CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

October 1, 2002

H. J. Res. 111
A joint resolution making continuing appropriations for the fiscal year 2003, and for other purposes

As cleared by the Congress on September 26, 2002, and signed by the President on September 30, 2002

SUMMARY

H. J. Res. 111 provides continuing appropriations for fiscal year 2003 through October 4, 2003. In addition, section 114 of the joint resolution authorizes funding at the 2002 level for the Temporary Assistance to Needy Families (TANF) program through December 31, 2002, and extends the requirement that state Medicaid programs provide transitional medical assistance (TMA) through the same date. Although H. J. Res. 111 is an appropriation act, it specifies that the provisions of section 114 are subject to pay-as-you-go procedures.

TANF grants for the first quarter of 2003 will total a little over $5 billion. However, CBO already assumes funding at the 2002 level in its baseline for all components of TANF—with the exception of supplemental grants—as specified in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act). Therefore, for pay-as-you-go purposes, only the increased TANF spending for supplemental grants is counted.

CBO estimates that the provisions of section 114 will increase direct spending above baseline levels by a total of $165 million over the 2003-2012 period. Within that total, CBO anticipates that spending on TANF supplemental grants will increase by $80 million and that federal Medicaid outlays for TMA will rise by $85 million. The act also will affect spending for the State Children's Health Insurance Program (SCHIP) in certain years, although there will be no net effect over 10 years.

Only outlays through 2006 count on the pay-as-you-go scorecard. CBO estimates that this legislation will result in direct spending outlays totaling $155 million from 2003 through 2006.

Because this estimate is part of the pay-as-you-go process, it does not include the budgetary impact of the discretionary appropriations provided by H. J. Res. 111, which cover the first four days of fiscal year 2003. (In any event, CBO does not estimate the costs of continuing resolutions that cover only part of a year.)

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated impact of H. J. Res. 111 on direct spending is shown in the following table. The costs of this legislation fall within budget functions 550 (health) and 600 (income security). The joint resolution will not effect governmental receipts.

	By Fiscal Year, in Millions of Dollars										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012
CHANGES IN DIRECT SPENDING											
TANF Supplemental Grants											
Budget Authority	80	0	0	0	0	0	0	0	0	0	80
Estimated Outlays	32	16	16	8	8	0	0	0	0	0	80
Medicaid											
Estimated Budget Authority	66	16	4	0	0	0	-1	0	0	0	85
Estimated Outlays	66	16	4	0	0	0	-1	0	0	0	85
State Children's Health Insurance Program											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	-4	-1	2	0	0	0	3	0	0	0	0
Total Changes											
Estimated Budget Authority	146	16	4	0	0	0	-1	0	0	0	165
Estimated Outlays	94	31	22	8	8	0	2	0	0	0	165

BASIS OF ESTIMATE

Extension of TANF

Section 114 extends funding of the TANF program, including supplemental grants for population increases, through December 31, 2002. Under the statutory rules for preparing baseline projections, CBO already assumes funding at the 2002 level in its baseline for all components of TANF with the exception of supplemental grants. Current law specifies that supplemental grants should not be assumed to continue in baseline projections after 2002, overriding the rules regarding continuation of expiring programs specified in section 257 of the Deficit Control Act.

Supplemental Grants were funded at $319 million for 2002. Section 114 provides funding at that level for one quarter, or $80 million. Seventeen states that have lower-than-average grants per poor person or had increasing populations will be eligible for the supplemental grants. Because many of those states have unspent balances from prior-year TANF grants, CBO expects that they will not spend the new funds quickly. We estimate that states will spend $32 million in 2003 and the entire $80 million over the 2003-2007 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 October 1, 2002. Section 114 of the joint resolution will continue the requirement through December 31, 2002.

Based on research on families leaving welfare, CBO estimates that the act will increase Medicaid outlays by $66 million in 2003, $16 million in 2004, and $4 million in 2005. The effects of the joint resolution 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 December 31, 2002. Some states provide more than 12 months of TMA through Medicaid waivers; families living in those states could remain eligible through 2005.

State Children's Health Insurance Program. Without H. J. Res. 111, CBO anticipates that some of the families leaving welfare in the first 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 2003 and $1 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 $2 million in 2005 and $3 million in 2009. The additional spending in 2009 will reduce Medicaid spending in that year by $1 million due to interactions between SCHIP and Medicaid.

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