



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 3, 2003

Direct Spending Effects of H.R. 2350 Welfare Reform Extension Act of 2003

*as cleared by the Congress on June 27, 2003,
and signed by the President on June 30, 2003*

SUMMARY

H.R. 2350 extends the Temporary Assistance for Needy Families (TANF), Child Care Entitlement to States, and Abstinence Education programs through September 30, 2003. In addition, it extends the requirement that state Medicaid programs provide transitional medical assistance (TMA) under Medicaid through the same date. The programs and provisions were scheduled to expire on June 30, 2003. CBO estimates that H.R. 2350 will increase direct spending by \$26 million in 2003 and by \$178 million over the 2003-2013 period.

Funding for the TANF, Child Care Entitlement to States, and Abstinence Education programs for the fourth quarter of 2003 will total \$3.8 billion. However, CBO already assumes that level of funding in its baseline for these programs—with the exception of TANF supplemental grants—as specified in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act). Therefore, for these programs, only the spending for supplemental grants, totaling \$64 million, is an increase relative to baseline.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2350 on direct spending is shown in the following table. The changes in direct spending, which total an estimated \$178 million over the 2003-2013 period, fall within budget functions 550 (health) and 600 (income security).

DIRECT SPENDING EFFECTS OF H.R. 2350

By Fiscal Year, in Millions of Dollars

2003- 2003-

2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2008 2013

CHANGES IN DIRECT SPENDING

TANF Supplemental Grant													
Estimated Budget Authority	64	0	0	0	0	0	0	0	0	0	0	64	64
Estimated Outlays	26	13	13	6	6	0	0	0	0	0	0	64	64
Medicaid													
Budget Authority	0	99	13	4	0	0	0	0	0	0	0	116	116
Outlays	0	99	13	4	0	0	0	0	0	0	0	116	116
State Children's Health Insurance Program													
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Outlays	0	-4	0	0	1	0	0	0	0	1	0	-3	-2
Total													
Estimated Budget Authority	64	99	13	4	0	0	0	0	0	0	0	180	180
Estimated Outlays	26	108	26	10	7	0	0	0	0	1	0	177	178

NOTE: Under prior law, TANF and TMA would have expired on June 30, 2003.

BASIS OF ESTIMATE

TANF, Child Care Entitlement to States, and Abstinence Education

H.R. 2350 extends the authorizations of the TANF, Child Care Entitlement to States, and Abstinence Education programs through September 30, 2003. The extensions provide funding totaling \$3.4 billion for TANF, \$0.4 billion for child care, and \$12.5 million for abstinence education. In general, the extensions have no cost relative to baseline because CBO already assumes funding at that level for the programs in its baseline in accordance with rules for constructing baseline projections, as set forth in section 257 of the Deficit Control Act.

H.R. 2350 also funds TANF supplemental grants at \$64 million for the fourth quarter of 2003. Seventeen states that had lower-than-average TANF grants per poor person or had rapidly increasing populations will be eligible for the supplemental grants. Prior law specified that supplemental grants should not be assumed to continue in baseline projections after 2002, overriding the continuation rules specified in section 257 of the Deficit Control Act. Because many states have unspent balances from prior-year TANF grants, CBO assumes that many states will not spend the new funds quickly. CBO estimates that states will spend \$26 million in 2003 and \$64 million over the 2003-2008 period.

Extension of Transitional Medical Assistance

Medicaid. Under prior law, state Medicaid programs were required to provide temporary coverage, known as transitional medical assistance, for certain beneficiaries (usually former TANF recipients) who otherwise would lose coverage because of increased earnings. This requirement applied to welfare-related beneficiaries who lost their eligibility prior to June 30, 2003. H.R. 2350 extends the requirement through September 30, 2003.

CBO estimates that H.R. 2350 will increase Medicaid outlays by \$99 million in 2004 and \$116 million over the 2004-2013 period. The extension of TMA will not affect outlays in 2003 because beneficiaries would still have received four months of extended coverage under a separate provision of Medicaid law. The budgetary effects of the extension will extend beyond 2003 because families who qualify for TMA during the next three months will be entitled to up to 12 months of additional eligibility, even if that eligibility runs beyond September 30, 2003. Moreover, some states provide more than 12 months of TMA through Medicaid waivers; families living in those states could remain eligible through 2006.

State Children's Health Insurance Program. Without H.R. 2350, CBO anticipates that some of the families leaving welfare in the last quarter of fiscal year 2003 would have incomes high enough to make their children ineligible for Medicaid, and that some of the children in those families would enroll in SCHIP instead. By extending TMA, the act will make those children eligible for Medicaid. Since children who are eligible for Medicaid cannot receive SCHIP, the act will lead to savings in SCHIP.

CBO estimates that the act will reduce SCHIP outlays by \$4 million in 2004. Since states have three years to spend their SCHIP allotments, those savings will free up funds that could be spent on benefits in later years. As a result, CBO estimates that spending will increase by \$1 million in both 2007 and 2012.

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