States. CBO estimates that the change would reduce outlays for the earned income tax credit by about $3.0 billion over the 2005-2015 period and increase revenues by nearly $500 million over the same period.

This provision was enacted in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, but the legislative language contained a drafting oversight that negated its effect. For scorekeeping purposes, JCT concluded that the provision should not be credited with reducing outlays and increasing revenues because it is a technical correction necessary to carry out the original intent of the enacted provision and the original estimate reflected the intent of the legislation. However, CBO's baseline budget projections reflect current law as enacted and implemented, and the change made by S. 667 would affect future outlays and receipts relative to CBO's baseline projections. Therefore, CBO estimates a budgetary effect from the provision in S. 667, using an estimate of the resulting baseline change provided by JCT.

Change Eligibility for the Child Tax Credit. The bill would prohibit certain taxpayers from claiming the child tax credit. Currently, taxpayers living abroad may elect to exclude foreign earned income and qualifying housing expenses from their gross income and still receive the child credit. Under S. 667, taxpayers who choose to exclude such income would no longer be eligible to receive the credit. According to JCT, federal revenues would increase by an estimated $89 million over the 2007-2015 period as a result. Outlays from the refundable portion of the credit would decrease by an estimated $346 million over the same period.

Clarify Eligibility Rules for Child-Related Tax Benefits. S. 667 would clarify the rules of eligibility of siblings and other family members for child-related tax benefits. For example, the bill would clarify that if a parent resides with a child for more than half of the year, then generally only that parent could claim the child for child-related tax benefits. If no parent were able to claim the child for such purposes, another taxpayer would be allowed to claim the child, provided all other criteria are met. JCT estimates that making those changes would increase federal revenues by $1 million in 2005 and by $632 million over the 2005-2015 period. JCT also estimates that outlays for the refundable credits would decrease by about $1.1 billion between 2005 and 2015.

Fatherhood Grants. Section 118 would establish two new grant programs to promote responsible fatherhood and would appropriate $50 million annually over the 2006-2010 period. (Section 118 would also authorize appropriations of an additional $26 million annually.) CBO estimates that implementing the programs would increase direct spending by $8 million in 2006 and $250 million over the 2006-2015 period.

Teen Pregnancy Prevention Resource Center. Section 119 would appropriate $5 million for 2006 to establish a resource center to provide information and technical assistance on reducing teen pregnancy. CBO estimates implementing the program would cost $1 million annually over the 2006-2010 period.

Interactions. CBO estimates that several provisions in title I would accelerate the rate of spending of prior-year balances in the TANF program. Provisions that would increase the transfer authority to SSBG, eliminate the out-of-wedlock grant, and reduce the high-performance bonus would each induce states to spend uncommitted TANF funds from prior years sooner than under current law. However, those combined effects would exceed the amount of uncommitted TANF funds. Consequently, the budgetary effect of all the provisions enacted together would be smaller than the sum of the estimated effects for the individual provisions. CBO estimates that those interactions would lower projected TANF spending in 2007 by $91 million, relative to the sum of the provisions estimated individually, but raise it by the same amount over the 2008-2009 period. Thus, there would be no net impact on TANF spending over the 10-year period as a whole.

Title II: Abstinence Education. S. 667 would extend the authorization for abstinence education grants and provide $50 million annually over the 2006-2010 period. It would make a slight change to the formula for determining state allotments. Under the bill, funds would be divided only among those states that applied for them. Current allotments are determined by dividing available funds among all states and territories, regardless of whether they submit an application. In addition, any unspent funds allocated to individual states could be periodically reallocated by the Secretary. Because projected spending in 2010 does not exceed $50 million, CBO does not assume that this program would be extended beyond its specific authorization.

Title III: Child Support. S. 667 would change many aspects of the operation and financing of the child support program. It would allow (and in one case, require) 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. (The federal government's share of child support collections is 55 percent, on average.) It would require states to periodically update child support orders and expand the use of certain enforcement tools. It would provide increases in funding for HHS and for grants that facilitate noncustodial parent access to their children. Finally, title III would require states to change the way they seek health coverage for children, forgive certain penalties on states, and allow Texas to continue to operate under a waiver of program rules. Overall, CBO estimates that enacting title III would increase direct spending by $5 million in 2005 and $1.8 billion over the 2005-2015 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. 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.

Section 301 would allow states to pay up to $400 each month of child support to a family receiving assistance (up to $600 to a family with two or more children), without turning over to the federal government its share of those payments, beginning 18 months after enactment of the bill. The state could not count the child support as income in determining the families' benefits under the TANF program.

In recent years, states with about two-thirds of child support collections shared some of those collections with families receiving TANF. CBO expects states would continue to share at least that amount, and under S. 667 the federal government would bear part of that cost. In addition, based on information from state child-support officials and other policy experts, CBO expects that states with about one-third of collections would choose to institute a policy of sharing the first $50 per month collected, or, if they already have such a policy, to increase the amount of child support they share with families on assistance. CBO anticipates that states would institute those increases slowly and that the increases would not be fully effective until 2010. Based on HHS data for child support and information supplied by state officials, CBO expects that states would raise payments to families in 2010 from the $104 million anticipated under current practices to $161 million under S. 667. CBO estimates that federal offsetting receipts (from reimbursements) would fall by $45 million in 2007, $88 million in 2010, and $753 million over the 2007-2015 period.

TABLE 3. DIRECT SPENDING EFFECTS OF TITLE III: CHILD SUPPORT

	By Fiscal Year, in Millions of Dollars											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-2015
Distribute More Collections to Current TANF Families												
Child Support Collections												
Estimated Budget Authority	0	0	45	69	79	88	90	92	94	97	99	753
Estimated Outlays	0	0	45	69	79	88	90	92	94	97	99	753
Food Stamps												
Estimated Budget Authority	0	0	-2	-6	-10	-14	-14	-14	-15	-15	-15	-105
Estimated Outlays	0	0	-2	-6	-10	-14	-14	-14	-15	-15	-15	-105
Subtotal												
Estimated Budget Authority	0	0	43	63	69	74	76	78	79	82	84	648
Estimated Outlays	0	0	43	63	69	74	76	78	79	82	84	648
Distribute More Past-Due Support to Current and Former TANF Families												
Child Support Collections												
Estimated Budget Authority	0	0	34	70	106	183	187	191	195	200	204	1,370
Estimated Outlays	0	0	34	70	106	183	187	191	195	200	204	1,370
Food Stamps												
Estimated Budget Authority	0	0	-1	-3	-5	-6	-7	-7	-7	-7	-7	-50
Estimated Outlays	0	0	-1	-3	-5	-6	-7	-7	-7	-7	-7	-50
Student Loans												
Estimated Budget Authority	5	*	*	*	*	*	*	*	*	*	*	5
Estimated Outlays	5	*	*	*	*	*	*	*	*	*	*	5
Subtotal												
Estimated Budget Authority	5	0	33	67	101	177	180	184	188	193	197	1,325
Estimated Outlays	5	0	33	67	101	177	180	184	188	193	197	1,325
Require Triennial Update of Child Support Orders												
Administrative Costs												
Estimated Budget Authority	0	0	0	15	15	12	12	13	13	13	13	106
Estimated Outlays	0	0	0	15	15	12	12	13	13	13	13	106
Child Support Collections												
Estimated Budget Authority	0	0	0	-5	-14	-20	-20	-19	-19	-19	-20	-136
Estimated Outlays	0	0	0	-5	-14	-20	-20	-19	-19	-19	-20	-136
Food Stamps												
Estimated Budget Authority	0	0	0	-1	-2	-2	-2	-2	-2	-3	-3	-17
Estimated Outlays	0	0	0	-1	-2	-2	-2	-2	-2	-3	-3	-17

(Continued)

TABLE 3. CONTINUED

	By Fiscal Year, in Millions of Dollars											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-2015
Medicaid												
Estimated Budget Authority	0	0	0	-2	-6	-10	-10	-8	-7	-7	-8	-58
Estimated Outlays	0	0	0	-2	-6	-10	-10	-8	-7	-7	-8	-58
Subtotal												
Estimated Budget Authority	0	0	0	7	-7	-20	-20	-16	-15	-16	-18	-105
Estimated Outlays	0	0	0	7	-7	-20	-20	-16	-15	-16	-18	-105
Reduce Threshold for Passport Denial to $2,500												
Estimated Budget Authority	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-9
Estimated Outlays	0	0	-1	-1	-1	-1	-1	-1	-1	-1	-1	-9
Withhold Child Support from Social Security Disability Payments												
Estimated Budget Authority	0	0	-3	-4	-4	-4	-5	-5	-6	-6	-6	-43
Estimated Outlays	0	0	-3	-4	-4	-4	-5	-5	-6	-6	-6	-43
Maintain Funding for Technical Assistance and Federal Parent-Locator Service												
Estimated Budget Authority	0	2	2	1	0	0	0	0	0	0	0	5
Estimated Outlays	0	2	2	1	0	0	0	0	0	0	0	5
Allow Federal Seizure of Accounts in Multi-State Financial Institutions												
Administrative Costs												
Estimated Budget Authority	0	2	2	0	0	0	0	0	0	0	0	4
Estimated Outlays	0	2	2	0	0	0	0	0	0	0	0	4
Child Support Collections												
Estimated Budget Authority	0	0	-1	-3	-5	-5	-5	-5	-5	-5	-5	-39
Estimated Outlays	0	0	-1	-3	-5	-5	-5	-5	-5	-5	-5	-39
Subtotal												
Estimated Budget Authority	0	2	1	-3	-5	-5	-5	-5	-5	-5	-5	-35
Estimated Outlays	0	2	1	-3	-5	-5	-5	-5	-5	-5	-5	-35
Match Databases of Insurance Claims												
Administrative Costs												
Estimated Budget Authority	0	2	2	0	0	0	0	0	0	0	0	4
Estimated Outlays	0	2	2	0	0	0	0	0	0	0	0	4
Child Support Collections												
Estimated Budget Authority	0	0	0	-2	-4	-4	-4	-4	-4	-4	-4	-30
Estimated Outlays	0	0	0	-2	-4	-4	-4	-4	-4	-4	-4	-30
Subtotal												
Estimated Budget Authority	0	2	2	-2	-4	-4	-4	-4	-4	-4	-4	-26
Estimated Outlays	0	2	2	-2	-4	-4	-4	-4	-4	-4	-4	-26

(Continued)

TABLE 3. CONTINUED

	By Fiscal Year, in Millions of Dollars											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-2015
Increase Grants to States for Access and Visitation												
Budget Authority	0	2	4	6	10	10	10	10	10	10	10	82
Estimated Outlays	0	2	4	6	10	10	10	10	10	10	10	82
Forgive Penalties for Noncompliance in 2001												
Budget Authority	0	4	0	0	0	0	0	0	0	0	0	4
Estimated Outlays	0	4	0	0	0	0	0	0	0	0	0	4
Require Health Insurance from Either Parent												
Estimated Budget Authority	0	*	-1	-1	-1	-3	-5	-7	-10	-13	-16	-57
Estimated Outlays	0	*	-1	-1	-1	-3	-5	-7	-10	-13	-16	-57
Send Notices to Child Support Agency												
Estimated Budget Authority	0	1	1	1	1	2	2	2	2	2	2	16
Estimated Outlays	0	1	1	1	1	2	2	2	2	2	2	16
Make Texas Waiver Permanent												
Estimated Budget Authority	0	1	3	3	4	5	6	7	8	9	11	57
Estimated Outlays	0	1	3	3	4	5	6	7	8	9	11	57
Effect of Title III Provisions on Technical Assistance Funding												
Estimated Budget Authority	0	0	0	0	0	-1	-2	-3	-4	-5	-6	-21
Estimated Outlays	0	0	0	0	0	-1	-2	-3	-4	-5	-6	-21
Total Changes in Title III												
Estimated Budget Authority	5	14	84	137	163	230	232	240	242	246	248	1,841
Estimated Outlays	5	14	84	137	163	230	232	240	242	246	248	1,841

NOTES:: Components may not sum to totals because of rounding. TANF = Temporary Assistance for Needy Families.
* = costs or savings of less than $500,000.

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 $2 million in 2007 and $105 million over the 2007-2015 period.

Distribute More Past-Due Support to Current and Former TANF Recipients. Section 301 also would require states to share more child support collections with families through a change in assignment rules and would allow states to share more of such collections with families who used to receive welfare benefits.

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. The bill would eliminate the requirement that families assign support due in the period before the families receive assistance. S. 667 would require states to implement the new policy by September 30, 2009, but would give them the option of implementing it as soon as 18 months after the date of enactment.

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 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.

Section 301 would give states the option to change the order of the distribution so that all collections would be paid to families first before the government is reimbursed. In addition, it would allow states to pay to families part of the government's share of support payments.

CBO estimates that states with 40 percent of collections would implement the optional policies 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 $61 million in 2007, rising to $333 million by 2010, and $2.5 billion over the 2007-2015 period, as a result of these changes. CBO estimates that those increased distributions to families would reduce the federal share of collections by $34 million in 2007, $183 million in 2010, and $1.4 billion over the 2007-2015 period.

Section 301 would affect federal collections in the student loan program. Under a program called the federal tax offset refund program, tax refund payments are withheld from individuals who owe over-due child support and certain federal debts, mainly related to student loans, and used to pay the debts. Beginning in 2010, S. 667 would give child support debt priority over all other federal debts. In current law, child support that is owed to the government is given such priority, but child support owed to families is paid after all other federal debts. In cases where an individual owes both child support debt and other federal debt, the new priority order would decrease payments to the federal government in the student loan program.

Currently 0.5 percent of tax filers are subject to a tax refund offset for child support owed to a family and 0.5 percent for student loan debt. Assuming people who owe student loan debt are neither more nor less likely to owe child support debt, 3,300 filers could be subject to an offset for both child support and student loan debt. CBO estimates that the provision would reduce recoveries in the student loan program by $4 million annually beginning in 2010.

However, much of the resulting losses in recoveries in the student loan program would be subsequently recouped through various collecting methods.

The provisions affecting the student loan programs are assessed under the requirements of the Federal Credit Reform Act. As such, the budget records all the costs and collections associated with a new loan on a present-value basis in the year the loan is obligated, and the costs of all changes (i.e., "modifications") affecting outstanding loans are displayed in the fiscal year the bill is enacted—assumed to be 2005 for this estimate. This results in a federal cost of $5 million in 2005 and insignificant amounts each year from 2006 through 2015.

Finally, the new collections paid to former TANF recipients would affect spending for 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 refund offset, which is paid as a lump sum, would not count as income for determining Food Stamp benefits. For purposes of calculating such benefits, incomes of former TANF recipients would increase by $14 million in 2007 and $480 million over the 2007-2015 period. Food Stamp savings would be $1 million in 2007 and $50 million over the 2007-2015 period.

Mandatory Three-Year Update of Child Support Orders. Section 302 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 result in direct spending savings of $105 million over the 2008-2015 period.

CBO estimates that there are 700,000 TANF recipients with child support orders in states that do not periodically adjust orders and 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.

Full review and adjustment. 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.

Based on evaluations of review and modification programs, CBO estimates the average cost of a review would be about $200, with the federal government paying 66 percent of such administrative costs. The average adjustment to a child support order of a family on TANF would be $95 a month, and about 18 percent of the orders reviewed would be adjusted.

In addition, CBO estimates that 40 percent of orders with a monetary adjustment also would be adjusted to include a requirement that the noncustodial parent provide health insurance for his or her child and that insurance would be provided in about half of those cases. After the first few years, we assume newly provided medical insurance would decline by half, because many families would have already had such insurance recently added to their order. Children who receive TANF are generally eligible for Medicaid, so the new coverage would reduce spending for that program.

Cost-of-living adjustment. 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. The process is considerably less cumbersome and expensive than a full review but also results in smaller adjustments on average. Based on recent research on COLA programs, CBO estimates that the average cost would be $11 per case modified, and the average adjustment to a support order would be $5 per month. There would be no additional health insurance coverage.

Summary. Under either method of adjustment, 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 $15 million in 2008 and $106 million over the 2008-2015 period. Federal collections would increase by $5 million in 2008 and $136 million over the 2008-2015 period. Finally, Food Stamp and Medicaid savings would total $17 million and $58 million respectively over the 2008-2015 period.

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 304 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.

The State Department currently denies about 15,000 passport requests annually. Data from HHS show there are 3.2 million noncustodial parents owing more than $5,000 in past-due child support and an additional 760,000 owing between $2,500 and $5,000. If noncustodial parents owing between $2,500 and $5,000 apply for passports at the same rate as those owing more than $5,000, the proposal would generate an additional 3,600 denials annually.

CBO estimates that 25 percent of noncustodial parents who have a passport request denied would make a payment to get their passport rather than just doing without one. If the threshold is lowered, a noncustodial parent owing more than $5,000 would have to pay an additional $2,500 to receive a passport. On average, a noncustodial 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 $11 million annually. CBO assumes 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 amount would be retained by the government as reimbursement for welfare benefits. The federal share of such collections would be about $1 million a year and $9 million over the 2007-2015 period.

Improved Debt Collection: SSA Benefit Match. Section 307 would allow states to collect past-due child support by withholding Social Security, Black Lung, and Railroad Retirement Board payments. Because parents affected by the legislation are generally younger than 62, most of them are likely to receive benefits under the Disability Insurance (DI) program rather than the retirement or survivors programs. The Debt Collection Improvement Act of 1996 limits the amount that can be withheld annually from an individual's Social Security check to the lesser of any amount over $9,000 or 15 percent of benefits.

Based on an analysis done by the Treasury Department, CBO estimates that 50,000 beneficiaries a month could be subject to an offset. Based on states' current use of administrative offsets for other federal programs, we estimate two out of three of those beneficiaries could potentially have their checks offset. On average, the offsets could amount to about $2,000 by 2010 and could yield $65 million in collections for child support from Social Security payments.

CBO estimates that the additional collections under section 308 would be only one-half of the potential $65 million because of several factors. First, some of this money might be collected anyway through other enforcement tools, such as offsets currently applied to federal tax refunds. Second, noncustodial parents are younger than average DI recipients, and younger men receive lower DI benefits than older men. Third, children of DI recipients are entitled to a benefit from Social Security that averages more than $2,000 annually. Some states consider these benefits in determining the amount of child support owed by the non-custodial parent. Fourth, in some cases the estimated offset would exceed the amount of arrears owed. Finally, CBO expects a small percentage of all non-custodial parents owing past-due support would slip through the administrative process.

The provision would be effective 18 months after enactment, so that full savings would not be realized until 2008. As DI benefits rise over time, federal receipts under these provisions would climb from $3 million in 2007 to $6 million in 2015, totaling $43 million over the 2007-2015 period.

Maintenance of Technical Assistance and Federal Parent Locator Service Funding. Current law allows the Secretary 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 308 and 309 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 2005-2007 under the current formula, this provision would increase payments by $5 million over that period.

Seizure of Assets Held by Multistate Financial Institutions. Under current law, HHS matches lists of noncustodial parents who owe child support arrears against data from financial institutions to identify assets that might be seized to pay overdue child support. HHS forwards any matches to states so that states can pursue collection. On average, states make a collection in 7 percent of cases with a match. The reported performance of states varies widely, from 50 percent of cases to less than 1 percent. States' collection rates are low on average for a variety of reasons. In some cases, multistate financial institutions will not honor a seizure by a state unless the institution has branch offices in the state. Also, some states have policies of pursuing matches only when a large financial asset is identified or only when the arrearage is longstanding or no current payments are being made.

Section 310 would give the federal government the authority to act on behalf of states to seize financial assets for the purpose of paying child support. The new authority would resolve problems of jurisdiction in cases where a state is pursuing an asset in a different state. Also, the federal government plans to pursue collections in a higher percentage of cases.

Currently, HHS compares a list of about 5 million cases with arrears with data from financial institutions and identifies potential financial assets in more than 1.7 million cases. Some of those cases are later found to be false matches or are uncollectible for other reasons. Based on information from child-support administrators and policy experts, CBO expects that, when this provision is fully implemented, the federal government would seize assets 20 percent of the time a potential asset is identified, up from 7 percent. Based on data from HHS, CBO expects the average collection would be $500 per seizure, down from $730 per seizure under current law. (The average seizure would go down because the federal government would be pursuing a broader set of cases, many of which would have lower amounts of assets available.) CBO expects that the policy would take some time to implement and would not be fully effective until 2009. We estimate that the policy would result in new collections of $26 million in 2007 and $742 million over the 2007-2015 period. CBO assumes 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 amount would be retained by the government as reimbursement for welfare benefits. The federal share of such collections would be $39 million over the 2006-2015 period. CBO estimates that implementing the program would raise administrative costs by about $3 million in each of years 2006 and 2007. The federal share of those costs would total $4 million over the two years.

Comparison with Insurance Data. Section 311 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 $30 million over the 2008-2015 period. CBO estimates that implementing the program would raise administrative costs by about $3 million in each of years 2006 and 2007. The federal share of those costs would total $4 million over the two years.

Grants to States for Access and Visitation. The 1996 welfare law authorized grants to states of $10 million annually to facilitate noncustodial parents' access to and visitation of their children. Section 318 would increase funding to $12 million in 2006, $14 million in 2007, $16 million in 2008, and $20 million in 2009 and in subsequent years. The new funding would result in increased outlays of $82 million over the 2006-2015 period.

Penalties for Noncompliance. Section 319 would change the statutory requirements concerning when states pay penalties for failure to meet performance standards in the child support program. It also would forgive penalties for certain states that failed to meet such standards in 2001, but did so in 2002 or 2003. CBO expects that the change in timing of penalties would not affect the federal budget; the Secretary of HHS is generally already operating on the revised schedule. CBO estimates that half a dozen states would qualify for penalty forgiveness totaling $4 million in 2006.

Requirement to Seek Medical Support from Either Parent. Currently, about half the states explore both parents' ability to provide health insurance when setting a child support order. Section 320 would require all states to look to either parent or both parents to provide health insurance for their child. The policy would apply to child support orders that are issued or amended after enactment, so it would take effect gradually. Based on national survey data, CBO expects that the policy would result in additional private health insurance coverage for children and that without that coverage some of those children would receive Medicaid benefits. CBO estimates that private health coverage would be provided to nearly 300 children who would otherwise receive Medicaid benefits in 2006. That number would grow to more than 9,000 by 2015. Based on spending per child in the Medicaid program, CBO estimates that implementing this provision would reduce costs in the Medicaid program by an insignificant amount in 2006 and by $57 million over the 2006-2015 period.

Notice of Loss of Health Coverage. Section 321 would require administrators of health plans to notify the child support agency when a noncustodial parent providing health coverage for a child loses that coverage. CBO expects that the child support agency would handle 30,000-50,000 such notices each year and that in some cases the child support agency would take action to secure new health coverage for the children. CBO estimates that implementing the provision would raise administrative costs in the child support program by $1 million to $2 million annually.

Make Texas Waiver Permanent. Under current law, families who receive government assistance may automatically receive services from the child support agency, while other families must apply for services. The state of Texas currently has a waiver of the requirement for a written application for child support services for families not receiving assistance. Texas' waiver is scheduled to expire in mid-2006, but could be renewed by the Secretary. Section 322 would extend the waiver permanently.

Texas currently operates under the waiver in four counties and plans to expand to additional counties. In general, new cases are added as new orders are issued, so that the child support caseload grows gradually in the participating counties. CBO estimates that each new case would increase the federal share of administrative costs by about $150 in 2010 and that under this provision, services would be provided for 65,000 cases in that year. CBO estimates that extending the waiver would result in a higher federal share of administrative costs totaling $2 million in 2006 and $112 million over the 2006-2012 period.

For its baseline projections, CBO estimates that there is a 50 percent chance that the Secretary will allow the waiver to continue, even without this legislation. So, relative to CBO's baseline, the cost of implementing this provision is only half of the total cost of extending the waiver. CBO estimates that implementing this provision would increase outlays by $1 million in 2006 and by $57 million over the 2006-2015 period.

Effect of Title III provisions on Technical Assistance Funds. Several provisions of Title III would affect the amount of child support collections the federal government retains. Provisions allowing states to share more of those collections with families lower the federal share of collections. New enforcement mechanisms, such as seizing more financial assets or insurance payments, would boost the federal share. The net effect of all the provisions of title III would be to lower the federal share of collections by an increasing amount each year.

Current law allows the Secretary to use 3 percent of the federal share of child support collections for technical assistance efforts and to operate the federal parent-locator service. A lower federal share of collections would reduce funding for those activities. Because a separate provision of title III provides that such funding cannot fall below the 2002 level of $37 million, the lower collections would not affect funding until 2010. CBO estimates that implementing title III of the bill would lower funding for technical assistance by $1 million in 2010 and $21 million over the 2010-2015 period.

Title IV: Child Welfare. Provisions in Title IV would increase spending for federally subsidized foster care by $448 million from 2007-2015, CBO estimates. (see Table 4).

TABLE 4. DIRECT SPENDING EFFECTS OF TITLE IV: CHILD WELFARE

	By Fiscal Year, in Millions of Dollars											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-2015
Disregard of Certain Payments to Puerto Rico												
Estimated Budget Authority	0	0	6	6	6	6	0	0	0	0	0	25
Estimated Outlays	0	0	6	6	6	6	0	0	0	0	0	25
Tribal Foster Care												
Estimated Budget Authority	0	0	16	26	37	49	56	59	61	64	66	434
Estimated Outlays	0	0	13	25	35	47	55	58	61	63	66	423
Total, Title IV												
Estimated Budget Authority	0	0	22	32	43	55	56	59	61	64	66	459
Estimated Outlays	0	0	19	31	41	53	55	58	61	63	66	448

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

This title would extend a program of demonstration projects related to child welfare programs. As of May 2004, 12 states had active demonstration projects testing the efficiency of innovations in child welfare, such as subsidized guardianship. The demonstration projects are required to be cost-neutral to the federal government. However, it is possible that the 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, but based on experience with the demonstrations, we expect the impact on the federal budget would not be significant.

Beginning in fiscal year 2007, section 402 would allow Puerto Rico to claim more federal matching funds for foster care expenses by excluding certain amounts from the limitation specified in section 1108 of the Social Security Act. The Social Security Act limits total federal spending in Puerto Rico on certain social service programs, including foster care, to $107 million in any year. The amount of spending above the limitation would be capped at $6.25 million for fiscal years 2007 through 2010. CBO estimates this provision would increase outlays by $25 million between fiscal years 2007 and 2010.

Section 403 of the bill would permit tribal entities to participate in foster care and adoption assistance programs authorized under title IV-E of the Social Security Act, effective as of October 1, 2006. Based on information from the Indian Child Welfare Association, CBO estimates that this provision could allow coverage of between 2,000 and 3,000 children per year. CBO estimates that this section would increase costs to the IV-E programs by $423 million over fiscal years 2007 through 2015.

Title V: Supplemental Security Income. Title V would make several changes to the Supplemental Security Income (SSI) program. It would require that a portion of adult disability determinations receive an additional level of review before benefits are awarded. In addition, it would extend the period of time that refugees and asylees are eligible to collect benefits. Together, these proposals would increase direct spending by $72 million in 2006 and decrease direct spending by $1.3 billion over the 2006-2015 period, CBO estimates (see Table 5).

Section 501 would require the Social Security Administration to conduct reviews of initial decisions to award SSI benefits to certain disabled adults. The legislation would direct the agency to review at least 25 percent of all favorable adult-disability determinations made by state-level Disability Determination Service (DDS) offices in 2006. Under the legislation, the agency would have to review at least 50 percent of the adult-disability awards made by DDS offices from 2007 through 2015.

CBO anticipates state DDS offices will approve between 350,000 and 400,000 adult disability applications for SSI benefits annually between 2006 and 2015. Based on recent data for comparable 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 section 501 would reduce SSI benefits by $3 million and Medicaid outlays by $5 million in 2006. Over the 2006-2015 period, CBO estimates this provision would lower SSI outlays by $461 million and Medicaid spending by $1.1 billion. (The administrative costs for these changes are discussed later in the section on spending subject to appropriation.)

TABLE 5. DIRECT SPENDING EFFECTS OF TITLE V: SUPPLEMENTAL SECURITY INCOME

	By Fiscal Year, in Millions of Dollars											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-2015
Pre-effectuation Reviews												
SSI												
Estimated Budget Authority	0	-3	-11	-22	-33	-43	-57	-56	-70	-79	-87	-461
Estimated Outlays	0	-3	-11	-22	-33	-43	-57	-56	-70	-79	-87	-461
Medicaid												
Estimated Budget Authority	0	-5	-22	-44	-68	-94	-120	-148	-179	-209	-244	-1,133
Estimated Outlays	0	-5	-22	-44	-68	-94	-120	-148	-179	-209	-244	-1,133
Extended Time Limits for SSI Refugees												
SSI	0	41	49	55	0	0	0	0	0	0	0	145
Estimated Budget Authority	0	41	49	55	0	0	0	0	0	0	0	145
Estimated Outlays												
Medicaid												
Estimated Budget Authority	0	39	51	54	0	0	0	0	0	0	0	144
Estimated Outlays	0	39	51	54	0	0	0	0	0	0	0	144
Total Changes in Title V												
Estimated Budget Authority	0	72	67	43	-101	-137	-177	-204	-249	-288	-331	-1,305
Estimated Outlays	0	72	67	43	-101	-137	-177	-204	-249	-288	-331	-1,305

Section 502 would allow refugees and asylees who are receiving SSI benefits and lawfully entered the country after August 22, 1996, to continue receiving benefits for an additional two years. Under current law, refugees and asylees who entered the country after that date are eligible to receive SSI benefits for a period of up to seven years from the date they entered the United States. The additional period of benefits would begin immediately after the bill is enacted and would last through September 30, 2008, at which point the seven-year time limit would again apply to all recipients.

Based on information from SSA, CBO estimates that about 4,600 refugees and asylees lose SSI eligibility each year because they exceed the seven-year time limit. Extending the time limit would provide up to nine years of eligibility for these beneficiaries through the end of 2008. Taking into account the rates at which people become naturalized citizens (and are no longer subject to the time limit) or exit the program for other reasons, CBO estimates section 502 would increase outlays for SSI benefits by $41 million and Medicaid outlays by $39 million in 2006. Over the 2006-2008 period, spending on SSI would increase by $145 million and Medicaid spending would increase by $144.

Title VI: Transitional Medical Assistance. Title VI would make several changes to Medicaid and the State Children's Health Insurance Program (SCHIP). Effective October 1, 2005, the bill would extend through 2010 the requirement that state Medicaid programs provide transitional medical assistance (TMA) to certain Medicaid beneficiaries (usually former welfare recipients) who otherwise would be ineligible because they have returned to work and have increased earnings. Title VI also would allow states to simplify aspects of TMA administration. Overall, CBO estimates that enacting title VI would increase direct spending by $278 million in 2006 and by $4.9 billion over the 2006-2015 period (see Table 6).

Extension of Transitional Medical Assistance. State Medicaid programs are required to provide temporary Medicaid coverage, known as transitional medical assistance, for certain individuals (usually former TANF recipients) and their dependents who otherwise would lose coverage because of increased earnings. States currently are required to provide TMA to welfare-related beneficiaries who lose their eligibility prior to June 30, 2005. Section 601 of the bill would extend the requirement from September 30, 2005, through September 30, 2010. (Section 702 of the bill would extend the requirement through September 30, 2005.)

CBO estimates that this provision would increase federal Medicaid outlays by $267 million in 2006 and by $4.1 billion over the 2006-2015 period. The budgetary effects of the extension would continue beyond 2010 because families who qualify for TMA would be entitled to up to 12 months of additional eligibility, even if that eligibility runs beyond September 30, 2010. Moreover, some states provide more than 12 months of TMA through Medicaid waivers; families living in those states could remain eligible through 2012.

Without S. 667, CBO anticipates that some of the families leaving welfare between 2006 and 2010 would have incomes high enough to make their children ineligible for Medicaid, and that some of the children in those families would enroll in SCHIP instead. By extending TMA, the bill would make those children eligible for Medicaid. Because children who are eligible for Medicaid cannot receive SCHIP benefits, the bill would lead to savings in the SCHIP program.

CBO estimates that the bill would reduce federal SCHIP outlays by a total of $36 million over the 2006-2010 period. Because states generally have three years to spend their SCHIP allotments, those savings would free up funds that could be spent on benefits in later years. CBO estimates that such spending would amount to $31 million over the 2011-2015 period.

Optional TMA Simplifications. Section 601 also would allow states to waive or relax various requirements that currently apply to TMA. In particular, the bill would allow states to expand TMA eligibility to individuals who have not been eligible for Medicaid for at least three of the previous six months (a requirement under current law), provide up to 12 additional months of TMA eligibility, and eliminate some or all of the requirements for TMA recipients to report their incomes periodically.

TABLE 6. DIRECT SPENDING EFFECTS OF TITLE VI: TRANSITIONAL MEDICAL ASSISTANCE

	By Fiscal Year, in Millions of Dollars										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2015
CHANGES IN DIRECT SPENDING											
Extension of TMA through 2010											
Medicaid											
Estimated Budget Authority	267	696	776	833	892	576	36	-2	-11	-2	4,061
Estimated Outlays	267	696	776	833	892	576	36	-2	-11	-2	4,061
SCHIP											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-7	-15	-8	-3	-3	1	*	5	21	4	-5
Optional TMA Simplifications											
Medicaid											
Estimated Budget Authority	19	82	130	182	228	181	6	*	-2	*	826
Estimated Outlays	19	82	130	182	228	181	6	*	-2	*	826
SCHIP											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-2	-2	-1	-1	-1	1	*	4	1	-1
Total Changes in Title VI											
Estimated Budget Authority	285	778	906	1,015	1,120	757	41	-2	-13	-2	4,885
Estimated Outlays	278	761	897	1,011	1,116	756	42	3	12	3	4,879

NOTES: TMA= transitional medical assistance; SCHIP = State Children's Health Insurance Program.
* = costs or savings of less than $500,000.

CBO anticipates that those provisions would boost federal Medicaid spending by $19 million in 2006 and by $826 million over the 2006-2015 period. Most of those costs would stem from the elimination of the income-reporting requirements. States already have the flexibility under current law to effectively waive the three-out-of-six months requirement or to provide more than 12 months of TMA by disregarding some or all of an individual's income when determining eligibility.

CBO also estimates that the effect of those provisions would have a slight impact on SCHIP, decreasing outlays by $1 million over the 2006-2015 period. By relaxing TMA rules, the bill would make some children newly eligible for Medicaid and therefore ineligible for SCHIP.

Title VII: Effective Date. Title VII would extend several provisions of law through September 30, 2005, including authorizations of the Temporary Assistance for Needy Families (TANF), child care entitlement, and abstinence education programs, and eligibility for transitional medical assistance (TMA) under Medicaid. CBO estimates that Title VII would increase direct spending, relative to the baseline, by $45 million in 2005, by $238 million over the 2005-2010 and by $239 million over the 2005-2015 periods (see Table 7).

TABLE 7. DIRECT SPENDING EFFECTS OF TITLE VII: EFFECTIVE DATE

	By Fiscal Year, in Millions of Dollars											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-2015
TANF Supplemental Grants												
Budget Authority	64	0	0	0	0	0	0	0	0	0	0	64
Estimated Outlays	41	15	8	0	0	0	0	0	0	0	0	64
Abstinence Education Grants												
Budget Authority	13	0	0	0	0	0	0	0	0	0	0	13
Estimated Outlays	4	5	2	1	1	0	0	0	0	0	0	11
TANF Research Funding												
Budget Authority	3	0	0	0	0	0	0	0	0	0	0	3
Estimated Outlays	*	1	2	0	0	0	0	0	0	0	0	3
Child Welfare Research Funding												
Budget Authority	1	0	0	0	0	0	0	0	0	0	0	1
Estimated Outlays	*	*	1	0	0	0	0	0	0	0	0	1
TMA												
Medicaid												
Estimated Budget Authority	0	148	13	*	*	*	*	*	*	*	*	161
Estimated Outlays	0	148	13	*	*	*	*	*	*	*	*	161
SCHIP												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-4	*	1	1	*	*	*	*	1	*	-1
Total Changes in Title VII												
Estimated Budget Authority	81	148	13	*	*	*	*	*	*	*	*	242
Estimated Outlays	45	165	28	2	2	*	*	*	*	1	*	239

NOTES: Components may not sum to total because of rounding.
* = costs or savings of less than $500,000.

TANF, Child Care, and Abstinence Education. The bill would extend the TANF and child care entitlement programs through September 30, 2005. Those programs are scheduled to expire on June 30, 2005. The extension would provide funding at the 2004 level—totaling about $3.3 billion for TANF and $400 million for child care under the procedures the Office of Management and Budget uses for allocating funds for those programs. The extension would have no cost relative to CBO's baseline because it already assumes annual funding for those programs at the 2004 level in accordance with the rules set forth in the Deficit Control Act.

The bill would also fund TANF supplemental grants at their 2004 level of $64 million and would extend funding for two research grants totaling $4 million through September 30, 2005. It would appropriate $12.5 million for the abstinence education program.

Transitional Medical Assistance. Title VII also would extend through September 30, 2005, the requirement that state Medicaid programs provide transitional medical assistance to certain beneficiaries—usually former TANF recipients—who would otherwise lose eligibility because of increased earnings. This requirement is set to expire on June 30, 2005.

CBO estimates that the extension of TMA would have no budgetary impact in 2005, but would increase federal Medicaid spending by $148 million in 2006 and $161 million over the 2006-2015 period. The extension would not affect spending in 2005 because families who qualify for TMA are already eligible for four months of additional eligibility under a separate provision of Medicaid law. The extension also would decrease spending in the State Children's Health Insurance Program by $1 million over the 2005-2015 period.

Spending Subject to Appropriation

S. 667 would establish several new grant programs that would be funded through annual appropriations. Further, it would increase the cost of administering the SSI program by requiring the Social Security Administration to conduct additional reviews of SSI applications. Assuming appropriation of the authorized amounts, CBO estimates that implementing the legislation would cost $41 million in 2006 and $1.7 billion over the 2006-2015 period (see Table 8). Estimated outlays are based on historical spending patterns for social service grant programs, unless otherwise noted.

Domestic Violence Prevention Grants. Section 103 would authorize appropriations of $10 million annually through 2010 for the Secretary of HHS to develop and implement a program to address domestic violence as a barrier to healthy relationships, marriage, and economic security. CBO estimates implementing the program would cost $1 million in 2006 and $50 million over the 2006-2012 period. Section 114 would authorize an additional $20 million annually through 2010 for the Secretary to award matching grants to states, tribes, and nonprofit organizations to operate programs to reduce domestic violence. CBO estimates implementing the program would cost $2 million in 2006 and $100 million over the 10-year period.

Fatherhood Grants. Section 118 would establish new grant programs to promote responsible fatherhood and would authorize appropriations of $26 million annually over the 2006-2010 period. (Section 118 appropriates an additional $50 million annually in direct spending.) CBO estimates implementing the programs would cost $4 million in 2006 and $130 million over the 2006-2012 period.

Grants to Capitalize and Develop Sustainable Social Services. Section 119 would authorize appropriations of $40 million each year over the 2006-2010 period to make grants for the purpose of capitalizing and developing sustainable social services. Grantees would develop programs that would generate their own sources of revenue while assisting TANF recipients. CBO estimates that implementing this provision would increase outlays by $4 million in 2006 and by $200 million over the 2006-2013 period.

TABLE 8. ESTIMATED COSTS FOR NEW DISCRETIONARY SPENDING

	By Fiscal Year, in Millions of Dollars											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-2015
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Title I: TANF												
Best Practices for Addressing Domestic Violence Grants												
Authorization Level	0	10	10	10	10	10	0	0	0	0	0	50
Estimated Outlays	0	1	6	11	10	8	9	5	0	0	0	50
Domestic Violence Prevention Grants												
Authorization Level	0	20	20	20	20	20	0	0	0	0	0	100
Estimated Outlays	0	2	12	22	20	16	18	10	0	0	0	100
Fatherhood Grants												
Authorization Level	0	26	26	26	26	26	0	0	0	0	0	130
Estimated Outlays	0	4	18	29	28	26	20	5	0	0	0	130
Social Services Capitalization Grants												
Authorization Level	0	40	40	40	40	40	0	0	0	0	0	200
Estimated Outlays	0	4	24	43	40	34	35	18	2	0	0	200
Car Ownership Grants												
Authorization Level	0	25	25	25	25	25	0	0	0	0	0	125
Estimated Outlays	0	3	15	27	25	21	22	11	1	0	0	125

(Continued)

TABLE 8. CONTINUED

	By Fiscal Year, in Millions of Dollars											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-2015
Transitional Jobs Grants												
Authorization Level	0	200	200	200	200	200	0	0	0	0	0	1,000
Estimated Outlays	0	20	120	216	200	168	176	90	10	0	0	1,000
Subtotal Title I												
Authorization Level	0	321	321	321	321	321	0	0	0	0	0	1,605
Estimated Outlays	0	34	195	348	323	273	280	139	13	0	0	1,605
Title V: Supplemental Security Income												
Administrative Costs of SSI Pre-effectuation Revenues												
Estimated Authorization Level	0	8	11	14	15	15	16	16	17	17	18	147
Estimated Outlays	0	7	10	13	15	15	16	16	17	17	18	144
Total Changes												
Estimated Authorization Level	0	329	332	335	336	336	16	16	17	17	18	1,752
Estimated Outlays	0	41	205	361	338	288	296	155	30	17	18	1,749

Grants for Car Ownership. Section 119 would authorize the appropriation of $25 million each year through 2010 for a program of grants to states, Indian tribes, localities, and nonprofit organizations to assist low-income families with children in buying automobiles. The program is designed to facilitate employment opportunities and access to training by providing low-income families with more reliable transportation. CBO estimates that the program would cost $3 million in 2006 and $125 million over the 2006-2013 period.

Transitional Jobs Grants. Section 119 would authorize the appropriation of $200 million each year through 2010 for a program of grants to states, Indian tribes, localities, private organizations, and employers to promote job advancement and wage growth for low-wage workers. The program would primarily serve current and former recipients of TANF benefits, individuals at risk of needing TANF benefits, individuals with disabilities and noncustodial parents who have difficulty in paying child support. CBO estimates that implementing this program would cost $20 million in 2006 and $1 billion over the 2006-2013 period.

SSI Pre-effectuation Reviews. Section 501 would require the Social Security Administration to conduct reviews on initial decisions to award SSI benefits to certain disabled adults. CBO estimates the provision would increase the number of non-concurrent SSI determinations reviewed each year by SSA by about 135,000. Based on SSA's costs for conducting similar reviews in the Disability Insurance program, we estimate this would cause SSA's administrative costs, which are subject to appropriation, to increase by $8 million in 2006 and $147 million over the next 10 years.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill would extend funding for a number of state programs, most notably TANF, and establish new grants that target a variety of worker and family programs. The bill also would place new requirements and limitations on state programs as conditions for receiving federal assistance. Preemptions and some other requirements in the bill would be intergovernmental mandates as defined in UMRA. The limit on amounts that states could retain for state child support enforcement programs also could be an intergovernmental mandate because of the narrow focus of and limited flexibility in that program.

Mandates

Generally, conditions of federal assistance are not considered intergovernmental mandates as defined in UMRA. However, UMRA makes special provisions for identifying intergovernmental mandates in provisions affecting 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 the state, local, or tribal government lacks authority to amend its financial or programmatic responsibilities to continue providing required services. 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; 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 reducing the amounts that states may retain from child support collections would be an intergovernmental mandate, as defined in UMRA, for some states. CBO estimates, however, that the cost of the intergovernmental mandates would not exceed the threshold established in UMRA ($62 million in 2005, adjusted annually for inflation).

Child Support Enforcement. S. 667 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 $50 million in 2010 and about $325 million over the 2010-2015 period, CBO estimates. Retained child support collections are intended to reimburse states for their portion of spending for public assistance programs. If states are able to carry out their responsibilities more efficiently or pare back their child support activities while maintaining a basic level of compliance, the aggregate costs of the mandate could be reduced.

States also would be required to conduct mandatory reviews of child support cases every three years, but this requirement is expected to result in net savings to states of about $56 million in the child support program and $44 million in Medicaid over the 2006-2015 period.

Preemptions. The bill contains two preemptions of state law that are intergovernmental mandates as defined in UMRA. The bill would preempt state laws that could prevent an individual from contesting liens or levies on property seized in an effort to collect past-due child support. The bill also would protect insurers from state liability laws in cases where they have shared information with the Secretary of HHS for the purpose of identifying individuals that owe past-due child support. Neither of these preemptions would result in significant costs to state, local, or tribal governments.

TANF and Medicaid. The TANF program affords states broad flexibility to determine eligibility for benefits and to structure the programs offered as part of the state's family assistance program. Changes to the program embodied in S. 667 could alter the way in which states administer the program and provide benefits and could increase costs to states. However, states could make other changes of their own, adjusting eligibility criteria or the structure of programs to avoid or offset such costs. Because the TANF program affords states such broad flexibility, new requirements generally are not considered intergovernmental mandates as defined by UMRA. Similarly, a large component of the Medicaid program includes optional services that states may alter to accommodate new requirements and to offset additional costs in that program.

Other Impacts

Benefits. Many provisions of the bill would benefit state assistance programs by increasing funding, broadening flexibility, or providing new grants.

TANF. S. 667 would reauthorize family assistance grants through 2010 and continue supplemental grants for states that historically have had rising populations or that provided relatively low levels of benefits. The bill would provide more than $80 billion over the 2006-2010 period for family assistance. In addition, CBO estimates that state and tribal governments would receive a total of $1.3 billion for supplemental grants over the 2006-2011 period.

Increased Flexibility. The bill would allow states to use unspent funds from prior years to pay for services in addition to benefits, and it would increase the portion of TANF funds that may be specifically used for SSBG purposes from 4.25 percent to 10 percent. States also could use a portion of TANF funds for projects that foster access to jobs or reverse commuting.

Child Care. S. 667 would provide nearly $14 billion over the 2005-2010 period by extending the current child care grant program, and would increase funding for child care grants by an additional $1 billion over that period. It also would appropriate $5 billion in supplemental child care grants over the 2006-2010 period.

Social Services Block Grant. S. 667 would increase funding for Social Services Block Grants by $1 billion over the 2006-2010 period.

Healthy Marriage Promotion. S. 667 would repeal bonus grants for the reduction of illegitimacy, which were available to up to five states through 2003, and replace them with grants of $100 million annually over the 2006-2010 period for developing and implementing innovative programs to promote and support healthy, two-parent married families. The new grants would be available to states, Indian tribes, and tribal organizations. Grants could be used for a variety of education and media activities associated with the core goals, but they also would have to address domestic violence and ensure that participation in any related programs is voluntary. State spending on related programs for otherwise non-eligible families could be counted toward a state's maintenance-of-effort requirements in TANF.

Domestic Violence Prevention and Child Well-Being Grants. The bill would authorize appropriations totaling $30 million a year over the 2006-2010 period for two new grant programs aimed at developing strategies and best practices and providing training related to the prevention of domestic violence. The bill would appropriate $10 million annually over the same period for contracts, interagency agreements or grants for the development of comprehensive indicators of the well-being of children.

Fatherhood Grants. S. 667 would authorize appropriations of $76 million annually over the 2006-2010 period (of which $50 million would also be appropriated) for a variety of grant programs to promote fatherhood, responsible parenting, and marriage, either directly or through educational and media campaigns.

Abstinence Education. The bill would provide $50 million annually for abstinence education grants over the 2006-2010 period. Any unspent funds allocated to individual states would be periodically reallocated by the Secretary.

Tribal Assistance. S. 667 would reauthorize a program that currently provides $7.6 million annually for grants to Indian tribes and tribal organizations for increasing work opportunities. It also would increase appropriations for those grants to $12.6 million annually over the 2006-2010 period. Finally, the bill would appropriate $80 million over the 2006-2010 period for grants that could be used for improving the infrastructure of human services facilities, developing economic programs, and acquiring technical assistance.

Access and Visitation. Current law provides $10 million annually for access and visitation program grants. S. 667 would increase grants to states and Indian tribes for such programs by $32 million over the 2006-2010 period. The bill also would increase the minimum state allotment, increasing it from $120,000 in 2006 (up from $100,000 in current law) to $180,000 in 2009 and thereafter.

Grants to Support Work Activities. The bill would authorize appropriations of $40 million annually over the 2006-2010 period for grants to capitalize and develop sustainable social services that help move recipients of assistance into work activities. The bill also would authorize appropriations of $25 million annually over the same period for grants to state, local, tribal, and non-profit entities for programs that help low-income families with children acquire and maintain dependable cars and insurance. Finally, the bill would authorize appropriations of $200 million annually over the 2006-2010 period for grants to public and private entities that promote links among businesses to provide training, create transitional work opportunities, and increase the wages of individuals who have limited English proficiency or other barriers to employment.

Extension of Texas Waiver. The bill would extend a waiver that allows Texas to automatically enroll people with child support orders in the child support enforcement program. CBO estimates that the state would receive about $16 million over the 2006-2010 period for administrative expenses.

Foster Care Funds for Puerto Rico. S. 667 also would allow Puerto Rico to claim more federal matching funds for foster care expenses. As a result, CBO estimates that Puerto Rico would receive an additional $25 million over the 2007-2010 period.

Other Costs and Additional Requirements. Some provisions of the bill, while not intergovernmental mandates as defined in UMRA, would place additional conditions on state, local, and tribal governments or would result in additional spending in order to meet federal matching requirements.

Medicaid. The bill would require states to continue providing transitional medical assistance through fiscal year 2010. TMA provides benefits to certain individuals and their dependents who otherwise would lose coverage because of increased earnings. The bill also would allow states to implement simplifications of the TMA system, enabling them to provide TMA for an additional year in some cases and easing the qualification requirements. CBO estimates that the total net effect of these provisions would be additional state spending of $3.8 billion for Medicaid and savings of about $5 million for SCHIP over the 2006-2010 period.

Bonus Grants Change to Employment Basis. Under current law, states are eligible to receive bonus grants totaling up to 5 percent of their family assistance grant if they are identified by the Secretary as a high-performing state in terms of meeting the goals of the TANF program. The bill would reduce those grants from an average of $200 million annually to $50 million annually in each of the years 2006-2008 and to $100 million in each of the years 2009-2011. The bill also would change the basis of the grant from general performance to a focus on workplace attachment and advancement. Of the total amount appropriated, 2 percent would be reserved for Indian tribes.

Work Participation Requirements. The bill would increase work participation requirements in the TANF program by requiring states to have an increasing percentage of TANF recipients participating 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 expects no state would be subject to significant financial penalty for failing to meet the new requirements.

The bill would increase the minimum work participation rate from 50 percent to 70 percent over a five-year period. To meet those requirements, 70 percent of families would have to be engaged in work activities by 2010. The bill would eliminate a separate requirement in current law that sets even higher participation rates for two-parent families. In addition to overall participation rates, the bill would increase the minimum number of hours a family would need to participate to fully count toward the standard from 30 to 34 hours a week. However, it would allow partial credit for recipients who participate for between 20 and 33 hours. Two-parent families would be required to work more hours, but parents with children under the age of six would only have to work 24 hours in order to meet the requirements. The increase in the number of hours of work per week could result in a modest spending increase by states and Indian tribes for administration, worker support activities, and child care. As the overall participation rates increase, states and Indian tribes would have to direct more resources toward programs such as administrative support, child care, and worker supervision to comply with the 70 percent requirement.

The bill would expand the types of activities that would count toward meeting the work participation requirements and the allowed exclusions from the calculation of the work participation rate.

To the extent that states find the new work requirements difficult to meet, CBO expects they would employ strategies such as moving non-working families into separate state programs to effectively reduce the new requirements. For example, under current law, some states that fail to meet work requirements, particularly the higher requirements applying to two-parent families, set up separate state programs to serve those families. States can count funds they spend in separate state programs toward their maintenance-of-effort requirement in TANF, but families served under those programs do not count in the work participation rate.

Replacement of Caseload Reduction Credit. Under current law, a state's minimum worker participation rate may be reduced by the amount that the average number of families receiving assistance declines, assuming the reduction is not the result of changes in eligibility requirements. The bill would replace the caseload reduction credit with an employment credit that would be based on the percentage of individuals who no longer receive assistance and who are actively working. Former recipients who are earning comparably higher salaries would be weighted more heavily in calculating the state's employment credit. In total, however, the size of any credit would be limited to 40 percentage points in 2006, decreasing to 20 percentage points by 2010. States could opt to have the shift in the basis for the credit delayed until October 1, 2008.

Contingency Fund. S. 667 would alter the formula for contingency funds available to states. CBO estimates that those changes would result in a loss of funds to states of $12 million over the 2006-2010 period. The bill also would reserve a portion of contingency funds for tribal governments. CBO estimates that they would receive an additional $24 million over the same period.

Family Self-Sufficiency Plans. The bill would change the requirement that states develop individual responsibility plans for beneficiaries to a requirement for family self-sufficiency plans. States that fail to implement family self-sufficiency plans would be subject to the same penalties that currently apply to work participation requirements.

New Requirements. States would have to implement new performance targets and comply with a standardized format for submitting amendments to state plans and any subsequent state plan submissions for TANF programs. Prior to submitting such plans or amendments, a state would have to make the proposals publicly available and gather public comments. S. 667 also would require states to collect and report additional data on families enrolled in TANF programs and on those who leave the rolls because of ineligibility. The bill would require monthly reports on caseload levels and child care, and it would require an annual report on how states are achieving their performance goals.

Child Welfare and Foster Care. The bill would allow Indian tribes and tribal organizations to operate their own foster care programs, with direct reimbursement from the federal government. As a result, CBO estimates that more children would be covered by foster care and that on a net basis, states and Indian tribes would spend about $60 million over the 2006-2010 period as a result of this option.

Supplemental Security Income. The bill would extend from seven years to nine years the amount of time that an asylee and refugee could remain eligible for SSI benefit. Most states provide optional supplemental benefits to SSI recipients. Assuming they make no changes to their benefit packages, costs would increase. CBO has not estimated these additional costs, but they would be incurred at the option of the state and would only result from benefits provided to an estimated 4,600 people over a two-year period. CBO also estimates that Medicaid spending would increase; the state portion of those additional costs would total about $110 million over the 2006-2010 period.

States that provide supplemental benefits to SSI recipients would realize net savings as a result of additional eligibility reviews required by the bill. States would also save about $175 million over the 2006-2010 period as a result of lower Medicaid spending.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill contains a private-sector mandate as defined in the Unfunded Mandates Reform Act. Section 321 would require the administrator of a group health plan to notify a State child support enforcement agency under certain circumstances when a child loses health care coverage. The cost of this mandate would not exceed the threshold established by UMRA ($123 million in 2005, adjusted annually for inflation).

ESTIMATE PREPARED BY:

Federal Costs:

Sheila Dacey—TANF, Child Support, and Child Care
Christina Hawley Sadoti—Child Welfare
Geoffrey Gerhardt—Supplemental Security Income
Jeanne De Sa and Eric Rollins—Medicaid and SCHIP
Kathleen FitzGerald—Abstinence Education

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