# ADDITIONAL MATERIAL

## PREPARED STATEMENT OF HELEN BLANK

I am Helen Blank, Director of Child Care and Development at the Children's Defense Fund. The Children's Defense Fund welcomes the opportunity to testify today on child care and looks forward to working with the Committee to improve families' access to quality child care. CDF is a privately funded public charity dedicated to providing a strong and effective voice for America's children, especially poor and minority children. We are deeply grateful for Senator Dodd's strong and lasting commitment to ensuring that families get the child care help they need to work and children need to learn, including his sponsorship of the Act to Leave No Child Behind (H.R. 1990/s. 940) and Senator Kennedy's deep interest and support for early learning. In addition, we are appreciative of the members of this Committee who have provided leadership in the area of child care and early childhood.

Child care is an issue central to the daily lives of working parents and their children. Every day, American parents go to work to support their families and must trust their children to the care of others. An estimated 13 million children younger than age six are regularly in child care and millions of school-age children are in after-school activities while their parents work. Every working parent wants to be sure that his or her children are nurtured and safe.

Child care matters not just for parents but also for their children. Quality child care is also critical to help children enter school ready to succeed. The nation cannot proceed successfully on its track towards improving educational outcomes unless it focuses on the developmental needs of young children. Research is clear about the importance of the first three years of life to brain development. The process of learning to read begins well before a child enters elementary school. Early childhood experiences that include exposure to language-rich environments are building blocks for school success.

Studies also show that when child care is available, and when families can get help paying for care, they are more likely to work. Without help, they may not be able to become and stay employed and may end up turning to welfare.

In a survey of Minnesota families with children, one out of five said that child care problems had interfered with getting or keep a job in the previous year.

In a study of families who were potential recipients of child care assistance in Illinois, nearly half said that the cost of child care had negatively impacted their opportunities for employment.

The number of low-income parents entering the workforce has risen significantly since the enactment of the welfare law. Among families receiving welfare cash assistance, the proportion participating in paid employment or work activities grew from 11 percent in 1996 to 33 percent in 1999. Overall, employment among low-income single mothers with young children grew from 44 percent in 1996 to 55 percent in 1999. These employment gains can only be sustained if families have access to dependable child care. This means help with child care costs, which can be a staggering burden for these working parents and consume a large portion of their paycheck. Child care costs can easily average $4,000 to $10,000 a year—more than the cost of college tuition at a public university. Yet, 77 percent of higher education costs are covered by public and private dollars while 23 percent are bome by parents. In contrast parents pay the bulk of child care costs. Spending by parents account for 60 percent of the cost, compared to 39 percent for government and just 1 percent for businesses.

The welfare law created a new urgency to meet families' need for child care help while offering states new opportunities and resources to accomplish this task. The number of children and families receiving assistance has increased significantly over the past five years as a result of significant increases in federal and state funding for child care. However, the goal of providing adequate supports for all children and families who need them remains far out of reach. Only one out of seven children eligible for child care assistance through the Child Care and Development Block Grant (CCDBG) program is currently receiving it.

The continuing shortcomings of our child care policies are particularly troubling given the extremely favorable conditions for states that prevailed until recently—a strong economy, shrinking welfare rolls, and growing revenues. Given the current state of the economy, families relying on child care assistance face a double-edged threat. As the economic downturn affects more families, their budgets will be squeezed even tighter while their need for help with their child care bills will intensify. States will require additional resources to meet this demand, but they may be less able to depend on the Temporary Assistance to Needy Families (TANF) block grant as one of their major sources of child care funds. States will likely need to use an increasing proportion of their TANF funds for cash assistance, leaving fewer resources available to help families with child care costs just at the point when the need for assistance may be growing.

Just as states are attempting to maintain a precarious balance in a faltering economy, low-income families are also trying to sustain their own fragile balance. Low income working families are often one unreliable child care arrangement away from welfare. These families balance competing basic needs with very limited resources. If our country is serious about promoting work, then it must address their real needs, which includes the need for stable child care. Unstable child care arrangements that fall through can easily catapult into a lost job.

Already, there are clear indications that the economic downturn is negatively impacting state child care assistance programs, and the low-income families these programs are intended to help. In many states, surpluses have rapidly been replaced by deficits—forcing states to cut back in many areas, including child care. As of January 2002, 45 states and the District of Columbia reported revenues below forecasted levels. Nineteen states responded to the economic crisis with cuts to programs for low-income families and human services programs, including 10 states that cut income support or employment support programs such as child care and job training. Another eight states made across-the-board cuts that will affect every program.

At the same time, many states are starting to see their TANF caseloads grow. In 33 states, TANF caseloads increased between March and September 2001, and by the end of the 2001 fiscal year, state TANF outlays exceeded the amount of the basic TANF grant by more than $2 billion, a shortfall that states will have to fill.

A Fragile Foundation: State Child Care Assistance Policies, a recent report by the Children's Defense Fund covering the 50 states and the District of Columbia (and which we request be included in the hearing record), reveals that inadequate federal and state funding prevents millions of children in low-income working families from being able to get the help they need. Many hard-working low-income families are not even eligible for help due to low state income eligibility cutoffs for child care assistance. Many who are eligible cannot get it—either because they are put on waiting lists or turned away due to inadequate funds, or because no effort has been made to let them know they are eligible to get help. Those fortunate enough to actually qualify for child care assistance face additional hurdles. In some cases, the amount that state will pay for care is so low that parents cannot find good quality providers who can afford to serve their children, and in other cases parents have to pay so much in parent fees or copayments that child care expenses still are a staggering financial burden.

It is essential that additional federal investments be made to help address the continuing gaps in child care assistance policies, particularly as families grapple with the current economic situation. Without sufficient funding, state policymakers will continue to face unacceptable tradeoffs between helping families pay for child care and ensuring that they can choose good quality care.

As of March 2000, only four states I allowed families with incomes up to the maximum level allowed under federal law (85 percent of state median income) to qualify for assistance. In 40 percent of the states, a family of three earning $25,000 could not qualify for help.

Even if a family is eligible for child care help, they may not necessarily receive it.

As of December 2001, more than one-third of the states had waiting lists or frozen intake-meaning they turned families away without even taking their names because they were unable to serve all eligible families who applied.

Some of these waiting lists were extremely long: 37,000 children in Florida, nearly 37,000 children in Texas, 18,000 children in Massachusetts, and 12,000 children in Indiana.

Studies and interviews with parents highlight the challenges that families on waiting lists face—many must choose between paying the rent and affording care, go into debt, or settle for inadequate care because they cannot afford better options:

In a 1998 survey of parents on the waiting list for child care assistance in Santa Clara County, California, over one-third of parents reported earning less than $10,000 annually. About 40 percent of the families said they had given up on searching for work since they could not find affordable care for their children. Forty-two percent of families cited shortcomings in the quality of their children's care with 47 percent reporting that their child only received individual attention sporadically.

In a 1999 survey of families on the waiting list in Houston, most families reported that they spent 25 to 30 percent of their income on child care. Nearly one-third of the parents said that they had to put off paying other bills in order to pay child care expenses first, and 17 percent had to do without certain necessities. Nearly two-fifths of the families had to work fewer hours or miss work because of inconsistent child care.

Individual stories of these families bring home the consequences of not receiving child care assistance. A mother on the waiting list in Florida has Krone's disease but no insurance, so money for tests and the $200 a month for prescriptions must come from her pocket. Her child support is paid erratically, and currently is several months behind. She works for an employer who has seen business decline because of the economy. This employer lets her live in the upstairs rooms, but if something should happen to the business, the family would be homeless. Child care costs 50 percent of the mother's salary. She wants her daughter to have good quality care that promotes her development, but wonders whether she can afford it. She says, "I have seen my daughter Katie's social skills and general knowledge increase dramatically since she has been in child care. Without help in paying for child care, however, I will have to withdraw her, and go on welfare. I can hardly say the word, welfare, but I really would have no choice."

The families on waiting lists are mainly low-income families who do not receive TANF and are not transitioning from TANF. Only a few states have acted to ensure that all eligible families who apply will have access to assistance, regardless of whether or not they are receiving welfare. Rhode Island has established a legal entitlement to child care assistance for all eligible families, and states such as Illinois, Oregon, Vermont, and Wisconsin have clearly indicated (through budget language, regulations, or public statements) their commitment to serving all eligible families who apply. These states are the exception rather than the rule.

Waiting lists tell only part of the story. They do not include families. who do not bother applying for assistance because they know it is futile to expect to get help. They also fail to include families who simply do not know that child care assistance programs exist.

The waiting lists would be even longer and many additional states would have to turn to them if more families know they could get help. States report that many eligible families are not sufficiently informed about child care assistance. Two-fifths of the states acknowledge that eligible families are often unaware that they could receive help paying for care. If more families were informed about the availability of child care assistance and applied for it, it is highly unlikely the demand could be met, even in states that currently have no waiting lists. Only four states indicate that they could serve all eligible families. Many states report that they could not meet the need without a significant increase in funds.

If a family does manage to qualify for and begin receiving child care assistance, the challenges they face hardly end there. Numerous obstacles may prevent a family from retaining eligibility for child care help. To maintain eligibility for child care help, families must verify that they continue to meet the income and other criteria for child care assistance on a regular basis. Over two-thirds of the states require families to go through a recertification process at least every six months. In most cases, families must also notify the state immediately following any changes in their job, income, or other circumstances. Requiring frequent recertification whether or not there have been any changes in the family's situation, and immediate notification when there is a change, places a tremendous burden on parents who are struggling to balance the demands of work and family.

Ten states make the process particularly difficult for low-income families by requiring in-person recertification in many or all cases, rather than allowing families to recertify by mail or phone. This creates an unreasonable burden for parents just entering the workforce and likely to be employed in low-wage jobs with inflexible schedules. They often cannot take time off from work to visit their local child care agency without jeopardizing their already fragile connection to the workforce.

If a family is unable to, comply with these requirements and loses their assistance, they may be forced to change their child care arrangement This not only jeopardizes a parent's job but also disrupts a child's relationship with their provider.

Families that are fortunate enough to receive assistance may still find child care unaffordable due to burdensome co-payment policies. All States require families receiving assistance to contribute toward the cost of care based on a sliding fee scale and many states require families at the poverty level or below to pay a fee.

A number of states charge relatively high fees to families earning half the poverty level ($7,075 a year for a family of three in 2000), even though there is scarcely room in their budgets for the most minimal charge. Thirty-five states required families at this income level to pay a fee, as of March 2000. In nine states, a family at this income level with one child in care paid fees above 5 percent of income.

Forty-six states required families at the poverty line ($14,150 for a family of three in 2000) to pay a fee. In two-fifths of the states, a family at this income level was required to pay 5 percent or more of their income in fees. Arkansas' fees were I I percent of income for a family at the poverty line, and North Dakota's fees were 15 percent of income.

In two-thirds of the states, a family of three earning just $21,225 a year (150 percent of poverty in 2000) with one child in care was required to pay more than 7 percent of their income in fees or was not even eligible for help. In comparison, families nationwide at all income levels only pay an average of 7 percent of income for care, according to Census data. Fees were particularly high in some states. In Oregon, a family at this income level paid 16 percent of income; in Nevada, they paid 17 percent; and in South Dakota, 19 percent.

Another important component of a state's child care assistance policies are reimbursement rates for providers. Adequate reimbursement rates can ensure that parents have a real choice of providers. They make it possible for providers to accept children receiving child care subsidies and have the resources needed to support quality care. Nearly half of the states fail to give families a real choice of care. They set their rates below the 75th percentile of the market rate-the rate that gives families access to 75 percent of their community's providers—or base them on outdated market rate surveys. Rates are extremely low in some states. Missouri set its reimbursement rate below the 75th percentile of the 1996 market rate as of March 2000. The state's reimbursement rate for a four-year-old in a center was $167 a month lower than the 75h percentile of these outdated rates. Several other states also set their rates more than $100 a month below market prices.

With such low rates, providers may require parents to make up the difference between the state's rate and the provider's—on top of the parent's required fee—or may refuse to serve their children altogether. Over two-thirds of the states allow providers to ask parents to pay the difference between the state's rate and the provider's rate. This may make providers more willing to serve families receiving subsidies despite the low state rates. Yet, it also places an additional demand on low-income families already stretched to their limits.

States' reimbursement rates are deficient in other ways as well, as they often fail to reflect market realities. For example, providers generally expect private-paying parents to pay in full even if their child is absent for a few days, because the provider still has to operate their program on those days and pay their staff. The provider relies on that expected income and cannot just temporarily fill the slot with another child. While most states reimburse providers for some absent days, all but seven place some limits on the number of absent days per month or per year they will reimburse providers.

A number of states offer higher reimbursement rates to cover more expensive care, such as special needs or higher quality care, or to. give providers an incentive to offer care that is in short supply, such as odd-hour care (care during evenings, nights, or weekends). While differential rates are extremely important for encouraging providers to offer the high quality care that is essential for children's successful development and the specialized care that many children and families need, they are no substitute for adequate base rates.

In many states, the differential is relatively small and not enough to compensate for low state reimbursement rates. As a result, total rates, even with the differential, fall below market rates. For example, as of March 2000, New Jersey's reimbursement rate for accredited center-based care for a four-year-old was $504 a month, which was only slightly higher than the standard rate for non-accredited care and still lower than the 75th percentile of 1997 rates ($585 a month). Only the combined strategies of sufficient base rates and significant differential rates can produce an effective reimbursement rate structure.

Clearly, there are numerous gaps in state child care assistance policies. These gaps are growing wider in a number of states. For example:

In 2001, Louisiana lowered its eligibility cutoff from 75 percent of state median income ($31,151 for a family of three) to 60 percent ($24,921).

Also in 2001, New Mexico lowered eligibility for families not receiving TANF from 200 percent of the federal poverty level ($29,260 for a family of three) to 100 percent ($14,630).

West Virginia plans to reduce its income cutoff for child care assistance from 200 percent of poverty ($29,260 for a family of three) to 150 percent ($21,945) in 2002 as well as eliminate a planned rate bonus for infant care and odd-hour care.

The impact of inadequate investments on the number of families who can receive child care assistance is illustrated by the situation in Texas, which already has a long waiting list. In 2001, the state failed to provide a sufficient funding increase to maintain even the current level of support for low-income working families. In order to meet strict welfare work requirements, the state will devote a larger proportion of its funds to serving families trying to move from welfare to work, which will cut back help for low-income families working to stay off welfare. Approximately

6,000 fewer children in low-income (non-welfare) families are expected to receive child care assistance in 2003, as compared to 2001.

The initial signals from governors' budget proposals and legislatures' early actions in 2002 indicate that the outlook for child care and early education investments, and the children and families affected by them, continues to be bleak. While in California the governor's proposed budget for FY 2003 includes a small (4.9 percent) increase in child care funds, it also proposes substantial changes that, if enacted, will make it more difficult for low-income families to get help and lower the quality of child care available to their children. First, the budget proposes lowering the income eligibility limit for child care assistance so fewer families will be able to get help. The proposal would lower eligibility from 75 percent of state median income ($35,100 for a family of three) to between 60 ($28,080) and 66 percent ($30,888), depending on where the family lives.

Parent fees would increase for families at all income levels, and families with the lowest incomes would be required to pay a fee for child care, putting an additional financial burden on those with extremely limited resources. In addition, the budget proposes lowering reimbursement rates for providers, which would give providers a significant pay cut and wipe out their ability to make investments in quality. Parents who choose to stay with providers with higher rates would be responsible for making up the difference-forcing them to further stretch their already limited incomes.

In Illinois, the governor has proposed $63 million in cuts that will directly affect child care in the state. The governor's proposals would restrict income eligibility for child care assistance, denying help to many low-income families. For parents able to receive assistance, co-payments would increase-by as much as 20 percent for some families.

In Washington, the legislature has already enacted changes this year that will reduce the income eligibility cut off for child care assistance from 225 percent of the federal poverty level ($32,918 for a family of three) to 200 percent ($29,260). This will affect about 5 percent of all families currently receiving help paying for child care. In addition, parents' co-payments will increase by $5 per month.

Gaps exist not only in state child, care subsidy programs, but also in state efforts to help ensure that good quality care is available for all families. There has been a growing focus on improving K-12 education. and on early literacy. These issues cannot be fully addressed, however, without first ensuring that all children who need it have access to affordable, high quality child care and early education. Children's early experiences have a profound impact.on their ability to learn and succeed when they reach school, and for many children, a substantial proportion of these early experiences are in a child care setting.

Currently, many children are not receiving the experiences they need to prepare for school. Forty-six percent of kindergarten teachers report that half of their class or more have specific problems when entering kindergarten, including difficulty following directions, lack of academic skills, problems in their situations at home, and/or difficulty working independently.

Low-income children are particularly at risk. For example, a North Carolina study found that 38 percent of low-income kindergartners in North Carolina had very low scores in language skills, while only 6 percent of their higher-income peers scored this low; in measures of early math skills, 37 percent of low-income kindergartners scored very poorly compared with 9 percent of higher-income children.

In order to ensure that children receive a strong start, they must be supported by well-qualified and well-compensated child care teachers. Yet it is nearly impossible to attract and retain providers when their average salary is Just $16,350 a year with few benefits. Low wages result in extremely high turnover rates—nearly one-third of providers leave their programs each year—which deprives children of the opportunity to form close, stable relationships with their teachers. A number of states have begun to address this issue with promising initiatives that offer wage incentives to teachers who receive training, or have already receiving higher credentials, and who commit to staying with their program for a certain period of time. Yet these efforts, which are dependent on CCDBG and TANF funds, reach only a small fraction of child care providers, and typically offer only a small salary supplement.

The large majority of states do not even have basic requirements to ensure a minimal level of quality. While cosmetologists must attend as much as 2,000 hours of training before they can get a license, 30 states allow teachers in child care centers to begin working with children before receiving any training in early childhood development. Although early childhood educators recommend that a single caregiver be responsible for no more than three or four infants, four or five toddlers, or 10 preschoolage children, only 10 states require that child care centers have child-staff ratios that meet these levels.

States definitely need more resources devoted to improving the quality of child care. They are currently required to spend a minimum of 4 percent of their CCDBG funds on quality efforts. They have used these funds for vital supports and creative initiatives, ranging from hiring more inspectors to ensure facilities are safe, to housing infant and toddler, health, and early literacy specialists in resource and referral programs to work with their communities' child care providers. However, a 4 percent set-aside is not nearly enough considering the numerous components that need to be in place for children to receive the quality of care they need, including well-trained and well compensated staff, low child-staff ratios, safe, roomy facilities designed to meet the needs of young children, basic equipment such as books and toys, regular monitoring and inspection of providers, and resource and referral programs to help families find care and support providers.

It is essential that the Child Care and Development Block Grant be strengthened so that it provides the help families and children need. Other programs cannot be expected to compensate for the continuing shortcomings in states' child care assistance policies and basic gaps in quality. Over the past several years, federal and state investments in prekindergarten and after-school initiatives have expanded. Yet, access to these programs remains limited, particularly among low-income children. Head Start reaches only three out of five eligible preschool-age children, and less than 5 percent of eligible infants and toddlers. Nationwide only 44 percent of children ages three to five and not yet in kindergarten who are in families with incomes below $15,000 a year are participating in public or private prekindergarten programs, compared with 71 percent of children in families with incomes of $75,000 or more. Georgia provides prekindergarten to all four-year-olds whose families want them to participate, but Oklahoma is the only other state that has taken significant steps toward making prekindergarten universally available. Most state prekindergarten initiatives serve just a fraction of low-income children, and many are limited to four-year-olds. Prekindergarten programs also often operate on a part-day, part-year basis. As a result, low-income working families needing full-day care are still dependent on the CCDBG for child care assistance.

Similarly, many school-age children lack opportunities to participate in constructive after-school activities. Nearly seven million school-age children are home alone each week. In 2001, only 11 percent of the requests for funding through the U.S. Department of Education's 21st Century Community Learning Centers after-school program could be filled.

Additional investments in child care will help more low-income parents afford good care that enables them to work and that helps their children grow and learn. CCDBG funding should be increased so that by the end of five years, families of at least an additional two million children can receive help paying for care. Funding targeted toward improving the quality of care child should also be expanded, with special attention to the needs of infants and toddlers. Provisions should also help providers have access to additional education and training and in creased compensation. Funding should be available to ensure that children are in high quality care. We should not miss an opportunity this year with reauthorization to expand investments in a program so crucial to the success of children and families and to truly ensure that no child is left behind.