PREPARED STATEMENT OF MARK H. GREENBERG

Mr. Chairmen and Members of the Subcommittees:

Thank you for inviting me to testify. I am a Senior Staff Attorney at the Center for Law and Social Policy (CLASP). CLASP is a nonprofit organization engaged in research, analysis, technical assistance and advocacy on a range of issues affecting low-income families. Since 1996, we have closely followed research and data relating to implementation of the child care provisions of the Personal Responsibility and Work Opportunity Reconciliation Act.[1]

Today's hearing focuses on the role of child care in helping families enter and sustain employment, on the experience of States in operating child care subsidy programs in recent years, and on issues and challenges as Congress faces reauthorization of the Child Care and Development Block Grant and the Temporary Assistance for Needy Families Block Grant. In my testimony, I make the following principal points:

- Child care plays a crucial role in helping families enter and maintain employment and be more productive by ensuring the safety and well-being of children while parents work. At the same time, child care is often the principal early education program for young children.
- For low-income families, there are two principal sources of federal child care assistance: the Child Care and Development Block Grant (CCDBG) and the Temporary Assistance for Needy Families Block Grant (TANF). Since 1996, combined federal and state funding for child care under CCDBG and TANF has more than doubled. Most of the growth in spending has been attributable to federal funds, and the majority of those funds became available through TANF as

state welfare caseloads fell. However, for a number of reasons, TANF is not likely to be a growing source of child care funding in the next five years.

- Increased funding since 1996 made it possible for many States to increase numbers of children served, raise eligibility levels, reduce parental copayment requirements, raise provider rates, and expand initiatives to improve the quality of care. While these developments are notable, States still must make difficult trade-offs, mostly due to limited resources. Most eligible children do not receive child care subsidy assistance, most States set eligibility well below the allowable limits of federal law, copayments are often higher than desirable, and rates are often insufficient to ensure access to a broad range of care. Efforts to promote early learning in child care environments are often not statewide in scale. Moreover, the economic downturn has meant that a number of States are facing budget shortfalls that jeopardize some of the progress that has been made.
- The Administration's recently proposed welfare plan would substantially increase welfare work-related requirements, but provides for no additional TANF or CCDBG funding. As Congress reviews the plan, it will be important to ensure that adequate child care resources are provided to address the increased needs associated with increased work requirements. At the same time, the focus in reauthorization should not be limited to providing the child care needed to meet welfare work requirements. A critical part of state progress in recent years has involved extending child care to low-income working families outside the welfare system, and reauthorization should also seek to address the significant unmet needs of low-earning working families.

Background: The importance of child care in promoting work and child development

Child care plays a number of related and important roles in helping families, children, and the nation's economy.

Child care helps parents at all income levels enter and maintain employment. The increased availability of child care has been linked to an increased likelihood that single mothers will be employed.[2] When members of the Welfare to Work Partnership were asked in a poll about what they would do the most to improve job retention among welfare recipients, child care was at the top of the list. According to the Welfare to Work Partnership, the provision of child care benefits by employers increases retention, decreases absenteeism and improves productivity.[3]

Child care has become particularly important in light of the dramatic increase in employment among low-income single mothers in recent years. In announcing its welfare reform proposal, the Administration reported that after a decade in which the annual employment rate for single mothers hovered around 58%, the rate had increased every year through 2000, and reached over 73% of mothers heading families in 2000. Moreover, employment rates for never-married mothers increased from under 46% in 1995 to nearly 66% in 2000, an increase of over 40% in just five years. The Administration observed: "These employment increases by single mothers and former welfare mothers are unprecedented. By 2000, the percentage of single mothers with a job reached an all-time high."[4]

While employment for low-income parents has surged, much of that employment has been in low-wage jobs. According to data from the National Survey of America's Families (NSAF), median wages for recent welfare leavers in 1999 were $7.15 an hour.[5] State studies typically report wages in that range. A CLASP review of more than 30 recent leavers studies found that median wages ranged from $6.00 to $8.47 an hour, with most States showing median quarterly earnings of $2,000 to $2,500.[6] At the same time, earlier analysis of NSAF data found that median wages of welfare leavers were actually somewhat higher than those of other low-income mothers who did not have a recent connection to the welfare system,[7] which suggests the importance of child care to low-income families who are not current or recent welfare recipients.

Child care subsidies can make a substantial contribution to a family's financial wellbeing. Child care costs can be high for all families, but represent a larger share of income for low-income working families. The Census Bureau reports that in 1995, families with employed mothers and children under 5 had child care costs averaging $85 per week, which would translate to $4,420 per year.[8] Costs are usually higher for families living in urban areas, or those with infants or toddlers; one survey found that the annual costs of center-based infant care in urban areas ranged from about $3,600 to just under $13,000 in 2000.[9] Research based on the NSAF found that families earning less than 200% of the federal poverty level with child care costs were paying an average of 16% of earnings for child care, compared with 6% for higher-earning families with child care costs.[10]

Child care can also promote better child outcomes. Since 1996, the body of research linking high quality early education to improved child outcomes, especially for disadvantaged children, has grown. Studies have found a connection between the quality of early education experiences and later outcomes, including cognitive measures and educational attainment.[11] Furthermore, the National Academy of Sciences (NAS) conducted a review of the literature and concluded that findings consistently point to the role of high quality interventions and early educational experiences in improving early learning, language skills, and achievement in school, as well as improved social and emotional development.[12]

At a time of increased national concern about how to promote school readiness, the role of child care is particularly important, because most preschool children spend a significant number of hours each week in nonparental arrangements. NSAF researchers found that in 1997, 76% of preschool children with employed mothers were cared for in non-parental arrangements. About 41% of preschool children of employed mothers were in full-time care (defined as 35 hours or more), and the proportion increased to 52% among those children with mothers employed full-time. Very young children spend significant amounts of time in full-time care as well: 39% of children under three according to NSAF.[13] Higher-income families are more likely to place their children in center-based, formal child care arrangements. Data from 2000 released by the Census Bureau indicate that 61% of three- and four-year-old children in families with incomes of $40,000 and above were in center-based arrangements (Head Start, child care centers, nursery schools), compared to only 46% of children in lower income families.[14]

The need for child care does not cease when children attend school, especially for working families. Among school-age children, NSAF data for 1997 found that 55% of six to nine year olds with employed mothers had a supervised setting (including center and family care) as their primary child care arrangement in addition to school, although 10% of this age group spent some time in self-care while their parents worked. Among ten to twelve year old children, 24% do not spend much time in formal settings, and instead care for themselves as their primary arrangement. This is of some concern, given that children in better quality, supervised arrangements may be less likely to engage in risky behaviors, and more likely to have improved academic and social outcomes.[15]

Child Care Funding: The role of the Child Care and Development Block Grant and the Temporary Assistance for Needy Families Block Grant

While various federal programs provide limited amounts of child care funding, most federal low-income child care funding comes from two sources: the Child Care and Development Block Grant (CCDBG) and the Temporary Assistance for Needy Families Block Grant (TANF).[16] In FY 2000, approximately $9 billion in federal and state child care funding came from these two sources.[17]

CCDBG provides States with funds through several different funding streams. Generally, each state qualifies each year for a specified amount of discretionary funds and an additional amount of mandatory funds (sometimes referred to as guaranteed funds). In addition, if a state meets a maintenance of effort requirement (essentially reflecting the level of state spending under a set of child care programs that existed before the 1996 welfare law), the state can receive additional federal matching funds, subject to state match. Overall, in FY 2002, the federal government made available to States $2.1 billion in discretionary funds and $2.7 billion in mandatory and matching fiends. States, in turn, needed to spend $888 million to meet CCDBG maintenance of effort requirements, and would have needed to spend $1.1 to draw down all available matching funds.

States use their CCDBG fiends to provide child care services for low-income families and for quality initiatives that may benefit all families. The federal income eligibility limit is 85% of State Median Income (SMI), but States are free to set lower eligibility limits. States must spend at least 4% of their CCDBG funds for quality initiatives, but have broad discretion in determining how to use those funds. The federal government requires that States establish minimum health and safety standards for use of CCDBG funds. The federal law requires that state CCDBG programs ensure that families receiving subsidies have “equal access” to care comparable to that available to families with incomes above the CCDBG eligibility levels. Otherwise, however, States have broad discretion in determining payment rates to eligible providers, copayment requirements for families, licensing and regulatory standards, consumer education requirements, and other dimensions of state systems.

The other principal source of child care funding has emerged from the TANF structure. In 1996, Congress provided States with TANF block grants, set to remain essentially constant through 2002, at a level approximately reflecting federal welfare spending levels from the early 1990s. TANF block grant levels for the nation were set at $16.5 billion. In return for receiving a TANF block grant, each state is required to meet an annual "maintenance of effort" level, requiring state spending for low income benefits and services to be preserved at a level approximately reflecting 75%–80% of what the state was spending for welfare-related programs in 1994.

States can use TANF federal funds for child care in two principal ways. First, States may transfer up to 30% of their TANF funds to CCDBG each year. Second States may use TANF funds in any way "reasonably calculated" to accomplish the purposes of the law, including "direct" spending for child care. In addition, States may transfer TANF funds to the Social Services Block Grant (SSBG) or Title XX, subject to certain limits on transferability, and some States use SSBG funds to pay for child care costs. And, a state may count certain state expenditures for child care toward meeting the state's TANF maintenance of effort requirement.

Since 1996, there has been a historically unprecedented decline in welfare caseloads, and with that decline, States were able to redirect TANF block grant funds to benefits and services other than cash assistance. By FY 2000, only 43% of TANF and MOE funds were being used for cash assistance.[18] States used freed-up TANF funds for a broad range of work and family supports, but the single biggest redirection of TANF funds was to child care. The commitment of TANF funds to child care grew from $189 million in 1997 to $3.9 billion in 2000. In 2000, States transferred $2.4 billion in TANF funds to CCDBG, and directly spent an additional $1.5 billion in TANF funds for child care. This additional funding allowed States to increase numbers of families helped, raise eligibility levels, lower copayments, raise provider payment rates, and enhance collaboration and coordination with other early care and education initiatives. Although state CCDDBG administrators appreciate the flexibility to use TANF funds, some also express concerns that state decision-makers' redirection of TANF to child care may vary year-to-year, making it difficult to conduct long-run state child care policy planning.[19]

Overall, the combination of increased CCDBG funds and redirected TANF funds has allowed States to make a remarkable transformation in their approaches to helping low-income families and supporting low-earning working families. In 1994, the nation spent $22.8 billion for cash assistance (under the Aid to Families with Dependent Children Program) and about $2.7 billion for child care. By 2000, spending for cash assistance had fallen to $11.6 billion, while spending for child care from CCDBG and TANF grew to $9.4 billion. Even this somewhat understates the magnitude of the shift: by 2000, spending for child care exceeded spending for cash assistance in thirty-three States. See Appendix to this testimony for state-by-state data.

On one hand, the decline in cash assistance spending made it possible for States to increase child care spending. However, the increased availability of child care played a critical role in making it possible for families to get and keep jobs, so that they could leave welfare or never need to enter the welfare system. The TANF caseload decline is a function of both families leaving welfare and families never entering the welfare system. The fact that states were able to broaden the availability of child care for low-income working families played a crucial role in helping to increase employment and reduce the need for welfare.

In looking at this expanded structure of supports, it is important to appreciate two key facts: first, at least 70% of the spending growth since 1996 is attributable to federal funds;[20] second, the single biggest factor in accounting for the growth since 1996 was the availability of TANF funds as welfare caseloads declined; as discussed subsequently, states are not likely to be able to rely on steadily increasing freed-up TANF funds in coming years.

The experience since 1996: Progress, but significant unmet needs

What has the additional funding since 1996 meant for families? Increased federal funding made it possible for states to increase numbers of children served, and for many states to reduce parental copayment requirements, raise provider rates, and expand initiatives to address child care quality. While these developments are notable, it remains true that most eligible children do not receive child care subsidy assistance, copayments are often higher than desirable, rates are often insufficient to ensure access to a broad range of care, and quality initiatives often only reach a small share of providers and families.

CLASP has recently worked with organizations in five states—Illinois, Iowa, Maine, Texas, and Washington—to gain additional insight into the experiences of families and child care systems in those states. The findings are contained in five state reports and an overview and synthesis written by CLASP.[21] The discussion in this section draws from both national data and the experiences of the five states.

For the nation, between 1996 and 1999, the average monthly number of children receiving CCDBG-funded child care subsidies grew from 1 million to 1.8 million.[22] In many respects, this reflects a dramatic expansion in the number of families and children receiving help. However, the number of federally-eligible families also grew over this period, for a number of reasons. First, the welfare caseload dropped by 1.8 million families from 1996 to 1999, and studies consistently find that the majority of leavers are employed, typically in low-wage jobs.[23] Second, the share of families working or participating in work-related activities while receiving TANF assistance also grew significantly; by FY 1999, nearly 900,000 adults receiving assistance were employed or engaged in work-related activities. Third, there was a large increase in labor force participation by low-income single parents, which may include families not previously connected to the welfare system; between 1996 and 1999, the number of employed single mothers grew from 1.8 million to 2.7 million.[24]

Unfortunately, available federal data does not indicate the share of subsidy recipients who are TANF recipients, so it is not currently possible to tell how much of the growth in participation involved low-earning families outside the welfare system. A seventeen state study by Abt Associates and the National Center for Children in Poverty is suggestive: it found that in 1997, TANF children represented 41% or more of those receiving subsidy assistance in 5 of 13 states; by 1999, TANF children represented 41 % or more of those receiving subsidy assistance in 3 of 15 states. In 1997, TANF children represented 20% or less of those receiving subsidies in only one of 13 states; by 1999, TANF children represented 20% or less of those receiving subsidies in 4 of 15 states.[25] This strongly suggests that much of the growth in subsidy participation involved families who had left or had no connection with the TANF system.

Despite the progress in increasing the numbers of families receiving help, most potentially eligible families do not receive child care assistance. HHS has estimated that in FY 1999, there were 14.75 million children meeting federal CCDBG eligibility guidelines. Thus, the 1.8 million children receiving CCDBG-funded subsidies constituted only 12% of potentially eligible children in FY 1999. Note that the 12% figure does not include families receiving subsidy help from other funding sources, though it seems clear that the vast majority of subsidy assistance did occur through CCDBG (including TANF transfers).[26] In light of further funding increases since that time, the share of eligible children receiving subsidy assistance is probably somewhat higher today,[27] but not enough to change the basic conclusion that most eligible families are not receiving subsidy assistance. Based on current data from four of the five states studied in CLASP's report, we estimate that the percentage of federally eligible children served in four states in 2001, from all funding sources, ranged from 8% (in Iowa and Texas) to 28% (in Illinois). Washington State was at 26% and data was not available for Maine.[28]

Most states have raised child care income eligibility levels since 1995, but in 2000, only three states set their income eligibility statewide at 85% of State Median Income.[29] The median state's income eligibility threshold for a family of three in 2000 was $25,680, up from $20,436 in 1995. These figures represent an increase from 162% to 181% of the federal poverty level of 1995 and 2000. However, the 1995 and 2000 dollar figures represent a slight decline as compared to SMI, from 58% to 57% respectively.[30]

Setting lower eligibility limits can help states target resources and reach more families. However, one consequence of setting low eligibility limits is "the cliff effect" when a family reaches the eligibility limit through a small increase in earnings, but does not have sufficient wages to afford the full cost of care without a subsidy. Families must then choose whether to continue their child care arrangement, potentially bearing large out-of-pocket expenditures, or move their child into less expensive care. One Illinois parent told her story to the Day Care Action Council of Illinois:

> *I got an increase in pay of $20 a week and (went) from $250 a month in child care to $800 a month for child care. It put me over the limit. The income part was not enough to match the child care part and it was like "sorry, you make too much money." I went to my employer and said 1 don't want a raise. I need my pay reduced. He was like, "are you nuts?"*[31]

Similarly, the study of Iowa's child care system found that when an Iowa family of two is receiving a child care subsidy and the family's income increases from $15,000 to $20,000, the family's disposable income only increases by $34, principally because the family loses eligibility for the subsidy.[32]

States may also allocate limited resources by establishing waiting lists. The Children's Defense Fund reports that as of December 2001, over one-third of states either operate with waiting lists or have frozen child care intake. Among the five states we reviewed, Texas currently has a waiting list of approximately 38,000 children; Maine's waiting list is approximately 2,000 families.

The fact that a state does not have a waiting list does not mean that need is being fully met. Often, states do little or no outreach in administering their child care subsidy programs, because they recognize that it would be counterproductive to engage in outreach when they would be unable to respond to additional need. None of the five states profiled in the CLASP et al., study were doing systematic outreach to inform low-income families that they are eligible for child care services.

States also allocate limited resources through their copayment policies, i.e., the share of child care costs that participating families are required to pay. HHS has recommended that child care copayments should not exceed 10% of family income. (Non-poor families pay, on average, 7% of their income for child care.[33]) In 2000, almost all states met the 10% standard for a family of three with income at the federal poverty level, but at 150% of poverty, families of three were ineligible for subsidy assistance in seven states, and copayments in excess of 10% were assessed in an additional seven states.[34] Moreover, states with low copayments for lowest-income families may rapidly escalate copayments as family income increases. For example, in Washington State, if a family's pre-tax income increases from $17,500 to $20,500 per year, the family's annual copayment increases by approximately $1,320 (or 44% of the pre-tax pay increase).[35]

Another key dimension of state child care subsidy systems is the payment rate structure: Does the state set payment rates to providers at levels sufficient to purchase a broad range of care in the local market? HHS has recommended that states set payment rates sufficient to allow families to purchase care at the 75th percentile of the local market, i.e., a rate sufficient to purchase care from 75% of local providers. A Children's Defense Fund analysis found that in 2000, twenty-four states did not meet the federally recommended standard, and that it was not clear whether states were closer to meeting the standard in 2000 than in 1995.[36] In our review of five states, four did not meet the recommended standard: most notably, in Chicago, providers of center-based care for preschoolers were being paid at a rate reflecting the 18th percentile, i.e., lower than the ordinary charges of 82% of providers.[37]

Finally, there is little available information about the quality of care for families receiving federally-subsidized care. Federal data indicate that in 1999, 56% of children receiving subsidies were in child care centers (with 31 % in family homes, 10% in the child's own home, and 3% in group home settings), and that 71% of children were in settings that were licensed or regulated under state law.[38] However, this information, in itself, provides little insight as to the quality of care for families.

Increased child care funding since 1996 has provided additional resources for state quality initiatives, although current efforts are limited in scope.[39] States are required to spend at least 4% of CCDBG funds for quality initiatives, and transferred TANF funds also became part of the funds to which the 4% requirement applied. States have devoted resources to quality initiatives, and have begun many promising initiatives to improve the quality of child care. All five of the states profiled in CLASP's five state study have invested in strategies designed to better pay, educate, train, and support child care providers; protect the health of children; and support early education opportunities. These initiatives include:

- Collaboration between Head Start and prekindergarten programs and the child care subsidy system;
- Provision of funding for child care resource and referral agencies to help parents find and evaluate child care settings to determine if these settings meet their needs and those of their children and to provide technical assistance and supports to providers to enhance their service quality;
- Scholarship and wage enhancement programs, such as T.E.A.C.H. (Teacher Education and Compensation Helps) Early Childhood®, which provides scholarships for college or travel to child care teachers who, if they stay with their child care providers for a year after using the scholarship, receive a wage increase or bonus;
- Provider training initiatives; and
- The creation of linkages with the health care system to provide health consultations for providers and link children with health insurance programs.

Despite promising programs, state quality initiatives to date are often small in scale, typically only reaching a portion of children and child care providers.[40]

Notwithstanding the limits in state subsidy programs, provision of a subsidy can make a major difference in the lives and well-being of parents and children. In a 2000 survey, Maine parents were asked to describe the effects of receiving a child care subsidy:[41]

- *"[This voucher] allowed me to come off welfare. I want to work but could not afford child care."*
- *"I can now afford quality child care and not worry about my child being put in jeopardy."*
- *"[Now] my child only has to go to one provider. I'm not always looking for someone to watch him."*

- *"I don't have to leave my children alone after school now."*
- *"My 13 year-old does not have to be responsible for watching his brother and sister."*
- *"I feel my children are safer now that they are cared for in licensed child care.*

Impact of Recent Economic Downturn

While this testimony has emphasized the growth in child care funding since 1996, child care investments in many states could be threatened by deteriorating economic conditions and TANF caseload increases. In January, 2002, according to a National Conference of State Legislatures survey, 45 states and the District of Columbia reported that their revenues were below levels forecast at the beginning of the fiscal year, while 28 states and the District reported that spending was above forecasted levels.[42] And between March 2001 and September 2001, TANF caseloads increased in 32 states. (The overall national caseload remained flat over that period, but in a block grant structure, the fact that caseloads were continuing to fall in California does not provide fiscal relief to other states with rising caseloads).

The economic downturn has potentially significant impacts for state child care programs. A dramatic example is provided by Illinois, a state that has made historic investments in child care in order to guarantee services to all income eligible families (those with income less than $24,243). In response to a shortage in state revenues, Governor Ryan has proposed, in his FY 2003 budget, to raise copayments, decrease income eligibility levels and cut investments in early childhood programs.[43] And, in Washington State, Governor Locke, in light of state budget pressures and increasing TANF caseloads, has shifted TANF funds from child care to cash assistance, which will result in lower income eligibility levels, higher copayments and decreased supply and quality investments.[44]

Potential Child Care Implications of the Administration's Welfare Proposal

The Administration's recently-announced welfare reauthorization proposal would significantly revise work and participation requirements for families receiving TANF assistance, while providing no additional funding for TANF or CCDBG. In FY 2000, states report having attained participation rates (for the share of TANF families engaged in a set of specified activities for a specified number of hours a week) averaging 34%. Under the Administration's plan, the required participation rate would be calculated differently from current law in a number of ways, but would rise to 70% by 2007. Among the changes, hourly requirements to count toward participation rates would be substantially increased. Under current law, single parents with children under age 6, who comprise half or more of TANF families, count toward participation rates by being engaged in activities for 20 hours a week, and other families count by meeting a 30-hour requirement. Under the Administration's proposal, individuals would be required to be engaged in activities for at least 40 hours a week in order to fully count toward participation rates. Thus, many families currently counting toward participation rates would fall short of meeting the 40-hour requirement, and the additional families needed to meet participation rates would need to meet the 40-hour requirement to fully count.

While there may be much discussion about the pros and cons of many aspects of the Administration's proposal,[45] it does seem clear that the proposal would have significant child care implications. In part, this would happen because more families would need to be engaged in activities to count toward participation rates. But, also, the increased hourly requirements would increase the likelihood that participating families would need care,[46] and increase the likelihood that those needing care would need full-time care. In FY 2000, adults with any hours of reported activity averaged 29 hours of participation per week. So, for example, for parents with school-age children, a 40-hour requirement would mean that parents would either need child care or need to leave school-aged children alone for significant numbers of hours each week.

It is difficult to estimate the magnitude of the likely child care costs of the proposal because it is hard to determine how many additional families would need to be engaged in activities for 40 hours a week, or what the additional child care costs would be for families currently engaged in activities for less than 40 hours. However, national data indicate that 52% of employed single parent families at all income levels and with children under age 13 pay for child care; 52% of families with children under age 13 and working full-time pay for child care (compared to 38% of parents who work part-time); and 50% of employed single parents with incomes under 200% of poverty pay for child care.[47] These figures all suggest that the need for paid child care would be substantial for the additional participants under the Administration's plan.

The fact that a proposal has cost implications is not, in itself, an argument against the proposal, and it will be important to focus on the merits of the proposal itself. However, it will also be important to make a fair assessment of likely costs, and ensure that they are adequately addressed in any Congressional action.

In particular, it has been suggested that there would not be a need for additional funding because there is "enough" available funding between current-level TANF and CCDBG grants. This seems wrong. By 2001, annual state TANF spending was already exceeding the levels of state block grants by $2 billion—as states spent TANF reserves, total state spending in FY 2001 was $18.6 billion, compared to basic block grant levels of $16.5 billion. To date, no one has suggested that states are improperly spending these funds and that there are obvious areas in which states should be cutting current spending. Thus, the only way to increase TANF child care spending would be by cutting current spending for other programs and activities. States were able to redirect TANF funds to child care while TANF assistance caseloads were falling, but caseloads are now rising in most states, and there would be no basis for assuming that with caseloads far below 1996 levels, states could be expected to generate large and rapid additional caseload declines. Moreover, the only way in which states could redirect CCDBG funds to meet new TANF work requirements would be by cutting existing levels of assistance for low-income working families outside of the welfare system. States and many observers would view such an approach as extraordinarily counter-productive. The essence of state strategies in recent years has been to build a structure of supports for low-income working families outside of the welfare system so that families could work and meet basic needs without needing welfare. It would be a significant step backward to curtail or dismantle that structure of supports in order to fund the costs of meeting new TANF work requirements.

Conclusion

As Congress looks to reauthorization of CCDBG and TANF, it is important to keep in mind three key considerations:

- Increased funding since 1996 has made a real difference in helping families work, in helping parents ensure that their children are safe and cared for while parents are working, and in taking steps to promote school readiness; the fact that much remains to be done should not obscure the fact that progress has been made;
- Most of the growth in child care funding since 1996 has been attributable to federal funding, and without increasing federal funding, states will be unable to maintain current levels of service, let alone expanding the availability of care to the large numbers of families who are federally eligible but unable to attain help at existing funding levels;
- TANF funds were the principal engine driving child care expansion in the last five years, but they are an unstable resource, and will not likely be able to play that role in the future, both because these funds are now fully committed by states, and because caseloads are not likely to continue falling at the rates at which they fell in the initial years of TANF implementation.

There are a range of other child care issues that should be addressed in TANF and CCDBG reauthorization: better coordination, improved data collection, simplified administration, reducing administrative complexity, better information about quality initiatives, stronger technical assistance, and others.[48] But, at root, it will be impossible for states to make significant progress, or even maintain current levels of assistance to families, if reauthorization does not provide adequate child care funding.

Appendix
State Spending for Child Care and TANF Basic Assistance, FY 2000

	Child Care Spending (CCDBG, TANF, State Match and Maintenance of Effort)	**Basic Assistance Spending** (TANF and State Maintenance of Effort)
Alabama	$105,524,000	$36,523,872
Alaska	$34,596,000	$55,365,359
Arizona	$132,885,000	$110,401,865
Arkansas	$52,959,000	$31,232,801
California	$1,647,254,000	$4,021,250,946
Colorado	$54,251,000	$47,808,184
Connecticut	$179,658,000	$166,109,891
Delaware	$34,104,000	$19,713,828
District of Columbia	$68,953,000	$72,151,694
Florida	$460,118,000	$234,307,415
Georgia	$178,900,000	$134,633,467
Hawaii	$25,200,000	$140,970,944
Idaho	$28,362,000	$3,289,730
Illinois	$593,199,000	$269,391,206
Indiana	$257,808,000	$86,561,515
Iowa	$86,210,000	$78,811,516
Kansas	$61,100,000	$42,532,412
Kentucky	$86,158,000	$104,350,890
Louisiana	$134,000,000	$70,360,533
Maine	$29,301,000	$72,805,886
Maryland	$176,807,000	$195,936,929
Massachusetts	$351,435,000	$237,062,237
Michigan	$460,869,000	$334,244,920
Minnesota	$169,255,000	$192,910,265
Mississippi	$71,401,000	$20,676,865
Missouri	$175,053,000	$138,956,361
Montana	$20,200,000	$20,966,625
Nebraska	$60,900,000	$41,225,565
Nevada	$22,667,000	$17,529,631
New Hampshire	$24,400,000	$31,988,732
New Jersey	$218,000,000	$221,595,922
New Mexico	$52,800,000	$112,792,121
New York	$634,449,000	$1,831,793,210
North Carolina	$292,877,000	$140,129,420
North Dakota	$10,079,000	$11,754,347

	Child Care Spending (CCDBG, TANF, State Match and Maintenance of Effort)	**Basic Assistance Spending** (TANF and State Maintenance of Effort)
Ohio	$396,008,000	$368,213,004
Oklahoma	$113,778,000	$65,494,905
Oregon	$83,737,000	$76,166,237
Pennsylvania	$311,233,000	$485,266,977
Rhode Island	$52,700,000	$100,065,678
South Carolina	$59,700,000	$26,836,181
South Dakota	$13,200,000	$10,081,986
Tennessee	$178,682,000	$136,791,264
Texas	$421,400,000	$263,940,219
Utah	$45,669,000	$39,521,641
Vermont	$23,995,000	$36,000,443
Virginia	$134,005,000	$100,485,478
Washington	$284,660,000	$310,923,756
West Virginia	$50,920,000	$49,223,685
Wisconsin	$237,069,000	$60,278,402
Wyoming	$7,800,000	$3,671,240
Totals	**$9,406,288,000**	**$11,481,098,200**

Source: Congressional Research Service, *Child Care: Funding and Spending Under Federal Block Grants* (Feb. 11, 2002); TANF Fiscal Data posted at http://www.acf.dhhs.gov/programs/ofs/data/q400/TableF.htm; CLASP analysis

Endnotes

[1] This testimony reflects ongoing collaborative work with CLASP colleagues, including Jennifer Mezey, Rachel Schumacher, Kate Irish, and Tanya Rakpaja, and Joan Lombardi of the Children's Project.
[2] Robert J. Lemke, Robert Witt, and Ann Dryden Witte. March 13, 2001. *Child Care and the Welfare to Work Transition. Wellesley College Working Paper 2001-02.* Wellesley, MA: Wellesley College Department of Economics; Christine Ross and Diane Paulsell. December. 31, 1998. *Sustaining Employment Among Low-Income Parents: The Role of Quality in Child Care.* Princeton, NJ: Mathematica Policy Research, Inc.; Marica K. Meyers, Theresa Heintze, and Douglas A. Wolf. August 1999. *Child Care Subsidies and the Employment of Welfare Recipients.* Working Paper #15. Berkeley, CA: University of California.
[3] The Welfare to Work Partnership, *Smart Solutions: Helping your New Workers Meet their Child Care Needs* (Washington DC: The Welfare to Work Partnership, April 2000).
[4] Working Toward Independence: The President's Plan to Strengthen Welfare Reform, February 2002.
[5] Pamela Loprest, *How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers,* (Washington, DC: The Urban Institute, April 2001), http://newfederalism.urban.org/pdf/anf_b36.pdf
[6] Elise Richer, Steve Savner, and Mark Greenberg, *Frequently Asked Questions about Working Welfare Leavers,* (Washington, DC: Center for Law and Social Policy, November 2001) [hereinafter CLASP, *Frequently Asked Questions about Working Welfare Leavers*].
[7] Pamela Loprest, *Families Who Left Welfare: Who Are They and How Are They Doing?*, Assessing the New Federalism Discussion Paper 99-02, http://www.urban.org/UploadedPDF/discussion99-02.pdf
[8] Kristin Smith, *Who's Minding the Kids? Child Care Arrangements: Fall 1995.* Current Population Reports, P70-70. (Washington, DC: U.S. Census Bureau, 2000), http://www.census.gov/prod/2000pubs/p70-70.pdf [hereinafter *Who's Minding the Kids?*].
[9] Karen Schulman, *The High Cost of Child Care Puts Quality Care Out of Reach for Many Families* (Washington, DC: The Children's Defense Fund, 2000).
[10] Linda Giannarelli & James Barsimantov, *Child Care Expenses of America's Families* (Washington, DC: The Urban Institute, 2000) [hereinafter *Child Care Expenses of America's Families*]. Lower income families were less likely to incur child care costs (40%, versus 53% for higher income families), but when costs were incurred, they represented a much higher share of family income.
[11] Cost, Quality, and Outcomes Study Team, *Cost, Quality, and Outcomes Study Go to School* (Chapel Hill, NC: University of North Carolina at Chapel Hill, 1999); The Abecedarian Project Team, *Early Learning, Later Success: The Abecedarian Study* (Chapel Hill, NC: Frank Porter Graham Child Development Center, University of North Carolina at Chapel Hill, 2000); Arthur J. Reynolds, et al., "Long-term Efffects of an Early Childhood Intervention on Educational Attainment and Juvenile: A 15-year Follow up of Low-Income Children in Public Schools," in Journal of the American Medical Association, vol. 285, no. 18 (May 9, 2001).
[12] Jack P. Shonkoff and Deborah Phillips, Editors; Committee on Integrating the Science of Early Childhood Development, Board on Children, Youth, and Families, *From Neurons to Neighborhoods: The Science of Early Childhood Development* (Washington, DC: National Academy of Sciences, 2000).
[13] Jeffery Capizzano and Gina Adams, *The Hours that Children under Five spend in Child Care: Variation Across the States* (Washington, DC: Urban Institute, 2000) and Jeffery Capizzano and Gina Adams, *Child Care Arrangements for Children under Five: Variation Across the States* (Washington, DC: Urban Institute, 2000).
[14] U.S. Census Bureau, *Population Profile of the United States: 2000, Scholars of All Ages: School Enrollment* (Washington, DC: U.S. Census Bureau, 2000).
[15] Jeffery Capizzano, Kathryn Tout, and Gina Adams. *Child Care Patterns of School-Age Children with Employed Mothers*, Occasional paper number 41 (Washington, DC: Urban Institute, 2000); Jennifer L. Brooks, Elizabeth C. Hair, and Martha J. Zaslow, *Welfare Reform's Impact on Adolescents: Early Warning Signs* (Child Trends Research Brief) (Washington, DC: Child Trends, July 2001).
[16] In addition, 43 states also used about $396 million or 12% of SSBG funds for child care in fiscal year 1999 (the most recent for which we have data). U.S. Department of Human Services, Administration for Children and Families, Office of Community Services *Social Services Block Grant Program: Annual*

Report on Expenditures and Recipients for 1999 (Washington, DC: U.S. Government Printing Office, 2001).

[17] In its welfare reform proposal, the Administration states that government is approaching $17 billion per year commitment if one also includes $6.7 billion in Head Start funding in the calculation. If one is seeking to total the combined amount spent on child care and early education programs, it would surely be appropriate to include Head Start in the calculation. However, in many ways, it obscures the analysis if Head Start is treated as if it were part of child care funding. Head Start provides comprehensive health, education, and social services for poor families with participating children. However, the typical Head Start program is not full-day or year-round, and is available without regard to parental work status. Moreover, even if the program is full-day, it may not correspond to a parent's work schedule or need for child care. Thus, the existence of Head Start – like the existence of K-12 education – surely reduces the need for child care, but just as one wouldn't count expenditures for 1st grade as part of the nation's child care expenditures, neither does it seem appropriate to include Head Start funding in the calculation

[18] For more detail, see Mark Greenberg, *How are TANF Funds Being Used? The Story in FY 2000*, (Washington, DC: Center for Law and Social Policy, October 2001), http://www.clasp.org/pubs/TANF/FY00/How%20Are%20TANF%20Funds%20Being%20Used–The%20Story%20in%20FY%202000.htm.

[19] For an overview of states' usage of TANF funds for child care, see Rachel Schumacher, Mark Greenberg, and Janellen Duffy, *The Impact of TANF Funding on State Child Care Subsidy Programs*, (Washington, DC: Center for Law and Social Policy, September 2001), http://www.clasp.org/pubs/childcare/TANFChildCareFullReport.pdf [hereinafter CLASP, *The Impact of TANF Funding on State Child Care Subsidy Programs*].

[20] CLASP analysis from data reported in Congressional Research Service, *Child Care: Funding and Spending under Federal Block Grants* (updated, Feb. 11, 2002). In calculating combined federal-state spending, the Congressional Research Service includes state child care expenditures claimed toward satisfying TANF MOE requirements to the extent that such spending exceeds the amount of spending reported toward CCDBG MOE requirements. (For example, if a state reported $20 million in CCDBG MOE spending, and also reported $30 million in child care spending for purposes of TANF MOE, the Congressional Research Service would count the difference -- $10 million – as additional state child care spending. While this additional reported spending may actually represent new state child care spending, there is no ready way to be sure, since it might also just represent preexisting state spending that the state is now reporting as a way to satisfy its TANF MOE requirements.

[21] Jennifer Mezey, Rachel Schumacher, Mark Greenberg, John Hutchins, and Joan Lombardi, *Unfinished Agenda: Child Care for Low-Income Families Since 1996 – Implications for Federal and State Policy* (Washington, DC: CLASP, March, 2002), http://www.clasp.org [hereinafter CLASP, *Unfinished Agenda*].

[22] Note that this comparison is between CCDBG-funded assistance in FY 1999 and assistance under the predecessor programs (the CCDBG and IV-A child care funding streams) in FY 1996. U.S. Department of Health and Human Services, Administration for Children and Families, *State Spending Under the Child Care Block Grant* (fact sheet) (Washington, DC: U.S. Department of Health and Human Services, November 12, 1998); U.S. Department of Health and Human Services, Administration for Children and Families, *New Statistics Show Only a Small Percentage of Eligible Families Receive Child Care Help* (press release) (Washington, DC: U.S. Department of Health and Human Services, December, 2000, http://www.acf.dhhs.gov/news/press/2000/ccstudy.htm.

[23] CLASP, *Frequently Asked Questions About Working Welfare Leavers.*

[24] *2000 Statistical Abstract*, Table No 653.

[25] Ann Collins, Lean Layzer, J. Lee Kreader, Alan Werner, and Fred Glantz, *National Study of Child Care for Low-Income Families, State and Community Substudy Interim Report*, Abt Associates, Inc., prepared for U.S. Department of Health and Human Services, November 2000 [hereinafter *Low-Income Child Care Study*].

[26] We estimate that in FY 99, approximately $7.5 billion in subsidy assistance was provided through CCDBG. State direct expenditure of TANF funds was in the range of $.75 billion, and additional state expenditures reported toward maintenance of effort in excess of CCDBG maintenance of effort were about $.5 billion. *See* CLASP, *The Impact of TANF Funding on State Child Care Subsidy Programs*.

[27] HHS budget documents project that 2.2 million children will be receiving CCDBG subsidies in FY 2003. http://www.hhs.gov/budget/pdf/hhs2003bib.pdf.
[28] CLASP, *Unfinished Agenda*. Except for Iowa, this data includes all subsidized children.
[29] Analysis of eligibility provisions is drawn from data reported in Karen Schulman, Helen Blank, Danielle Ewen, *A Fragile Foundation: State Child Care Assistance Policies* (Children's Defense Fund, November 2001) [hereinafter CDF, *A Fragile Foundation*]. Texas allows its local workforce development boards, the entities who administer child care programs, to set their income eligibility limits at 85% of SMI but only four of the 28 local boards do so. Jason Sabo, Patrick Bresette and Eva de Luna Castro, *The Texas Child Care Experience Since 1996: Implications for Federal and State Policy* (Austin, TX: Center for Public Policy Priorities, February, 2002).
[30] Analysis based on CDF, *A Fragile Foundation*. This analysis included 47 of the states, leaving out the three states that do not have statewide income eligibility guidelines, Colorado, Texas, and Virginia.
[31] Kathy Stohr, Susie Lee and Sessy Nyman, *The Illinois Child Care Experience Since 1996: Implications for Federal and State Policy* (Chicago, IL: Day Care Action Council of Illinois, January, 2002) [hereinafter *Illinois Child Care Experience*]; CLASP, *Unfinished Agenda*, supra].
[32] CLASP, *Unfinished Agenda*, at p. 36 (citing Charles Bruner, Elizabeth Marmaras and Abby Copeman, *The Iowa Child Care Experience Since 1996: Implications for Federal and State Policy* (Des Moines, IA: Child and Family Policy Center, January 2002)).
[33] Smith, *Who's Minding the Kids?*.
[34] CDF, *A Fragile Foundation*.
[35] CLASP, *Unfinished Agenda*.
[36] CDF, *A Fragile Foundation*.
[37] CLASP, *Unfinished Agenda*; *Illinois Child Care Experience*.
[38] See FFY 1999 CCDF Data Tables and Charts, http://www.acf.dhhs.gov//programs/ccb/research/99acf800/cover.htm
[39] *Low-Income Child Care Study*.
[40] CLASP, *Unfinished Agenda*.
[41] CLASP, *Unfinished Agenda* (quoting William Hager, Allyson Dean & Judy Reidt-Parker, *Child Care, Money and Maine* (Sanford, ME: Child Care Services of York County, January, 2002)).
[42] National Conference of State Legislatures, *State Fiscal outlook for FY 2002 – January Update* (February 6, 2002), http://www.ncsl.org/programs/fiscal/sfo2002.htm.
[43] *Illinois Child Care Experience*; *Day Care Action Council of Illinois Urges State Lawmakers to Avert Child Care Crisis in Illinois* (Press Release, March 12, 2002), http://www.daycareaction.org/pr31202.htm.
[44] Elizabeth Bonbright-Thompson, *The Washington State Child Care Experience Since 1996: Implications for Federal and State Policy* (Tacoma, WA: Washington State Child Care Resource and Referral Network, January, 2002); CLASP, *Unfinished Agenda*.
[45] For a more detailed discussion of the work provisions of the proposal, see Greenberg, Testimony before the Human Resources Subcommittee, House Ways and Means Committee, March 7, 2002, at http://www.house.gov/ways_means/humres/107cong/3-7-02/3-7gree.htm
[46] *Child Care Expenses of America's Families*.
[47] Ibid.
[48] For a discussion of other CLASP reauthorization recommendations, see *Unfinished Agenda*; see also CLASP Comments to the U.S. Department of Health and Human Services Regarding the Reauthorization of the Child Care and Development Fund (November 30, 2001), http://www.clasp.org/pubs/childcare/CCDFcomments1101.pdf.