THE CHILD CARE AND DEVELOPMENT BLOCK GRANT REAUTHORIZATION ACT OF 2022: A GUIDE FOR POLICYMAKERS

THE CHILD CARE AND DEVELOPMENT BLOCK GRANT (CCDBG)

On March 22, 2022, South Carolina Senator Tim Scott (R), introduced The Child Care and Development Block Grant Reauthorization Act of 2022. Following months of Congressional and public debate on the Biden administration's proposed Build Back Better Act, the bill is the most significant Republican counter proposal to address the needs of America's families and child care providers.

Based on the text as originally filed, this guide is intended to familiarize policymakers with the major proposals contained therein. Readers should note that this language has not been enacted, is under active debate, and that modifications are likely. The Hunt Institute will update this document as necessary to reflect significant amendments if/as the bill advances through the legislative process.

What is the Child Care and Development Block Grant (CCDBG)?

Originally authorized by Congress in 1990, the Child Care and Development Block Grant (CCDBG) is the nation's primary source of child care subsidy funding for low-income families. A federal-to-state funding stream, the block grant will distribute $6.165 billion to states during FFY2022, an $254 million increase over 2021.

States use the majority of CCDBG funding to underwrite direct child care service costs for families at or below 85% of State Median Income (SMI). Twelve percent of each state's CCDBG funding is set aside for designated purposes, with nine percent dedicated to child care quality activities and three percent to support infants and toddlers.

What is the proposed legislation intended to accomplish?

As described by Senator Scott, the bill will reauthorize and make "responsible enhancements to the hisorically bipartisan CCBDG program," while reaffirming its statutory purposes to:

- Empower working parents to make their own decisions regarding the child care services that best meet their familiy's needs.
- Allow states maximum flexibility in developing a mixed-delivery system (centers, family child care, homes, faith-based, public, private) of child care and preschool for children ages 0-5 and before-school, after-school, and summer care for school age children.
- Support the education and professional development of child care staff and to support child care providers in the recruitment and retention of a qualified child care and early education workforce.

How would the proposal change subsidy eligibility for working families?

The bill proposes to raise the eligibility ceiling for families seeking child care subsidy from 85% of SMI to 150%, theoretically opening the door to participation by more middle-income families.

Would all families up to 150% of SMI receive subsidy support under the proposal?

Not necessarily. While the intent of the legislation is clearly to expand access, it does not guarantee such an expansion – meaning that the number of families actually receiving subsidy will continue to depend on the level of funding appropriated annually by Congress. As a baseline, eligibility would remain at 85% of SMI. In the event that a state determines "it is necessary to serve additional children" it will be permitted to extend eligibility up to 150% of SMI. This expansion would be premised on a requirement that services are first prioritized to families at or below the original 85% threshold.

How would the new proposal impact subsidy co-payments?

Within the existing CCDBG structure, most participating families contribute a co-payment designed to partially offset the cost of care and enable states to maximize the number of families served. The proposed bill language tiers these copayments along a sliding fee scale as follows:

- Families at or below 75% of SMI will not incur copayments. ($0 co-payment)
- Families earning between 75%-100% of SMI will incur copayments totaling no more than 2% of annual income.
- Families earning between 100%-125% of SMI will incur copayments between 2% and 4% of annual income.
- Families earning between 125%-150% of SMI will incur copayments between 4%-7% of annual income.

Copayments will be prorated for families enrolled in part-time care.

How would the proposal impact the subsidy rates paid to child care providers?

Historically, states have set child care subsidy rates in accordance with market rate surveys, which – ideally - align subsidy payments with the tuition rates paid by (non-participating) parents. This methodology, however, may better reflect parents' ability to pay than the actual costs of quality care. Market rates are currently premised on wages that rank child care teachers among the nation's lowest paid professionals and lead to unsustainably high levels of annual turnover.

In order to address this mismatch, the proposal would require states to select and utilize a statistically valid and reliable cost estimation model to set provider rates. No later than October 1, 2024, each state would be required to certify that its subsidy rates are sufficient to meet the actual cost of care, including fixed costs and operating expenses.

Variations in costs across submarkets and children served would be considered, adjusting for geographic differences, provider types, the ages of children served, the provision of care for children with disabilities and special needs, and levels of quality as determined by the state.

The bill would prohibit the US Department of Health and Human services from requiring the adoption of any particular cost estimation methodology.

What about the child care workforce? Would this proposal address their compensation needs?

It is possible, in time and with additional funding. Among the costs factored into the new estimation models would be "staff salaries and benefits necessary to recruit, train, and retain qualified staff." While this language is broad and would leave significant discretion to the states, it appears to envision models that address the need for increased wages and benefits for the child care workforce.

It is important to note, however, that the states' ability to underwrite both expanded access and higher reimbursement/teacher compensation rates will ultimately hinge on the sufficiency of Congressional appropriations.

How much new funding is involved?

None at this time. The bill authorizes a FFY2022 appropriation of $6.165 billion, which is the amount already signed into law by President Biden as part of the recent bipartisan omnibus package. While this amount represents a modest increase over 2021, current funding is unlikely to substantially impact access, provider rates, or compensation during the coming year, independent of passage.

Funding for FFY23-FFY26 is left open-ended and described as authorizing "such sums as may be necessary" – essentially a recognition that the program will operate on whatever future funding Congress chooses to appropriate. The bottom line is that – *while it is likely the sponsors' intent to expand CCDBG funding in association with passage* – the bill as introduced includes no new funding, making it challenging to assess the scale of its potential impact at this time.

Would the proposal include funding for facilities?

The bill creates a mechanism through which Child Care Supply and Facilities Grants can be created (on a temportary basis and through a separate funding stream) to expand "the supply and capacity of child care providers so that working parents have multiple high-quality child care options" to choose from. As with the bill's overall funding, however, it does not appropriate any specific dollar amount for this purpose, instead authorizing "such sums as may be necessary for each of the fiscal years 2023-2025." As elsewhere, the amount dedicated for this purpose – if any - would be determined as part of a future appropriations package.

How would the proposal support the professional development of teachers?

The text of the bill amends existing CCDBG verbiage to support a variety of education and professional development strategies. While these are ultimately to be identified by states, the bill proposes activities "such as:"

- The development of initiatives and provision of financial assistance designed to assist child care staff in the attainment of postsecondary credentials and degrees.
- The development and implementation of apprenticeship programs, to include pathways to career advancement.
- Professional development opportunities relating to the use of "scientifically-based, developmentally-appropriate strategies to promote the social, emotional, physical and cognitive development of children."

What is the likely fiscal impact to states?

Because the bill, as initially filed, does not address future funding levels (instead "authorizing" the existing CCDBG appropriation of $6.165 billion) it is not possible to project the impact on state budgets at this time. At minimum, this initial authorization would require states to maintain matching funds at their existing levels. Future appropriations, depending on the type, could increase states' matching obligations.