



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 29, 2004

H.R. 4589 **TANF and Related Programs Continuation Act of 2004**

As cleared by the Congress on June 22, 2004

SUMMARY

H.R. 4589 extends several provisions of law through September 30, 2004, including the Temporary Assistance for Needy Families (TANF), child care entitlement, and abstinence education programs, and eligibility for transitional medical assistance (TMA) under Medicaid.

Funding for the basic state grants for TANF and child care entitlement programs for the three-month period will total \$4 billion. However, CBO already assumes that level of funding in its baseline for those programs, as specified in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act.) Therefore, the extension of those programs—with the exception of TANF supplemental grants—has no cost relative to the baseline.

CBO estimates that H.R. 4589 will increase direct spending, relative to the baseline, by \$35 million in 2004 and by \$209 million over the 2004-2014 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4589, relative to the baseline, is shown in the following table. (Changes to current law but already assumed in the baseline are included as “memorandum” entries in the table.) The changes in direct spending, which total an estimated \$209 million over the 2004-2014 period, fall within budget functions 550 (health) and 600 (income security).

ESTIMATED EFFECTS OF H.R. 4589 ON DIRECT SPENDING

	By Fiscal Year, in Millions of Dollars												2004-	2004-
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2009	2014	
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	32	13	7	6	6	0	0	0	0	0	0	64	64	
TANF Research														
Estimated Budget Authority	3	0	0	0	0	0	0	0	0	0	0	3	3	
Estimated Outlays	*	1	2	0	0	0	0	0	0	0	0	3	3	
Child Welfare Research														
Estimated Budget Authority	1	0	0	0	0	0	0	0	0	0	0	1	1	
Estimated Outlays	*	*	1	0	0	0	0	0	0	0	0	1	1	
Abstinence Education														
Estimated Budget Authority	12	0	0	0	0	0	0	0	0	0	0	12	12	
Estimated Outlays	3	5	1	1	1	0	0	0	0	0	0	11	11	
Transitional Medical Assistance														
Medicaid														
Estimated Budget Authority	0	122	11	*	*	*	*	*	*	*	*	133	133	
Estimated Outlays	0	122	11	*	*	*	*	*	*	*	*	133	133	
SCHIP														
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0	
Estimated Outlays	0	-3	*	*	*	*	*	*	*	*	*	-3	-3	
Total Changes														
Estimated Budget Authority	80	122	11	*	*	*	*	*	*	*	*	213	213	
Estimated Outlays	35	138	22	7	7	*	*	*	*	*	*	209	209	

Memorandum: Changes in Direct Spending Already Assumed in CBO's Baseline

TANF													
Estimated Budget Authority	3,618	0	0	0	0	0	0	0	0	0	0	3,618	3,618
Estimated Outlays	2,315	868	435	0	0	0	0	0	0	0	0	3,618	3,618
Child Care													
Estimated Budget Authority	398	0	0	0	0	0	0	0	0	0	0	398	398
Estimated Outlays	239	119	40	0	0	0	0	0	0	0	0	398	398

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

TANF = Temporary Assistance for Needy Families; SCHIP = State Children's Health Insurance Program.

* = between -\$500,000 and \$500,000.

BASIS OF ESTIMATE

TANF and Child Care Programs

H.R. 4589 extends the TANF and child care entitlement programs through September 30, 2004. Those programs were scheduled to expire on June 30, 2004. The extension provides funding at the 2002 level—totaling \$3.6 billion for TANF and \$400 million for child care under the procedures the Office of Management and Budget uses for allocating funds for these programs. The extension has no cost relative to CBO's baseline because it already assumes annual funding for those programs at the 2002 level in accordance with the rules set forth in the Deficit Control Act.

The act also funds TANF supplemental grants at their 2002 level through September 30, 2004. The additional funding will total \$64 million. Seventeen states that had lower-than-average TANF grants per poor person or had rapidly increasing populations are eligible for the supplemental grants. Previous law specified that supplemental grants should not be assumed to continue in baseline projections after June 30, 2004, overriding the continuation rules in the Deficit Control Act. CBO estimates that states will spend \$32 million in 2004 and \$64 million over the 2004-2008 period.

In addition, the act extends funding for two research grants totaling \$4 million through September 30, 2004. CBO estimates the extension will increase spending by less than \$500,000 in 2004 and by \$4 million over the 2004-2006 period.

Abstinence Education

H.R. 4589 appropriates \$12.5 million for the abstinence education program in 2004. Based on the program's past spending patterns, CBO estimates that the law will increase outlays by \$3 million in 2004 and by \$11 million over the 2004-2008 period.

Transitional Medical Assistance

The act also extends through September 30, 2004, the requirement that state Medicaid programs provide transitional medical assistance to certain beneficiaries—usually former TANF recipients—who would otherwise lose eligibility because of increased earnings. This requirement had been set to expire on June 30, 2004.

CBO estimates that the extension of TMA will have no budgetary effect in 2004, but will increase spending by \$133 million over the 2005-2014 period. The extension will not affect spending in 2004 because families who qualify for TMA are already eligible for four months of additional eligibility under a separate provision of Medicaid law. The budgetary effects of the provision will occur after September 30, 2004, because qualifying families will be entitled to up to 12 months of additional eligibility, even if their eligibility runs beyond that date. Some states provide more than 12 months of TMA through Medicaid waivers; families living in those states could remain eligible into 2006.

The extension also will decrease spending in the State Children's Health Insurance Program (SCHIP) by \$3 million over the 2005-2014 period. Without TMA, CBO anticipates that some families leaving welfare between June 30, 2004, and September 30, 2004, would have had incomes high enough to make their children ineligible for Medicaid, and that some of the children in those families would have enrolled in SCHIP instead. The extension of TMA will make those children eligible for Medicaid and (because children who are eligible for Medicaid cannot enroll in SCHIP) lead to savings in SCHIP. Because states generally have three years to spend their SCHIP allotments, those initial savings will free up funds that can be spent on benefits in later years.

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