

CHILD CARE

FACT SHEET

Child Care and Development Block Grant: Cost Estimates for Reauthorization

November 2014

Legislation reauthorizing the Child Care and Development Block Grant (CCDBG) has passed the House and Senate with strong bipartisan support and has been signed by the President. The CCDBG reauthorization offers an opportunity to protect the health and safety of children in child care, improve access to help in paying for child care for low-income families, and bolster the quality of care.

However, the legislation establishes new requirements for states that will be costly to implement and require substantial new investments at the federal and state levels. Without new funding, child care assistance could be cut for tens of thousands of children—on top of the many children who already have been cut over the past several years—and/or already low rates for providers could be further reduced.

While the full cost to states to implement the important changes called for in the legislation is difficult to project, it is certain to be higher than the authorization levels in the legislation—and higher than the cost estimates reflected in the Congressional Budget Office (CBO) analysis of the final version of the legislation approved by the House and Senate, as well as in the CBO's analysis of the earlier version passed by the Senate this past March.

The final bill passed by the House and Senate increases the authorization levels for CCDBG by fixed amounts over the next six years—amounts that are very small compared to the bill's new requirements.

- **The CBO cost figure for the final reauthorization bill is simply based on these authorized funding levels and historical expenditures; it does not attempt to capture the costs to states to meet the requirements of the reauthorization.** The CBO estimate reflects the cost to the federal government of appropriating discretionary funds at authorized levels, not the cost of implementing the bill.
- The CBO's analysis concludes that the discretionary outlays under the final bill would total \$12.0 billion from FY 2015 through FY 2019 (the first five years of the reauthorization period), assuming that the appropriation levels would equal the bill's authorization levels. This amount is just \$0.2 billion above total funding for the same period at the current funding level (\$2.36 billion a year, or \$11.8 billion over five years).

The CBO report on the earlier version of the reauthorization bill passed by the Senate, while more informative than the report on the House bill, still provides an incomplete estimate of the costs of the reauthorization.

- **It projects that Congress will need to appropriate an additional \$1.3 billion over five years to implement the bill's provisions—but this estimate captures only a fraction of the total implementation cost.** Because the version of the reauthorization bill that the Senate passed in March authorized "such sums as necessary" to fulfill its requirements, CBO endeavored to estimate the additional funds needed to implement the bill's provisions, which are largely similar to those in the House bill (e.g., provider inspections, health and safety training, and 12-month eligibility).
- Based on the estimated cost of compliance, CBO projects that implementing the Senate bill would have federal discretionary costs of \$13.1 billion—\$1.3 billion above current levels—over the first five years of the reauthorization period. However, as CBO explains, this estimate assumes that only a quarter of the "additional resources necessary to fulfill the new requirements...will be provided under the bill's authorization of 'such sums as may be necessary,'" because the remaining three-quarters of funding for child care assistance comes from the program's mandatory funding, TANF, and state matching and maintenance of effort funds.

- The true costs of implementing the new requirements are far higher than \$1.3 billion over five years, since as CBO notes, "[i]f other sources of child care funding did not increase commensurately, states would have to reduce the number of families served, the average subsidy, or other expenditures."

Significant increases in federal discretionary funds as well as other federal and state sources of child care funding are critical to avoid undermining access to child care assistance.

- **The program's mandatory funding level has been frozen since FY 2006 and funding in many states is inadequate to meet current need.** Indeed, between 2006 and 2013, over 300,000 children have lost child care assistance, and only one state paid child care providers receiving CCDBG funds at the federally recommended rate as of February 2014.
- The small discretionary funding increases authorized in the final bill will be insufficient for states to achieve the bill's widely supported goals of enhancing the quality, health, and safety of child care while maintaining families' access to the help they need to afford child care.