



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 6, 2005

H.R. 3021

TANF Extension Act of 2005

*As cleared by the Congress on June 30, 2005, and signed by the President
on July 1, 2005*

SUMMARY

H.R. 3021, enacted as Public Law 109-19, extends several provisions of law through September 30, 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.

By extending the TANF and child care entitlement programs for the three-month period, this act provides a total of \$4.0 billion in additional funding for those programs in 2005. However, CBO already assumes that level of funding in its baseline, as required by 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. 3021 will increase direct spending, relative to the baseline, by \$45 million in 2005 and by \$239 million over the 2005-2015 period, mostly for the TANF supplemental grants and transitional medical assistance. The act will not affect federal revenues.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3021, relative to the baseline, is shown in the following table. (Changes to current law that are already assumed in the baseline are included as “memorandum” entries in the table.) The changes in direct spending, which total an estimated \$239 million over the 2005-2015 period, fall within budget functions 550 (health) and 600 (income security).

ESTIMATED EFFECTS OF H.R. 3021 ON DIRECT SPENDING (By fiscal year, in millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2005-	2005-
												2010	2015
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	41	15	8	0	0	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	13	0	0	0	0	0	0	0	0	0	0	13	13
Estimated Outlays	4	5	2	1	1	0	0	0	0	0	0	11	11
Transitional Medical Assistance													
Medicaid													
Estimated Budget Authority	0	148	13	*	*	*	*	*	*	*	*	161	161
Estimated Outlays	0	148	13	*	*	*	*	*	*	*	*	161	161
SCHIP													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-4	*	1	1	*	*	*	*	1	*	-2	-1
Total Changes													
Estimated Budget Authority	81	148	13	*	*	*	*	*	*	*	*	242	242
Estimated Outlays	45	165	26	2	2	*	*	*	*	1	*	238	239

Memorandum: Changes in Direct Spending from Program Extensions in H.R. 3021 That Are Already Assumed in CBO's Baseline

TANF													
Estimated Budget Authority	3,588	0	0	0	0	0	0	0	0	0	0	3,588	3,588
Estimated Outlays	2,230	858	501	0	0	0	0	0	0	0	0	3,588	3,588
Child Care													
Estimated Budget Authority	398	0	0	0	0	0	0	0	0	0	0	398	398
Estimated Outlays	287	88	20	3	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. 3021 extends the TANF and child care entitlement programs through September 30, 2005. Those programs were scheduled to expire on June 30, 2005. The extension provides funding for one quarter of the year at the 2004 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, which already assumes annual funding for those programs at the 2004 level in accordance with the rules set forth in the Deficit Control Act.

H.R. 3021 also funds TANF supplemental grants at their 2004 level through September 30, 2005. 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. Prior law specified that supplemental grants should not be assumed to continue in baseline projections after June 30, 2005, overriding the continuation rules in the Deficit Control Act. CBO estimates that states will spend \$41 million in additional supplemental grants in 2005 and the remainder in 2006 and 2007.

The act also extends funding for two research grants totaling \$4 million through September 30, 2005. CBO estimates that the extension will increase spending by an insignificant amount in 2005 and by \$4 million over the 2005-2007 period.

Abstinence Education

H.R. 3021 appropriates an estimated \$12.5 million for the abstinence education program for the fourth quarter of fiscal year 2005. Based on the program's past spending patterns, CBO estimates that this provision will increase outlays by \$4 million in 2005 and by \$11 million over the 2005-2009 period.

Transitional Medical Assistance

The act also extends through September 30, 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 June 30, 2005.

CBO estimates that the extension of TMA will have no budgetary effect in 2005, but will increase federal Medicaid spending by \$161 million over the 2005-2015 period. The extension will not affect spending in 2005 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, 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 an estimated \$1 million over the 2005-2015 period. Without TMA, CBO anticipates that some families leaving welfare between June 30, 2005, and September 30, 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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