

LEGISLATIVE UPDATE

HOUSE COMMITTEE ON THE BUDGET
Majority Caucus • Jim Nussle, *Chairman*

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HR 4700 – REAUTHORIZATION OF THE 1996 WELFARE REFORM LAW

Summary: H.R. 4700 reauthorizes and makes changes to the Federal Government's principal welfare programs – including the Temporary Assistance to Needy Families block grant, the Child Care and Development block grant, and the Child Care Entitlement to States – as well as the Child Support Enforcement Program. The bill coming to the floor is an amalgamation of legislation reported by the Committees on Ways and Means, Education and the Workforce, and Energy and Commerce.

Generally, the bill maintains current policies enacted under the welfare reform law of 1996 which have successfully reduced the Nation's welfare rolls by more than 50 percent. Modifications have expanded the number of hours welfare recipients must engage in work activities in order to remain eligible for benefits. The bill also increases the share of Federal dollars passed through to custodial parents under the Child Support Enforcement Program, and provides incentives for States to increase their pass-through amounts as well. Another significant policy change is the addition of \$4 billion in new funding for child care. Of this new funding, \$3 billion is provided in the form of a discretionary authorization, and the remainder is mandatory spending. The new mandatory child care spending is offset by a series of revenue provisions.

As further discussed below, if the budget resolution passed by the House on 20 March 2002 (H.Con.Res. 353) were deemed to be in force, this bill would be in full compliance with it.

Cost of the Legislation: Total spending in the bill is \$116.2 billion in mandatory budget authority [BA] and \$13.5 billion in discretionary BA over 5 years. The bill authorizes a \$2.5-billion increase in discretionary BA during the period 2003-2007; the net increase in mandatory spending is \$2.360

billion in BA over 5 years. The majority of the discretionary spending increase is the new authorization level for the Child Care and Development block grant. Mandatory spending increases include funding for new family formation initiatives, increased child care funding, and greater pass-through of child support collections to custodial parents.

A revenue provision offsets some of the increase in direct spending by raising \$1.1 billion in 2007. This item excludes from gross income interest that is paid by the Internal Revenue Service to individual taxpayers on overpayments of Federal income tax. This provision was also included in the Tax Relief Guarantee Act of 2002 – passed by the House in April – which made permanent provisions of the President's tax relief plan enacted last year.

Legislation Compared With the Budget Resolution: The budget resolution currently in force (H.Con.Res. 83) made no provision for the direct spending included in this bill. The House budget resolution for fiscal year 2003 (H.Con.Res. 353), passed by the House on 20 March 2002, does provide for the increased direct spending in HR 4700. That resolution assumed combined mandatory-discretionary increases for reauthorization of welfare reform that were contained in the President's budget.

Compliance With the Budget Act: Under the budget resolution currently in force, this legislation will not violate the Congressional Budget Act. The Budget Act largely applies only to reported bills, and H.R. 4700 has not been reported by any committee.

If the bill had been reported, however, it would not comply with the Budget Act. The Committee on Ways and Means and the Committee on Energy and Commerce have principal

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jurisdiction over the matters addressed by this bill. Relative to the budget resolution currently in force, neither committee's allocation can accommodate the additional spending in this bill. Hence, were this a reported measure, it would likely violate section 302(f) of the Congressional Budget Act, which prohibits legislation that breaches a committee's allocation in the 1st year and over 5 years.

The bill would also violate section 303 of the Budget Act, because it includes provisions that first become effective in fiscal year 2003, a year for which a conference report on a budget resolution has not been passed.

If the budget resolution passed by the House on 20 March 2002 (H.Con.Res. 353) were deemed to be in force, these points of order likely would not apply. That resolution provided for the reauthorization of welfare reform.

Compliance With PAYGO: Pay-as-you-go [PAYGO] applies to all legislation enacted prior to 20 September 2002. Such legislation, unless offset, may cause a sequester as late as 2006. As noted above, H.R. 4700 increases direct spending by \$319 million in fiscal year 2003 and by \$829 million through fiscal year 2007.

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