

# **Reversing Direction on Welfare Reform: President's Budget Cuts Child Care for More Than 300,000 Children**

**February 10, 2003**

## **Appendix—Technical Explanation of CLASP/Center on Budget Estimate**

To compute these estimates of the loss in child care slots, two separate sets of calculations were done:

- Projected loss in slots if CCDBG (and associated state MOE and matching funds) are frozen at current funding levels.
- Projected loss in slots as TANF funding for child care falls.

Each is explained in more detail below.

### **CCDBG Analysis**

This analysis compared the slots that could be funded each year with the combination of mandatory CCDBG funding, CCDBG MOE funding, and CCDBG state matching funds with the estimated number of slots that could be funded in FY 2003. The estimates used an average cost-per-slot figure based on total CCDBG funding (state and federal) in FY 2001 divided by the total average monthly number of children served in CCDBG programs. These data are from the U.S. Department of Health and Human Services. This average-cost-per-slot figure, which implicitly includes average per-slot costs on quality initiatives and administration, were then inflated using the CBO inflation figure for child care costs. In FY 2003, our average per-slot cost is \$4,634.

This analysis assumes that states will draw down all available CCDBG funds. While some states do not draw down their full allotment, the unspent funds are reallocated to states that wish to draw down additional resources.

The CCDBG analysis includes state spending that is counted as both CCDBG MOE and TANF MOE purposes.

### **TANF Analysis**

The annual number of child care slots lost due to declining TANF funding for child care is based on the same per-slot cost used in CCDBG analysis and a projection of annual TANF funding for child care. The projection of TANF funding for child care was computed by using the CBO TANF outlay baseline—which falls from \$18.75 billion in 2004 to \$16.89 billion in 2008, or 9.9 percent in nominal terms—and assuming that TANF funding for child care would fall proportionately to the reduction in overall TANF outlays. Or, stated another way, the analysis assumed that states would spend the same percentage of TANF funds on child care between 2003 and 2008 as they used in 2002, the last year for which data are available. In 2002, child care spending—*other than state spending to meet the child care MOE requirement*—constituted 16

percent of combined TANF and MOE spending other than spending on the child care MOE. (If the child care MOE were included, child care constituted 19 percent of total TANF and MOE spending.)

Assuming that child care funding would fall proportionately to the overall reduction in TANF spending may well *understate* the reduction in TANF funding of child care. In CBO's estimate of the cost to states of meeting the work requirements in H.R. 4 and under the Grassley proposal, CBO assumed that the TANF cash assistance caseload would remain steady. If this occurs and nominal spending on cash assistance does not fall as overall TANF outlays fall, then the cut to all other TANF funding categories will need to be larger. Moreover, in looking at the cuts states made in 2002 and 2003, it would appear that states that needed to reduce TANF spending took a more than proportionate share of those reductions from child care. This may have occurred in part because some states view child care as where they put most or all of the money they have "left over" after funding cash assistance, work programs, and, in some cases, child welfare. As reserves dwindled, in some states this amount "left over" fell and child care funding fell by far larger amounts than other categories of TANF spending. Finally, child care funding—particularly in states that already have waiting lists—is fairly easy to "dial" up or down, making it somewhat easier for states to cut than other types of TANF spending.

The assumption could, of course, *overstate* the reduction in TANF funding of child care. For example, if TANF cash assistance costs fall by more than 13.8 percent over this period, then the cut needed in non-cash assistance spending, including child care, could be smaller. Similarly, states could protect child care from cuts of this magnitude by cutting other areas more deeply.