

Child Care Resources serves several North Carolina central counties and last year subsidy funds administered by that organization enabled a monthly average of 7,000-plus children from low-income families to access childcare in North Carolina.

Janet, is active on local, regional, State, and national levels. Her agency provides comprehensive childcare resources and referral services, including consumer education and referral, training and professional development, targeted quality improvement and technical assistance consultation, public education, and data collection and trend analysis. She is a multi-talented, tremendous resource for this committee.

Janet, welcome.

Thank you, Madam Chair.

The CHAIRMAN. Well, even though you chose to move to North Carolina, we still love you. We also do remember when you worked with our good friend Terry Lansburgh, who was really kind of the founding mother of the childcare movement in Maryland, a very dear friend to me and adviser to many on public policy. It was really out of that nonprofit that goaded government to really have a framework for childcare and childcare that really worked for the kids and supported the families. So it's good to see you again.

I'd also like to welcome Ms. Coro. Susana Coro is here today representing real parents, the people that we talk about, and their children. We felt it was important to hear from a parent. She herself not only is a user of the service, but she also works in the field of early childhood care, to make sure we get the viewpoint of the parent.

We want to thank you, Ms. Coro, because we know you've taken time off from work today to be with us and that you're here on your own time, and it's very much appreciated.

So we're going to turn to the panel. We're going to ask them to make their presentations crisply, so we can get—as you can see, this is a committee that really wants to engage in conversation, and we're going to need to wrap up as close to 12 o'clock as we can. That's not to stifle conversation, but to kind of encourage expedition.

We'd like to really kick off with you, Rolf, another Marylander, and your considerable background, and look forward to hearing from you.

STATEMENT OF ROLF GRAFWALLNER, Ph.D., ASSISTANT STATE SUPERINTENDENT, DIVISION OF EARLY CHILDHOOD DEVELOPMENT, MARYLAND STATE DEPARTMENT OF EDUCATION, BALTIMORE, MD

Mr. GRAFWALLNER. Good morning, Madam Chair and members of the committee. I'm pleased to be here to report out on the work we do on the CCDBG in Maryland. My name is Rolf Grafwallner, assistant State superintendent of the Division of Early Childhood Development of the State Department of Education. The division is the lead agency for early childhood education in Maryland and it includes the administration of the CCDBG and all childcare quality initiatives.

As part of my testimony I would like to make three major thematic points on how to improve the CCDBG. The reauthorization

should shift the focus on child outcomes while maintaining its function as a monetary support to help low-income families to afford the cost of childcare. The mission of childcare subsidies is not only to ensure that lower wage working families have access to subsidized care, but that young children have access to quality programs. It means that the Federal and State funding for young children adopts the goal of school readiness as the primary focus and becomes an integral part of each State's reform efforts. That should include the CCDBG.

Shortly after the transfer of childcare subsidies to the State Department of Education, our division tested the extent to which children receiving childcare subsidies were enrolled in high quality programs, what does it mean, what are the outcomes? We pursued and received Federal research and examined the question. Compared to children who had only informal childcare arrangements, such as with family, friends, or neighbors, children with subsidies enrolled in center-based care were more likely to be prepared for school.

Based on those results, we worked on getting more children enrolled in licensed childcare centers, which contributed to the increased school-readiness outcomes of low-income children statewide from 59 percent in 2007 to 76 percent in 2011.

Second point: Reauthorization should include provisions for integrating Head Start and CCDF funds. This approach should be coupled with the requirement that at a minimum 10 percent of the State's TANF funds be reserved for childcare subsidy. CCDBG cannot be considered in isolation, especially since the consolidated governance structure allows for more strategic coordination among the various funding streams.

As a State administrator, I'm engaged in coordinating State and Federal policies of three publicly funded programs: Head Start, public school pre-kindergarten, and childcare subsidies. All three of these programs are targeted basically to the same income groups. In Maryland this means families of four with incomes below about \$40,000 a year. Any families making more than that are locked out of any kind of subsidy.

For a State focused on school readiness goals and education reform, this is a serious problem in terms of access to programs and accountability for results. Within the context of today's budgetary constraints, we simply cannot afford to work in silos. That means creating separate funding streams, regulations, and fragmented oversight.

From a State perspective, access to subsidized early care and education could be expanded to more middle-income families if the CCDBG reauthorization were to coordinate its policies with those of Head Start in terms of funding and performance standards. Over the past decade there have been innovative models in that regard, and Ms. Smith talked about it to some extent, where both childcare and Head Start funding were supporting early childhood centers that benefited more children. These models met the test of expanded access, higher quality, and better results.

In addition, linking Head Start and CCDF funding with TANF would integrate the school readiness mission of childcare and Head Start with the family support model of all the TANF programs.

The reauthorization should also refocus the current quality set-asides and earmarks with a stronger emphasis on workforce development and continuous program improvement, including a requirement for States to establish performance benchmarks, not just tracking the data but establishing benchmarks in those areas. The existing set-asides and earmarks should be eliminated in lieu of more flexibility for States to address the dire needs of workforce development and program improvement in childcare.

While States would still have the flexibility to tailor the CCDF funds to meet their strategic interests, the reauthorization should set performance benchmarks regarding the improvement of the workforce in childcare, in family childcare, as well as in center-based care.

We were pleased that ACF introduced new process indicators for quality into the States' plan last year, in the last reporting cycle.

Maryland currently spends approximately 10 percent of the Federal appropriation in quality initiatives and we have major results in focusing our efforts on workforce development and continuous improvement. For instance, we have tripled the childcare workers joining a formal career ladder program over the past 10 years and we increased the number of accredited programs by tenfold from 2001 to 2011.

Maryland, just like other States, navigates within the confines of what is being provided in terms of funding and Federal and State requirements. The CCDBG as it currently exists has many positive features and they should be retained in the reauthorization, such as offering flexibility, becoming a reliable funding source, and States receiving technical support from the agency that administers it.

But from a State's perspective, it cannot exist as a funding source in isolation. As State pre-kindergarten and Head Start strive to stress the quality of early care, CCDBG must follow. The most important thing the reauthorization can do is to initiate such process at the Federal level.

Thank you very much for the opportunity to speak to this issue. [The prepared statement of Dr. Grafwallner follows:]

PREPARED STATEMENT OF ROLF GRAFWALLNER, PH.D.

SUMMARY

Speaker: Rolf Grafwallner, Assistant State Superintendent for the Division of Early Childhood Development at the Maryland State Department of Education (MSDE). The Division is the lead agency for early childhood education in Maryland, and it includes the administration of the CCDBG and all childcare quality initiatives.

POLICY RECOMMENDATIONS

The CCDBG reauthorization should shift the focus on child outcomes, while maintaining its function as a monetary support to help low-income families to afford the cost of childcare.

The mission of the childcare subsidy is not only to ensure that low-wage working families have access to subsidized childcare, but that their young children have access to quality programs. It means that young children's readiness for school becomes the primary focus and an integral part of each State's education reform efforts.

CCDBG reauthorization should include provisions for integrating Head Start and CCDF funds. This approach should be coupled with a require-

ment that, at a minimum, 10 percent of the State's TANF funds be reserved for childcare subsidy.

CCDBG cannot be considered in isolation, especially since the consolidated governance structure allows for a more strategic coordination among the various funding streams. From a State perspective, access to subsidized early care and education could be expanded to more middle-income families if the CCDBG reauthorization were to coordinate its policies with those of Head Start, also administered out of the Administration of Children and Families, in terms of funding and performance standards. Over the past decade, there have been innovative models, where both childcare and Head Start funding were supporting early childhood centers that benefited more children in terms of financial support and providing a better learning environment as a result of the childcare programs not only meeting licensing standards but adopting the more stringent Head Start performance standards. These models meet the test of expanded access and higher quality. Linking Head Start/CCDF funding with TANF would integrate the school readiness mission of a childcare/Head Start model with the family support model of all the TANF programs.

The CCDBG reauthorization should refocus the current quality set-asides and earmarks with a stronger emphasis on workforce development and continuous program improvement, including a requirement for States to establish performance benchmarks in those areas.

The existing set-asides and earmarks should be eliminated in lieu of more flexibility for States to address the dire needs of workforce development and continuous program improvement in childcare. While States would still have the flexibility to tailor the CCDF funds to meet their strategic interests, the reauthorization should set performance benchmarks regarding the improvement of the workforce and childcare programs.

Maryland, just like other States, navigates within the confines of what is being provided in terms of funding, and Federal and State requirements. The CCDBG, as it currently exists, has many positive features—it offers flexibility, it has become a reliable funding source, and States receive technical support from the agency that administers it. But, from a State's perspective, does not exist in isolation. As State pre-kindergarten and Head Start strive to stress the quality of early education, the CCDBG must follow. Many States are in the process of reorganizing their governance of early childhood education and consolidating all programs and funding streams into one agency. The most important thing the reauthorization of the CCDBG can do is to initiate such a process at the Federal level. In practice, this would mean joint and blended funding to increase coordination between childcare, Head Start, and TANF, resulting in improved access to quality early education and care for the children of working parents.

The first rule of order should be a reorganization of the existing programs to allow for a more streamlined and consistent support for children and their families. The reauthorization of the CCDBG can play a historic role in this effort.

Chairwoman Mikulski and members of the subcommittee, my name is Rolf Grafwallner, assistant State superintendent for the Division of Early Childhood Development at the Maryland State Department of Education (MSDE). The Division is the lead agency for early childhood education in Maryland, and it includes the administration of the CCDBG (or CCDF), namely the childcare subsidy program and all childcare quality initiatives. I appreciate the opportunity to speak before you and provide you with a State's perspective.

For the CCDBG and childcare subsidy to be administered by an education department is not typical. In fact, it is very rare. Only a handful of States have similar governance arrangements. When the funding, policy authority, and administration of the CCDBG was transferred in 2006 to the Maryland State Department of Education, it was done with the understanding that the provision of services for subsidized children enrolled in the State's licensed childcare programs were part and parcel of the State's P-20 reform initiative.

CHILD CARE CONTRIBUTES TO SCHOOL READINESS IN MARYLAND

The mission of the childcare subsidy was not only to ensure that low-wage working families had access to subsidized childcare, but that their young children had access to quality programs. It meant that young children's readiness for school became the primary focus and an integral part of Maryland's education reform efforts.

Shortly after the transfer, our Division tested the extent to which children receiving childcare subsidies were enrolled in high quality programs, and we found that

only 5 percent of all children were enrolled in State or nationally accredited programs—the criterion we use for highly quality early education. We pursued and received a Federal research grant to examine the question further.

Our research, conducted in partnership with the Towson University and Child Trends, Inc., examined the question, *What is the relationship between children with subsidies enrolled in childcare programs and their results on the Maryland Kindergarten Assessment?*

The results were both fascinating and sobering. The type of subsidized care arrangement was significantly associated with differences in the likelihood of being assessed as fully ready for school on the two pre-academic domains, language/literacy and mathematical thinking. Compared to children who had only informal (family, friend or neighbor non-regulated) subsidized care arrangements, children enrolled in subsidized center-based care were more likely to be fully ready. The higher likelihood of school readiness was found among both children in center care either for the year before kindergarten or for 2 years prior to kindergarten. Subsidized center care was associated with an increase of between 11 percent and 14 percent in the probability of being fully ready on the two pre-academic domains.

This data is critical to Maryland since children entering school with significant deficiencies, especially in the pre-academic areas, may need intervention services in public schools associated with higher costs for local school districts. From a mere economic and educational perspective, the investment through the CCDBG could be looked at as a missed opportunity, shifting the costs to remedy the educational needs of children to local school districts, if children do not access quality programs.

Maryland's data actually indicates favorable trends when it comes to parents' preferences for childcare arrangements. According to last fiscal year's participation rate, 80 percent of parents chose childcare centers. The remainder of children were enrolled in family childcare or informal care. Such statistics may not be true for other States, and, while Maryland's research data cannot be generalized, it points out a troubling feature associated with the CCDBG. For years, it has maintained the focus of the program on childcare so families can work. It has offered increasing but limited focus on the outcomes for children. **The CCDBG reauthorization should shift the focus to child outcomes, while maintaining its function as a monetary support to help low-income families afford the cost of childcare.**

CHILD CARE SUBSIDY IN THE CONTEXT OF OTHER SUBSIDIZED PROGRAMS

From Maryland's perspective, the CCDBG should not be considered in isolation of other programs, especially since a consolidated governance structure allows for a more strategic coordination among the various funding streams. There are two other major funding sources which provide subsidized educational services for young children: the federally funded Head Start program provides full subsidy for children from families at or below 100 percent of Federal Poverty Guidelines (FPG) and the State's pre-kindergarten program, operated by local school systems, is fully funded for children from families at or below 185 percent of the FPG. Adding the CCDBG, with eligibility for families at or below 178 percent of FPG, creates a third option for accessing subsidized early care and education.

As a result of these three programs, Maryland provides options for families with very low incomes. Any family whose income falls just outside those Federal poverty guidelines has no options except to pay for care out-of-pocket or depend on family or friends for a patchwork care arrangement. This is a problem in terms of a State's ability to close the school readiness gap. In fact, several years ago we calculated the gap our policies created for families with middle incomes.

In 2008, families who gained access to State and local financed pre-kindergarten programs had household incomes of \$40,792 or less for a family of four. Families who enrolled children in Head Start had household incomes of \$22,050 or less for a family of four. And, families accessing childcare subsidy had incomes of \$37,485 or less for a family of four in order to be eligible for childcare subsidies.¹ Thus, any family of four earning more than the prescribed eligibility guidelines had no access to publicly funded early childhood programs. Assuming that 10 percent of the family's income is a reasonable expenditure for early care and education costs, our calculations showed that families of four who earn more than \$40,792 experience a significant increase in their household's share for childcare or preschool. Applying the 10 percent rule, family household incomes would have to be at \$72,000 and above to become affordable again. While we do not have specific data on the number of children who are represented by this "donut hole" of affordability, census data sug-

¹Maryland currently has a "freeze" on the upper income brackets of its eligibility guidelines.

gests there is a high proportion of children whose families make more than \$41,000 and less than \$72,000. Those children might be enrolled in childcare programs, but many are being cared for in ad-hoc arrangements by friends, neighbors, and relatives. These arrangements are part of the fabric of community support and a very important feature of our society, but our data suggests they are not conducive to school readiness.

From a State perspective, access to subsidized early care and education could be expanded to more middle-income families if the CCDBG reauthorization were to coordinate its policies with those of Head Start, also administered out of the Administration for Children and Families, in terms of funding and performance standards. Over the past decade, there have been innovative models, where both childcare and Head Start funding were supporting early childhood centers that benefited more children in terms of financial support and providing a better learning environment as a result of the childcare programs not only meeting licensing standards but adopting the more stringent Head Start performance standards. These models meet the test of expanded access and higher quality. **CCDBG reauthorization could turn these integrated models into business as usual. This approach should be coupled with a requirement to not only allow States to access of Temporary Assistance to Needy Families (TANF) funds for childcare subsidy, but to require that, at a minimum, 10 percent of the State's TANF funds be reserved for childcare subsidy. Such an approach would integrate the school readiness mission of a childcare/Head Start model with the family support model of all the TANF programs.**

THE KEY IS A QUALIFIED WORKFORCE AND CONTINUOUS PROGRAM IMPROVEMENT

The final point is reserved for the quality component of the CCDBG. Each State must set-aside, at a minimum, 4 percent of the State's allocation for quality initiatives. Maryland's set-aside is slightly higher and it has shifted the majority of these resources to workforce development and continuous program improvement. The strategy was to reverse a trend observed at the beginning of the last decade, when talented and qualified providers were exiting the field, creating high turnover and a depleted workforce in childcare. At the same time, Maryland established a number of initiatives to improve the overall quality of licensed childcare programs. Quality set-aside funds of the CCDBG included accreditation support for childcare programs to become accredited. For instance, in 2001 only a couple dozen childcare programs were accredited, thereby meeting standards of high quality. Today, almost 540 childcare programs are State or nationally accredited. At the same time, childcare workers were encouraged to enroll in the State's childcare credentialing program, a career ladder and professional development program for childcare professionals, to improve their qualifications through training and post-secondary course work and degree achievement. Prior to the transfer of childcare to MSDE, only 6 percent of childcare workers joined the credentialing program. Today, almost 20 percent are enrolled in it, and the numbers are growing. The CCDBG quality improvement component is providing funding for credentialing incentives such as compensation bonuses and training vouchers. **The CCDBG reauthorization should refocus the current quality set-asides and earmarks with a stronger emphasis on workforce development and continuous program improvement, including a requirement for States to establish performance benchmarks in those areas.**

Maryland, like other States, navigates within the confines of what is being provided in terms of funding, and Federal and State requirements. The CCDBG, as it currently exists, has many positive features—it offers flexibility, it has become a reliable, yet underfunded resource, and States receive technical support from the agency that administers it. But, from a State's perspective, it does not exist in isolation. As State pre-kindergarten and Head Start programs strive to stress the quality of early education, the CCDBG must follow. Many States are in the process of reorganizing their governance of early childhood education and consolidating all programs and funding streams into one agency. One of the most important things the reauthorization of the CCDBG can do is to initiate such a process at the Federal level. Within the context of appropriating more adequate funding, this would mean joint and blended funding to increase coordination between childcare, Head Start, and TANF, resulting in improved access to quality early education and care for the children of working parents.

The first rule of order should probably be a reorganization of the existing programs to allow for a more streamlined and consistent support for children and their families. The reauthorization of the CCDBG can play a historic role in this effort.

I thank you for the opportunity to speak before you and I am available for questions.