

Statement of Hon. Olivia A. Golden, Assistant Secretary, Administration for Children and Families, U.S. Department of Health and Human Services

Madam Chairman and members of the Subcommittee, I am pleased to appear before you today to talk about one of the Administration's highest priorities, child care. Child care is extremely important to the wellbeing of our Nation's children and to their parents' ability to work and maintain employment. For this reason, I welcome the opportunity to outline President Clinton's historic child care initiative. First, I would like to express my gratitude for your leadership on this issue—demonstrated both by the hearing today and by the important legislation introduced by Chairman Johnson in the last Congress, as well as bills that have been sponsored by Mr. Cardin, Mrs. Tauscher and others this year. I am convinced that with our mutual commitment to this issue, we can make a difference to the millions of working families who are struggling to find and pay for decent care for their children.

The Clinton Administration is dedicated to providing support and resources to ensure healthy, safe, affordable child care settings that are so desperately needed to help families work and help children grow strong and become ready for school. In particular, we believe it is time to focus on the child care needs of low-income working families who are struggling to hold onto their jobs and care for their children. We need to focus on their struggles to find safe and affordable care for three reasons: for the sake of our economy, our parents, and our children. Employers tell us over and over that the struggle to find affordable child care is a major obstacle to recruiting and retaining a stable workforce. Parents tell us, in the words of one working mother from Rhode Island: "It is becoming almost impossible for me to hold down a full-time job and pay my child care on my small salary, but I don't want to stop working. I need to take care of my family and show my children the importance of work." And from the perspective of children, as President Clinton said in his State of the Union address last year, "Not a single American family should ever have to choose between the job they need, and the child they love."

The President's child care initiative makes a commitment to America's families that they do not have to make this choice. It helps working families pay for child care that they trust—whether with a neighbor, in a family child care home, or in a child care center—by providing subsidies to low-income families and by expanding the Child and Dependent Care Tax Credit to help families with moderate incomes afford the high cost of safe and healthy care. It improves the safety and quality of care and promotes early learning by enabling States and communities to invest in staff training and recruitment and improves linkages to health care, enforcement of standards, and other proven approaches to make sure that our youngest and most vulnerable children are in homes and centers that are healthy and safe, and offer them the opportunity to learn and develop. It expands after-school programs, so that over one million children can be safe and supervised after school hours and their parents can have peace of mind on the job. And, because the President believes that parents should be supported in whatever choice they make for care of their children, it also provides new tax relief for parents who stay home with children under age one.

In the past several years, we have worked with Congress in a bipartisan manner to build a solid foundation for child care. In enacting welfare reform, Congress and the Administration made a commitment to help families on welfare move to work by increasing the resources for child care subsidies so parents on welfare and leaving welfare could find, afford, and keep child care. It is now time to provide the same commitment to working families who are struggling to hold onto their jobs and

afford child care. Last year, the Administration and the Congress made a modest down-payment on this commitment, including an investment in research and evaluation and increased funding for child care quality activities. This year, it is time to build on that down-payment to enact the President's initiative, so that millions of low- and moderate-income working families can find child care, afford child care, and trust child care, without going on welfare to get the help they need.

In the remainder of my testimony, I would like to address the huge need for affordable care for working families; the importance of care that is healthy, safe, and of high quality; and the way the President's initiative responds to these critical needs.

Affordable Child Care for Working Families: The Critical Need

An enormous and growing number of children spend time every day in child care—whether with a neighbor, in a family child care home, in a child care center, or in an after-school program. Since the cost of child care, particularly care of a quality parents can trust, is so high, parents who work for modest wages face unacceptable choices—sometimes having to choose between makeshift arrangements for their children at the cost of their own peace of mind or to stop working.

According to the National Center for Education Statistics (NCES), in 1995 more than half of the approximately 21 million infants, toddlers and preschool children under the age of six in the U.S., or 12.9 million children, were in care. Forty-five percent of infants under age one were in child care on a regular basis. And according to a recent report on the National Institute of Child Health and Human Development (NICHD) study of child care, only about 14 percent of children were home full-time with their mothers throughout their first three years. These very young children are the most vulnerable to care that is not high quality, yet high quality care for them can be especially costly, creating difficult dilemmas for parents with modest incomes.

Second, these statistics are not surprising when you consider the high, and growing, labor force participation of parents. In 1996, 96 percent of fathers and 63 percent of mothers with children under the age of six worked. And during this same time, nearly 74 percent of mothers with children between the ages of six and 17 were in the paid labor force. Mother's participation in the work force has increased dramatically in recent years. For single mothers with incomes under 200 percent of poverty, the percent employed as of the Census Bureau's March current population survey rose from 44 percent in 1992 to 54 percent in 1997, driven by the culture change of welfare reform, and the consistently strong and growing economy.

Looking ahead, the continued strength of the economy, along with the continued effectiveness of welfare reform and the increases in work participation required under the welfare reform legislation, suggests continued increases in parents' work participation and the need for child care. To take just one example, Michigan has identified the growth in the need for child care as the principal issue it expects to face in the near future. The increased number of TANF families who are working and the increased hours of work have resulted in a much greater demand for child care services. At the same time, the availability of child care for working families is critical to allowing them to retain their jobs and avoid having to seek cash assistance.

Third, for many of these working families, the cost of child care is an enormous burden. A family earning less than \$14,000 a year, and paying for the care of a child under age five, without State or Federal assistance, typically spends 25 percent of its income on child care. But even families earning twice the minimum wage, with modest wages of \$20,000 to \$30,000 a year, face incredible challenges in paying for care, particularly if they have more than one child. In California, the average cost of full-time care for a child under two years in a licensed center is \$7,020—68 percent of minimum wage earnings, and almost one quarter of the annual gross income for a family earning \$30,000 a year. In Boston, the average annual child care costs for one 4-year old is \$7,900 and in Seattle \$6,140. The National Women's Law Center reports that the cost of child care can range from \$4,000 to \$10,000 annually.

Disproportionately high child care costs can force families to make difficult choices essentially, whether to put together makeshift child care arrangements that risk compromising the quality and safety of their children's care, to skimp on fundamental living expenses such as food, clothing, shelter and health insurance, or to stop working entirely. At the White House Conference on Child Care in October 1997, a child care provider spoke eloquently about a mother who made the first choice: she was leaving her 6-year-old alone on the school playground after school because she was afraid that she would lose her new job if she asked her employer for a more flexible schedule and her earnings left her unable to come up with an alternative. When the school principal realized what was happening and told her

he would have to report her for child neglect if she did not come up with an alternative, she was referred to a child care provider who was eventually able to come up with an emergency scholarship slot for her—but who said emphatically that not every story has such a happy ending.

The second and third choices, to skimp on basic necessities like food or clothing or to leave work entirely, also are made far too frequently, as the mother from Rhode Island I quoted earlier said so eloquently. Employers as well as parents report on the unacceptable choices facing families. At a recent child care resource and referral leadership forum, a Massachusetts employer told the story of a single mother employed by her medical clinic, who came to her when her family day care provider gave two weeks notice that she could no longer care for the woman's child. The woman needed affordable child care in order to work and would have to quit her job if care could not be found. The employer's Work and Family office worked in partnership with her and frantically searched for another provider but on the last day of the first provider's notice, had come up with no prospects.

A recent GAO study demonstrates the pervasiveness of these issues by analyzing the trade-offs low-income mothers face when they want to work, but face high child care costs. According to the study, child care subsidies are often a strong factor in a parent's ability to work, and reducing child care costs of a family increases the likelihood that poor and near-poor mothers would be able to work. GAO observed that affordable child care is a decisive factor that encourages low-income mothers to seek and maintain employment.

What Help Is Out There for Working Families: Far Too Little

Today, the primary source of help for low-income families who cannot afford child care is the Child Care and Development Block Grant (CCDBG). CCDBG funds flow to the states, who provide help for parents by subsidizing care of the parent's choice—with a family member, neighbor, family child care home, child care center, or after-school program. The key strength of CCDBG is that the flexibility of providing subsidies directly to parents supports parents' ability to choose the care that is best for their child.

However, while CCDBG is a flexible and effective way of getting critically needed help to parents, it is reaching far too few families. Nationally, there are approximately 10 million children who are income eligible for assistance under the Child Care and Development Block Grant. Even with increased funding provided for child care program under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, our data show that only about 1.25 million of these children received help from the Block Grant's fund in 1997. In reaching only a little over 10 percent of the eligible families, the Child Care and Development Block Grant offers many low-income families scant hope of access to good, affordable child care arrangements.

Low-income working families miss out on CCDBG assistance for two main reasons. First, forced into a trade-off between scarce dollars and enormous need for child care, many states have made policy and eligibility choices that focus assistance on families on welfare, families leaving welfare, and families at the very lowest income levels—leaving out parents who are struggling to hold onto a modest job without turning to welfare for help. While the CCDBG Act allows States to serve families with incomes up to 85 percent of the State median, only nine States actually set their eligibility levels that high. Due to the high demand for child care assistance and limited funding, State child care plans currently show that in 12 States, a family of three with an income of just \$20,000 a year is not eligible for any help with child care. Only one-third (16) of the States can afford to assist the child care needs of working families earning 200 percent of the poverty level—that's only \$27,300 for a family of three. In Maryland CCDBG eligibility is limited to families making less than \$22,440. Further, a report issued by the Department's Office of the Inspector General found that in order to maximize dollars, States often set high family co-payment rates, which limit parental choice of type of child care.

Second, in practice, states are unable to meet the enormous demand for child care even given the low eligibility levels that they have adopted. As a result, states across the country report extensive waiting lists and unmet need. Iowa has subsidized child care slots for almost 75,000 children from birth to age 5—less than half of the reported need. In California, waiting lists are estimated to total between 100,000 and 200,000 slots. And in Florida, there were 25,000 children on waiting lists in September 1997 and the State froze intake except for families on welfare or for children at risk of abuse or neglect. Similarly, in December 1997, Massachusetts reported 12,500 children—including 600 in the child protective system—on waiting lists. A recent article in a Texas newspaper reported that “on an average day, the Texas Workforce Commission, using federal and State funds, pays for about

81,000 day-care slots for low-income families and will have up to 40,000 names on a waiting list for such help.” The article goes on to report that program officials say this is only the tip of the iceberg of unmet need among low-income families.

Finally, even though states have access to several funding sources to meet child care needs, there is no way for them to meet these demands without a major Federal investment. This investment must be large enough to make a dent in meeting the needs of working families by being dedicated to child care and reliably available over time so that families can depend on receiving the modest assistance they need to get and keep steady work. Currently, the states have obligated 100 percent of the funds available to them through the Child Care and Development Block Grant, including the matching funds which require them to appropriate their own money to draw them down. To draw down the full amount of funds in FY 98, states appropriated \$1.6 billion in maintenance of effort and matching funds, and a number of states report additional appropriations of state resources.

While States have the authority to transfer Temporary Assistance for Needy Families’ funds to CCDBG as well, and about 28 states did so in 1998, states are not in a position to solve the huge unmet child care needs of the working poor by trading off dollars that may well be critical to meeting the intensive needs of the families who still remain on welfare caseloads as they continue to make their transition to work. In fact, 17 states have already committed every penny of their TANF dollars for FY97 and FY98 and have no additional resources available for transfers to child care. States are making the understandable choice of reserving some of their TANF resources for -rainy day funds—which show up in the expenditure data as if they were uncommitted—thus using the option that Congress provided for states to protect themselves from possible future economic downturns. Given how important stable child care arrangements are to working families who are seeking to maintain their employment, it doesn’t make sense to ask States to use a potentially *unstable* source of funds to expand the available child care for these families. By, for example, risking rainy day funds for child care, States risk a major upset in the lives of families if economic difficulties down the road were to force dollars to be shifted back from child care to cash assistance.

Besides the Child Care and Development Block Grant, the other major source of help for families in paying for child care costs is the Child and Dependent Care Tax Credit. Unfortunately, many low and moderate working families fall into a gap, with incomes not low enough to be eligible for a subsidy, yet too low to get an appreciable amount of help from the tax credit. As I indicated earlier, due to the pressing need for child care assistance, only nine States provide child care assistance at the maximum income level set by Congress in the CCDBG Act, so that families with incomes as low as \$20,000 or \$25,000 are not eligible for assistance in many states and in many other states, they may be eligible but at the end of a long list of families waiting for help. At these income levels, families are often caught in a gap, with no help from the subsidy and little or no help from the tax credit. Such working families, that cannot benefit from subsidies or tax credits, have needs that are not being addressed under current law.

The Administration’s proposal addresses these needs through an expanded subsidy and a strengthened tax credit. But before I go on to discuss the proposal in detail, I would like to address the other critical aspect of child care need: the importance of care that is safe, healthy, and of high quality.

Quality

We know that quality matters to children’s healthy and safe development and that the lack of affordable child care options for many families greatly reduces their ability to find quality care they can trust. There are serious concerns, supported by an extensive body of research, about the quality of care many children receive. Recently, even the basic health and safety of children in child care has become a national concern. Fortunately, as I will discuss later, we also know what to do to improve quality so that children can grow, thrive and enter school ready to learn.

We are concerned that far too many children receive care that is unsafe, unhealthy, and potentially damaging to their development. For example, a four-State study by the University of Colorado found that only one in seven centers was rated as good quality. The Families and Work Institute also reported that 13 percent of regulated and 50 percent of unregulated family care providers offer care that is inadequate.

Just as the national school lunch and child health programs were enacted to help develop strong bodies for low-income children, recent advances in knowledge about brain development in very young children argue for improving our country’s ability to build strong minds. With more and more very young children in child care regu-

larly at an early age—often for long hours, child care is a crucial linkage for comprehensive, healthy child development to prepare children to be successful in school.

Research shows that when children are in quality child care programs, they develop stronger language, pre-mathematics, and social skills. Quality child care also promotes school readiness by enhancing nurturing relationships between children and their care givers, thus strengthening the child's self-esteem. The NICHD recently reported that higher caliber child care for young children was consistently related to high levels of cognitive and language development. Such programs ensure that children are safer, healthier, and intellectually stimulated. Quality programs provide responsive care by consistent, knowledgeable, and experienced care givers.

I'd like to now turn to our initiative and explain how we believe it provides the best solution to these issues.

Our Solution—The President's Historic Initiative

The President's initiative responds to these issues by helping people pay for care in two ways: subsidies for the lower income working families through the CCDBG and tax credits for families at a moderate income level. The time is ripe for using dedicated child care funds to improve both the quality and availability of care for young children through age 5 and the affordability of child care for all eligible children.

SUPPORT FOR WORKING FAMILIES

As I've already stated today, the financial impact that child care costs have on low-income working families is great and we believe that additional subsidy funds are needed. Our proposal includes an expansion of the Child Care and Development Block Grant of \$7.5 billion over five years for increased support for working families. This support, when combined with funds provided in PRWORA will enable the program to make child care more affordable for an additional 1.15 million children by 2004, for a total of 2.4 million children in low-income working families. These 1.15 million children and their families deserve a chance to have the means to purchase care without sacrificing life's other basic needs. This funding will make a significant difference to the hundreds of thousands of families currently on waiting lists.

In addition to the new CCDBG funds, the President has proposed a tax initiative that will help bolster both the affordability and availability of care. The proposal would increase the Child and Dependent Care Tax Credit for families earning under \$59,000, providing an additional average tax cut of \$345 for these families. The President's budget includes \$5 billion over five years to expand this tax credit for 3.3 million working families paying for child care.

EARLY LEARNING FUND

Because child care is becoming routine for so many very young children, we must ensure that the quality and educational nature of that early care is such that parents are comfortable with their choice and that the care enables children to be ready to learn when they arrive at school. To this end, we are also proposing to expand the CCDBG by \$3 billion over five years to support an Early Learning Fund. The Early Learning Fund will, for the first time, specifically devote funding to communities to enhance the quality of care, with a focus on promoting school readiness for children through age five.

Services under the Fund will be delivered at the community level to enable communities and parents to take action based on their assessment of what's needed and what will work best. Importantly, the proposal would require that a significant part of the funds be used to serve low-income communities, where the need for, and the impact of, improvements would be greatest. In addition, the proposal requires that performance measures be established to assess progress towards meeting goals established by the community.

The Early Learning Fund would directly support activities to improve quality outcomes. For example, provider training, licensing/accreditation assistance and salary/benefit enhancements allowed under the Fund would increase the number of qualified and experienced staff caring for our children. Standards enforcement and the linking of providers to health professionals and services would lead to safe, clean and stimulating child care environments. The Early Learning Fund would also be used to improve staff ratios and reduce group size—long recognized as important indicators of quality and enhancements to a learning environment.

The end result of this investment will be young children who are healthy, safe and eager to learn, and arrive at school better prepared for the challenges ahead.

SUPPORT FOR PARENTS AT HOME, EMPLOYERS, AND AFTER SCHOOL CARE

In addition to assisting working families, we recognize that parents should be supported in whatever choice they make for care of their children. Thus, the President's initiative also provides tax relief for with children under the age of one. Under the initiative, parents who choose to stay at home with their infants would be eligible, for the first time to the Child and Dependent Care Tax Credit. The President's proposal will benefit 1.7 million families and will provide an average tax credit of \$178 at a cost of \$1.3 billion over five years.

Second, the initiative also includes a new tax credit for businesses that provide child care services for their employees by building or expanding child care facilities, operating existing facilities, training child care workers, or providing child care resource and referral services. The President's budget includes approximately \$500 million over five years for these tax credits that will be of much help in expanding the availability of quality care.

Finally, we also propose to expand after-school opportunities for over one million children. Experts agree that school-age children who are left unsupervised at home after school are far more likely to use alcohol, drugs, and tobacco; commit crimes; receive poor grades; and, drop out of school than those who are involved in supervised, constructive activities. That is why President Clinton is committed to tripling funding for the 21st Century Community Learning Centers Program, which supports the creation and expansion of after-school and summer school programs throughout the country. The program increases the supply of after-school care in a cost effective manner, primarily by funding programs that use public school facilities and existing resources. The program will target funds toward school districts that have programs in place to end social promotion. The President's budget includes \$600 million in FY 2000 to help roughly 1.1 million children each year participate in after-school and summer school programs.

Conclusion

As we move into the 21st century with our new knowledge about active brain development in very young children, and as our economy moves deeper into the technology age, we cannot ignore child care as both a support to the current workforce and a crucial component in the development of a school-ready, work-ready new generation. The Early Learning Fund will support quality at the community level in a way that ensures accountability for good performance. Expanding the Child Care and Development Block Grant by adding to the dedicated child care funds is a good investment for the future—an investment which supports the economy, families, and, most importantly, our children. The additional matching funds will allow States to help many more working families.

We look forward to working with you to enact legislation to make quality child care more affordable and available for working families.

Thank you. I would be happy to answer your questions.