

URGENT

Diana Fortuna -

Sorry - This
is the correct version
I should have sent
you.

Betsy Matheson
(703)(241-1218 - Home
if you
need
me -

The Honorable Newt Gingrich
Speaker of the House
of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed for the consideration of the Congress is the Administration's draft bill, the "Child Support Enforcement Budget Amendments of 1998".

The bill makes amendments to the child support and paternity establishment program under title IV-D of the Social Security Act to eliminate provisions under which states receive enhanced matching of 90 percent (rather than 66 percent) for costs of laboratory tests for paternity establishment, and are guaranteed a share of child support collections not less than the state share of such collections for FY 1995. These amendments carry out proposals in the President's Budget for FY 1999.

The reduction of the paternity establishment matching rate should have no adverse effect on states' ability to establish paternity.

The need for an enhanced matching rate for genetic testing costs to encourage expansive use of such procedures has diminished. The use of laboratory tests has become a standard procedure for paternity establishment, and economies of scale and improved efficiency of the testing have made it an extremely cost-effective method for carrying out the states' responsibilities for paternity establishment. States should share more equally in these costs to ensure that they seek cost-efficient contracts for genetic testing. This proposal should also provide a further incentive for states to fully implement cost-effective paternity acknowledgement programs in hospitals and state vital statistics agencies.

The hold harmless provision was added to title IV-D by P.L. 104-193 (the welfare reform legislation) ~~at the same time as the amendment to establish a family-first distribution policy~~, in order to protect states against reductions in their share of child support collections due to **new family-first distribution** policy. However, ~~since~~ collections for families on public assistance under the Temporary Assistance for Needy Families (TANF) program are declining for a ~~variety of reasons, including TANF time limits, there is no way to separate out~~ **unrelated to** family first distribution effects. ~~Since the and the~~ hold

The Honorable Newt Gingrich - Page 2

harmless guarantee is ~~thus no longer~~not accomplishing its primary intended goal. For this reason, coupled with the need for a more balanced approach for sharing between the Federal and State governments the budgetary impact of declining child support revenues, we suggest its repeal.

We recommend that the Congress give the draft bill its prompt and favorable consideration.

The Office of Management and Budget has advised that there is no objection to the transmittal of this draft legislation, and that enactment of this legislation would be in accord with the President's program.

Sincerely,

Donna E. Shalala

Enclosure

30% in last 5 yrs
Projected to decline

DIANA FORTUNA

456-7431 FAX

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Speaker of the House
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Washington, D.C. 20515

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The bill makes amendments to the child support and paternity establishment program under title IV-D of the Social Security Act to eliminate provisions under which states receive enhanced matching of 90 percent (rather than 66 percent) for costs of laboratory tests for paternity establishment, and are guaranteed a share of child support collections not less than the state share of such collections for FY 1995. These amendments carry out proposals in the President's Budget for FY 1999.

The reduction of the paternity establishment matching rate should have no adverse effect on states' ability to establish paternity.

The need for an enhanced matching rate for genetic testing costs to encourage expansive use of such procedures has diminished. The use of laboratory tests has become a standard procedure for paternity establishment, and economies of scale and improved efficiency of the testing have made it an extremely cost-effective method for carrying out the states' responsibilities for paternity establishment. States should share more equally in these costs to ensure that they seek cost-efficient contracts for genetic testing. This proposal should also provide a further incentive for states to fully implement cost-effective paternity acknowledgement programs in hospitals and state vital statistics agencies.

The hold harmless provision guarantees that a State's share of child support collection will never fall below the amount the State received in FY 1995 and was added to title IV-D by P.L. 104-193 (the welfare reform legislation) in order to protect states against reductions due to the new family-first distribution policy. However, collections for families on public assistance under the Temporary Assistance for Needy Families (TANF) program are declining for reasons unrelated to family first distribution effects and the hold harmless guarantee is not accomplishing its intended goal. For this reason, and because we

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believe that the Federal and State governments should share in the budgetary impact of declining child support revenues, we suggest its repeal.

We recommend that the Congress give the draft bill its prompt and favorable consideration.

The Office of Management and Budget has advised that there is no objection to the transmittal of this draft legislation, and that enactment of this legislation would be in accord with the President's program.

Sincerely,

Donna E. Shalala

Enclosure

Beten Matthews 401-9386

Mary Cohen



Cynthia A. Rice

03/20/98 04:23:56 PM

Record Type: Record

To: Diana Fortuna/OPD/EOP
cc:
bcc:
Subject: Re: Child support question

I never connected this provision to families first distribution rules -- not that I've ever looked at the provision itself -- I always thought it was to protect states with large caseload declines (you should look at the language). In any case, I would suggest we try to weave in the following points --

ck law

The state and federal governments traditionally kept most or all of child support collections for welfare families in order to recoup welfare costs.

Thus the fact that states may lose some funds is good -- that means families are leaving welfare and keeping their own support payments.

There's no reason why we should continue to hold states harmless for caseload declines -- they are already saving money by not having to pay welfare to these families.

Diana Fortuna

Diana Fortuna 03/20/98 03:59:38 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc:
Subject: Child support question

We are trying to clear a letter from HHS that transmits a bill that implements the child support features of the President's budget. One of these is to get rid of a hold harmless provision originally enacted in welfare reform that protected states from drops in collections for TANF families because of some "family first" policy that encouraged collections to be passed along to families. One of OMB's rationales for getting rid of this hold harmless is that child support collections under TANF are projected to drop for other reasons, and so it's hard to determine how much of the drop is due to the family first policy and how much to caseload.

My question to you is: do you think will it be news in any way that child support collections on behalf of TANF families are projected to drop? Clearly overall collections are projected to still grow strongly, as per all our public statements on the issue. And it is not mystifying as to why they might drop, with the TANF caseload dropping so swiftly. I should also talk to HHS about this.

Edwin edit not yet
protected

The Honorable Newt Gingrich - Page 2

collections for families on public assistance under the Temporary Assistance for Needy Families (TANF) program are declining for a variety of reasons, including ~~TANF time limits~~. There is no way to separate out "family first distribution effects". from ?? Since the hold harmless guarantee is thus no longer accomplishing its primary goal, we ~~suggest~~ ^{propose} its repeal.

We recommend that the Congress give the draft bill its prompt and favorable consideration.

The Office of Management and Budget has advised that there is no objection to the transmittal of this draft legislation, and that enactment of this legislation would be in accord with the President's program.

Sincerely,

Donna E. Shalala

Enclosure

We believe that eliminating the hold harmless guarantee will create the right incentives for States to continue maximizing TANF-related collections

Amil to Matthew

Total Pages: 6

LRM ID: MDH154

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

SPECIAL

Friday, March 13, 1998

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below
FROM: *Janet R. Forsgren*
OMB CONTACT: Janet R. Forsgren (for) Assistant Director for Legislative Reference
Melinda D. Haskins
SUBJECT: PHONE: (202)395-3923 FAX: (202)395-6148
HHS Draft Bill on Child Support Enforcement Budget Amendments of 1998

DEADLINE: 11 AM Thursday, March 19, 1998

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will effect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: Attached is an HHS draft bill that would make amendments to the child support and paternity establishment program under title IV-D of the Social Security Act. The proposed amendments are in support of the President's FY 1999 Budget.

DISTRIBUTION LIST**AGENCIES:**

61-JUSTICE - Andrew Foia - (202) 514-2141
118-TREASURY - Richard S. Carro - (202) 622-0650

EOP:

Barbara Chow
Barry White
Keith J. Fontenot
Edwin Lau
Laura Oliven Silberfarb

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Wendy A. Taylor
Cynthia A. Rice
Diana Fortuna
Emil E. Parker
Richard B. Bavier

Nicole R. Rabner
Jennifer L. Klein
Janet R. Forsgren

LRM ID: MDH154 SUBJECT: HHS Draft Bill on Child Support Enforcement Budget
Amendments of 1998

**RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM**

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or

(2) sending us a memo or letter

Please include the LRM number shown above, and the subject shown below.

TO: Melinda D. Haskins Phone: 395-3923 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: _____ (Date)
 _____ (Name)
 _____ (Agency)
 _____ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

Concur

No Objection

No Comment

See proposed edits on pages

Other: _____

FAX RETURN of _____ pages, attached to this response sheet

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11

The Honorable Newt Gingrich - Page 2

collections for families on public assistance under the Temporary Assistance for Needy Families (TANF) program are declining for a variety of reasons, including TANF time limits, there is no way to separate out "family first distribution effects". Since the hold harmless guarantee is thus no longer accomplishing its primary goal, we suggest its repeal.

We recommend that the Congress give the draft bill its prompt and favorable consideration.

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Sincerely,

Donna E. Shalala

Enclosure

HHS/GCL DRAFT 3/12/98

A BILL

1 To amend title IV-D of the Social Security Act to adjust formulas
2 for payments to States for Child Support Enforcement, and for
3 other purposes.

4 *Be it enacted by the Senate and House of Representatives of*
5 *the United States of America in Congress assembled*, That this Act
6 may be cited as the Child Support Enforcement Budget Amendments
7 of 1998.

8 **SEC. 2. ELIMINATION OF ENHANCED MATCHING FOR LABORATORY COSTS FOR**
9 **PATERNITY ESTABLISHMENT.**

10 Section 455(a)(1) of the Social Security Act (42 U.S.C.
11 655(a)(1)) is amended--

12 (1) in subparagraph (A), by adding "and" at the end;

13 (2) in subparagraph (B), by striking ", and" at the
14 end; and

15 (3) by striking subparagraph (C).

16 **SEC. 3. ELIMINATION OF HOLD HARMLESS FOR STATE SHARE OF**
17 **DISTRIBUTION OF COLLECTED SUPPORT.**

18 (a) **IN GENERAL.**--Section 457(d) of the Social Security (42
19 U.S.C. 657(d)) is repealed.

20 (b) **CONFORMING AMENDMENTS.**--

1 (1) Section 457(a) of that Act (42 U.S.C. 657(a)) is
2 amended by striking "Subject to subsection (d), an amount"
3 and inserting "An amount".

4 (2) Section 457(e) of that Act (42 U.S.C. 657(e))—

5 (A) is redesignated as subsection (d); and

6 (B) is amended by striking the second sentence

7 **SEC. 4. EFFECTIVE DATE.**

8 The amendments made by this Act shall be effective with
9 respect to calendar quarters beginning on and after October 1,
10 1998.