House Committee on Ways and Means

Statement of Helen Blank, National Women's Law Center

The National Women's Law Center welcomes the opportunity to submit this written testimony on the child care needs of low-income working families.

Welfare reform was passed in 1996 with the promise that new work requirements paired with increased funding for work supports would enable families to move off welfare and gain self-sufficiency. Child care assistance was seen as a crucial part of this strategy. This recognizes the reality that working parents live with every day: parents cannot get and keep a job if they do not have a safe, reliable caregiver for their child while they work. As a result, states made child care assistance a central part of their efforts to move families from welfare to work, and federal and state spending on child care increased significantly throughout the late 1990s.

Child care assistance, both for families receiving TANF and other low-income families, is essential to ensure that welfare reform is about more than moving families off welfare but rather about helping families succeed in supporting themselves. During the late 1990s, an increasing number of families had access to this critical support that enabled them to improve their lives. With assistance, parents could afford reliable child care, which increased the chances that they could get and keep a job and gain a stable financial footing while ensuring the well-being of their children.

Studies demonstrate that child care assistance can make a real difference in families' ability to work and succeed. An analysis of data from the 1990s shows that single mothers who receive child care assistance are 40 percent more likely to remain employed after two years than those who do not receive assistance in paying for child care[1]. Former welfare recipients with young children are 82 percent more likely to be employed after two years if they receive child care assistance.[2] Another study found that 28 percent of families leaving welfare who did not receive child care assistance within three months of leaving returned to welfare, while only 19 percent of those who did receive child care assistance returned to welfare[3].

Unfortunately, due to stagnant federal funding and state cutbacks, child care supports have steadily eroded over the past several years, leaving families with less access to assistance as well as reduced levels of assistance. Federal funding for the Child Care and Development Block Grant (CCDBG), has not only failed to keep pace with inflation, but has actually declined over the past several years, from $4.817 billion in FY 2002[4] to $4.799 billion in FY 2005. At the same time, the amount of Temporary Assistance for Needy Families (TANF) block grant funding used for child care has declined. The total amount of TANF funds that states chose to transfer to the CCDBG or use for child care directly within the TANF block grant dropped from a peak of nearly $4 billion in FY 2000 to $3.5 billion in FY 2003 (the most recent year for which data are available)[5]. These funding trends, combined with state budget deficits, resulted in cuts to child care programs in many states. States have lowered eligibility limits for child care assistance, frozen reimbursement rates for providers serving families who receive assistance, required parents to pay more toward the cost of care, and reduced funding for quality improvement initiatives, including efforts to boost child care teachers' education levels and compensation.

A September 2004 report by the National Women's LawCenter found that:

- Between 2001 and 2004, the income eligibility cutoff for a family to qualify for child care assistance declined as a percentage of the poverty level in about three-fifths of the states.
- In 2004, a family earning just above 150 percent of poverty ($23,500 a year for a family of three) would not even qualify for child care assistance in 13 states. In Missouri, a family of three earning over $17,800 a year would not qualify for help.
- In about half the states, a family with an income at 150 percent of poverty saw their copayments increase as a percent of income between 2001 and 2004 if they were receiving child care assistance, or was no longer even eligible for help. The copayments for a family of three at 150 percent of poverty with one child in care go as high as 22 percent of income ($423 a month) in Oregon and 19 percent of income ($368 a month) in Arkansas.
- Even if a family is eligible for help, they may not receive assistance. Nearly half the states, lacking sufficient funds to serve all families who qualify, place families on waiting lists or in some cases turn them away without even taking their names. In some states, the waiting lists are quite long. There were over 46,000 children on the waiting list in Florida, almost 36,000 families in Georgia, 26,500 children in Texas, nearly 25,000 children in North Carolina, about 23,000 children in Tennessee, and over 16,000 children in Massachusetts as of early 2004.
- States must pay adequate reimbursement rates to child care providers if families receiving assistance are to be able to choose among good options for child care. Yet nearly three-quarters of states fail to set rates at the level recommended in federal regulations. Some rates are particularly low—Michigan still bases its rates on 1996 prices, and Missouri sets its rates for infant care based on 1998 prices while its remaining rates are based on 1991 levels.[6]

The Center surveyed approximately 200 parents and providers across the U.S. to better understand the effect of these cutbacks. It is clear that in making cuts to their child care programs, states have frustrated families' efforts to move ahead. Instead of supporting hardworking families, the system actually discourages them from working. Families who manage to struggle their way out of poverty find themselves suddenly deprived of supports that helped them move forward. Families who desperately want to avoid becoming dependent on welfare are stymied by a system that they feel is rigged against them.

- A parent in Rockville, Maryland expressed her concerns that she would be forced to return to welfare without assistance. She wrote, "…I have two boys in need of childcare. If I do not receive childcare within the next upcoming weeks, I will have no other choice but to resign from my job…This cut will put me back to the welfare line. Please, I've worked hard to stay off welfare. I do not wish to return to that road."
- A provider in Muncie, Indiana told of a case in which she had a parent "literally standing in front

of the admission desk in tears saying, 'I can't afford to work.' The provider, discussing the state's very low income cutoff for child care assistance, went on to say, "It pays to be on welfare now and it does not pay to get off welfare. The minute you rise above 127 percent of poverty there's no help, no help….Nobody qualifies for assistance now who's working. I don't know how it got to this point; it's not a pretty picture. We're back where we were before welfare reform started. This is not just *pushing* them in the wrong direction, it's *forcing* them in the wrong direction. You cannot survive if you're working at a low-paying job. Your choice is, cut back hours and try to qualify for welfare."

- A provider in Ohio described how families struggled to afford the higher copayments the state had imposed: "Families are really struggling right now…A copay of $15 a month went up to $95 or $100 a month. Just that in itself, they couldn't afford to pay. They have to make a decision whether to put food on the table, pay their mortgage, get gas for the car, or whether to pay a copayment for child care. You know, they don't have enough money to pay for all those things, so they've had to make incredibly difficult choices."

The cuts to child care programs have serious impacts on children as well. Without access to child care assistance, families cannot get the reliable child care that children need for a sense of stability, much less the strong early learning experiences children need to prepare them for school. Families that lose assistance often are forced to move their children from programs that they have grown to love. Even if families are able to continue receiving assistance, high copayments and low rates make it difficult to access the quality child care that helps their children thrive. State cuts in provider reimbursement rates, quality initiatives, and other areas also deprive providers of the resources they need to offer enriching care that promotes children's development. Children lose out when their child care providers cannot pay wages that are high enough to attract and retain well-qualified staff, buy new playground equipment, or even purchase books, crayons, and other materials. While state policy makers increasingly emphasize the importance of school readiness, they are cutting the child care investments that are crucial to ensure low-income children have access to the high quality care that would help them prepare for school.

- When a mother of three in Piqua, Ohio lost her child care assistance due to a reduction in the state's eligibility cutoff, she could no longer use paid child care. She explained, "I have a good job and make decent money. But, obviously, I can't afford day care and I don't know who can." Instead, her daughter's father was watching three children, a 7-year-old, a 4-year-old, and a 3-month-old. He owned a bar and had to change his work hours in order to take care of the children; he now cannot open his bar until 4 p.m., which cuts into his business. The children went along with him on deliveries and "are in and out of the car all day." The mother said, "It would not even be worth it to work if I had to pay for day care. It is not more than I make but I own my house and I have bills and I have a car payment. I know some people look at it, well you shouldn't have three kids, but I know they are my responsibility and I've had to do what I've had to do. I don't understand why welfare can help people who don't work, but when you want to do something for yourself and you've worked since you were 14 years old and they don't want to help you do nothing." She wishes she could send all her children to child care "because it is much more structured and they learn more…"
- In South Carolina, a mother who was a prep cook at a restaurant had her 3-year-old son at a child

care center until she lost her subsidy. Now the mother brings her son to work, where he has to stay until dinnertime. The management is pressuring the mother to find another arrangement and may end up letting her go.

- A provider in Muncie, Indiana talked about a 4-year-old boy left to care for himself. His mother lost her child care assistance because she received a raise of 50 cents an hour and without subsidies, she could no longer afford the provider's center. One "bitterly cold day in the winter," when "(n)ot a human or animal should've been outside," the 4-year-old was found wandering outside after being left alone while his mother went to work. When the driver of a city bus spotted the boy, the boy told the driver his name and the name of the center he had attended. The driver brought the boy to the center. The provider pointed to this as an example of how "(r)eally good parents, when they're pushed into a corner, can make really bad decisions."
- One Georgia parent on the waiting list for child care reported that she was leaving her infant and school-age child with their grandmother even though their grandmother had a disability and was in a wheelchair. She was not able to change the baby's diaper until the 8-year-old came home from school. But the children's mother had no other options. A center director in Laurel Hills, South Carolina discussed a family whose 2-year-old child was staying with a 92-year-old grandparent because they could not afford anything else.
- A provider in Roseburg, Oregon talked about one child in her center who had been making progress before he was taken out. The provider described the child as "headstrong, difficult," but "with consistency he was getting better, following rules and listening better. He was really improving." But when the child's mother's work hours were cut, she had to take him out of care. The provider said that this was "sad because he was improving so much from the structure every day." Since his mother could not get child care help while working so few hours, she had quit her job and turned to welfare.

Parents trying to work and their children are not the only ones hurt by state child care cuts. Child care providers, who are essentially small business owners, also bear the brunt of these cuts. In several states, child care providers have been simultaneously hit by lowered eligibility cutoffs that reduce the number of families they can enroll, frozen reimbursement rates that fail to keep pace with inflation over several years, and higher parent copayments that providers have great difficulty collecting from cash-strapped families. This only exacerbates the situation for child care providers who are already operating on very tight margins. When states scale back eligibility criteria or increase parent copayments some child care centers serving low-income children see their enrollment drastically decrease. And some are forced to close their doors.

- A director of a center in South Carolina said that after putting it off as long as possible, the center was getting ready to scale back on staff because they could no longer afford the current staff levels and enrollment had not gone back up as they had hoped. The center was licensed for 40 children ages 2 to 4, but enrollment had dropped to just 24 children. The decline in enrollment can be at least partially explained by subsidy cuts. When she first became director, about 90 percent of her children were receiving subsidies, and at the time of the interview only one child was.
- A director of a child care center in Alabama said she was upset that she did not have the

resources to keep up the building or buy supplies or even take the steps needed to meet safety requirements for licensing. The center was licensed for nearly 200 children, and had 150 children enrolled until relatively recently, but was down to only about 70 children—the lowest enrollment in eight years.

- Just in a 10-mile radius in Anoka County, Minnesota alone four centers went out of business due to a lack of enrollment, which resulted from the poor economy and parents pulling their children out as they lost assistance. One center that closed had operated for 12 years. It was run by the school district and served 55 children, including many new immigrants and children who were learning English as a second language. Most of the children in the program were receiving assistance. Another center that closed had been located in a church. A third center was located in a nursing home and served families that spoke eight different languages. The center served a mix of families with subsidies and private-paying families.
- A provider in Cave Junction, Oregon was about to close down her center after operating it for 11 years. It was the only center in the rural part of southern Oregon. She had previously closed the center, but reopened it after four months because the parents kept calling her and begging her to do so. Yet she could not continue to operate because she could not afford to pay the staff she needed. She explained that while her program met state ratio requirements, "I feel like I'm warehousing children and I always said that if that happened I'd close." Ninety percent of the children she served were receiving child care assistance, and the remainder of the children just missed the cutoff. The provider said that the reimbursement rates in her area, which were below those in the rest of the state, were "way too low." The provider said families, both with and without assistance, had a hard time paying for care. She spoke of families who came to her crying and saying, "I don't know what to do, I pay you or I have heat." At Christmastime, families say, "It's you or Christmas." One of the mothers she had served could not go to her job because it did not pay her enough for her child care. The provider sometimes traded with parents rather than receiving payment in cash. "I get paid in chicken," she laughed. She went on to explain how she came to her decision to close her center: "I always told myself I'd try to give other people's kids the care I'd want for my own kids. What I'm doing now isn't fair to the kids, and it isn't fair to me….So I'm stopping."

Child care providers make enormous personal sacrifices to keep their programs going in the face of cuts. Not only do they accept lower wages than their qualifications would merit, but they also take money out of their own pockets to purchase supplies, take on additional responsibilities when the program cannot afford to hire more staff, and in some cases use up their own savings to cover their program's debt.

These providers are constantly faced with moral dilemmas as they try to balance their responsibilities to their staff, parents, and children. They often feel they are letting down one or more of these groups. Many providers feel an obligation to serve low-income children receiving subsidies, but they also feel an obligation to pay their staff decent salaries, which is next to impossible to do with very low state reimbursement rates. Accepting more children with subsidies at such low rates can also make it hard to even keep their programs operating for the other children they serve that depend on them. While providers may want to improve the quality of their programs so they can offer better care for the children they serve, quality improvements cost money, and could require them to increase how much they charge parents. Yet parents can barely afford care as it is. State child care cuts essentially pass off the responsibility for making the difficult tradeoffs on to providers.

- A provider in the Des Moines area of Iowa said that state reimbursement rates for subsidized child care, which had not been increased since 1998, were $72 a week lower than the private-pay rate for infants, $65 a week lower for two-year-olds, and $39 a week lower for preschoolers.
- An Oregon provider said she charged $660 a month for infant care, but the state rate for infant care in her region was only $455 a month; she charged $616 a month for preschoolers, while the rate paid by the state for this age group was only $435 a month.
- A provider in Ohio discussed the hard work of her underpaid staff: “Even though I just got to pay teachers $8.50 an hour, you have a two-year degree and you still have to clean your own classroom, clean your own toilet and buy your own supplies for your classroom. And you’re very stressed when you leave your job because the children have no support systems and you’re dealing with difficult problems and then you try to meet your payments and pay your bills and you get into a car that is not working….While the kids nap, as a teacher, you’re looking for clothes for a kid that doesn’t have any, you’re making lesson plans, scrubbing toilets and calling parents and at the same time, you also have to worry about the kids.” She also talked about her own burden: “We’re a nonprofit, so I’m not making anything. I weed the flower beds, I write my own grants, I water the plants and I clean the birdcages. I don’t make a big salary but my desk is also filled with paperwork and I also have to be in the classroom to see what the teachers and kids need.”
- A provider running several centers in Georgia said his program continued to serve children receiving subsidies despite low rates. Georgia had only given one $5-a-week increase in rates over the past eight years. The last increase in rates had been in 2000, and they had had no increases in the four years prior to that. Yet the program saw it as part of its mission to serve children receiving subsidies—to give children the nurturing they need to succeed. The provider said, “That’s what we believe, what we do, and have been doing it for over 10 years.” The centers serve children with special needs, including children who are in wheelchairs, children with asthma, children who are hearing impaired, and children with diabetes. However, they do not receive additional funding to serve these children. The provider said that they aim to continually challenge each child and to “give them the will to and want to learn.” Many of the children the program served came from difficult circumstances. He explained, “We feed them extra food on Fridays.”

The National Women’s Law Center urges the Committee to reject the President’s proposed budget for the Child Care Development Block Grant that would result in over 300,000 fewer children receiving child care help by 2009 and instead significantly increase funding for child care over the next five years in the TANF reauthorization. Parents need help more than ever so they can get and hold onto a job that supports their families. Over the past several years, median incomes have been stagnant while the number of families in poverty as well, as the number of families without health insurance, have increased. Child care funding has been on hold, leaving many families’ lives on hold as well. Without additional investments in child care, many more families will be left without the good quality care parents need to keep a job and that children need to promote their successful development. Families who desperately want to work and move ahead, and want their children to move ahead, will instead find themselves falling further behind.

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[1] Heather Boushey, “Staying Employed After Welfare: Work Supports and Job Quality Vital to Employment Tenure and Wage Growth” (Economic Policy Institute Briefing Paper), Washington, DC: Economic Policy Institute 10 (2002).

[2]Heather Boushey, “Staying Employed After Welfare: Work Supports and Job Quality Vital to Employment Tenure and Wage Growth” (Economic Policy Institute Briefing Paper), Washington, DC: Economic Policy Institute 12 (2002).

[3]Pamela Loprest, Use of Government Benefits Increases among Families Leaving Welfare (Snapshots of America’s Families III Series, No. 6), Washington, DC: Urban Institute (2003).

[4]*See* U.S. Department of Health & Human Services, FY 2003 President’s Budget for HHS 83, 92 (2002), *at* http://www.hhs.gov/budget/pdf/hhs2003bib.pdf (last visited Jun. 28, 2004). This amount includes $2.1 billion in discretionary funding and $2.717 billion in mandatory (entitlement) funding. *Id.*

[5]Mark Greenberg and Hedieh Rahmanou, *TANF Spending in 2003*, CLASP, January 18, 2005, p. 6. Available at http://www.clasp.org/publications/fy2003_tanf_spending.pdf (last visited Jan. 27, 2005).

[6] Karen Schulman and Helen Blank, “Child Care Assistance Policies 2001-2004: Families Struggling to Move Forward, States Going Backward” (National Women’s Law Center Issue Brief), Washington, DC: National Women’s LawCenter 2-4 (2004)
