



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

February 25, 2014

**S. 1086**  
**Child Care and Development Block Grant Act of 2014**  
*As ordered reported by the Senate Committee on Health, Education, Labor, and Pensions  
on September 18, 2013*

**SUMMARY**

S. 1086 would amend and reauthorize through fiscal year 2020 the Child Care and Development Block Grant Act of 1990. Specifically, it would authorize the appropriation of such sums as may be necessary to carry out the purposes of that program and add additional requirements to the program. The Child Care and Development Block Grant (CCDBG) program was initially authorized through 2002 and has been authorized in annual appropriation acts since then. It is currently authorized through 2014 by the Consolidated Appropriations Act, 2014 (Public Law 113-76).

CBO estimates that implementing S. 1086 would cost \$13.1 billion over the 2015-2019 period, assuming appropriation of the necessary amounts. Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

S. 1086 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 1086 is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

	By Fiscal Year, in Millions of Dollars						2014-
	2014	2015	2016	2017	2018	2019	2019
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>							
Estimated Authorization Level	0	2,575	2,700	2,775	2,825	2,900	13,775
Estimated Outlays	0	2,025	2,600	2,750	2,800	2,875	13,050

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that the bill will be enacted during fiscal year 2014, that the necessary amounts will be appropriated near the beginning of each fiscal year, and that spending will follow historical patterns for existing or similar activities.

The CCDBG program provides funding to states, the District of Columbia, and the territories of the United States (collectively referred to as states) for child-care subsidies for low-income families, improving the quality of child care, and other activities. For fiscal year 2014, the program received an appropriation of about \$2.4 billion.

CCDBG is one of two federal funding programs for child-care subsidies within a program grouping often referred to as the Child Care and Development Fund. The other program, the Child Care Entitlement to States (CCE), is a capped mandatory program that would not be directly affected by S. 1086. (CCE was established by section 418 of the Social Security Act. Public Law 113-76 authorized CCE for 2014 and appropriated about \$2.9 billion.)

CBO estimates that simply extending the authorization of CCDBG through 2020 would cost about \$2.4 billion a year, totaling \$11.8 billion over the 2015-2019 period, assuming appropriation of the estimated amounts. However, S. 1086 also would change the program in a variety of ways that would require additional resources to continue providing child care to families who are currently receiving subsidies. (We discuss those changes below.) In total, CBO estimates that implementing S. 1086 would have discretionary costs of roughly \$13.1 billion over the 2015-2019 period. Because the bill would extend the program's authorization through 2020, there would be additional discretionary costs of about \$3.7 billion after 2019, including outlays from appropriations for 2020 and prior years.

### **Background on the CCDBG Program**

The federal government and state governments pay for child-care subsidies for eligible individuals and related activities through a variety of funding sources. The CCDBG program pays for roughly a quarter of total program costs. The remaining funds come from CCE, the Temporary Assistance to Needy Families program (which is also a capped mandatory program) and state matching and maintenance-of-effort funds. For this estimate, CBO is evaluating the impact of S. 1086 on required CCDBG resources only. Thus, we assume a quarter of the additional resources necessary to fulfill the new requirements under S. 1086 will be provided under the bill's authorization of "such sums as may be necessary." (The sole exception is the requirement to improve the quality of child care, for which all costs are within the CCDBG program.) If 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.

On May 20, 2013, the Department of Health and Human Services (HHS) proposed to revise the regulations that apply to CCDBG.<sup>1</sup> The proposed regulatory changes mirror many of the proposed statutory changes in S. 1086; for example, both would extend the period between redeterminations of eligibility, require additional security checks on providers, and direct states to provide additional information for consumers. However, because the underlying program is not authorized beyond the end of 2014, the estimated cost of reauthorizing the program includes the full costs to CCDBG of the proposals in the bill.

### **Redeterminations of Eligibility**

S. 1086 would prohibit states from re-evaluating—or redetermining—a family’s eligibility for child care subsidies more frequently than once per 12 months for most families. Numerous studies have found that the frequency of redeterminations is related to the length of time that families receive subsidies: the more often redeterminations occur, the fewer months families receive subsidies, on average. For example, an HHS-sponsored experiment found that families in Illinois whose eligibility was redetermined every 12 months received subsidies for 2.5 more months on average (over the first two years) than families whose eligibility was redetermined every six months.

According to an HHS analysis of state plans, approximately half of the states schedule redeterminations every six months; the remaining states already schedule redeterminations every 12 months. Assuming that families in affected states would receive subsidies for 2.5 more months, CBO estimates that implementing this provision would require additional appropriations of around \$175 million a year, with resulting outlays of around \$800 million over the 2015-2019 period, assuming appropriation of the estimated amounts.

### **Enforcement of Licensing**

S. 1086 would require states to conduct health, safety, and fire inspections of all child-care providers before licensing them and to inspect them annually thereafter. According to HHS, the vast majority of states already conduct pre-licensing inspections and annual inspections of licensed providers. (California is a notable exception, requiring inspections once every five years.) However, only 13 states require inspections of unlicensed providers that serve families receiving subsidies, according to HHS. Based on data from different states, CBO estimates that implementing this provision would require additional appropriations of roughly \$35 million a year, resulting in outlays of about \$150 million over the 2015-2019 period, assuming appropriation of the estimated amounts.

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1. HHS has indicated in the Unified Agenda of Federal Regulatory and Deregulatory Actions that it plans to take final action on that proposal (Regulation Identifier Number 0970-AC53) around June 2014.

## **Activities to Improve the Quality of Child Care**

Under current law, states are required to spend at least 4 percent of their CCDBG funds on activities to improve the quality of child care. S. 1086 would increase that requirement to 9 percent during the first two fiscal years after enactment, to 11 percent in the third and fourth years after enactment, and to 13 percent thereafter.

According to state expenditure data, most states already spend considerably more than 13 percent of their CCDBG funds on quality activities (including the spending of appropriations specifically set aside for certain quality activities). However, 12 states spend less than 13 percent of their CCDBG funds on such quality activities; satisfying the requirement under S. 1086 would require additional funding for those states. CBO estimates that implementing that provision would require additional appropriations of around \$25 million a year, with resulting outlays of about \$100 million over the 2015-2019 period, assuming appropriation of the estimated amounts.

## **Health and Safety Requirements**

S. 1086 would require states to certify that they require child care providers to meet certain standards regarding health and safety practices and training. According to HHS and Child Care Aware of America, the vast majority of states already require licensed providers to meet several of the standards. A significant minority of states, notably including the largest states, already meet many of the other requirements. However, expanding the required practices and training to unlicensed providers would impose costs in most states. Based on data from numerous states, CBO estimates that implementing the new health and safety standards would require additional appropriations of around \$20 million a year, with resulting outlays of about \$100 million over the 2015-2019 period, assuming appropriation of the estimated amounts.

## **Consumer Information**

S. 1086 would require states to publish a variety of provider-specific information for consumers, including monitoring and inspection reports, licensing requirements, and, when available, quality information. According to an HHS analysis of state plans, 40 states already provide some or all licensing information online. Based on information from HHS and states, CBO estimates that implementing this provision would require additional appropriations of around \$10 million a year, with resulting outlays of about \$50 million over the 2015-2019 period, assuming appropriation of the estimated amounts.

## **Criminal Background Checks**

S. 1086 would require states to certify that they require and conduct criminal background checks for child care providers when they are hired and every five years thereafter. According to an HHS analysis of state plans, the vast majority of states already conduct at least one type of criminal background check on licensed providers. Furthermore, many states require the employee or his employer to pay for the cost of the background check. Based on data from numerous states, CBO estimates that implementing this provision would require additional appropriations of around \$1 million a year, with resulting outlays of \$5 million over the 2015-2019 period, assuming appropriation of the estimated amounts.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 1086 contains no intergovernmental or private-sector mandates as defined in UMRA. Programs and activities authorized in the bill would benefit state, local, and tribal governments that provide child-care services. To the extent that those governments are required to amend their plans and activities to comply with the bill, those entities could incur additional costs. However, those costs would be incurred voluntarily as a condition of receiving federal assistance.

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