

Statement of Clarence H. Carter, Commissioner, Virginia Department of Social Services, Richmond, Virginia

Madam Chairperson and members of the Subcommittee my name is Clarence H. Carter, I am the Commissioner of the Department of Social Services for the Commonwealth of Virginia. I am pleased to have this opportunity to represent the Commonwealth and my human service colleagues across the nation in sharing with you some of our concerns about the provision of child care services in this era of welfare reform.

There are three points I would like to bring to your attention today.

STATE FLEXIBILITY

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, ushered in an era of innovation and creativity with regard to public assistance programs. The Child Care and Development Fund (CCDF) was an important augment to PRWORA as it streamlined funding sources for child day care enabling states to combine the provision of day care services with its work-based, self-sufficiency focused, cash assistance programs. States have enjoyed this newfound flexibility and continue to use it to create impressive results. However, there are some ominous clouds on the horizon.

Since the enactment of PRWORA, Congress has created three new set-asides in the child care block grant: a \$19 million fund for resources and referral and school age child care; a \$50 million infant and toddler care fund; and a new \$172 million fund for quality enhancements. These categorical set-asides hinder the flexibility of states to address the child care needs.

The quality enhancement dollars provide a particularly instructive example. Currently the CCDF requires states to set-aside up to 4% of their grant for quality enhancements. The \$172 million is an additional quality enhancement set-aside.

In Virginia, we have made the determination to put as many dollars in the hands of parents as possible. The set-aside dictates that Virginia must dedicate a particular percentage of its grant to 'quality enhancements', thus limiting our flexibility to put more dollars into direct purchase of service. We happen to subscribe to the theory that if parents are armed with all of the relevant information to make an informed decision on the child care option that best suits that family, the dollars they will use to purchase services will set the standard for quality. Clearly every state will not make that determination, but if flexibility is maintained by limiting set-asides, states can make whatever determination is in the best interest of its residents.

Additionally, in the past few years Congress has funded and expanded Head Start, Early Head Start and 21st Century Learning Centers. Each of these initiatives are separate federal funding streams with no requirement for coordination with the CCDF. These programs serve the same children, yet the resources are fragmented by separating funding streams that could achieve far more if they were effectively leveraged together.

As I move about the Commonwealth talking about the future of human service programs into the next century, I talk about an organization that operates under one comprehensive vision for healthy families and healthy communities; an organization that manages multiple programs and funding streams directed towards one common vision. Each new categorical human services spending initiative makes it more difficult to realize that vision. We urge Congress to require that future funding for these and any other contemplated child care initiatives to be coordinated with CCDF.

One final point on flexibility has to do with the federal regulations for the CCDF. The final federal regulations on the CCDF reversed the actions taken by Congress to repeal onerous and outdated restrictions on state child care administration. For example, in PRWORA Congress specifically repealed the requirements on states to conduct market rate surveys to set child care rates as well as the use of the 75th percentile standard to guarantee access to child care. Yet despite the repeal in PRWORA, HHS wrote those very requirements back into their final regulations for the implementation of the CCDF. I would commend to your attention to a full description of the state's concerns over the federal child care regulations compiled by the American Public Human Services Association attached to the written test of my testimony.

PRINCIPALS OF THE PROVISION OF CHILD DAY CARE SERVICES

As the nation struggled to settle on the foundation principals of welfare reform, in Virginia we struggled with setting the guiding principals for the provision of child care services.

The debate in Virginia has been between two schools of thought. On one hand, there is a belief that with our emerging knowledge of brain development in the early years of life, it is incumbent upon us (as a society) to develop a highly regulated, proscriptive child care structure. This structure would include basic health and safety provisions while ensuring that children and parents are introduced to a universal set of child development standards that government has deemed appropriate. On the other hand, there is the belief that it is the role of government to maintain rigorous health and safety standards while fostering a free market environment conducive to the creation of multiple options for the provision of child care services. The thought continues that arming parents with the information to make informed decisions about the options for child care and providing public dollars where economically necessary to assist in their purchase of services, is the best public policy option.

The difference quite frankly is simple. On one hand, we trust parents to make decisions in the best interest of their children. On the other, we believe that government knows what is in the best interest of children and families. I am pleased to report that under the leadership of Governor Jim Gilmore and former Governor George Allen, the Commonwealth of Virginia has chosen the side of parents. And from that perspective, I would implore Congress to aggressively oppose any legislative initiatives that would encumber the ability of parents to choose the child care option that they believe is in the best interest of their children or limit dollars for direct purchase of services. If the state flexibility we spoke to earlier is maintained and maximized, Virginia can continue to pursue its vision for the provision of child care while our colleagues in other states would be free to pursue their own.

The final point I would like to leave you with speaks to the financial foundation of our child care system.

BUILDING CHILD CARE SERVICES ON A STRONG FOUNDATION

Child care expenditures over the past five years have grown geometrically. Since 1995, Virginia has increased day care spending by more than \$63 million or 112%. It is far and away the fastest growing program the Department administers. We would however, encourage Congress to pay close attention to financial foundation of this burgeoning program.

States have done exceedingly well and should be commended for their ability to expand their child care capacity to make full use of the dollars allocated. According to the most recent data available, states expended 100% of federal mandatory funds, 99% of federal matching funds, 90% of discretionary funds, and achieved 100% maintenance of effort (MOE) level. 33 states spent \$630 million in state MOE funds for child care and \$190 million was transferred from TANF to CCDF with even more states are using TANF funds for child care.

The TANF block grant allows for the transfer of up to 30% to child care expenditures. In Virginia, we use a portion of our TANF transfer to child care to fund our low-income subsidized day care system. This program provides dollars to families after their public assistance eligibility and for those that have never been on public assistance, but whose income still requires some financial assistance with day care. Just two years ago, we had a waiting list of more than 10,000 families to receive the subsidy day care service.

We used a combination of the CCDF and TANF transfer to reduce that waiting list to 2300 families. While we continue to have an unmet child care subsidy system need, we have transferred only 15 of the allowable 30% from TANF to child care. I am hesitant to recommend to the Governor transferring a greater portion of the TANF block grant due to the uncertainty of TANF funding. The Senate has proposed a \$350 million cut in the TANF block grant. If states expand their child care services using the TANF block grant and the dollars are reduced, we will have thousands of families "all dressed up with no place to go" with regard to child care. The same scenario exists if an economic downturn would increase TANF caseloads.

Last year in the appropriations process, the Title XX Social Services block grant was reduced from \$2.38 billion to \$1.9 billion for the current federal fiscal year 1999. Then, during the last quarter of '98, the future funding for Title XX was reduced to \$1.7 billion in fiscal 2001 and beyond and transfer of TANF funds would be reduced from the current 10 percent to 4.25 percent. Title XX funds critical working poor child care services and this cut has presented some significant challenges

to states. Furthermore, President Clinton proposes to reduce state's ability to transfer TANF funds to Title XX from 10 percent to 4.25 percent in FY 2000.

All of these actions threaten to weaken the financial foundation of child care. The nation has rightly determined that work-based, self-sufficiency directed public assistance is compassionate public policy. To help public assistance recipients transition from welfare to work and to assist working poor families continue to work—child care is essential. We urge Congress to reject any cuts or so-called deferrals on the TANF block grant, any cuts to the Title XX Social Services block grant or reductions in the percentage of TANF funds that states can transfer to the Child Care Development Fund or Title XX.

In closing, the states have made remarkable strides in reconstituting the social safety net. The work-first, self-sufficiency model has returned that safety net to its original intended purpose of being a trampoline instead of a hammock. While we are encouraged by our collective success, it's not time to declare victory and go home. Congress has some tough decisions ahead to protect funding and state flexibility.

We have proven we are up to the task. We need your help to ensure the necessary resources are available.

Thank you for this opportunity to share my thoughts with you on this important topic.

[The attached article, "Formal Comments on Child Care Regulations," published by the American Public Welfare Association, will be retained in the committee files.]