CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 9, 1999

H.R. 1802

Foster Care Independence Act of 1999

As ordered reported by the House Committee on Ways and Means on May 26, 1999

SUMMARY

H.R. 1802 would increase funding for the Independent Living program that assists foster care children and would give states a new option for providing health coverage for former foster children through the Medicaid program. Other provisions in the bill would improve payment accuracy and reduce fraud in the Supplemental Security Income (SSI) and Social Security Disability Insurance (DI) programs and reduce federal payments to states under the child support program.

CBO estimates that this bill would increase discretionary spending by $7 million over the 2000-2004 period due to higher administrative expenses for the Social Security Administration (SSA). H.R. 1802 would also reduce direct spending by $5 million over the same period. The bill would increase spending in the Foster Care and Medicaid programs by $291 million and $195 million, respectively. These increases would be offset by reduced spending in the child support ($230 million), SSI ($125 million), Medicaid ($118 million), Food Stamp ($3 million), and State Children's Health Insurance ($15 million) programs. H.R. 1802 would not have a significant impact on DI spending. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

Section 4 of the Unfunded Mandates Reform Act (UMRA) excludes from the application of that act any provisions that relate to the Old-Age, Survivors, and Disability Insurance (OASDI) program under title II of the Social Security Act. CBO has determined that the provisions of this bill that affect the DI program fall within that exclusion.

Section 210 of the bill would deem certain requests for information from the Commissioner of Social Security as meeting state privacy requirements, thus preempting state law. This preemption would be a mandate as defined in UMRA, but it would not affect the budgets of state, local, or tribal governments. The remainder of the bill contains no intergovernmental mandates as defined by UMRA, but state, local, and tribal governments would be affected

by new federal assistance, changes in enrollment for Medicaid and SSI, and a reduction in funding associated with child support. The bill contains no private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1802 is shown in Table 1.

The costs of this legislation fall within budget functions 550 (health) and 600 (income security). This estimate assumes that H.R. 1802 is enacted by September 1999.

BASIS OF ESTIMATE

Discretionary Spending

CBO estimates that H.R. 1802 would increase discretionary spending by $7 million over the 2000-2004 period due to higher administrative expenses for SSA.

Period of Ineligibility for Certain Asset Transfers. Section 207 of the bill would impose a period of ineligibility on SSI applicants who dispose of resources for less than fair market value. CBO estimates that SSA would have to investigate about 4,300 applicants annually under this provision and that each investigation would cost about $200. The number of investigations is higher than the number of applicants that would actually be made ineligible (which CBO estimates would be about 2,800) because not all investigations would result in a period of ineligibility. CBO estimates that these investigations would increase SSA's administrative expenses by about $850,000 annually over the 2000-2004 period. The effects of this provision on direct spending are discussed below.

Study on Additional Fraud Measures. Section 211 of the bill would require SSA to conduct a study on the need for additional measures to prevent fraud in the SSI and DI programs. This study would have to be completed within one year of the bill's enactment. Based on discussions with SSA about the number of people needed to conduct the study, CBO estimates that this provision would increase SSA's administrative expenses by $550,000 in 2000.

TABLE 1: ESTIMATED BUDGETARY EFFECTS OF H.R. 1802

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
Spending Subject to Appropriation						
Baseline						
SSI Administration	2,434	2,499	2,509	2,590	2,671	2,754
Proposed Changes						
SSI Administration	0	1	1	3	1	1
Spending under H.R. 1802						
SSI Administration	2,434	2,500	2,510	2,593	2,672	2,755
Direct Spending						
Baseline						
Foster Care and Adoption Assistance	4,841	5,296	5,768	6,253	6,751	7,255
Supplemental Security Income	28,179	29,625	31,258	33,005	34,826	36,766
Medicaid	107,484	116,578	124,841	134,927	146,073	159,094
State Children's Health Insurance Program	800	2,000	3,000	3,900	4,017	4,138
Child Support Enforcement	2,486	2,792	2,980	3,229	3,574	3,854
Food Stamps	20,353	21,439	22,480	23,314	23,985	24,687
Total	164,143	177,730	190,327	204,628	219,226	235,794
Proposed Changes						
Foster Care and Adoption Assistance	0	13	58	73	73	74
Supplemental Security Income	0	-a	-3	-42	-40	-40
Medicaid	0	5	13	0	25	34
State Children's Health Insurance Program	0	-1	-2	-3	-4	-5
Child Support Enforcement	0	-50	-50	-45	-45	-40
Food Stamps	0	0	-a	-1	-1	-1
Total	0	-33	16	-18	8	22
Spending Under H.R. 1802						
Foster Care and Adoption Assistance	4,841	5,309	5,826	6,326	6,824	7,329
Supplemental Security Income	28,179	29,625	31,255	32,963	34,786	36,726
Medicaid	107,484	116,583	124,854	134,927	146,098	159,128
State Children's Health Insurance Program	800	1,999	2,998	3,897	4,013	4,133
Child Support Enforcement	2,486	2,742	2,930	3,184	3,529	3,814
Food Stamps	20,353	21,439	22,480	23,313	23,984	24,686
Total	164,143	177,697	190,343	204,610	219,234	235,816

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

Allow Monitoring of Bank Accounts. Section 214 of the bill would authorize SSA to monitor the bank accounts of SSI recipients to check for unreported assets. This provision would replace a data match that SSA currently conducts using tax information. CBO estimates that this new monitoring system would not be in place until 2002, and that the additional investigations generated by this monitoring would increase SSA administrative expenses by $2 million in 2002 and about $350,000 annually in 2003 and 2004. The figure for 2002 is higher because the shift to the new monitoring system would result in a one-time speeding up of detections. The direct spending effects of this provision are also discussed below.

Direct Spending

Title I: Improved Independent Living Program. Title I of H.R. 1802 would modify and expand funding for the Independent Living program, permit children in foster care to hold larger amounts of assets, and allow states to create a new Medicaid eligibility category for children who have reached age 18 and are no longer eligible for foster care. The estimated effects of title I on direct spending are shown in Table 2.

Improved Independent Living Program. Section 101 would provide states with more funding and greater flexibility to carry out the Independent Living program.

The Independent Living program provides services to older foster children and former foster children to help them successfully make the transition from foster care to life on their own. The Independent Living program is an entitlement to states capped at $70 million annually. Funds are allocated to states on the basis of each state's share of children receiving federal foster care assistance under title IV-E in 1984. States are required to provide a dollar-for-dollar match for federal funds received above their share of the first $45 million. Activities authorized under the Independent Living program include vocational training, training in daily living skills, and other services designed to improve the transition to independent living.

TABLE 2: ESTIMATED DIRECT SPENDING EFFECTS OF TITLE I OF H.R. 1802

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	5-year Total
Improved Independent Living Program						
Foster Care and Adoption Assistance						
Budget Authority	70	70	70	70	70	350
Outlays	10	55	70	70	70	275
Increased Allowable Assets						
Foster Care and Adoption Assistance						
Budget Authority	3	3	3	3	4	16
Outlays	3	3	3	3	4	16
State Option for Medicaid Coverage						
Medicaid						
Budget Authority	5	20	40	60	70	195
Outlays	5	20	40	60	70	195
S-CHIP						
Budget Authority	0	0	0	0	0	0
Outlays	-1	-2	-3	-4	-5	- 15
Total						
Budget Authority	78	93	113	133	144	561
Outlays	17	76	110	129	139	471

Section 101 would raise the cap on Independent Living funding from $70 million to $140 million annually. The old matching formula would be replaced by one that requires states to provide one dollar for every four federal dollars. Funds would be allocated to states on the basis of each state's share of the number of children in foster care in the most recent year that data is available. However, no state's funding could fall below its 1998 level. Any unused funds would be reallocated to other states. The Secretary of Health and Human Services would reserve 1.5 percent of the $140 million for evaluation, technical assistance, performance measurement, and data collection. States would be allowed to use up to 30 percent of their allotments for room and board expenses for former foster children between 18 and 21 years old.

Section 101 would provide additional funding totaling $350 million in fiscal years 2000 through 2004; CBO estimates that outlays would amount to $275 million over that period.

CBO assumes that states would spend the increased funding at the same rate that they currently spend Independent Living funds.

Increased Allowable Assets. Section 111 would raise the limit on the amount of assets a child could have while remaining eligible for federal foster care assistance. Under current law children are eligible for federal foster care assistance if the family from which the child was removed would have been eligible for the Aid to Families with Dependent Children (AFDC) program as it was on June 1, 1995. To be eligible for AFDC, a family could not have more than $1,000 in assets. This provision would allow children in foster care to have up to $10,000 in assets and retain eligibility for federal foster care assistance.

CBO estimates that 1 percent of children in Independent Living programs have between $1,000 and $10,000 in assets and thus would be made newly eligible for federal foster care assistance. While any child in foster care might have assets that exceed $1,000, we estimated that the older children participating in Independent Living programs are the most likely to have higher assets. No administrative data or survey data record the assets of children in foster care. The estimate is based on conversations with national experts and state officials. CBO estimates that about half of the children in Independent Living programs, 45,000 children, would not currently be eligible for federal foster care assistance and that this provision would make 1 percent of them, 450 children, newly eligible for federal foster care payments. The federal government would spend $3 million more in 2000 based on an average annual federal cost of $7,000. That cost would rise to $4 million by 2004, as both foster care caseloads and average benefit amounts increased, for a total cost of $16 million over the 2000-2004 period.

State Option for Medicaid Coverage. Section 121 of H.R. 1802 would allow states to provide Medicaid eligibility to former foster children until their 21st birthday. CBO estimates that the provision would increase federal Medicaid outlays by $5 million in 2000 and $195 million over the 2000-2004 period. Savings amounting to $15 million over the same period would occur in the State Children's Health Insurance Program (S-CHIP).

Children who receive federally-funded foster care are automatically eligible for Medicaid. Most children who receive state-funded foster care also are eligible for Medicaid. Automatic Medicaid eligibility ends when foster care ends—typically on the child's 18th birthday. Based on state-reported data on the number of children in foster care, CBO estimates that in 1998 there were 65,000 people who were 18, 19, or 20 years old, had received foster care on their 18th birthday, and were no longer receiving foster care. CBO projects this figure will rise to 80,000 by 2004.

Under current law there are several pathways to eligibility for young adults who have reached age 18 and are no longer eligible for foster care. They are eligible for Medicaid if they are disabled and receive SSI, or if they are a low-income parent and meet the state's welfare-related Medicaid eligibility criteria. In addition, 18 year-olds are eligible for Medicaid or S-CHIP if they meet the state's income criteria for those programs. Finally, states may cover children up to age 21 who would be eligible for cash welfare if they met the definition of dependent child. (This state option is often referred to as the Ribicoff provisions.) Based on conversations with state staff and available research on the circumstances of former foster children, CBO estimates that about 60 percent of former foster care children are eligible for Medicaid and that just over half of those who are eligible are currently enrolled. In 2004 this would correspond to 48,000 eligible individuals and 27,000 enrollees.

Under H.R. 1802, CBO estimates that both eligibility and participation among former foster care children would be higher. The bill would allow states to target eligibility to former foster children as a specific eligibility group. In addition, states could determine the income and resource limits that would apply or eliminate the means test altogether. CBO assumes that three-quarters of the states that have adopted the Ribicoff provisions and two-thirds of the other states would take up the option. Under the option, CBO assumes that the total proportion of former foster children who would be eligible would increase to 85 percent. CBO further assumes that states will enroll a larger proportion (75 percent) of eligibles by eliminating or raising the means test and by streamlining the eligibility process. In 2004 these assumptions result in 68,000 eligible individuals and 51,000 enrollees, or a net increase in enrollment of about 24,000.

Research and administrative data show that children who are in foster care have average medical costs that are two to five times higher than costs for other children who receive Medicaid. Higher average costs are largely, though not exclusively, attributable to greater mental health needs. Because many of the people with the greatest medical needs are likely already participating under current eligibility rules, and because former foster children may not seek as many services as foster children, CBO assumes average federal Medicaid costs per person would be twice the average for Medicaid children, or about $2,700 a year in 2004. Federal Medicaid costs for these new enrollees would total $65 million in 2004.

In addition, some 18 year-old former foster children are currently eligible for S-CHIP rather than Medicaid. Under the bill, if the state takes the option to expand eligibility to former foster children, those children would lose S-CHIP eligibility and would participate in Medicaid instead. Because not all states will have exhausted their S-CHIP funds, spending for S-CHIP would be reduced by $5 million in 2004 and Medicaid spending would increase by a similar amount.

Title II: SSI Fraud Prevention. Title II primarily contains provisions aimed at improving payment accuracy and program integrity in the SSI program. Another provision would allow SSI recipients who served in certain Filipino military units during World War II to receive a reduced benefit if they move back to the Philippines. The direct spending effects of title II are shown in Table 3.

TABLE 3: ESTIMATED DIRECT SPENDING EFFECTS OF TITLE II OF H.R. 1802

	Outlays By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	5-year Total
Additional Debt Collection Tools	0	0	-5	-10	-10	-25
Count Certain Trusts as Resources	-a	-a	-1	-1	-2	-4
Period of Ineligibility for Certain Asset Transfers						
SSI	-a	-2	-4	-6	-7	-19
Medicaid	-a	- 2	-5	-8	-10	-25
Subtotal	-a	-4	-9	-14	-17	-44
Allow Monitoring of Bank Accounts						
SSI	0	0	-30	-21	-19	-70
Medicaid	0	0	-25	-18	-17	-60
Subtotal	0	0	-55	-39	-36	-130
Benefit for Filipino Veterans						
SSI	0	-1	-2	-2	-2	-7
Medicaid	0	-5	-10	-9	-9	-33
Food Stamps	0	-a	-1	-1	-1	-3
Subtotal	0	-6	-13	-12	-12	-43
Total	-a	-10	-83	-76	-77	-246

a. Less than $500,000.

Additional Debt Collection Tools. Section 203 of the bill would allow SSA to use additional debt collection practices in recovering SSI overpayments. These practices include assessing interest and penalties on overpayments, reporting individuals who are slow to repay to credit bureaus, and contracting with private collection agencies. SSA already uses these debt collection practices for Social Security overpayments.

Under current law, SSA's primary method of recovering SSI overpayments is through benefit offsets. Individuals who have been overpaid and are receiving either SSI or Social Security can have up to 10 percent of their monthly benefits withheld until the overpayment has been recovered. SSA's ability to recover overpayments from individuals who are not receiving SSI or Social Security is much more limited. SSA can do little more than send these individuals repeated requests for repayments, usually with no results. As a final step after these requests have failed, SSA can ask the Treasury Department to withhold any tax refunds due to individuals who have been overpaid. However, most SSI recipients have sufficiently low incomes that they are not affected.

Like the tax refund offset, these new debt collection tools would be used only after the benefit offsets and requests for voluntary repayment have failed. These new tools would take a significant amount of time to implement and likely would not be available before fiscal year 2002. According to SSA, about $400 million in delinquent SSI debt is outstanding at any one time. SSA recovers about $60 million of this debt—15 percent—annually using current collection methods. CBO estimates that the additional debt collection tools in H.R. 1802 would allow SSA to recover an additional 2 to 2.5 percent of this delinquent debt. These additional collections would boost recoveries, which are considered offsetting receipts, by $25 million over the 2000-2004 period.

Count Certain Trusts as Resources. In order to qualify for SSI benefits, an individual's total resources must fall within certain limits. For SSI purposes, the term "resources" includes most types of assets but excludes certain items like a primary residence and a car. SSI also excludes assets that an individual has placed in an irrevocable trust. By comparison, assets placed in a revocable trust are considered resources since an individual can dissolve the trust and regain control over the assets.

Section 206 of the bill would count the assets that an individual places in an irrevocable trust as resources if the trust could still make payments for the individual's benefit. This new policy would apply only to trusts formed after December 31, 1999, and would incorporate exemptions for certain disabled individuals contained in a similar policy in the Medicaid program.

According to SSA, about 20,000 current SSI recipients have irrevocable trusts. Since turnover for the SSI caseload is about 10 percent annually, CBO assumes that the provision would affect about 2,000 new trusts each year. CBO assumed that 90 percent of trusts would meet one of the bill's exceptions and not be counted as resources. The exceptions apply primarily to disabled individuals, and research by SSA suggests that most trusts are held by disabled children and disabled adults. As a result, CBO estimates that about 200 individuals each year would be ineligible for SSI under this provision and that the resulting benefit savings would total $4 million over the 2000-2004 period.

Period of Ineligibility for Certain Asset Transfers. There is currently no penalty for individuals who transfer or sell assets for less than fair market value in order to meet SSI's asset restrictions. (SSI did penalize these transfers from 1981 to 1988, usually by imposing a two-year period of ineligibility.)

Section 207 of the bill would impose a period of ineligibility on SSI applicants who transfer assets for less than market value. The new SSI restrictions would be similar to those that already exist in the Medicaid program for individuals seeking institutional services, and would apply only to asset transfers taking place in the three-year period prior to application. The length of the period of ineligibility would vary according to the uncompensated value of the assets that were transferred but could not exceed 36 months. These new provisions would apply only to asset transfers taking place after enactment.

Based on a 1996 study by the General Accounting Office, CBO estimates that about 2,800 SSI applicants annually have transferred assets within the previous three years and would be subject to this provision. Initially, many applicants would not be affected since they transferred assets prior to the bill's enactment. However, about 5,300 people would be ineligible for SSI by 2004. CBO estimates that the resulting SSI benefit savings would total $19 million over the 2000-2004 period.

CBO estimates that the change in SSI treatment of asset transfers would also result in federal Medicaid savings of $25 million over the 2000-2004 period. CBO assumes that under the provision, about half of the individuals who lose SSI eligibility would also lose eligibility for Medicaid.

In some states, prohibitions on asset divestiture for noninstitutional care already prohibit SSI recipients who have transferred assets from receiving Medicaid. Although under current law the states must impose penalties for transferring assets on applicants who seek institutional services, states may apply the same criteria to applicants seeking noninstitutional services. In states where SSI eligibility does not automatically confer Medicaid eligibility, Medicaid beneficiaries who transferred resources to get SSI would not be affected by the policy. These states (known as 209(b) states) establish their own eligibility criteria for SSI-related Medicaid coverage. Additionally, in some states, individuals losing SSI would be eligible for state medically-needy programs, which allow beneficiaries to deplete their income and resources to Medicaid eligibility levels because of high medical expenses.

Per capita expenditures for those who would lose Medicaid eligibility are likely to be similar to expenses for acute and noninstitutional care services for current Medicaid beneficiaries—about $2,400 a year in 2000 for aged persons and $4,000 for disabled persons. CBO assumes that most people affected by the bill would be aged.

Allow Monitoring of Bank Accounts. Section 214 of the bill would allow SSA to obtain financial records for SSI recipients to ensure that they meet SSI's resource restrictions and remain eligible for benefits. SSA already has the authority to get a recipient's financial records, but only on a case-by-case basis and with the recipient's permission. This bill would require recipients to give their permission automatically or risk losing their eligibility. This would allow SSA to conduct periodic data matches with financial institutions to check for unreported assets.

SSA currently checks for unreported assets in bank accounts through a data match with the Internal Revenue Service (IRS) based on the information on form 1099, which is issued to individuals with interest income. SSA generally conducts this match in September or October each year, using IRS data for the previous tax (i.e., calendar) year. This means that recipients with unreported bank accounts may be overpaid for as much as 22 months before detection. And since the current match is based on form 1099, it does not cover SSI recipients with assets in non-interest-bearing accounts. Switching to periodic direct matches with financial institutions would allow SSA to obtain information on unreported assets in a more timely manner and monitor some non-interest-bearing accounts.

CBO estimates that under current law between 7,000 and 8,000 recipients annually lose their SSI eligibility as a result of the 1099-based match. Many of these individuals subsequently regain eligibility by spending down their assets to meet SSI's asset restrictions. Research by SSA suggests that over 40 percent of SSI recipients who are suspended for having excess resources return to the rolls within a year, and that about 60 percent of suspended recipients return within four years.

Based on discussions with SSA, CBO estimates that this provision would not be fully implemented until 2002. SSA will need at least two years to negotiate, develop, and test a data-sharing protocol with the financial industry that would allow these periodic data matches. This match would be conducted primarily with large national and regional banks.

Starting in 2002, CBO estimates that an additional 6,000 SSI recipients would become ineligible under the new match. These additional suspensions would mostly represent a speeding up of detections that would have occurred later under the current matching process. Based on information from the Federal Reserve, CBO also assumes that total suspensions would increase by about 10 percent due to improved detection of non-interest-bearing accounts. By 2004, many suspended recipients would have returned to the SSI rolls, and CBO estimates that the number of additional suspended recipients would decline to about 3,500. Overall, CBO estimates that this provision would reduce spending on SSI benefits by $70 million over the 2000-2004 period.

CBO assumes that most people who lose SSI eligibility due to resources above the SSI limit would also be disqualified from Medicaid, since the Medicaid resource limit is usually the same as the SSI limit. At an average annual cost of $2,400 for aged individuals and $4,000 for disabled individuals in 2000, CBO estimates total Medicaid savings of $60 million over the 2000-2004 period.

Benefit for Filipino Veterans. Under current law, SSI recipients must usually live in the United States to remain eligible for benefits. Section 251 would allow recipients who served in certain Filipino military units during World War II to remain eligible even if they move back to the Philippines. Recipients who return to the Philippines would have their SSI benefit reduced by about 25 percent and would become ineligible for Medicaid or food stamps. This provision would apply only to Filipino veterans receiving SSI at the time of the bill's enactment and would take effect a year after enactment.

During World War II, the Philippines was still an American commonwealth. In 1941, President Roosevelt issued an executive order that attached the Commonwealth Army and other military units to the U.S. armed forces for the duration of the war. An estimated 200,000 Filipinos ultimately served in these units, and somewhere between 80,000 and 90,000 are still alive today.

Most of the Filipino veterans who are now receiving SSI probably came to the United States under a special provision of the Immigration Act of 1990 that allowed them to become naturalized citizens. According to the Immigration and Naturalization Service (INS), about 17,500 veterans have become citizens under this provision. However, veterans could naturalize in either the Philippines or the United States, and INS does not know how many veterans are in this country. CBO estimated that about 16,000 naturalized veterans are still alive and assumed that 80 percent of the veterans who naturalized are in the United States, and that half of them get SSI. The percentage of veterans on SSI should be high; virtually all veterans are well over 65 years old and those who spent most of their lives in the Philippines are probably poor. CBO also assumed that another 1,000 veterans who either arrived before 1990 or arrived after 1990 as noncitizens are also getting benefits. Overall, CBO estimated that about 7,300 Filipino veterans are currently receiving SSI benefits.

Filipino veterans who have little or no family in this country are most likely to take advantage of the reduced SSI benefit offered in H.R. 1802. Unfortunately, very little demographic information is available on the veterans in this country. CBO assumed that 20 percent of the veterans on SSI would return to the Philippines. Although expansions of benefits often attract additional people to the benefit rolls, that effect seems likely to be small for this particular proposal. Relative to current law, CBO estimates that this provision would reduce SSI outlays by $7 million over the 2000-2004 period. Since veterans who return to the Philippines would become ineligible for food stamps and Medicaid, this provision would also reduce spending in those programs by $3 million and $33 million, respectively, over the same period.

Title III: Child Support. Title III would eliminate the hold-harmless provision of the child support program. Under current law, federal and state governments retain any child support collected on behalf of current recipients and certain support collected on behalf of former TANF recipients. Under the hold-harmless provision, the federal government guarantees that a state's amount of retained child support will not fall below the amount that it retained in fiscal year 1995. In 1999, the federal government made hold-harmless payments to 19 states, the District of Columbia, and Guam totaling $45 million. CBO projects hold-harmless payments will rise to $50 million in 2000 as child support collections fall and fall to $40 million by 2004 as collections grow slightly. Eliminating the hold harmless provision would save a total of $230 million over the 2000-2004 period.

PAY-AS-YOU-GO CONSIDERATIONS

The provisions of H.R. 1802 would affect direct spending and thus be subject to pay-as-you-go procedures. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in Table 4. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

TABLE 4: ESTIMATED PAY-AS-YOU-GO EFFECTS OF H.R. 1802

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	-33	16	-18	8	22	27	36	49	53	62
Changes in receipts	not applicable									

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

Exclusions

Section 4 of the Unfunded Mandates Reform Act excludes from the application of that act any provisions that relate to the Old-Age, Survivors, and Disability Insurance program under title II of the Social Security Act. CBO has determined that the provisions of this bill that affect the DI program fall within that exclusion.

Mandates

Under current law, the Commissioner of Social Security is authorized to request information from states in order to determine eligibility for Supplemental Security Income benefits. The bill would deem the standards of the Commissioner for the use, safeguarding, and disclosure of such information to meet the standards of state law and regulations. In doing so, the bill would preempt state laws and regulations and would be a mandate as defined in UMRA. CBO estimates that the mandate would not affect the budgets of state, local, or tribal governments because, although it would preempt state authority, states would not be required to take any action.

H.R. 1802 contains no private-sector mandates as defined in UMRA.

Other Impacts

Independent Living Program. The bill would raise the cap and change state matching rates for the Independent Living program. States are currently required to provide a 50-percent match in order to receive federal funds over $45 million. This entitlement is currently capped at $70 million annually. The bill would both raise the cap to $140 million annually (less 1.5 percent for federal administrative expenses) and institute a matching rate of 20 percent. These changes would result in additional funding to states of $68 million annually but they would be required to provide matching funds of $10 million more than they are currently spending.

Change in Asset Limitation for Foster Care. The bill would also increase the amount of assets a child could have while remaining eligible for federal foster care assistance. CBO estimates that this change would make 450 more children eligible for federal foster care assistance. States currently pay all of the foster care costs for these children. With the change in this bill, states would provide matching funds for foster care at their state Medicaid matching rate. Total state spending for these children thus would decline from $28 million to $12 million over the 2000-2004 period.

Supplemental Security Income. All but eight states provide some form of optional supplementation for recipients of SSI. Just as the proposed changes in the bill would result in savings to the federal government, state spending for supplemental SSI payments would also be reduced due to greater fraud prevention activities and longer periods of ineligibility for asset transfers. The bill also would allow Filipino veterans to receive reduced SSI benefits if they move to the Philippines. In those cases, state supplements (which are paid to residents) would cease. In total, CBO estimates that states would save approximately $17 million in state supplemental payments over the 2000-2004 period as a result of these changes.

Medicaid. The bill would allow states to extend Medicaid eligibility for former foster children aged 18 to 21 years old. Adopting such an option would increase state spending for Medicaid. It may be more expensive for states that currently cover 18 year-olds under S-CHIP because the match rate for S-CHIP is higher than that for Medicaid. CBO estimates that the net increase in state spending from this option over the 2000-2004 period would be $140 million for Medicaid and S-CHIP.

Title II of the bill would also make a number of changes to the SSI program that would affect Medicaid spending because in most states SSI receipt automatically confers Medicaid eligibility. The proposed changes to SSI regarding asset transfers, monitoring of bank accounts, and enrollment eligibility for Filipino veterans are estimated to save states approximately $90 million in Medicaid spending over the 2000-2004 period.

Child Support Hold-Harmless Provision. Under current law, states may retain a portion of child support collections in order to reimburse themselves for TANF payments they made for children that were owed child support. In cases where states have been unable to collect child support equal to the 1995 level, the federal government has provided funding to make up the difference. The bill would eliminate this guarantee, resulting in annual losses to states ranging from $40 million to $50 million annually and totaling $230 million over the 2000-2004 period.

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