



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 7, 2004

### **H.R. 5149**

### **Welfare Reform Extension Act, Part VIII**

*As cleared by the Congress and signed by the President on September 30, 2004*

#### **SUMMARY**

H.R. 5149, enacted as Public Law 108-308, extends several provisions of law through March 31, 2005, 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 six-month period will total \$12 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 and increased transfer authority—has no cost relative to the baseline.

CBO estimates that H.R. 5149 will increase direct spending, relative to the baseline, by \$379 million in 2005, by \$493 million over the 2005-2009 period, and by \$494 million over the 2005-2014 period.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 5149, 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 \$494 million over the 2005-2014 period, fall within budget functions 550 (health) and 600 (income security).

ESTIMATED EFFECTS OF H.R. 5149 ON DIRECT SPENDING (By fiscal year, in millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2005- 2009	2005- 2014
<b>CHANGES IN DIRECT SPENDING</b>												
<b>TANF Supplemental Grant</b>												
Estimated Budget Authority	191	0	0	0	0	0	0	0	0	0	191	191
Estimated Outlays	115	28	19	19	10	0	0	0	0	0	191	191
<b>Increased Transfer Authority to SSBG</b>												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	72	-26	-15	-18	-13	0	0	0	0	0	0	0
<b>TANF Research</b>												
Estimated Budget Authority	8	0	0	0	0	0	0	0	0	0	8	8
Estimated Outlays	1	3	4	0	0	0	0	0	0	0	8	8
<b>Child Welfare Research</b>												
Estimated Budget Authority	3	0	0	0	0	0	0	0	0	0	3	3
Estimated Outlays	*	1	2	0	0	0	0	0	0	0	3	3
<b>Abstinence Education</b>												
Estimated Budget Authority	25	0	0	0	0	0	0	0	0	0	25	25
Estimated Outlays	7	9	3	2	1	0	0	0	0	0	22	22
<b>Transitional Medical Assistance</b>												
<b>Medicaid</b>												
Estimated Budget Authority	189	83	3	*	*	*	*	*	*	*	275	275
Estimated Outlays	189	83	3	*	*	*	*	*	*	*	275	275
<b>SCHIP</b>												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-5	-2	*	*	1	*	*	1	*	*	-6	-5
<b>Total Changes</b>												
Estimated Budget Authority	416	83	3	*	*	*	*	*	*	*	502	502
Estimated Outlays	379	96	16	3	-1	*	*	1	*	*	493	494

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

<b>TANF</b>												
Estimated Budget Authority	9,954	0	0	0	0	0	0	0	0	0	9,954	9,954
Estimated Outlays	8,700	1,100	154	0	0	0	0	0	0	0	9,954	9,954
<b>Child Care</b>												
Estimated Budget Authority	1,859	0	0	0	0	0	0	0	0	0	1,859	1,859
Estimated Outlays	1,394	390	74	0	0	0	0	0	0	0	1,859	1,859

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

TANF = Temporary Assistance for Needy Families; SSBG = Social Services Block Grant; SCHIP = State Children's Health Insurance Program.

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

## **BASIS OF ESTIMATE**

### **TANF and Child Care Programs**

H.R. 5149 extends the TANF and child care entitlement programs through March 31, 2005. Those programs were scheduled to expire on September 30, 2004. The extension provides funding at the 2004 level—totaling \$10 billion for TANF and \$1.9 billion 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 2004 level in accordance with the rules set forth in the Deficit Control Act.

The act also funds TANF supplemental grants at their 2004 level through March 31, 2005. The additional funding will total \$191 million. Seventeen states that had lower-than-average TANF grants per poor person or had rapidly increasing populations are eligible for the supplemental grants. Prior law specified that supplemental grants should not be assumed to continue in baseline projections after September 30, 2004, overriding the continuation rules in the Deficit Control Act. CBO estimates that states will spend \$115 million in 2005 and \$191 million over the 2005-2009 period.

The act also allows states to continue to transfer up to 10 percent of TANF funds to the Social Services Block Grant (SSBG) during the first half of 2005. That percentage was scheduled to fall to 4.25 percent for 2005 and subsequent years. In recent years, states have transferred about \$1 billion annually to SSBG.

Maintaining the transfer authority at the higher level makes it easier for states to spend their TANF grants and will accelerate spending relative to current law. Based on recent state transfers, CBO expects that states will transfer an additional \$300 million in the first half of fiscal year 2005 under the provision; because some of this money would have been spent within the TANF program anyway, CBO estimates that only \$72 million of additional spending will occur in 2005. This increased spending will be entirely offset by lower spending in later years.

In addition, the act extends funding for two research grants totaling \$11 million through March 31, 2005. CBO estimates the extension will increase spending by \$1 million in 2005 and by \$11 million over the 2005-2007 period.

## **Abstinence Education**

H.R. 5149 appropriates \$25 million for the abstinence education program in 2005. Based on the program's past spending patterns, CBO estimates that this provision will increase outlays by \$7 million in 2005 and by \$22 million over the 2005-2009 period.

## **Transitional Medical Assistance**

The act also extends through March 31, 2005, 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 September 30, 2004.

CBO estimates that the extension of TMA will increase federal Medicaid spending by \$189 million in 2005 and \$275 million over the 2005-2014 period. Some of the budgetary effects of the provision will occur after March 31, 2005, 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 2007.

The extension also will decrease spending in the State Children's Health Insurance Program (SCHIP) by \$5 million over the 2005-2014 period. Without TMA, CBO anticipates that some families leaving welfare between September 30, 2004, and March 31, 2005, 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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