



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

January 5, 2006

H.R. 4635 **TANF and Child Care Continuation Act of 2005**

*As cleared by the Congress on December 22, 2005,
and signed by the President on December 30, 2005*

SUMMARY

H.R. 4635, enacted as Public Law 109-161, extends the Temporary Assistance for Needy Families (TANF) and child care entitlement programs through March 31, 2006, and reduces funding for a related grant.

Funding for the basic state grants for TANF and child care entitlement programs for the three-month period will total nearly \$6 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. 4635 will increase direct spending, relative to the baseline, by \$81 million in 2006, but will reduce spending by \$2 million over the 2006-2010 period and by \$137 million over the 2006-2015 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4635, 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 net reduction in direct spending, which totals an estimated \$137 million over the 2006-2015 period, falls within budget function 600 (income security).

ESTIMATED EFFECTS OF H.R. 4635 ON DIRECT SPENDING (By fiscal year, in millions of dollars)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006- 2010	2006- 2015
CHANGES IN DIRECT SPENDING												
TANF Supplemental Grant												
Estimated Budget Authority	95	0	0	0	0	0	0	0	0	0	95	95
Estimated Outlays	81	14	0	0	0	0	0	0	0	0	95	95
Reduce Grants for Decreasing Out-of-Wedlock Births												
Estimated Budget Authority	-27	-27	-27	-27	-27	-27	-27	-27	-27	-27	-135	-270
Estimated Outlays	*	-15	-30	-30	-27	-27	-27	-27	-27	-27	-102	-237
TANF Research Grants												
Estimated Budget Authority	4	0	0	0	0	0	0	0	0	0	4	4
Estimated Outlays	*	2	2	0	0	0	0	0	0	0	4	4
Child Welfare Research Grants												
Estimated Budget Authority	1	0	0	0	0	0	0	0	0	0	1	1
Estimated Outlays	*	*	1	0	0	0	0	0	0	0	1	1
Total Changes												
Estimated Budget Authority	73	-27	-27	-27	-27	-27	-27	-27	-27	-27	-35	-170
Estimated Outlays	81	1	-27	-30	-27	-27	-27	-27	-27	-27	-2	-137

Memorandum: Changes in Direct Spending from Program Extensions in H.R. 4635 That Are Already Assumed in CBO's Baseline.

TANF												
Estimated Budget Authority	4,971	0	0	0	0	0	0	0	0	0	4,971	4,971
Estimated Outlays	4,225	746	0	0	0	0	0	0	0	0	4,971	4,971
Child Care												
Estimated Budget Authority	930	0	0	0	0	0	0	0	0	0	930	930
Estimated Outlays	651	205	65	9	0	0	0	0	0	0	930	930

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

TANF = Temporary Assistance for Needy Families.

* = costs or savings of less than \$500,000.

BASIS OF ESTIMATE

H.R. 4635 extends the TANF and child care entitlement programs through March 31, 2006. Those programs were scheduled to expire on December 31, 2005. The extension provides funding for one quarter of the year at the 2005 level—totaling about \$5 billion for TANF and

\$930 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 2005 level in accordance with the rules set forth in the Deficit Control Act for expiring mandatory programs.

H.R. 4635 also funds TANF supplemental grants at their 2005 level through March 31, 2006. The additional funding will total \$95 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 December 31, 2005, overriding the continuation rules in the Deficit Control Act. CBO estimates that states will spend \$81 million in 2006 and \$14 million in 2007.

The act also reduces funding by \$27 million for a grant program that rewards states for decreasing out-of-wedlock birth rates. That program will expire on March 31, 2006, but as is the case with the basic TANF program, the baseline assumes its continuation, in accordance with the Deficit Control Act. The reduction in funding for that program from \$100 million to \$73 million is therefore assumed to apply to all future years. On that basis, CBO estimates that the provision will reduce outlays by \$102 million over the 2007-2010 period and by \$237 million over the 2007-2015 period. The reduction in outlays will begin in 2007 because the grants are awarded in the last days of the fiscal year.

In addition, the act extends funding for two research grants through March 31, 2006, at an estimated cost of \$5 million. CBO estimates that most of the additional outlays will occur in 2007 and 2008.

ESTIMATE PREPARED BY: Sheila Dacey

ESTIMATE APPROVED BY:

Robert A. Sunshine
Assistant Director for Budget Analysis