



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

December 23, 2008

**H.R. 6893  
Fostering Connections to Success and Increasing  
Adoptions Act of 2008**

*As signed by the President on October 7, 2008*

**SUMMARY**

H.R. 6893 (enacted as Public Law 110-351) will make numerous changes to the existing IV-E foster care and adoption assistance programs, allow the U.S. Treasury to invest in repurchase agreements, and modify the criteria that allow a child to be claimed by someone on an income tax return for purposes of certain tax credits and exemptions.

CBO estimates that the law will decrease direct spending by \$323 million over the 2009-2013 period but will increase direct spending by \$295 million over the 2009-2018 period. Additionally, the Joint Committee on Taxation (JCT) estimates that the law will increase revenues by \$123 million over the 2009-2013 period and \$307 million over the 2009-2018 period. As a result, Public Law 110-351 will reduce deficits by an estimated \$12 million over the 2009-2018 period.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 6893 is shown in Table 1. Spending under this legislation falls within budget functions 550 (health), 600 (income security), and 900 (net interest).

**TABLE 1. ESTIMATED BUDGETARY IMPACT OF H.R. 6893, THE FOSTERING CONNECTIONS TO SUCCESS AND INCREASING ADOPTIONS ACT OF 2008.**

	By Fiscal Year, in Millions of Dollars											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-2013	2009-2018
<b>CHANGES IN DIRECT SPENDING</b>												
Estimated Budget Authority	-19	-173	-106	-16	24	37	49	94	171	280	-290	342
Estimated Outlays	-23	-180	-113	-25	18	44	53	90	162	268	-323	295
<b>CHANGES IN REVENUES</b>												
Estimated Revenues	1	23	36	31	32	34	35	37	38	40	123	307
<b>NET BUDGET IMPACT</b>												
Net Effect on the Deficit <sup>a</sup>	-24	-203	-149	-56	-14	10	18	53	124	228	-446	-12

a. Negative numbers reflect decreases in the deficit; positive numbers reflect increases in the deficit.

## **BASIS OF ESTIMATE**

H.R. 6893 made many changes to the IV-E Foster Care and Adoption Assistance programs. The law also allows the Treasury to invest in repurchase agreements and changes provisions in the tax code related to the uniform definition of a child.

### **Promotion of Adoption**

H.R. 6893 removes the financial criteria for determining a child's eligibility for IV-E adoption assistance payments. The law will therefore increase the number of children receiving IV-E payments, although CBO estimates that most of those children would have received state-only payments in the absence of this law. The law requires states to spend any funds they save through this provision on IV-B and/or IV-E activities. This provision will take effect in fiscal year 2010, and will be phased in over nine years. CBO estimates that enacting this provision will cost \$126 million over five years and \$1.4 billion over 10 years.

**TABLE 2. CHANGES IN DIRECT SPENDING AND REVENUES FROM H.R. 6893**

	By Fiscal Year, in Millions of Dollars											2009-	2009-	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013	2018		
<b>CHANGES IN DIRECT SPENDING</b>														
<b>Promotion of Adoption</b>														
Estimated Budget Authority	0	6	20	40	67	105	158	237	354	505	134	1,493		
Estimated Outlays	0	5	19	38	64	100	152	227	340	487	126	1,432		
<b>Guardianship Assistance</b>														
Estimated Budget Authority	1	0	-7	-21	-41	-72	-116	-153	-191	-229	-67	-828		
Estimated Outlays	1	0	-6	-19	-37	-67	-110	-147	-185	-223	-60	-791		
<b>Extend IV-E Eligibility to Age 21</b>														
Estimated Budget Authority	0	0	36	69	93	112	112	110	107	109	199	750		
Estimated Outlays	0	0	32	64	90	109	111	111	108	110	186	735		
<b>Educational Stability</b>														
Estimated Budget Authority	-41	-42	-44	-46	-48	-50	-52	-54	-57	-60	-221	-494		
Estimated Outlays	-34	-42	-44	-46	-48	-50	-52	-54	-57	-59	-213	-484		
<b>Training</b>														
Estimated Budget Authority	4	13	27	46	56	56	55	55	55	54	146	421		
Estimated Outlays	3	12	25	43	54	56	55	55	55	54	138	412		
<b>Equitable Tribal Access</b>														
Estimated Budget Authority	0	3	5	10	14	24	34	46	54	56	32	246		
Estimated Outlays	0	3	5	9	14	22	33	44	52	56	30	237		
<b>Health Oversight</b>														
Estimated Budget Authority	15	15	15	15	15	15	15	15	15	15	75	150		
Estimated Outlays	15	15	15	15	15	15	15	15	15	15	75	150		
<b>Family Connection Grants</b>														
Estimated Budget Authority	15	15	15	15	15	0	0	0	0	0	75	75		
Estimated Outlays	4	10	15	15	15	11	5	0	0	0	59	75		
<b>Tribal Technical Assistance</b>														
Estimated Budget Authority	3	3	3	3	3	3	3	3	3	3	15	30		
Estimated Outlays	3	3	3	3	3	3	3	3	3	3	15	30		
<b>Investment of Operating Cash</b>														
Estimated Budget Authority	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-100		
Estimated Outlays	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-50	-100		

(Continued)

**TABLE 2. CONTINUED**

	By Fiscal Year, in Millions of Dollars											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-2013	2009-2018
Spending for Refundable												
Tax Credits												
Estimated Budget Authority	-6	-175	-167	-138	-142	-146	-150	-154	-159	-164	-628	-1,402
Estimated Outlays	-6	-175	-167	-138	-142	-146	-150	-154	-159	-164	-628	-1,402
Total Changes in Direct												
Spending												
Estimated Budget Authority	-19	-173	-106	-16	24	37	49	94	171	280	-290	342
Estimated Outlays	-23	-180	-113	-25	18	44	53	90	162	268	-323	295
<b>CHANGES IN REVENUES</b>												
Tax Credits	1	23	36	31	32	34	35	37	38	40	123	307
<b>NET BUDGET IMPACT</b>												
Net Effect <sup>a</sup>	-24	-203	-149	-56	-14	10	18	53	124	228	-446	-12

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

a. Negative numbers reflect decreases in the deficit; positive numbers reflect increases in the deficit.

### Guardianship Assistance

Section 101 provides federal reimbursement to states for payments they make to guardians of former IV-E eligible foster children, which will increase federal costs by an estimated \$1.8 billion over the 2009-2018 period. Based on experience from states that promote guardianship, CBO expects that the added cost will be more than offset by the resulting increase in the number of children in guardianship arrangements. Because those new guardian families will receive lower payments than they would have if the children had remained in foster care, this provision also will decrease federal costs for those children who move into guardianship arrangements. CBO estimates that, on net, this provision will save \$791 million over the 2009-2018 period.

## **Extend IV-E Eligibility to Age 21**

H.R. 6893 allows states to provide foster care maintenance, adoption assistance, and subsidized guardianship payments on behalf of children until those individuals reach age 21, beginning in 2011. (Adoption assistance and subsidized guardianship payments will only apply to children beyond the age of 16 who were adopted or entered guardianship at age 16 or older.) Individuals between 18 and 21 years old will need to meet certain educational or work requirements to remain eligible for payments. CBO estimates that this provision will cost \$735 million over the 2011-2018 period.

## **Educational Stability**

H.R. 6893 requires that any children receiving foster care, adoption assistance, or guardianship payments be enrolled in either primary or secondary school, or have completed secondary school. This provision will lower the number of children eligible for those payments. CBO estimates this provision will save \$484 million over the 2009-2018 period.

## **Training**

The law requires the Department of Health and Human Services to reimburse states for the cost of training staff of state-licensed or state-approved child welfare agencies as well as for training various court personnel. The reimbursement rate will be 55 percent in 2009 and increase by 5 percent a year to a maximum of 75 percent in 2013 and beyond. CBO estimates this provision will cost \$412 million over the 2009-2018 period.

## **Other Spending Provisions**

In addition, CBO estimates that the following provisions will, on net, increase direct spending by \$392 million over the 2009-2018 period.

- **Equitable Tribal Access.** H.R. 6893 will allow Indian tribes, tribal organizations, and tribal consortia to make direct claims for IV-E reimbursement beginning in fiscal year 2010.

- **Health Oversight.** The law will require that states include in their Child Welfare Service plans procedures to better coordinate the medical care foster children receive. States will be required to include a schedule for initial and follow-up health screening, a description of how medical needs will be monitored and treated, and a description of how Medicaid information regarding the children will be updated and shared.
- **Family Connection Grants.** The law appropriates \$15 million for each year from 2009 through 2013 for Family Connection grants to assist children who are either in foster care or at risk of entering foster care to re-establish connections with family members.
- **Tribal Technical Assistance.** The law appropriates \$3 million a year to provide technical assistance to tribes, aimed at helping tribes improve services and permanency outcomes for children.
- **Investment of Operating Cash.** The cash management section of H.R. 6893 authorizes the Secretary of the Treasury to invest the operating cash of the U.S. Treasury in repurchase agreements with approved parties. A repurchase agreement is the transfer of cash for a specific amount of time, typically overnight, in exchange for collateral. CBO expects that using repurchase agreements will lead to higher rates of return on those investments.

## **Tax Credits**

The law adds new qualification requirements for determining if a taxpayer can claim a child on an income tax return for the purposes of receiving certain tax credits and exemptions. Those new criteria will exclude some taxpayers from otherwise claiming a child for tax purposes, which will affect both direct spending and revenues. The legislation reduces the amounts that will be claimed for certain refundable tax credits. To the extent that those credits exceed an individual's income tax liability, the individual can receive a federal payment. JCT estimates that this provision will decrease outlays from the refundable credits by \$628 million over the 2009-2013 period and \$1.4 billion over the 2009-2018 period. In addition, JCT estimates that the tax credit provision will increase revenues by \$307 million over the 2009-2018 period.

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