



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

January 31, 2006

Honorable Charles B. Rangel
Ranking Democrat
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Congressman:

As requested by your staff, CBO has reviewed the child support provisions in the conference agreement for S. 1932, the Deficit Reduction Act of 2005, and we have determined that those provisions contain an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA).

Beginning in 2008, section 7309 of S. 1932 would eliminate the federal match for child support spending that states pay for with other federal assistance. That provision would decrease the federal government's responsibility to provide funding for the child support enforcement program, and consequently, it would be an intergovernmental mandate as defined by UMRA. CBO estimates that state spending for administering this program would increase by at least \$100 million a year (starting in 2008). Thus, the costs of the mandate would exceed the threshold established by UMRA (\$67 million in 2008, adjusted annually for inflation). An identical provision appeared in the reconciliation recommendations of the House Committee on Ways and Means and is discussed in CBO's cost estimate for that legislation, dated October 28, 2005.

Section 7309 of S. 1932 and its Effects on States

The legislation would eliminate—beginning in 2008—federal matching funds for administrative expenses funded by incentive payments to states. Each year, the Secretary of Health and Human Services awards incentive funds to states that perform well in a number of areas, including overall collections, establishment of child support and paternity orders, and cost-effectiveness. Such payments totaled \$450 million in 2004 and would grow—under current

law—to \$505 million by 2010. States are required to spend those funds on child support activities, and the federal government matches 66 percent of total spending. With the elimination of the federal match, CBO expects that states would boost their spending to avoid half of the reduction in total spending for child support enforcement. That increase would amount to more than \$100 million a year starting in 2008.

Applicability of UMRA to Section 7309

UMRA specifies criteria for identifying intergovernmental mandates in large entitlement grant programs (those that provide more than \$500 million annually to state, local, or tribal governments), including child support enforcement. In particular, 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 offset the costs by amending its financial or programmatic responsibilities to continue providing required services.

The child support enforcement program is relatively narrow in scope, and its primary goal is to collect and redistribute child support payments. In contrast, other large entitlement programs, such as Medicaid and Temporary Assistance for Needy Families (TANF), allow states significant flexibility to alter their programs and accommodate new requirements. The narrower focus of the child support program does not afford states as much flexibility as TANF and Medicaid, so CBO concludes that significant reductions in funding for the child support program would be intergovernmental mandates as defined in UMRA.

CBO estimates that the increase in state spending from enacting section 7309 of S. 1932 would exceed \$100 million a year, beginning in 2008. The threshold established by UMRA for intergovernmental mandates is \$67 million in 2008, adjusted annually for inflation.

Honorable Charles B. Rangel
Page 3

Although other provisions of the bill would increase authorizations of funding or result in savings to states, under UMRA those amounts are not considered offsets against the estimated costs of the mandate.

Previous CBO Estimate

On October 28, 2005, CBO transmitted a cost estimate for the reconciliation recommendations of the House Committee on Ways and Means, as approved on October 26, 2005. That version of the legislation contained an identical provision regarding the child support enforcement program, and CBO identified the provision as an intergovernmental mandate in its cost estimate.

If you would like additional information about this estimate, we would be pleased to provide it. The staff contact is Leo Lex, who can be reached at 225-3220.

Sincerely,

Donald B. Marron
Acting Director

cc: Honorable Bill Thomas
Chairman

Honorable Jim Nussle
Chairman
House Committee on the Budget

Honorable John M. Spratt Jr.
Ranking Member