FEDERAL RESOURCES AVAILABLE FOR CHILD CARE

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

MARCH 16, 1999

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FEDERAL RESOURCES AVAILABLE FOR CHILD CARE

TUESDAY, MARCH 16, 1999

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to notice, at 1:05 p.m., in room B–318, Rayburn House Office Building, Hon. Nancy L. Johnson (Chairman of the Subcommittee), presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE CONTACT: (202) 225–1025
March 9, 1999
No. HR–3

Johnson Announces Hearing on Federal Resources Available for Child Care

Congresswoman Nancy L. Johnson (R–CT), Chairman, Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on Federal resources available for child care. The hearing will take place on Tuesday, March 16, 1999, in room B–318 Rayburn House Office Building, beginning at 1:00 p.m.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include a representative from the Administration, researchers, State policymakers, and child care administrators. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

The 1996 welfare reform law (P.L. 104–193) consolidated several overlapping child care programs, created a unified child care block grant, and provided an additional $4 billion for child care for poor and low-income working families. Since enactment of welfare reform, about 1.5 million families have left welfare. In every State, adults who leave welfare for work are provided with some child care assistance, often for a year or more. In addition, most States provide child care subsidies for low-income working families who have not been on welfare, although few States provide subsidies to all eligible families. States have had nearly two years of experience with the child care block grant and are now in a position to inform Congress about whether the block grant permits adequate flexibility in the use of Federal child care dollars, the extent to which families leaving welfare use child care, and whether barriers exist to funding a sufficiently broad array of services (off-hour care, family day care, and the use of vouchers) to meet the unique needs of families.

States currently have about $3 billion in obligated and $3 billion in unobligated funds remaining in the Temporary Assistance for Needy Families (TANF) block grant. These funds could be used to purchase additional child care. In addition, the Congressional Budget Office is projecting that states will have an additional $15 billion in unspent TANF funds over the next five years. And yet, the President's budget included a request for $10.5 billion in additional spending for child care programs.

In announcing the hearing, Chairman Johnson stated: "The President wants to spend additional subsidies to provide child care over the next five years. But States already have significant funds built-up from existing welfare block grants. While we must address child care needs to help people move from welfare to work, those of us responsible for maintaining budget targets are trying to understand why the President wants to increase Federal spending even more when the States already have big block grant surpluses available for child care."

FOCUS OF THE HEARING:

The hearing will focus on two issues. First, the Subcommittee will examine the President's request for additional spending for child care programs, and seek to determine whether the substantial surplus TANF funds already available to States are adequate to meet the Federal responsibility for helping poor and low-income working families pay for child care. Second, the Subcommittee will examine how the substantial reforms in Federal child care programs enacted in 1996 are working at the State and local level.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, with their name, address, and hearing date noted on a label, by the *close of business,* Tuesday, March 30, 1999, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Human Resources office, room B-317 Rayburn House Office Building, by the close of business the day before the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, typed in single space and may not exceed a total of 10 pages including attachments. **Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.**

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at 'HTTP://WWW.HOUSE.GOV/WAYS__MEANS/'.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman JOHNSON of Connecticut. The hearing will come to order. Good afternoon, everyone. The purpose of today's hearing is to examine the Clinton administration's request for about $17 billion additional spending on child care, $7.5 billion of which is funding for the Child Care and Development Block Grant.

Assuring sufficient funding for child care is absolutely crucial to the success of welfare reform. Both the Federal and State governments have a role to play in child care. The Federal role is to provide the broad framework for supporting child care, to provide part of the money to pay for child care, especially for low-income working families, and to provide for program accountability. The State role is to establish and conduct the actual subsidy programs, to pay for part of the costs, and to regulate child care. Government shares two of these roles with parents: Paying for care and ensuring accountability and quality.

In the 1996 Welfare Reform bill, Congress made a huge and unprecedented commitment to child care. We created a block grant that gave States great flexibility in designing and coordinating their day-care programs and in addition we increased Federal subsidies for child care for low-income families by $4.5 billion over 6 years.

I am pleased that according to testimony from today's witnesses, including Helen Blank of the Children's Defense Fund and Clarence Carter, who is commissioner of Social Services in Virginia, the block grant created by Congress in the 1996 welfare reform law is an innovation that has worked well. We can take good credit for providing States with many fewer Federal rules, much greater flexibility in their use of Federal dollars, and very significant new resources.

As we expected, States have done a fine job of developing and coordinating their programs and using their child care dollars wisely. But problems remain as women move into unconventional jobs.

In 1996, we also provided States with a substantial sum of money, $16.5 billion per year, through the Temporary Assistance for Needy Families Block Grant to help needy families avoid dependency and for other purposes. This money can be spent directly on child care or up to 30 percent of it can be transferred to the child care block grant. Thus, we have already given States a number of tools to use in helping low-income families purchase child care. In addition, Federal funds to support child care are provided through the Child Care Food Program, Head Start, title XX, the Welfare-to-Work Grant, and the Tax Code. In total, the Federal Government will spend this year about $13 billion on child care.

Clearly, the States already have far more Federal dollars for child care than ever before. In addition, they have substantial sums at their disposal that could be used to pay for child care. The Congressional Research Service will testify in a few minutes that States already have $6.2 billion in unspent funds from 1997 and 1998 in the TANF block grant. In addition, the Congressional Budget Office will testify that they project surplus TANF funds of more than $17 billion over the next 5 years. Thus States already have or are projected to have as much as much as $24 billion in surplus Federal funds to pay for child care over the next 5 years.

Why aren't States using this money? Why aren't solutions for women employed at night or on weekends being developed? How could Congress justify cutting other programs or increasing taxes to give States yet more money when so much is going unused? I am very concerned that as we begin to work with mothers who have been on welfare for a long time, there is such clear evidence that we are not using all available resources to help them gain their independence.

I want Members of this Subcommittee and our guests at this hearing to know that I have sent a letter to all the Governors urging them to use their TANF resources to help both people working their way off welfare as well as the working poor with work-related issues including day-care. Members will find a copy of this letter in their folders. And without objection, I would like to put a copy in the official record of this hearing.

[The opening statement follows:]

Statement of Hon. Nancy L. Johnson, Chairman, a Representative in Congress from the State of Connecticut

The purpose of today's hearing is to examine the Clinton Administration's request for around $17 billion in additional spending on child care, $7.5 billion of which is funding for the Child Care and Development Block Grant.

Assuring sufficient funding for day care is crucial for the success of welfare reform. Both the federal and state governments have a role to play in child care. The federal role is to provide the broad framework for supporting child care, to provide part of the money to pay for child care, especially for low-income working families, and to provide for program accountability. The state role is to establish and conduct the actual subsidy programs, to pay for part of the costs, and to regulate child care. Government shares two of these roles with parents—paying for care and ensuring accountability and quality.

In the 1996 welfare reform bill, Congress made a huge and unprecedented commitment to child care. We created a block grant that gave states great flexibility in designing and coordinating their day care programs. In addition, we increased federal subsidies for child care for low-income families by $4.5 billion over 6 years.

I am pleased that according to testimony from today's witnesses, including Helen Blank from the Children's Defense Fund and Clarence Carter who is Commissioner of Social Services in Virginia, the block grant created by Congress in the 1996 welfare reform law is an innovation that has worked very well. We can all take credit for providing states with many fewer federal rules, much greater flexibility in their use of federal dollars, and significant new resources. As we expected, states have done an exemplary job of developing and coordinating their programs and using their child care dollars wisely—though problems remain as women move into unconventional jobs.

In 1996 we also provided states with a substantial sum of money—$16.5 billion per year—through the Temporary Assistance for Needy Families Block Grant to help needy families avoid dependency and for other purposes. This money can be spent directly on child care or up to 30 percent of it can be transferred to the child care block grant. Thus, we have already given states a number of tools to use in helping low-income families purchase child care. In addition, federal funds to support child care are provided through the Child Care Food Program, Head Start, Title XX, the Welfare-to-Work grant, and the tax code. In total, the federal government will spend around $13 billion this year on child care.

Clearly, states already have far more federal dollars for child care than ever before. In addition, they have substantial sums at their disposal that could be used to pay for child care. The Congressional Research Service will testify in a few moments that states already have $6.2 billion in unspent funds from 1997 and 1998 in the TANF block grant. In addition, the Congressional Budget Office will testify that they project surplus TANF funds of more than $17 billion over the next 5 years. Thus, states already have or are projected to have as much as $24 billion in surplus federal funds to pay for child care over the next 5 years. Why aren't states using this money? Why aren't solutions for women employed at night or on weekends being developed? How could Congress justify cutting other programs or increasing taxes to give states yet more money when so much money is going unused?

I am very concerned that as we begin to work with mothers who have been on welfare a long time, there is such clear evidence that we are not using all available resources to help them gain independence. I want members of the Subcommittee and our guests at this hearing to know that I have sent a letter to all the governors urging them to use their TANF resources to help both people working their way off welfare as well as the working poor with work-related issues including day care. Members will find a copy of the letter in their folder. Without objection, I order that a copy of the letter be included in the official record of this hearing.

The major purpose of today's hearing is to provide witnesses with an opportunity to offer their perspective on the efforts states are making to meet the day care requirements of TANF and other low-income working families. With so much accomplished already, we must not fail in our oversight responsibility to assure that welfare reform succeeds for all. Furthermore, any new spending must be funded so I hope that those advocating new spending will be specific on how they recommend we fund it.

Example of letter individually sent to all 50 Governors:

COMMITTEE ON WAYS AND MEANS
Washington, DC, March 17, 1999

The Honorable John G. Rowland,
Governor of Connecticut,
Hartford, CT.

DEAR JOHN:

Most states have not been spending all the federal dollars that have been allocated to them under the Temporary Assistance for Needy Families (TANF) block grant. According to our budget analysts, states have about $6 billion in unspent funds left over from fiscal years 1997 and 1998. My colleagues and I on the Committee on Ways and Means are fighting to save this money from those who would like to spend it on other priorities, but I want you and all the other governors to understand that unless states begin spending more of this money, we will eventually lose the battle to protect it here in Washington.

The most surprising thing about the growing TANF reserves is that there are so many fruitful ways states should be spending this money. Based on the hearings we have conducted in our Committee, as well as on numerous research studies, many of which have been conducted by states themselves, it is becoming clear that many states are now working with the clients who will have a more difficult time achieving independence from welfare. Many of the adults remaining on the welfare rolls seem to have lower levels of education, less work experience, or more difficult transportation problems than those who have already left the rolls; further, many have mental health problems or addictions. In short, those remaining on the rolls need more services and more assistance to enter employment and succeed than those who have been placed thus far. States should be doing everything possible to be certain these more disadvantaged parents get the help they need to achieve independence.

Another issue that has repeatedly come to our attention is that some lower-income families, especially those who have never been on welfare, need child care subsidies if they are to escape or avoid welfare. Apparently some states, by focusing their child care resources on families leaving welfare, are putting other low-income, working families at a disadvantage by not helping them pay for child care. This policy could place low-income families without child care assistance at risk of falling into welfare. When Congress created the TANF block grant and revamped the Child Care and Development Block Grant in the 1996 welfare reform legislation, we allowed states to transfer up to 30 percent of their TANF funds into their child care block grant. Thus, states have lots of flexibility in employing their TANF dollars to subsidize child care—including child care for low-income families who have not been on welfare. States should rise to the challenge and use their TANF money to help as many of these families as possible.

Integration of employment and training programs is another productive use of TANF dollars. For several years now, Congress has been working toward a vision of national employment policy that calls for the integration of TANF, the U.S. Employment Service, and the block grants under the Workforce Investment Act. This policy is embodied in the concept of one-stop career centers in which all these programs are co-located and work together to share resources while serving a wide range of young people and adults who need jobs or job training or both. Given the greater flexibility of TANF dollars than those of the Workforce Investment Act, TANF could play a particularly central and vital role in creating and operating one-stop facilities.

Yet another issue is that the success of welfare reform with mothers previously dependent on welfare has served to underline the relative lack of programs for poor fathers. Research shows that children need the active support of two parents if they are to develop properly. Because many fathers in poor communities are uninvolved in their children's life, and because many of these fathers have difficulty meeting their financial obligations to their family, state and local government, working cooperatively with the private sector, must lead the way in developing programs that help poor fathers both play their vital role in family life and achieve the economic potential that is so central to their parenting role.

Finally, some states are setting aside TANF funds to handle future caseload increases that may be caused by an economic downturn. Although the substantial decline in the TANF caseloads, which has now reached more than 40 percent in the average state, means that states have what amounts to an annual built-in savings account in the block grant, the idea of setting aside a specific amount for a rainy day is wise policy. We are trying to produce an estimate of how much of the annual TANF surplus is actually money that has been set aside in a rainy day account because this information will help us explain at least part of the surplus amounts now building up in state accounts. However, unless states take formal legislative action, we will not be able to accurately estimate the money set aside in rainy day accounts.

These suggestions are certainly not exhaustive. But they provide some concrete ways that TANF money can be used productively to move welfare reform to a new level of accomplishment.

In closing, let me assure you that Congress is deeply grateful for the superb job states have done in directing welfare reform. As shown by the enclosed study of 12 states, nothing even remotely like the present ferment and accomplishment has occurred in the history of the federal-state welfare partnership. To continue this achievement, however, we must protect the resources states now control. The time is rapidly approaching when it will not be possible to protect these funds unless states begin to demonstrate that all the funds can be productively employed. Spend the money.

Sincerely,

NANCY L. JOHNSON
Chairman

Chairman JOHNSON of Connecticut. The major purpose of today's hearing is to provide witnesses with an opportunity to offer their perspective on the efforts States are making to meet the day-care requirements of TANF and other low-income working families. With so much accomplished already, we must not fail in our oversight responsibility to assure that welfare reform succeeds for all. Furthermore, any new spending must be funded. So I hope that those advocating new dollars will be specific as to how they recommend we raise them.

Mr. Cardin, would you like to make an opening statement?

Mr. CARDIN. Thank you, Madam Chair. And let me thank you first for your leadership on this issue during your congressional career. You have made a priority dealing with affordable, quality day-care and I applaud you for that effort. And I also want to thank you for holding a very early hearing in this Congress on the issue of child care. It's a very important subject and in your opening statement, you've raised many challenges that I hope that this hearing will help us start to answer so that we can move forward in a bipartisan way to deal with the issue of affordable, quality day-care for our communities.

There's no doubt that in welfare reform, without day-care you can't succeed. We're asking parents to go to work and get off of cash assistance. And, obviously, that becomes academic, becomes problematic if you don't have affordable day-care for the parent to be able to utilize. And that's been part of our efforts on welfare reform. But the success of welfare reform is only part of the reason why we should be re-evaluating our commitment to child care. Just as important it is in the daily struggle to find affordable, quality day-care that confronts millions of low- and moderate-income working families that have never been on welfare. And, Madam Chair, they're caught in a real hard place. They're caught between a rock and a hard place as to being able to get any assistance. Normally, their income is too high too qualify for the State programs. And, yet, their tax liability is low and they don't get any benefit from the Dependent Care Credit. So they're basically being asked to take on the burdens of day-care through their own resources.

Let me just give you the example from my State of Maryland where currently we are only able to assist those families below 36 percent of the State median income or about $18,000 a year. When you consider that the average cost of placing a 4-year-old child in day-care in Baltimore is more than $4,500 a year and is double that for an infant, you quickly understand the precarious position that a moderate-income family just above the State subsidy level must confront.

I think the question is very simple for us. And that is are we going to help these families meet their dual challenges of going to work and raising a family? I believe the answer should be yes. And I, therefore, introduce today the legislation proposed by President Clinton to provide increased child care subsidies for low-income parents and expanded child care tax cuts for middle-income parents. The bill also includes tax credits for parents who stay at home to care for a young child and new resources to improve child care quality.

And I hope we will have a substantive debate on these issues. Madam Chair, before I conclude, I do want to respond to the point that you made about States having plenty of resources because of unspent TANF funds. Today, in the Baltimore Sun there's an article about the "GOP Asks Why Clinton Wants to Raise Spending if the Money Isn't Used?" And, quite frankly, I think it's—we're responding to that. Mr. Kasich has indicated that he will propose cutting welfare money because caseloads have dropped so fast. And I just really want to take issue with those statements. I think we made a commitment to the States when we passed welfare reform that we give them maximum flexibility to meet the challenges of getting people off of welfare. Some States think that they should preserve a little bit of money for a rainy day fund. That's not a bad idea. Some States believe it's going to be more difficult to deal with the current individuals that are on cash assistance and those that have been able to successfully leave welfare, that we have the more difficult cases yet to be confronted. And they want to make sure that they have the resources to deal with that. I don't think that that is such a bad judgment by the States to reserve some of these funds for either rainy days or for the difficult times ahead. And it's worth remembering that the current unobligated TANF surplus is sufficient to pay only 1.5 months of cash benefits during a recession.

States have actually obligated 90 percent of their 1997 to 1998 TANF funds. And 19 States have obligated all of their funds. I don't quarrel with those States. One happens to be the State of Connecticut. They may be doing a very good job using those funds, but they certainly don't have the resources to expand opportunities for child care. And that's what this hearing is about.

So I don't think it's fair to tell the States since you've been having a successful time getting people off welfare since the economy is doing so well, you handle this problem on your own. It should be a partnership with the Federal Government, and we should be finding ways in order to expand opportunities, particularly now that we have the budget resources to do that.

So, Madam Chair, I applaud you for this hearing where we can start the debate and figure out how we can move together in a bipartisan way to advance our common goal of affordable day-care. And I'm very pleased that two of my colleagues, Congresswomen Tauscher and Maloney are here today. Both have been leaders in this area for many years in the Congress of the United States. I look forward to their testimony and working with the other Members of Congress on a successful way to deal with this issue.

Chairman JOHNSON of Connecticut. Thank you.

Mr. STARK. Madam Chair.

Chairman JOHNSON of Connecticut. Yes?

Mr. CARDIN. I yield whatever time I have remaining to Mr. Stark.

[The opening statement follows:]

Statement of Hon. Benjamin Cardin, a Representative in Congress from the State of Maryland

Madame Chair, I want to thank you for calling this hearing on child care. There certainly should be little doubt that welfare reform will not succeed without adequate resources for day care. We are, after all, attempting to move mothers with young children into the workforce—meaning someone has to care for their children.

But the success of welfare reform is only part of the reason we should evaluate our commitment to child care. Just as important is the daily struggle to find affordable, quality day care that confronts millions of low- and moderate-income working families who have never been on welfare. These families are caught between a rock and a hard place. They often don't receive direct subsidies because States are focusing their child care funding on the welfare population, and they don't benefit from the Dependent Care Tax Credit because they do not have enough tax liability.

For example, in my home State of Maryland, day care subsidies are available to only those families below 36 percent of the State Median income, or about $18,000 a year. When you consider the average cost of placing a four-year-old child in day care in Baltimore is more than $4,500 a year (and almost double that for an infant), you quickly understand the precarious position of those moderate-income families just above the State subsidy level.

The question before us is very simple—are we going to help these families meet the dual challenges of going to work and raising a family?

I believe the answer should be YES, and I therefore today introduced legislation proposed by President Clinton to provide increased child care subsidies for low-income parents and expanded child care tax cuts for middle-income parents. The bill also includes tax credits for parents who stay at home to care for a young child and new resources to improve child care quality. I look forward to having a substantive debate on this legislation and other approaches to improving access to day care.

Before I conclude, I would like to address one final issue—the contention that States now have plenty of resources to address all of their citizens' child care needs. This premise rests on the fact that States have not spent all of their TANF welfare funding, some of which is allowed to be transferred to child care.

I have three quick responses. First, the magnitude of our Nation's welfare caseload decline—35% over the last 2 years—has exceeded many States' expectations.

This created TANF surpluses for some States, which may now be considering how best to utilize those funds.

Second, States may feel it necessary to reserve some of their TANF allocation in so-called "rainy day funds" to prepare for a future economic downturn, when the number of welfare recipients will go up, but Federal funding under the TANF block grant will remain flat. It is worth remembering that the current unobligated TANF surplus is sufficient to pay only 1½ months of cash benefits during a recession (according to the Congressional Research Service).

And third, States have actually obligated 90% of their 1997 and 1998 TANF funding, and 19 States have obligated all of their TANF funds. Therefore, while I agree with those who would like to see States do more to increase the availability of day care, I don't think it is accurate to suggest the current status of TANF funding indicates no Congressional action is needed on child care.

Madame Chair, let me once again thank you for holding this hearing. I look forward to hearing the testimony of our witnesses. Thank you.

Mr. STARK. Could I take a long and eloquent statement and ask that it be placed in the record?

Chairman JOHNSON of Connecticut. Of course.

Mr. STARK. And be given 30 seconds or so to summarize it?

Chairman JOHNSON of Connecticut. You certainly may.

Mr. STARK. Because I, too, want to thank you for holding this hearing. I will during it, as you and perhaps your staff and others know, talk about the quality issue not in terms, and I recognize the nervousness that people have about setting regulations and standards, but by the same token, I know that you and Congresswoman Maloney, and Congresswomen Tauscher and Morella and Norton all sent a letter to Speaker Gingrich some time ago. And in your Women's Caucus statement, the third item in supporting or promoting child care was a very strong paragraph on promoting quality child care. And I would like to insert that letter by the six of you in the record because that's my little hope that we can, in addition to the fund question and whatever you decide to do with the funds and however you decide to use them, I think we make an oversight if we do not keep the pressure on even if it isn't regulation. Perhaps you are just demanding from the administration that they report back. If they're going to give money for quality, then I know because I know you're doing it in Head Start now, we've sat and heard Congressman Goodling say, "How can you prove that Head Start is any good?" Well, I hate to tell you but I know that the gentleman from Louisiana is going to be at me in about 3 or 4 years saying, "How do we know this is doing any good?" So I want 3 or 4 years from now, unless he's Senator from Louisiana——

Mr. CAMP. Governor.

Mr. STARK. Governor. All right. But I want to be able to answer that question. So I would like to put these in the record, if you will?

Chairman JOHNSON of Connecticut. You certainly may.

Mr. STARK. And I look forward to the rest of the hearing. Thank you for indulging me.

Congress of the United States
Washington, DC 20515

March 31, 1998

The Honorable Newt Gingrich
Speaker of the House
H232 Capitol Building
Washington, D.C. 20515

Dear Newt:

As members of the Congressional Caucus for Women's Issues, we are writing in support of congressional action during this session on legislation to promote quality child care choices for all American families. **Child care must remain a priority for this Congress.**

We have developed bipartisan consensus on a list of principles that should govern new child care spending this session. These concepts, as well as viable funding proposals, are contained in many of the over 50 bills that have been introduced to date. We believe these principles contain a bipartisan set of goals that will dramatically help the millions of families who struggle every day in America with difficult child care decisions. These decisions are extremely personal. Many parents feel handcuffed by economic concerns, others worry about the safety of child care, and others have children with needs that require special settings. We must respect and enable parents' ability to make the child care choice that is best for their situation. While all families face different circumstances that make their decision-making process unique, they all are confronted with issues related to availability, affordability and quality of care.

Congress can and should take actions that will improve parents' prospects for finding child care that meets these concerns. If we expect our work on welfare reform to be successful, we have to face the hard facts that child care is a necessity for helping parents find independence from public assistance. The Bureau of Labor Statistics reported that in 1996, 96 percent of fathers and 63 percent of mothers with children under age 6 worked. Some of these parents worked part-time and others worked full-time, but they all faced decisions about what to do with their children when they were at work. For most families in America today, child care is not an option, but a necessity. For most working parents, child care is not a luxury, but a fact of everyday life.

These are the key principles on which the Women's Caucus has found bipartisan support. Each principle complements the others and all should be included in any legislation that comes before the House.

> **Increase Certificate Funding for Low-Income Families** — We have put tremendous pressure on the states to comply with our work targets as part of welfare reform. This pressure is causing states to invest the majority of their Child Care and Development Block Grant (CCDBG) funding in finding child care for families who are leaving welfare. This help is crucial for families gaining independence. But if that independence is to be permanent and if the thousands of low-income families who are struggling to maintain jobs are to stay off welfare, we have to invest additional funds in CCDBG to give states the resources they need to meet the increasing demand for

vouchers. When you visit day care centers, you hear of the pressure to drop very low-income working families who have not been on welfare to make room for women coming off welfare. This is unfair and intolerable. It also will not accomplish our goal of fostering work.

Lower Taxes for Working Families and Stay-at-Home Spouses — We must modernize the Dependent Care Tax Credit to provide more realistic assistance for low- and middle-incomes families who pay taxes. This would allow families to lower their taxes, keep more of their income and help meet child care expenses. In addition, we should seriously consider changing the DCTC to make it available to families in which one spouse stays at home to care for children. If the income guidelines are met, the DCTC should flow to the family regardless of whether a parent or provider cares for the child.

Promote Quality Child Care — Since quality in child care services varies throughout states and localities, we must give communities the flexibility to design programs that best fit their needs. While there is no one-size-fits-all solution for quality child care, there are things we can do at the federal, state and local levels to improve and enhance the quality of care our children receive. These initiatives could include assisting states in enforcing health and safety standards and state-determined staff/child ratios for center-based care, improving provider and parent training and education in early childhood development, and encouraging competitive wages for child care workers.

The Women's Caucus supports action on these critical issues and encourages the Leadership to move forward with legislation before the 105th Congress adjourns. **We urge you to join us in finding room for increased funding for child care within our commitment to a balanced budget.** We must listen to the concerns of America's working families and help them meet their child care needs.

Sincerely,

Nancy L. Johnson — Eleanor Holmes Norton

Sue Kelly — Carolyn B. Maloney

Connie Morella — Ellen Tauscher

[The opening statement follows:]

Statement of Hon. Fortney Pete Stark, a Representative in Congress from the State of California

Madam Chairwoman, thank you for calling this hearing to address the problem of funding for child care services in our country. I also thank the Administration for proposing what I believe is the first step toward making child care services accessible to poor and low-income families. I am particularly aware of the work of the First Lady on the issue of child care, and I commend the Administration and Ranking Member Ben Cardin for their proposal, which I have co-sponsored.

As more and more families with infants and young children are forced to send both parents to work, the need for child care—especially infant care and care at non-traditional hours—continues to expand. As the need for care grows however, startling findings in a study on the cost and quality of child care by the University of Colorado at Denver's Department of Economics report that more than 80% of child care services in the U.S. is thought to be of poor or average quality (summary of study attached).

I want to make sure we're not missing the mark. Although it is true that child care is in short supply and is too expensive for many families to afford, we must not allow the demand for child care services to override the need for quality. It is critical that children receive care that promotes their healthy growth and development. We cannot allow them to be placed in substandard conditions.

I will reintroduce the Child Care Quality Improvement Act of 1999, to help states increase and meet their child care quality goals. My bill would provide funding for Quality Improvement Grants to be transferred to local child care collaboratives under the Child Care Development Block Grant (CCDBG).

Grants would be made to states which have established goals for child care quality improvements in six areas: increased training for staff, enhanced licensing standards, reduced numbers of unlicensed facilities, increased monitoring and enforcement, reduced caregiver turnover, and higher levels of accreditation.

My bill takes a benchmarking approach that helps states define quality targets and measures the states' progress toward meeting their long-term quality goals. States would be required to report to the U.S. Department of Health and Human Services on their progress in meeting their quality goals in order to remain eligible for future funding.

Congress has wrongly refused to require significant quality standards for the child care dollars we allocate each year. The federal government should give states the resources to raise state quality standards and improve child care quality at the local level, but only through a system of measurable indicators of desired outcomes. We must allocate these funds with the guarantee that incentive grants will continue to raise standards and improve the quality of care.

As the father of a young son, I know the difficulty families face when choosing a caregiver for their children. My bill gives families peace of mind by encouraging the states and local facilities across the country to provide the high quality of care every child deserves.

I look forward to working with the members of this Subcommittee and with the Administration to ensure that quality improvement remains a priority in this and any future child care initiative.

H. Naci Mocan
University of Colorado at Denver and
National Bureau of Economic Research

The Quality Distribution of Child Care Services

The information provided below is based on a data set which is compiled in 1993 with the collaboration of economists, psychologists and child development experts. The data set includes information on cost and quality of center-based child care, from centers located in metropolitan regions in four states: Los Angeles County in California, The Front Range in Colorado, the New Haven-Hartford corridor in Connecticut, and the Piedmont Triad in North Carolina. These regions were selected for their regional, demographic, and child care program diversity.

Data were collected on a stratified random sample of approximately 100 child care centers in each participating state, evenly split between for-profit and nonprofit centers. The study included only state-licensed child care centers serving infants/toddlers and/or preschoolers that offered services at least six hours per day, 30 hours per week, and 11 months per year. To be used in the sample, a center had to have been in operation at least one full fiscal year, and the majority of children had to attend at least 30 hours and five days per week.

The quality of child care services is represented by process quality, which refers to the way that children are cared for, such as the amount of warmth a caregiver shows for a child, or the emotional tone that is present in the classroom. The activities that are available for children to engage in, and the learning opportunities are also aspects of process quality. Process quality of a classroom is measured by a widely-used index, which is constructed by the use of well-established global observation instruments of early child care and education literature such as ECERS and ITERS. Details of these instruments and the quality index can be found in Mocan (Journal of Human Resources, 1997).

The quality index ranges from 1 (inadequate) to 7 (excellent). More precisely, the range 1-3 is associated with poor quality, 3-5 represents average quality, and 5 and above represents good quality. In each center two classrooms are observed: one infant-toddler room and one preschool room. If the center did not serve infant-toddlers, both observed rooms were preschool classrooms.

Forth-one percent of the 225 infant-toddler classrooms observed had poor quality, 51 percent of the infant-toddler classrooms had average quality, and 9 percent had good quality.

506 preschool rooms are observed. Eleven percent of these preschool rooms had poor quality, 66 percent had average quality, and 23 percent had good quality.

Using the quality values observed in infant-toddler and preschool classrooms, a center-level quality index is created for each day care center in the study. Center-level quality index is a weighted average of infant-toddler and preschool indexes, weighted by the proportion of children in each age group in the center. Because centers typically serve more preschoolers in comparison to infant-toddlers, the distribution of the center-level quality index is more similar to the preschool distribution. The distribution of average quality in 400 centers was as follows. 13 percent had poor quality, 74 percent had average quality, and 13 percent had good quality.

Chairman JOHNSON of Connecticut. Though we don't normally have opening statements for everyone on the Committee, since Mr. Stark has made an opening statement, would either of the other gentlemen like to make an opening statement?

Mr. MCCRERY. Well, Madam Chair, I appreciate the opportunity. I just say to my good friend from California if the Federal Government continues to give the States so much money to spend, then I might be inclined to run for Governor. [Laughter.]

Chairman JOHNSON of Connecticut. Mr. Camp.

Mr. CAMP. Thank you, Madam Chairman. As delightful as it is to discuss this among ourselves, I would like to hear from our distinguished Members of Congress on this issue.

Chairman JOHNSON of Connecticut. Thank you.

Mr. CAMP. So I'll forego an opening statement. Thank you.

Chairman JOHNSON of Connecticut. Thank you. And it is a great pleasure to me personally to have with us today two of the women Members of Congress who have been particularly interested in this subject and done a lot of good work on it. Congresswoman Maloney, you are listed here first but you don't appear to be prepared to go first. Congresswoman Tauscher.

STATEMENT OF HON. ELLEN O. TAUSCHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mrs. TAUSCHER. Thank you. Thank you, Mrs. Johnson. I want to thank you, as the Chair of the Subcommittee for your leadership and your continued leadership. I just want to remind everyone that in 1998 as the Chair of the House Women's Caucus, you actually had the first Women's Caucus hearing and it was on child care and it was enormously successful. And I want to thank you for your continued leadership. And, Ranking Member Cardin, thank you for your leadership. And my colleague from California, Mr. Stark, good afternoon. How are you?

Gentlemen, good day and I'm happy to be here. And I would like to thank you all for this opportunity. I have a longer statement that I will submit for the record. I just want to summarize why it is so important for us to discuss the importance of quality child care for the American working family.

Since coming to Congress, I have repeatedly heard from my constituents that finding affordable high-quality child care is virtually impossible. Parents can find either affordable child care or they can find high-quality child care. But for many of them, they have a hard time finding a combination of both in one provider or one center and an opening for their child when they need it. The fact is that 77 percent of American families have made the decision that both parents will work at least part time. Many times these families have no other option. Single parents must work to provide for their families and low-income families must have two parents working just to keep one step ahead of poverty. Ultimately, the transition to full-time work at a livable wage happens only if parents know that their children are in a safe and quality child care environment.

Many argue that States are not taking advantage of the fact that they can move Temporary Assistance to Needy Families, TANF funds, to the Child Care Development Block Grant to provide child care to low-income working families. In fact, some States are doing this but there is still substantial need. My home State of California, for example, has already committed 100 percent of its TANF funds and has no means of providing child care assistance for additional low-income working families.

When families cannot afford quality child care, their children suffer. They suffer not only physical health risks because of unsafe environments, but their cognitive development can also suffer.

Numerous studies show us that high-quality child care predicts better school readiness and higher language scores. Unfortunately, high-quality child care is the exception rather than the rule.

Today, I will introduce the Affordable Child Care Education Security and Safety Act, known as the ACCESS Act on behalf of the Democratic Caucus. I would like to thank the Ranking Minority Member of the Human Resources Subcommittee, Mr. Cardin, for introducing the sections of the bill that fall under the jurisdiction of the Ways and Means Committee.

The ACCESS Act is a comprehensive bill which makes significant investments to improve the affordability, availability, and quality of child care. ACCESS provides an additional $1.5 billion per year in mandatory CCDBG funds which can be used to help low-income families after States have used their existing CCDBG funds. ACCESS also provides tax relief to millions of working parents and stay-at-home parents through the expansion of the Dependent Care Tax Credit. The ACCESS bill would provide a tax credit to businesses who build or expand their existing child care facilities or for 25 percent of their qualified costs. Small businesses which often cannot afford to provide child care on their own can form consortia with other small businesses to start quality child care centers and receive Federal and State matching funds.

In addition to business partnerships, we need to use existing infrastructure such as schools. The ACCESS bill increases funding for the highly successful 21st century Community Learning Center program that helps schools develop or expand after school programs that improve academic performance and reduce the incidence of juvenile crime.

While we need to make financial investments in increasing the affordability of child care, we also need to specifically target the issue of quality, as Mr. Stark has brought up. The access bill establishes a Model States Early Learning Fund, which would provide challenge grants to States that are interested in specifically improving their quality of child care.

American families do not need one-size-fits-all child care. Every family is unique in make-up and circumstance and we need to address the issues that every one of them faces. The ACCESS bill represents a variety of common sense proposals that ensure that parents do not have to make the choice between food and quality child care, that school-age children do not have to come home to an empty home, and that all American families get financial support for the costs of child-rearing.

The ACCESS bill puts children and families first. I would like to thank the Committee on Ways and Means for recognizing the importance of child care and holding this hearing on this very important issue. I'm happy to answer whatever questions you may have. And I look for support from both sides of the aisle on this bill.

Thank you, Mrs. Johnson.

[The prepared statement follows:]

Statement of Hon. Ellen O. Tauscher, a Representative in Congress from the State of California

I would like to thank the committee for this opportunity to discuss the importance of quality child care to the American working family. Since coming to Congress, I have repeatedly heard from my constituents that finding affordable, high-quality child care is virtually impossible. Parents can find either affordable child care or they can find high-quality child care; but they have a hard time finding a combination of both in one provider. This problem is not only evident to me as a Member of Congress, but as a parent. Before I came to Congress, I founded a company that provides comprehensive background checks on potential child care workers because I realized that it was almost impossible to verify that the person that I was entrusting my child to, was actually qualified. I realized that other parents were facing the same difficulties I was. So I wrote a book which explained how parents should go about finding quality child care providers and settings. My degree in Early Childhood Education and my prior profession where I dealt with numerous child care workers, made me aware of the child care problem. Millions of families deal with a child care crisis on almost a daily basis and struggle to cope. Our job as legislators should be to make the lives of American working families just a little bit easier. While it is not our duty to make decisions for these families, we can help them implement the decisions they have made for themselves.

The fact is that 77% of American families have made a decision that both parents will work at least part-time. Many times, these families have no other option. Single parents must work to provide for their families and low-income families must have two parents working just to keep one step ahead of poverty. While we can hope that families will have the financial means that allow one parent to stay home with young children, we, as legislators, should never take the position of criticizing families for making the choices they do. The fact is that, for whatever reason, only 23% of all families with children younger than 6 have one parent who stays at home. Parents need help dealing with the financial burden that child care poses.

Child care expenses range, on the average, from $4,000 to $10,000 per year. Infant care costs are $1,000 higher, on average. Parents can easily spend more on child care than they do on a year of tuition at a public university. The often insurmountable cost of care, unfortunately, often forces parents to choose between quality day care now or saving for a college education later. This is a terrible choice for parents to have to make. Low-income families are faced with a more stark picture—the choice between quality child care or clothes, shelter, and food. For these parents, low-quality care, where they continually risk their children's health and safety, is a fact of life.

The Federal Government's commitment to child care, in a sense, indicates its commitment to promoting work and a strong economy. The TANF program requires able-bodied recipients to be engaged in work or a work-related activity; yet these parents cannot become reliable, productive, full-time workers if they are constantly worried about their child care situation. Ultimately, the transition to full-time work at a livable wage happens only if parents know that their children are in a safe and quality child care environment.

States, for the most part, have focused their CCDBG funding on helping TANF families who are the poorest of the poor. Left neglected are the low-income working families who make too much to be eligible for TANF and are left to contend with the high cost of child care on their own. Continually underfunding the CCDBG will turn low-income working families into TANF families. The CCDBG allows states to help families with incomes up to 85 percent of the state median income, but 44 states disqualify families before they even reach this level! In many states, there aren't even funds for families who do qualify for a child care subsidy—in California, 200,000 eligible children are on the waiting list and have been there for two years. Two years is a lifetime for young children. Two years of unsafe, low-quality care can produce a lifetime of problems. Quality child care stimulates brain activity, promotes reading and math skills, and prepares children for success in school. An investment in quality child care produces a lifetime of benefits for a child.

Many argue that states are not taking advantage of the fact that they can move TANF funds to the CCDBG to provide child care to low-income working families. In fact, some states are doing this, but there is still substantial need. Florida, for example, has transferred $117 million to CCDBG, yet families at 200 percent of poverty must pay about 28% of their gross income to provide child care for two children. According the Florida Department of Children and Families, providing child care for children from birth to age five for working families at 200% of poverty and providing child care for the school-age population would cost an additional $293 million. My home state of California has already committed 100% of its TANF funds and has no means of providing child care assistance for additional low-income working families.

When families cannot afford quality child care, their children suffer. They suffer not only physical health risks because of unsafe environments, but their cognitive development can suffer as well. Numerous studies show us that high quality child care predicts better school readiness and higher language scores. Unfortunately, high quality child care is the exception rather than the rule. Studies indicate that 35% of family-based and 40% of center-based infant and toddler care is inadequate or even potentially harmful to children's safety and development. This unacceptably low standard of care results from numerous factors such as high child/staff ratios, inadequate training for staff, and a lack of health protection and promotion guidelines.

We cannot continue to place our children at the bottom of the priorities list. An investment in child care is an investment in our children's future and an investment in American families. Today I will introduce the Affordable Child Care, Education, Security, and Safety or ACCESS Act on behalf of the Democratic Caucus. I would like to thank the ranking minority member of the Human Resources subcommittee, Mr. Cardin, for introducing the sections of the bill that fall under the jurisdiction of the Ways and Means committee. I would like to thank a number of my colleagues for their efforts in the creation of this bill. Representatives Cardin, DeLauro, Maloney, Lofgren, Slaughter, Tom Allen, Woolsey, Moran, and Weygand along with many others have been invaluable in the crafting of the ACCESS bill. This bill has 81 co-sponsors and has the support of the Administration. The ACCESS bill makes significant investments in child care to benefit all parents, regardless of income or family structure. Every family deserves access to quality child care and our bill ensures that no family needs to shortchange their children.

The ACCESS act is a comprehensive bill which makes significant investments to improve the affordability, availability, and quality of child care. ACCESS provides an additional $1.5 billion per year in mandatory CCDBG funding which can be used after states have used existing CCDBG funds. Seventy percent of the funds must be used to help low-income working families so that they can stay off welfare for good. ACCESS also provides tax relief to millions of Americans through expansion of the Dependent Care Tax Credit, providing an annual tax cut of $345 to 3 million families. Stay-at home parents, who often sacrifice a second income for the sake of their children, can also get relief because of the ACCESS bill which would allow parents with children under the age of 1 to claim at least $1500 in child care expenses under the DCTC.

In addition to government funding, we must also encourage public private partnerships in developing innovative child care solutions. The ACCESS bill would do just that by providing a tax credit to businesses who build or expand their child care facilities, for 25% of their qualified costs. Small businesses, which often cannot afford to provide child care on their own, can form consortias with other small businesses to start quality child care centers, and receive federal and state matching funds under the ACCESS bill. In addition to business partnerships, we need to use existing infrastructure such as schools. School buildings often stand empty from 3 pm, when the last bell rings, until the next morning. The ACCESS bill increases funding for the highly successful 21st Century Community Learning Center Program that helps schools develop or expand after school programs. Under the ACCESS bill, an additional half a million children would be able to participate in quality, after-school programs that could improve academic perfomance and reduce the incidence of juvenile crime. The ACCESS bill also allows the Secretary of Housing and Urban Development to insure mortgages to build new child care facilities or renovate existing facilities.

While we need to make financial investments in increasing the affordability of child care, we also need to specifically target the issue of quality. The ACCESS bill establishes a Model States Early Learning Fund which would provide challenge grants to states that are interested in specifically improving their quality of child care. Quality is directly related to staff and teacher training and the ACCESS bill provides scholarships to students who make a demonstrated commitment to working in a licenced child care facility upon completion of their education. Children require continuity and the ACCESS bill would ensure that they are cared for by a trained and familiar adult.

American families do not need one-size-fits-all child care. Every family is unique in make-up and circumstance and we need to address the issues that every one of them faces. The ACCESS bill represents a variety of common sense proposals that ensure that parents do not have to make the choice between food and quality child care, that school-age children do not have to come home to empty houses, and that all American families get financial support for the costs of child rearing. Raising children is an individual, family, and community effort, and our society as a whole benefits when our children are cared for in a safe and nurturing environment. The ACCESS bill puts children and families first. I would like to thank the Committee on Ways and Means for recognizing the importance of child care and holding a hearing on this very important issue. Thank you.

Chairman JOHNSON of Connecticut. Thank you.

Congresswoman Maloney.

STATEMENT OF HON. CAROLYN B. MALONEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mrs. MALONEY. Thank you very much, Madam Chairman. And I join my colleague in wanting to be associated with the remarks with Congressman Stark and Mr. Cardin. And I compliment you on your strong leadership on affordable and available child care and the Quality Child Care Statement that was part of the Women's Caucus agenda under your chairmanship.

When we talk about the need for child care, and we talk about moving welfare recipients to work, and we talk about helping working families, men and women, it is really simply words unless we put behind it a comprehensive child care national child care strategy to turn our words into the reality of affordable and available quality child care.

I would like to have my remarks put in the record. And would just like to summarize two proposals, one of which is before the Banking Committee, which I co-authored with my Republican colleague. And I compliment Ellen Tauscher, the President's program and proposal, and am totally supportive of it. But I would like to just focus on these two bills.

The first one is the Child Care Infrastructure Act, H.R. 389. It is a bipartisan bill introduced by Ileana Ros-Lehtinen and myself and it is in the President's budget. This bill would give a 25 percent tax credit to employers who provide on-site child care and/or provide the building, build it, and/or subsidize it. And it also is flexible in that it would allow smaller businesses to come together as a unit and pool their resources, not only to get the tax credit but to provide the day-care.

I might add that this is not in the bill, but from the great city of New York that I represent a report was just issued by our State comptroller that in our city there is a waiting list of 61,000 families trying to get into child care. And I would add to it that residential buildings, large residential buildings could also use this for on-site or subsidized child care if they're willing to do it for the people who live there.

As I said, it has bipartisan support. Deborah Pryce does not believe that our bill goes far enough, and she has introduced a bill that would provide a 50 percent tax credit.

The second bill that I just absolutely like a great deal is called Kiddie Mac and this was authored with Representative Richard Baker, who is the chairman of the Capital Markets Subcommittee on Banking and myself and Sue Kelly, also on Banking. Kiddie Mac the Children's Development Commission Act, is modeled after Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac have made affordable housing a reality for 70 percent of American families. Why can't we do the same thing for day-care? Why can't we take the same innovative approach that was cost-effective, leveraging the private markets, to build day-care facilities? Granted it's only one of many blocks that you need to solve the problem, but it's an important block. The most important block. You can't have child care unless you have the infrastructure, the site. This takes care of that first stumbling block, the infrastructure.

It is flexible in that the loans could be given to say a welfare mother who has family day-care network, who wants to open up her home for her neighbors and have day-care in her home. She needs money to get it up to code, to start. This could help a family day-care network site or a large business that is providing it on-site or a site in a Public Housing Authority or in a church or in a synagogue.

So it is very, very flexible. It would provide a government-backed guarantee loan for loans going into child care facilities certified by State standards. The premiums and the interests on the loan would go into a pool much like Fannie Mae and Freddie Mac. It would become self-sustaining, would not cost any money. Actually, Fannie Mae and Freddie Mac make money, but our bill says any money that is made goes into child care research and into really studying better ways we can take care of our children.

So I would just like to add these two initiatives, one from the Banking Committee, in a bipartisan effort to the total ACCESS proposal that the Democratic party has put forward. And, hopefully, your members will consider it. It is cost-effective and it is creative and a sure fire winner.

So I see our time is up and thank you for this opportunity.

[The prepared statement follows:]

Statement of Hon. Carolyn B. Maloney, a Representative in Congress from the State of New York

Chairman Johnson, Ranking Member Cardin and the rest of the Committee members, thank you for allowing me to testify before you. Today we are discussing the role of the government in the area of child care, an issue I have been working on all of my political life.

Before I came to Congress, I was a member of the New York City Council. A little over ten years ago, one hour after a Council meeting, I gave birth to my youngest daughter. I quickly understood the problems a working mother with a young child has.

Finding quality care for my child while both myself and my husband pursued our careers was difficult—and I am sure that for many parents it is daunting. With this first hand knowledge I introduced a series of child care bills before the City Council which I called the "Virginia Plan," after my young daughter.

Ten years later, the collective child care problems of America's families are turning into a national dilemma.

In 1970 the Department of Labor found that 30 percent of married mothers were in the workforce . . . by 1994 that number was 62 percent—and it is expected to continue to rise.

Whether we are discussing two-earner families or single mothers, their young children deserve a safe, stimulating environment while their parents are working. Welfare reform has also greatly affected the care of many of our nation's children.

With each state determining how best to implement welfare reform, often children are forgotten in the equation.

The New York State Comptroller, Carl McCall, completed a study which reported that due to welfare reform 60,000 children in New York City would be in need of child care by the year 2001. But the city will only have places for about half of them. This is a pattern which I am sure is repeated across the country.

So with these realities, what should the government do?

I believe that the issues and problems surrounding child care are diverse, and that there is not one, single solution. What is needed is a comprehensive strategy which can tackle different parts of the problem in different ways:

We need to address the single parent on welfare who faces the dilemma of losing their check by staying home with their children, or leaving their children in substandard care, or worse, home alone.

We need to address a child's need for a safe, stimulating environment which is most crucial in the early years of development. We need to address nutrition, afterschool care and the quality of care workers.

As you see, there are many issues and no one solution—or even two solutions—will solve them all.

There are many interesting proposals which have been submitted on both sides of the aisle, and I have a few of my own.

The Child Care Infrastructure Act, H.R. 389, a bipartisan bill I introduced with Rep. Ros-Lehtinen, is in the President's budget. This bill would give a 25% tax credit to employers who engage in activities such as: Building and subsidizing an entire child care facility on or near the site of the company; Participating with other businesses in setting up and jointly running a child care center; contracting with a child care facility to provide a set number of places for employers—giving centers the steady cash flow they need to survive.

This bill gives employers may options, but in the end both the employers and employees are winners. The employees know that their children are in good care. Employers have discovered that these employees are more productive, have less absenteeism and are more loyal to the company.

In a related issue, today I will be introducing the Breastfeeding Promotion and Employers' Tax Incentive Act. This bill will encourage employers to set up a safe, private, and sanitary environment for women to pump breast milk through a tax credit. This is a cutting-edge issue—and many companies are beginning to understand the importance of allowing their mothers to pump milk.

—For example, Mr. Cardin, in your district RWD Technologies, an information and technology company of 1,000 people in Columbia, Maryland has a lactation room for its employee-mothers. Not surprising is that many insurance companies, Aetna, CIGNA, etc, have lactation rooms because they recognize the potential in savings for health care costs from having healthier children.

The last piece of children's legislation is "Kiddie Mac"—the Children's Development Commission Act, which I will also be reintroducing later today.

While market forces should respond to demand, the obvious need for quality, affordable child care is not being fully met.

This bill would make it easier for child care providers to get the financing they need in order to build or rehabilitate a child care facility.

This is how it works: The Children's Development Commission, or "Kiddie Mac," would receive a loan application from a bank for a child care facility. The Commission would then certify the loan, allowing HUD to issue a guarantee to the bank. With the guarantee, the bank will be more willing to provide a loan—and it should also result in more favorable financing terms which means better cash flow for the facility.

The Commission will also provide smaller, special purpose loans for bringing existing facilities up to local licensing standards. It will also provide access to fire and liability insurance and create a foundation to do research into child care.

After a one-time appropriation, the Commission would pay for itself through the premiums paid by the banks for the guarantees.

Thank you for listening to my views and my proposals, and I thank the Committee for recognizing the need to focus on child care.

JUDY MANN

A Modest Child Care Proposal

Rep. Carolyn B. Maloney (D-N.Y.) served on the New York City Council before being elected to Congress. Her second daughter was born one hour after a council meeting. "I know firsthand the challenges of finding quality and affordable child care," she says.

She and Rep. Richard H. Baker (R-La.) are co-sponsoring an imaginative and low-cost proposal to spur private-sector construction and development loans that could expand the nation's supply of child care.

Currently, the private sector hesitates to provide loans for constructing, upgrading or operating child care centers because of a perception that day-care operators have a high risk for liability. The Maloney-Baker bill would create the Children's Development Commission—they are calling it "Kiddie Mac"—which would offer insurance guarantees to lenders who help potential child care operators build or renovate facilities to bring them up to licensing standards.

Kiddie Mac also would offer reasonably priced fire and liability insurance to qualifying child care providers. "Fanny Mae and Freddie Mac really revolutionized affordable housing," Maloney says. "Kiddie Mac is patterned after two very successful programs and takes care of one of the very important parts of child care, and that is the infrastructure space."

Welfare reform is putting more and more mothers into the work force and exacerbating the need for child care. In New York City, there are an estimated 60,000 additional children who will need child care by 2001, and the city forecasts slots for only half of them. "Many private lenders want to invest in child care facilities, but they are afraid of the risk," Maloney says. "This takes the risk out of it. Kiddie Mac doesn't solve the entire problem, but it's an important block."

In a "dear colleague" letter to members of Congress, Maloney and Baker, both members of the Banking and Financial Services Committee, gave a statistical snapshot of how America's children are cared for. In 1995, there were nearly 21 million children who were 5 or younger. About 41 percent were cared for by their parents, 21 percent by relatives, 4 percent by sitters, 31 percent in center-based child care programs, and 14 percent in family child-care homes—with some children cared for in different settings at different times. It's not just single mothers who need child care. In 1970, a Department of Labor study showed that 30 percent of married mothers were in the work force; by 1994, 62 percent were. Meanwhile, building day-care centers has become expensive, costing as much as $125 a square foot.

The Kiddie Mac bill provides for a one-shot $10 million fund that would operate out of the Department of Housing and Urban Development. Kiddie Mac would certify the loans to qualifying child care providers, and it also would give micro-loans to facilities to bring them up to licensing standards. The fund would become self-sustaining through the premiums paid by lenders, and some of the funds would be used to establish a nonprofit foundation that would focus on research on child care and development and create materials to help guide potential providers through the Kiddie Mac process.

"This program provides an opportunity for innovative financing that will enable a small- to medium-size facility to get access to credit to expand or perhaps provide for life-safety items in the child-care home," says Baker, chairman of the subcommittee on capital markets, securities and government-sponsored enterprises. He has set hearings for June 10 on the Hill and June 26 in Baton Rouge. "This approach will enable borrowers to get rates that are very attractive as compared to the traditional commercial market. At the end of the day, should Kiddie Mac be adopted, it could mean a measurable improvement not only in the quality of child care but in the number of facilities currently operating within the country."

Kiddie Mac is not, strictly speaking, in the mold of government-sponsored enterprises that began in 1916 with the Farm Credit System and expanded over the years with Fannie Mae and Freddie Mac, the Home Loan Bank System and the Student Loan Marketing Association. But the idea behind all of these is the same: to cure a deficiency in the marketplace, such as a lack of available credit for agriculture or housing or education.

HUD already has a program that provides guarantees for mortgages for elder-care facilities. "We said we will balance it," a Hill staffer said. "We look after our elderly, we look after our children." He said he expected the impact of Kiddie Mac to be much smaller than some of the government-sponsored enterprises. "Child care involves a lot of people but a smaller percentage of the total population than, say, a housing issue or student loans. But it's a targeted activity that hopefully, with some federal backing, will do some good." New Hampshire launched a similar state program this month with two low-interest loans to child care centers to help them expand.

Recent developments in brain research have made it clear that a healthy, stimulating environment for very young children can have lifelong benefits on learning and functioning effectively in society. Similarly, unhealthy, unstimulating environments can result in learning pathways in the brain falling into disuse and the child growing up with a host of emotional and learning problems. Good child care is an investment in everyone's future.

"Kiddie Mac is cost-effective," Maloney says. "It is going to do a lot with very little." And that should make it a sure-fire winner.

Chairman JOHNSON of Connecticut. Thank you. It's a pleasure to have you both here and it's a pleasure to have you bring forward so many ideas. I would just point out to my friend, Mrs. Tauscher, Congresswoman Tauscher from California that actually your State is a good example of the problems in this area because they have basically $1.5 billion that they have not used this year. They have obligated it for next year, but they did not use it this year. So next year, they will get their $3.7 billion again plus the $1.5 billion for a total of $5.7 billion. What I don't understand is why aren't they using it this year? Why didn't they obligate it this year?

When I look at the problems of women who get jobs that are on weekends or at night and the lack of day-care available in those areas and the lack of infant day-care that's available and the lack of accountability in the States for the kinship care programs that they've developed, I mean there are so many ways to have spent that money constructively, both to expand options and slots and to do better oversight that it is distressing to me.

Mrs. TAUSCHER. I agree with you.

Chairman JOHNSON of Connecticut. Thank you for the ideas that you've all brought forward. In Connecticut, frankly, we really have spent all our money. We have zeros in both columns.

Mrs. TAUSCHER. Well, if I could just respond. I think——

Chairman JOHNSON of Connecticut. We are a smaller State with a much more integrated system.

Mrs. TAUSCHER. One of the reasons why we're happy to have a new Governor is that we had some very significant shortfalls in planning for our child care problems and programs in the State of California. For example, one of the first things that was cut when Governor Wilson arrived 8 years ago in Sacramento was the money to go inspect day-care centers throughout the State of California. And if you care at all about peace of mind and a parent believing that we have State laws that say that we're meant to be visiting day-care centers and we're supposed to be checking not only the safety and quality issues but ratios and cleanliness, those inspections—that budget was drastically cut.

And I think that you're right. We need to make sure that the States are accountable. I believe that we should not create any kind of Federal bureaucracy for this, but that is why the Model States portion of this bill is important. It takes 17 of the 50 States and says, "You've got good programs. You seem to be spending your money wisely. You seem to be accountable." Let's give flexibility and grants both through the CCDBG and other opportunities to States so that they can rise themselves up and make choices, spend their money better, be more accountable and deliver the things to their constituents.

Chairman JOHNSON of Connecticut. And do you make those 14 States——

Mrs. TAUSCHER. Seventeen.

Chairman JOHNSON of Connecticut. Do you make those 17 States the measure for others?

Mrs. TAUSCHER. Right. They're model States.

Chairman JOHNSON of Connecticut. By "model," that's generally a flexible term? That they are models and the States can use this money?

Mrs. TAUSCHER. Right.

Chairman JOHNSON of Connecticut. If they have a better idea for quality, I suppose they're free to use the money that way?

Mrs. TAUSCHER. Exactly. I mean I think this clearly is about having people do what they're meant to be doing, enforcing the laws they have on the books, spending money in an accountable way and in a good investment way, and delivering the services to the constituents. I believe that it is important for us in the Federal Government to recognize this is a problem, to lay out the opportunities, to provide matching funds, but to do it in a way that is once again in the context of a balanced budget.

Chairman JOHNSON of Connecticut. I think the goal of this hearing really is to try to find what the problem is. How serious is the problem? And where are the barriers? In visiting not only providers but job training programs and so on in my district, the answers we're getting are surprising and totally contradictory.

Mr. Cardin.

Mr. CARDIN. Thank you, Madam Chair. And I really do think both of my colleagues for their leadership in this area, but also coming forward with some workable recommendations, some changes in Federal policy to deal with the problems that we are confronting in a changing community. Our work force is changing. Our families are changing. And the programs need to be modernized in order to deal with the realities of the current frustrations and difficulties that are faced by American families.

I just really want to throw out and if you have comments, I'll be glad to listen, I'm not so sure we should be looking at a State and saying just because they have a positive balance on their TANF funds, they haven't done everything they should be doing. I would be curious as to compare those States that have a balance of funds with those that do not as to how well they're meeting the child care needs. I don't think they'll be a direct relationship. And the reason, quite frankly, is that we've had Federal programs to help the States on child care and States are using those funds, some more efficiently than others, using the program and are meeting with some success. But there is need for greater resources.

TANF was always meant to be flexible to the States, this new concept, but wasn't meant to be the bank for day-care expenses. It had a broader objective to deal with getting people off of welfare to work. We have lots of people who aren't on welfare that aren't able to meet their day-care needs, their child care needs, and if we start taking TANF money in order to deal with those problems, what happens when we start really coming up against the more difficult clientele that are currently on cash assistance or if the economy starts to slow down a little bit, it becomes more difficult. So just because a State has reserved 1.5 months on the average benefits or TANF, I'm not sure that that's a sign that the State hasn't used all of its resources to deal with this problem.

Mrs. MALONEY. I think the gentleman is absolutely correct. The TANF funds should stay where they are because the 5-year limit has not been met yet and when it is met, there will be more and more women who will have to go to work or be out on the street basically and we will need those funds for that.

And also child care is a problem not just for welfare recipients, but for everyone. It's a problem for me. It's a problem for absolutely every working man and woman to find affordable, available, quality child care. And instead of looking at how we can scale back a national commitment, when you look and compare the efforts of the United States, we're a disgrace compared to all western industrialized countries. Most of them have a national standard and nationally-backed child care. And I can't tell you how many of my friends and people I know, I can't tell you how many days myself, I face the crunch of not having a drop off center or some place I can take my child without taking her to work with me. Fortunately, I can take my child to work. Most women cannot. If their provider is not there or if there's something not there, they could lose their jobs because there's no place to take that child. So we need many options: drop off centers, more spaces.

In New York City, we're not even talking about welfare recipients. We're talking about working, moderate-, low-income women and men and there are 61,000 families looking for the slot to pay their money to provide the child care for their child.

And so I certainly join Mr. Cardin's comments in that this is not a time to be retreating, but looking at new ways that we can be more supportive and put more reality behind our rhetoric in support of working men and women.

Chairman JOHNSON of Connecticut. I would like to just comment to the rest of the Committee that we do have quite a few witnesses that have quite substantial testimony. And since we do get time to talk to our colleagues at other times, I would urge——

Mr. CARDIN. I'll yield back the balance of my time.

Chairman JOHNSON of Connecticut [continuing]. You to keep your questions short. And possibly defer them to other times. Mr. Watkins?

Mr. WATKINS. Thank you, Madam Chair. I've about lost my voice. I have three grandchildren and we had a big snow in Oklahoma. And Papa was out helping build a snowman, so I'll be very short in my comments.

You said 15 States or something like that——

Mrs. TAUSCHER. Seventeen.

Mr. WATKINS [continuing]. A while ago. How many States are giving tax cuts? They have surpluses in their TANF, but they're giving tax cuts and not using them where they have some responsibility? I think they have responsibility of providing a lot of the State care, not just the Federal Government. And I see some of them are giving tremendous tax cuts. I know a number of States don't exactly follow what Oklahoma has done, but have transferred some money into child care. I know there are other needs along the way also. And that's one of the beautiful things about a lot of the things helping some of the programs or working some—a great benefit that should give us some flexibility.

And I'll be moving to try to do some things to provide greater flexibility to the States, it's not just necessary for them to be giving tax cuts back. Many of us do a lot up here to try to help out back home with those States and I think our State Governors need to be looking at how to utilize that money as wisely as they can and the savings they have as wisely as they can. So I will be working on trying to with that surplus money be able to provide greater opportunities. The child care—I have a lot of working mothers that need additional help, not just with child care but the Displaced Homemakers Program is not being funded by this administration. I think Displaced Homemakers is very much of a place—it should fit somewhere here to help the mothers be trained in something that would allow them to have a job.

I have to say I try to understand New York, but I grew up in a little town of less than 200 people. Everyone in town knew everyone else and everyone took care of everybody else. And that's a way of life that I think that a lot of people have never experienced. And I think we did a disservice after World War II, everybody going into the big cities. But it's a way of life that I think we find out there, that our mothers and fathers are able to have jobs and stay there and work, that is one of the greatest things we have, those jobs.

So I appreciate listening and hearing what you're saying. So, Madam Chair, I don't have an additional question at this time at all.

Chairman JOHNSON of Connecticut. Thank you.

Mr. WATKINS. Just know we've got to do some things a little different.

Chairman JOHNSON of Connecticut. Thank you. Mr. Foley.

Mr. FOLEY. Yes, I don't want to get into a "My Governor is better than yours," or "Thank God we got a good Governor," Congresswoman Tauscher. But I will tell you Florida had a great Governor, Lawton Chiles, and his advocacy was for children, for day-care and other things. And Florida has an unobligated balance of $252.9 million. CBO estimates by the year 2003, we will have $24.4 billion of unspent dollars in these programs.

Mrs. TAUSCHER. In TANF.

Mr. FOLEY. But we gave the flexibility to the States through TANF to use money for child care. So I'm not so certain we all should be sitting up here trying to demand more resources. We should get the States to pay some attention to the funding formulas and implement the policies. I don't think the Federal Government can sit here throwing money in the wind and praying somehow that some day these Governors wake up because our examples in Florida would contradict yours, if you will, negative perception of Pete Wilson.

Mrs. TAUSCHER. Well, this shouldn't be about Pete Wilson, Lawton Chiles, or Jeb Bush. This should be about the fact that working American families shouldn't have to choose between their two most precious values: Work and family. And you cannot dispute the fact that we have a major supply and demand problem in child care. Once you get pass the supply and demand problem, you have an affordability, availability, and a quality problem. So these are the problems.

Now if there are resources in TANF in States around and people have surpluses, that's just great. I think that we should do as much as we can to work cooperatively with the States to have them be accountable and responsible. But at the same time, we cannot turn our backs on American working families and say not us, put it off to them because we have as much of a responsibility to make sure that there are quality programs, and that money is spent, and that we use the bully pulpit of the Federal Government to talk about what is necessary for American working families to be successful. There are a lot of programs, Mr. Watkins, in your communities like there are in my communities. I grew up in a small town too, but that was 47 years ago with all due respect. And I can't go back. I can't go back.

Chairman JOHNSON of Connecticut. Thank you.

Mrs. TAUSCHER. And I don't want to go back.

Chairman JOHNSON of Connecticut. Thank you. We do want to move on to Mr. Stark, please?

Mr. STARK. Well, just to follow-up to Mr. Foley's observation and to make note of the Chair's comment about California. The California money is, that billion and a half is all obligated. We devolve or "devolute," or whatever the hell you call it, the money from the State on to the counties. And so technically when the State turns the money on down the pipeline to the counties who run in our State, the social welfare programs. That money is obligated. And the unobligated or the unspent, there's an awful lot of checks. It's like the old House bank. You don't remember that, but where our checks don't always catch up with our paycheck as quickly as they might have. So I think a lot of the States have committed this money beyond what the numbers would show.

But, second, I do agree and it's the one thing that you will hear me suggest, for just the reasons you raise, to our administration, you're going to have to reauthorize this in 2002, that's 3 years. And if we don't know, and I think both Ellen and Carolyn would agree with me, if New York and California and Florida can't come back and show us what they've done with this money, you go right ahead and don't give it back to California. But in seeing that, we then have to tell the States or ask the States to tell us, either way, what are you going to do? Give us something to measure your results by. I'm not suggesting—Florida may want to do something different from California, from New York, that's OK. But I think then we ought to have something so that you and I and Wes, the chairwoman, can sit down and say, "Wait a minute." And I hate to keep this bringing this up again. We're right up against that now in Head Start. And I'm not so sure that Goodling doesn't have the better side of the argument. I don't agree with him, but he's saying, "Prove to me what Head Start has done?"

Mr. FOLEY. Would the gentleman yield?

Chairman JOHNSON of Connecticut. I really appreciate——

Mr. STARK. So I'm done. I mean that's my point.

Chairman JOHNSON of Connecticut. I appreciate the concern of the gentleman from California about quality, but I do urge you——

Mr. STARK. No, I'm just saying results, even ACCESS, Madam Chairman.

Chairman JOHNSON of Connecticut. Please question those before us so that we can move on because we have so many others to speak. Let's see now I've got——

Mr. STARK. That would go for ACCESS as well.

Chairman JOHNSON of Connecticut. Thank you. Yes, fine. Mr. McCrery.

Mr. McCRERY. Ms. Tauscher, in your bill, would you enumerate for us the provisions that get to the supply side of the problem? You said there's a demand and supply problem?

Mrs. TAUSCHER. Sure.

Mr. McCRERY. What provisions get to the supply problem?

Mrs. TAUSCHER. Tax incentives specifically for businesses to—there are both tax incentives and flexible matching grants to create for small business, for example, consortia of no less than five businesses to buy slots in day-care centers, to build a day-care center, to be partners in a day-care center, to go to the local AME church and acquire part of their program so that they could offer that as incentives to the employees that they're attempting to hire.

As you so well know, small business have a very, very difficult time recruiting and retaining employees. In California, the big game is to give stock options, but they're only worth the paper that they're printed on. And it's very difficult to compete against large companies that are offering their own beautiful day-care center or slot. So this would be a way to do that. It also provides the opportunity to work with Kiddie Mac as part of it to create the opportunity to build.

So this is a very comprehensive bill. What it attempts to do is be flexible and creative, to use existing State and local community, public and private partnerships, to leverage on what already exists, not to create a big Federal bureaucracy, not to create new programs specifically, but to make investments for things that are working, that have quality and affordability.

Chairman JOHNSON of Connecticut. Thank you. Mr. Coyne. Excuse me, Mr. McCrery.

Mr. McCRERY. I beg your pardon?

Chairman JOHNSON of Connecticut. Excuse me, sorry.

Mr. McCRERY. Ms. Maloney, do you have a cost estimate for the Kiddie Mac proposal?

Mrs. MALONEY. Yes, I do and I would like to put an article that was in The Washington Post about Kiddie Mac into the record. The original startup cost is $20 million. But that is your only cost. Much as we had startup costs for Fannie Mae and Freddie Mac. After that, the premiums go in, the interest goes in and it's a self-revolving loan and it's one central place where if you are welfare mother who wants to open up a day-care center in your home or say you're some captain of industry who says, "Gee, I would like to do this but I really don't know how to do it, and I don't want to get in trouble in any way," it's a unit you can go to that would help put the thing together and help you meet your State standards.

Mr. McCRERY. So over 5 years, you think the total costs are less than $100 million?

Mrs. MALONEY. There would be no other taxpayer moneys going in.

Mr. McCRERY. So it would be less than $50 million?

Mrs. MALONEY. Just the $20 million.

Mr. McCRERY. OK, good.

Mrs. MALONEY. It's $20 million period. That's it.

Mr. McCRERY. OK.

Mrs. MALONEY. Twenty million dollars period.

Mr. McCRERY. Great. Ms. Tauscher, in California have the welfare rolls been reduced since 1994?

Mrs. TAUSCHER. Yes.

Mr. McCRERY. Do you know by how much?

Mrs. TAUSCHER. No, I can tell you in my county and in Mr. Stark's county, they have been significantly reduced in Contra Costa County.

Mr. McCRERY. The average per State is 43 percent since 1994. And you also may recall that we gave the States the option to choose the most favorable formula for funding. They could choose 1994, 1995, or the average of their rolls between 1992 and 1994.

Mrs. TAUSCHER. Right.

Mr. McCRERY. So I think it's safe to say that each State probably chose the formula that was most advantageous.

Mrs. TAUSCHER. Right.

Mr. McCRERY. Giving them probably more money than they needed to satisfy their rolls when welfare reform was passed. We also gave them the flexibility to use that money, 30 percent of the total, to use for child care or a number of other needs, State by State. So while I agree with you that there is probably a supply problem, and I commend you for trying to give us some innovative ways to get at that problem, I really question the need for the Federal Government at this time to plow in $20 billion more over 5 years to get at something that I think the States have the wherewithal under the existing TANF block grant to do.

So I appreciate you both bringing your concerns and your solutions to our Committee and I promise you we'll take a look at them, but I have to say I have my doubts as to the need for the money.

Mrs. TAUSCHER. Well, let me just remind you. This is not about TANF. And this is not about Welfare to Work. This is about low-income working families and middle-income working families. We essentially have done as best we can to provide through the Welfare to Work 1996 bill, and to work with the States to attack the problem of Welfare to Work. We have a great problem with low-income families and middle-income families.

Mr. McCRERY. Well, perhaps we should give the States even more flexibility to use those moneys?

Mrs. TAUSCHER. That's what this bill attempts to do.

Mr. McCRERY. Well, you add a big cost though.

Chairman JOHNSON of Connecticut. For the record, let me just clarify that under TANF, the States do have the right to transfer up to 30 percent of their TANF day-care dollars into the Child Care and Development Block G which has the right to provide vouchers for low-income families. They have so far chosen to transfer only 4 percent. They are also using only 2 percent of their TANF dollars for direct day-care spending and while they could have transferred 10 percent to the Social Services Block Grant, which is the other day-care option, they've only transferred 7 percent. So I think it is important to try to look at the facts here of what the States' needs are and what their resources are.

And I do want to put squarely on the record because my colleague from New York used the term "scaled back," there is absolutely no intent to scale back the resources. In this Committee, I and several from this Committee have signed letters to the leadership, have long ago written, including Clay Shaw, who formerly chaired this Committee, how strongly we oppose any reduction by the Senate or the House in TANF funding. The real issue is having to put more money out there for day-care and family support programs than we have ever put in this Nation's history and with pretty clear evidence that it's not all being used, we need to ask are the needs of people coming off welfare and low-income families being met? And what are the real barriers? And if more money is needed, where is it to come from and how is it to be funded?

Mr. Coyne.

OK. Thank you very much. We appreciate your being with us and all your ideas.

Mrs. TAUSCHER. Thank you.

Mrs. MALONEY. Thank you.

Chairman JOHNSON of Connecticut. And now I would like to call forward Hon. Olivia Golden, Assistant Secretary for the administration for Children and Families in the Department of Health and Human Services. Welcome, Secretary Golden. You may proceed? Your entire statement will be inserted in the record, and you may make any remarks that you care to make and then we'll proceed to questions.

STATEMENT OF HON. OLIVIA A. GOLDEN, ASSISTANT SECRETARY, ADMINISTRATION FOR CHILDREN AND FAMILIES, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. GOLDEN. Thank you. Madam Chairman and Members of the Subcommittee, I'm delighted to appear before you today to talk about one of the administration's highest priorities: Child care. In particular, as many of you have said, we believe it is time to focus on the child care needs of low-income working families who are struggling to hold on to their jobs and care for their children. Parents tell us, as 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.

In my oral testimony, I would like to focus on the huge need for affordable care for working families, with a brief summary of the administration's proposal. My written testimony provides more detail on the importance of care that is healthy, safe, and of high-quality, as Mr. Stark has emphasized, and on the President's initiative to provide affordable child care for working families.

An enormous and growing number of children spend time every day in child care. This fact is 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. For many of these working families the cost of child care is a crushing 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.

Today, the primary source of help for low-income families who cannot afford child care is the Child Care and Development Block

G or CCDBG. However, it is reaching far too few families. Nationally, there are approximately 10 million children eligible for assistance under CCDBG, but only about one and a quarter million of these children received help from these funds in 1997.

Low-income families miss out on CCDBG assistance for two main reasons. Forced into a tradeoff between scarce dollars and enormous need, many States have chosen to focus on families on welfare, families leaving welfare, and families at the very lowest income levels—leaving out parents who are struggling to hold on to a modest job without turning to welfare for help. State child care plans 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 16 States provide assistance to working families of three earning over $27,000. Second, even with these eligibility restrictions, States are unable to meet the enormous demand for child care. States across the country report extensive waiting lists and unmet needs. In California, for example, waiting lists are estimated to total between 100,000 and 200,000 slots.

States cannot meet this huge demand for child care without a major Federal investment, one that is large enough to make a dent in meeting the needs of working families by being dedicated to child care and reliably available over time. Currently, States have obligated fully 100 percent of the funds available to them through the CCDBG, including the appropriation of $1.6 billion in State money, maintenance of effort, and matching funds.

While States have the authority to transfer Temporary Assistance for Needy Families funds to CCDBG as well, as has been discussed here, and about 28 States did so in 1998, States are not in a position to solve the child care needs of the working poor by trading off dollars that may well be critical to meeting the intensive needs of families remaining on welfare. In fact, 17 States have already committed every penny of their TANF dollars for fiscal year 1997 and 1998, while others are reserving some of their TANF resources for rainy day funds to protect themselves from possible future downturns. Given the importance of stable child care, it doesn't make sense to ask States to use potentially unstable funding sources to provide for child care.

The President's child care initiative addresses these issues 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, and other proven approaches to make sure that our youngest and most vulnerable children are healthy and safe, while offering them the opportunity to learn and develop.

The President's initiative 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, his initiative also provides new tax relief for parents who stay home with children under age one.

In closing, I would like to express my gratitude to this Committee, to you, Mrs. Johnson, to Mr. Cardin and others here, for your leadership on this critical issue. I am convinced that with our mutual commitment, we can make a difference to the millions of families who are struggling to find and pay for decent care for their children and hold on to their jobs. We cannot ignore child care as both a support to the current work force and a crucial component in the development of a school ready, work ready new generation. The President's initiative makes an investment for the future, an investment which supports the economy, families, and most important, our children.

Thank you, and I would be happy to answer questions.

[The prepared statement follows:]

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 regularly 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.

Chairman JOHNSON of Connecticut. Thank you. It seems to me, Ms. Golden, that the President's initiative focuses mostly on low-income working families, is that correct?

Ms. GOLDEN. It focuses on low and moderate working families primarily. The subsidy portion of the proposal would be most useful to families, for example, earning in the teens and $20,000 range, the tax credit for moderate income working families earning a bit more than that, and with the Early Learning Fund, communities will be able to use resources to improve the quality of care, sort of like North Carolina Smart Start, a focus on low-income communities, but it will make a difference more broadly.

Chairman JOHNSON of Connecticut. Is there any impediment to States using Child Care Block Grant funds now to encourage after school care programs?

Ms. GOLDEN. The basic impediment right now is the enormous demand and the scarce resources. Seventeen States including Connecticut, California, and Texas, have committed every penny of their TANF dollars and every State has committed 100 percent of their child care dollars, and still, States have large waiting lists. Also, parents and employers are still telling us about the unacceptable choices. So, the biggest impediment right now is the scarcity of resources.

Chairman JOHNSON of Connecticut. And what about in the other States, the majority of the States that haven't spent all their TANF dollars, do you see them transferring their money to the Block Grant which is very flexible in terms of supporting working families?

Ms. GOLDEN. About 28 States in total have transferred dollars and, as I noted, all the States have spent all their child care dollars.

Chairman JOHNSON of Connecticut. But they have not transferred the maximum dollars that they could have transferred from TANF to——

Ms. GOLDEN. States are facing enormous tradeoffs and they can't meet the huge needs of working families for stable child care at the expense of the success of welfare reform. And I think there are two particularly big issues here, one is the issue which I think several people on the panel mentioned, which, is that when Congress developed the welfare reform legislation, one of the things that legislation did was enable States to hold on to dollars for a rainy day, since, the Block Grant wouldn't go up if the economy changed. And many States are making the choice that it would be prudent to reserve some resources. The other issue is I think, that forcing those States to try to pay for child care for working families in a situation where if something went bad, you might have to pull those dollars back and a family would lose the child care.

Chairman JOHNSON of Connecticut. I certainly appreciate that argument, but it really avoids the fact that the majority of the States have not drawn down all their money nor have they set it aside for a rainy day. So there is a lot of money out there. And I think we really have to understand not only is the money out there, but it legally can be moved into the very vehicles that can reach the working families. Now I'm concerned as you are, but when I go back into the neighborhoods, I am finding an odd decrease in the demand for day-care subsidies in certain areas. People are choosing neighbors. The way we've structured this grant, you can only get the subsidy if you have a licensed provider. Well, that's the way it's boiling out in some States.

Ms. GOLDEN. In Connecticut, really?

Chairman JOHNSON of Connecticut. And so this is the kind of thing I want to get at. I hear your generic argument. The facts simply, as CBO will spell them out, raise a lot of concern about whether money is the problem or other barriers are preventing it from getting out to the people who need the day-care subsidies.

But I do want to ask you specifically that apparently in your proposal there are three new set asides in the Child Care Development Block Grant. And we will hear later from the commissioner of the Virginia Department of Social Services that this kind of set aside hinders his flexibility and will actually make it harder for him, not easier for him, to address the needs that he sees in his State. Do you have a comment on that?

Ms. GOLDEN. Yes, let me talk a little bit about the flexibility of our approach which, as you know, builds on the Child Care and Development Block G, which is I think a proud bipartisan achievement in part because of its flexibility, as well as building on the accomplishment in the welfare legislation. I think, Madam Chair, as you noted in your opening statement, consolidating multiple funding streams into one was a very important accomplishment of the welfare reform legislation. And what the administration is proposing here is to invest additional dollars into that funding stream, in part because it offers flexibility to parents as well in the way you noted, they can use those dollars to subsidize care with a neighbor or in a center.

Chairman JOHNSON of Connecticut. But what are the three new set asides?

Ms. GOLDEN. I would guess you are probably referring to the Early Learning Fund, which are resources to support quality for young children. Beyond that, it's possible that it could refer to the provisions already made by the Congress. But the new part of the proposal is for the Block Grant and then for the Early Learning Fund.

[The following questions submitted by Chairman Johnson, and Hon. Olivia A. Golden responses are as follows:]

When legislation is passed by our Subcommittee and by the Full Committee, we must have an offset for any spending increases. Thus, I would like to ask you and your colleagues in the Administration how would you propose to finance the Administration's child care proposal?

Effects of Proposed Legislation

The President's budget does not include an appropriations request for FY2000. AFDC expenditure claims for the period prior to States transition to TANF have been lower than anticipated. As a result, unobligated balances remain, which are sufficient to cover expected States needs for activities through fiscal year 2000. The expected obligations of $3,216,800,000 reflects current law of $3,290,800,000 adjusted by −$74,000,000 assuming Congressional action on proposed legislation as follows:

Impact of legislative changes:

Current law obligations: $3,290,800,000

• State Child Support administrative cost savings from reducing laboratory match rate: −$9,000,000

Description: Conforming match rate for laboratory costs associated with paternity establishment with the basic match rate, (lower obligations in President's budget in FY2000 by $9 million). This change simplifies the child support funding structure, increases incentives to control costs, and still provides sufficient funds for States to achieve their goals in paternity establishment.

• Offsetting collections reduction from the elimination of hold harmless provision: −$65,000,000

Description: Eliminating the provision in statute which holds States harmless from receiving less than the FY 1995 State share of collections (increases total child support collections retained by the Federal government). Assuming Congressional action on this proposal lowers spending authority from $419,000,000 to $345,000,000.

• Reinstatement of mandatory review of orders: $0

Description: Reinstating, beginning in FY2001, the pre-welfare reform policy of mandatory review and adjustment of child support orders for families receiving cash assistance. Under welfare reform, periodic review of child support orders are no longer required. This change will likely help families and/or reduce reliance on food stamps, medical, emergency or other public benefits. In order to eliminate conflicts with problems related to Year 2000 computer compliance, this proposal will start in FY2001, and the five year savings will be approximately $160 million.

Proposed Law Obligations: $3,216,800,000

The budget will seek legislation to require the Department of Health and Human Services to match data from the National Directory of New Hires against the Department of Education's delinquent debtor database. Education would be required to use this information to improve debt collection from delinquent borrowers in default on Federal student loans. Education would fully reimburse HHS costs.

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Effects of Legislation

The President's Budget for FY2000 includes current law levels adjusted by −$83,440,000 assuming Congressional action on proposed legislation as follows:

Current law: $17,087,335,000

• The budget proposes to freeze the Supplemental Grants for Population Increases at the FY 1999 level. In FY 2000, seventeen States are eligible for this grant based on population growth and/or State welfare spending per low-income person.

Adjustment: −$83,440,000

• Under current law, in FY 2000, States may transfer up to 10 percent of TANF Funds to the SSBG program, and in FY 2001, the transfer cap is reduced to 4.25 percent. The budget proposes to reduce the transfer cap amount to 4.25 percent beginning in FY 2000, rather than FY 2001.

Total, appropriation request in President's budget: $17,003,895,000

Continency Fund for State Welfare Programs—Justification

[Obligations]

FY 1998 Actual	FY 1999 Appropriations	FY 2000 Estimate	Increase Or Decrease
$2,102,000	$0	$11,000,000	+$11,000,000

GENERAL STATEMENT

Title I of P.L. 104–193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) establishes a "Contingency Fund for State Welfare Programs" to assist those states which, due to economic hardships, need additional funds above their basic TANF grant to allow them to provide assistance to all needy families in the state. For FYs 1997–2001 the total appropriation for this account cannot exceed $1,960,000,000.

Effects of Legislation

The President's Budget proposes legislation to replace the current Contingency Fund authority contained in Sec. 403(b) of PRWORA with a new uncapped fund that could more effectively respond to State needs.

Current law, unobligated balance, start of year: $1,957,898,000

Proposed law, unobligated balance rescinded: −$1,643,898,000

Expected obligations to meet state needs, FY 2000–2004: $314,000,000

Chairman JOHNSON of Connecticut. Well, I think it is important that your proposal is perceived as reducing the flexibility of States rather than maintaining the flexibility. And that would be a point of real concern to us.

Let me just inquire, are we voting? Mr. Watkins, how much time do we have? About 8 minutes. Well, then why don't you proceed, Mr. Watkins and Mr. Coyne.

Mr. WATKINS. I've just got a quick observation, comment. A while ago, a couple of my colleagues were here and they kind of missed the point I was trying to make. I represent a rural area. Most of the people have to travel quite a distance to work. However, that doesn't mean there's any less need in a rural area. And I would like to see if I can get a breakdown on percentage of dollars being utilized in the rural areas compared to the urban?

One of the things that Chairman Johnson and I have a keen interest in, are enterprise communities. I would like to look at the transferring of money to enterprise communities that are in desperate need because they are a priority as far as the economic conditions. And I would like to see what we could do about trying to get some of that TANF money moved into either child care or maybe moved on into the enterprise communities also?

Ms. GOLDEN. Let me just note, Mr. Watkins, that both of those issues I think are related to what Mrs. Johnson and others have talked about in terms of the need States have for their TANF funds. I agree with you completely that transportation is an enormous need. And a number of the States that are showing uncommitted dollars are telling us that their State legislatures right now are deliberating over putting those dollars into transportation for just the reason you cite.

Mr. WATKINS. I'm not just saying transportation needs, I'm talking about there is a time period from going from a small rural community to an urban area, to work and then coming back, there's a time period there even of taking care of children in those rural areas while the parents are off working. It's not just transportation.

Ms. GOLDEN. No, I think that's absolutely right. At least the way I think about that in terms of what I hear when I travel to States is that those rural communities both are going to need more TANF funds and their child care needs are particularly acute. So they're caught in this pinch that to meet child care needs of low-income working families, you would have to trade them off against these really urgent TANF needs. And I have the sense when I travel to rural areas that those needs are very real and very urgent for the reasons that you describe.

Mr. WATKINS. I yield back my time, Madam Chairman.

Chairman JOHNSON OF CONNECTICUT. OK. Mr. Coyne.

Mr. COYNE. Thank you, Madam Chairman. I wonder if you would describe how the Administration's proposal improves the quality of child care?

Ms. GOLDEN. That is a really important issue and I really appreciate your raising it since, as my written testimony lays out in more detail, we know that quality matters enormously, especially for young children in terms of their ability to be healthy and safe and to reach school ready to learn.

The administration's proposal commits $3 billion over 5 years to an Early Learning Fund, which would be resources that would go to States and they would pass them on to communities. It would be built on some of the kinds of approaches that some of the States have been able to do in a modest experimental way. Those dollars could go into proven approaches to making sure that care for very young children is healthy and safe and good for them. For example, a State might work with people who care for children in their homes to make sure they have books and the children aren't watching TV all day, to make sure they have training, to make sure they have safe equipment.

They might put dollars into training providers. Florida has a wonderful study showing that when you put the commitment into training providers and having better ratios, you can see the improvements in children's cognitive abilities and their readiness for school. So that's the kind of thing that those dollars would do.

Mr. COYNE. Is there any part of the proposal that addresses itself to safer child care?

Ms. GOLDEN. Well, the Early Learning Fund does in part because among the ways that communities could use the resources would be for health and safety. Just one example that comes to mind is that sometimes people who care for children in their homes don't have safe highchairs and other kinds of basic equipment and you need to fix those problems.

There are other ways of focusing on safety as well. The Administration proposed, and I believe it passed last year, legislation that will enable States to go to the FBI to do better checks of criminal records of providers. So that's an available tool for States as well. But I think the most important thing is investing in the training, in the quality of providers, and in the equipment and books, and so forth.

Mr. COYNE. Thank you.

Ms. GOLDEN. Thank you.

Mr. MCCRERY [presiding]. Secretary Golden, I've looked at the Administration proposal. I've added up the numbers. Is it about $22 billion or so that the Administration proposes to spend over the next 5 years?

Ms. GOLDEN. Over 5 years.

Mr. MCCRERY. And could you share with us the details of how you pay for that?

Ms. GOLDEN. The whole administration budget is paid for so this is in the context of a balanced budget. We didn't identify specific offsets that paid for specific pieces of the budget.

Mr. MCCRERY. Well, in your whole budget, do you utilize some of the payroll tax receipts for Social Security over the next year to pay for this and other new spending items?

Ms. GOLDEN. I don't think I can be specific about the entire array of saving steps that are in the Administration's budget proposal, but it's a range of saving steps of all kinds, so that the budget is paid for without entering into the surplus.

Mr. MCCRERY. Are there some tax increases that would help pay for these provisions?

Ms. GOLDEN. Well, I do have someone with me from Treasury if you need specific discussion of the tax provisions in the proposal.

Mr. MCCRERY. I think you were here when I questioned our two colleagues earlier, and I have not yet heard anything from you in your testimony or responses to questions that convinces me that in light of the $24 billion that CBO estimates States will have in excess for their welfare needs over the next 5 years that we need to put on top of that any more money. Why shouldn't we expect the States to utilize that money for child care and other needs of getting their low-income people the tools they need to stay in the workplace?

Ms. GOLDEN. Let me say a little bit both about that number and what our concerns about the number are, but also why I don't think it makes sense to ask States to meet the enormous needs of working families by trading off dollars that are needed for welfare families.

Mr. MCCRERY. What do you mean by—if they're not using the money now for welfare families, what's the tradeoff?

Ms. GOLDEN. I think the tradeoffs are several. First of all, in many of those cases, States are reserving dollars for rainy day funds and those show up as unobligated dollars. States have committed about 90 percent of the dollars that they've had so far, about 10 percent total across the country are being reserved, and 17 States have committed every penny of their dollars.

Mr. MCCRERY. But they have committed those dollars, but do we know how much of those dollars that they have committed to child care and other needs? There's been no testimony here today as to the percentage of their funds that those States who have obligated all of their funds, not spent them, just obligated them, have set aside for child care, for example.

Ms. GOLDEN. States have committed those dollars for cash benefits, for employment and training, for intensive services for families, for child care and for transportation. There's a wide array of commitments that they're making. Some of the money that they haven't yet committed, is for rainy day funds. Because that shows up as not yet committed; you can't tell it from the other unobligated. In addition, I expect increased commitments over the coming months and years because as we get closer to the 5-year time limit, those families now on the caseload are the ones with more intensive needs. So States around the country are looking at substance abuse treatment needs, and at transportation.

Mr. MCCRERY. Excuse me?

Ms. GOLDEN. Sure?

Mr. MCCRERY. I've got to go vote and if I could, let me just recess very quickly. And one of us will be back in just a moment. And if I get back in time, I would love to pursue this questioning a little bit more. Thank you.

Ms. GOLDEN. Thanks.

Mr. MCCRERY. The Committee stands in recess.

[Recess.]

Chairman JOHNSON of Connecticut [presiding]. There is another vote, but there are 15 minutes in between the votes. So Jim and I came back and I'm going to recognize Mr. McCrery to continue his questioning?

Mr. MCCRERY. Thank you, Madam Chair. Secretary Golden, we were talking about the costs of your proposals over the next 5 years and how they're paid for and didn't get too many details on how they're paid for. And then I expressed concern that we're throwing new dollars at a perceived problem when there are existing dollars that could be used to solve those problems if and to the extent that they do exist. The States have had on average a 43-percent reduction in their welfare rolls since 1994. As you know, the funding formula for 5 years for each State was based on the most favorable formula, giving three options to the States. So just thinking about it in common-sense terms, doesn't it seem to you that the States have a lot of money, a lot of extra money that they could use for innovative approaches to transportation, to get people to work and back, for child care, a number of things that we perhaps didn't traditionally do in trying to get people from welfare to work and keep them at work? Just intuitively, doesn't it just make sense that the States have a lot of money there to use for these purposes?

Ms. GOLDEN. I believe that if States commit all the TANF money they've got, which 17 of them have, and a whole set of others are in the process of working on this legislative session, then they have enough dollars to make welfare reform succeed. What they don't have is the dollars to meet the needs of the working poor families on child care.

Mr. MCCRERY. So that's part of the problem. That's part of the problem, Madam Secretary, part of the problem. Welfare reform was intended to look at not just those currently on welfare, but those leaving welfare and going to work, those who were likely to leave work and go to welfare. It was a way to get the States the means by which they could use innovative approaches to solving the welfare problem in toto, not just the current rolls but certainly a 43-percent reduction in the rolls indicates that they got a lot of money left over to use for low-income families that were not on welfare at the time and we hope will not return to welfare, if they were ever on welfare.

I just challenge you to show me that there's insufficient funds coming from the Federal Government right now and over the next 5 years to address this problem, if there is a problem. And I've heard no data yet today except the anecdotal evidence from New York about the waiting list to say that there is a problem. We're going to hear from the Urban Institute later and they did a study back in 1990, which was a long time ago, and I hope maybe they've got some updated information, but that study indicated that 96 percent of those surveyed, parents that were surveyed across the Nation, were satisfied with their day-care.

I hope in this hearing we can finally get some hard data to prove that there is a problem, what the extent of the problem is, how much it costs, and why there's this necessity for this huge infusion of new money when we thought, when we passed welfare reform and agreed to give the Governors such a generous funding formulas, that these things were going to be solved?

Ms. GOLDEN. My written testimony is full of that data. Let me summarize as much as I can of it really quickly now. We're serving about 1 in 10 of the eligible families under the Child Care and Development Block G. States all over the country have enormous waiting lists. We've talked about 200,000 in California.

Mr. MCCRERY. But that doesn't mean they don't have day-care.

Ms. GOLDEN. Yes, it means that sometimes parents have had to leave a job because they don't have child care. Sometimes they've left a child alone. Sometimes they've taken an older child out of school to care for an infant.

The CBO dollars we think are not the right ones to use to look at available dollars. They're about money actually spent, not about dollars committed. So the commitments that States have made in order to do TANF, they can't pull away in order to meet child care needs. In addition, we expect much greater State spending than CBO has estimated because we think that States want welfare reform to succeed. As they get closer to the 5-year time limit, they're going to be making those investments in transportation, in substance abuse, in employment and training.

The aim of welfare reform was to meet the needs of welfare families. There's an enormous separate continuing need that working families have for child care which enables them to keep their jobs. We can't put States in the position of having to undercut the success of welfare reform or undercut prudent rainy day funds, pull dollars away to meet the child care needs of working families and then find themselves having to pull back those dollars if in a few months they need them over on the welfare side. There's a lot of other State-by-State data, again, not only on waiting lists, but on the choices States have had to make about what income levels to support. In many cases, a family making as little as $20,000 or $22,000 a year, facing costs of $4,000 or $6,000 or $8,000 a year for child care, doesn't have any access to support those costs.

Mr. MCCRERY. Well, Madam Secretary, I'm anxious to look at all the data that's in your testimony. But the waiting lists are a very poor indicator of the need. I have two children. We were on a couple of waiting lists because we preferred another provider. But that doesn't mean we were without day-care. We had our children in a day-care center. We were satisfied but we thought the other one was closer to home and it was more convenient so we would rather be in that one. Waiting lists are a very poor indicator of the need that is out there. I don't think you can translate——

Ms. GOLDEN. Based on what we hear from the States, the waiting lists for State subsidies tend, if anything, to often understate need because families get scared or just believe it's impossible. They hear 2 years. I heard that the last time I was in Georgia.

Mr. MCCRERY. So you are defending that those waiting list numbers are not only illustrative of the problem but they understate the problem?

Ms. GOLDEN. Yes, we're only serving a million and a quarter of 10 million children who are eligible. So we have enormous needs.

Mr. MCCRERY. But then you conclude from that that all those children are not getting any day-care?

Ms. GOLDEN. No, some of them are in care that's risky to their safety or health. Sometimes they're in settings where parents are choosing to tradeoff food or rent or health care in order to afford child care. There's a lot of different choices that low-income working parents have to make and sometimes it's without child care, sometimes it's child care that just makes them nervous because it's not good enough, and sometimes it's trading off other expenses. Sometimes it's having to leave a job. I hear a lot from employers, as I've been traveling around the country, who say to me that in today's job market, child care and stable child care is critical because their entry level employees often find themselves forced to leave.

Mr. MCCRERY. Thank you. Thank you, Madam Chair.

Chairman JOHNSON of Connecticut. Thank you. Secretary Golden, if other members have questions, I will encourage them to submit them in writing so that you don't have to wait through yet another vote. Thank you very much for being with us.

Ms. GOLDEN. Thank you. And thank you for the opportunity.

Chairman JOHNSON of Connecticut. I have one more question.

Ms. GOLDEN. Oh, OK.

Chairman JOHNSON OF CONNECTICUT. I think that the kind of discussion that you were having with Mr. McCrery is a very important one. It is very hard to see that the statistics indicate that money is the problem right now. I hear what you're saying. I don't think that your data yet really deals with the rest of the data. And my own anecdotal evidence indicates to me that there are some barriers down there that we're not dealing with. The one you mentioned about State eligibility requirements is a serious one. I don't know what the history of those things is.

I would have to say two things. First of all, I do have concerns with the President's proposal getting into what are clearly educational issues. As a State Senator, I worked through many a controversy at the State level about who regulates, when does day-care become education? And, generally, the Education Committee has done the after school care and the preschool education, including Head Start. So I think jurisdictionally that's something of a problem for us. But I just wondered whether in your budget, in the whole HHS budget, are you aware of any program that's being funded at a lower level next year than this year?

Ms. GOLDEN. In the President's budget proposal, yes, I think there are a variety of proposals, a variety of programs.

Chairman JOHNSON of Connecticut. In HHS?

Ms. GOLDEN. In HHS.

Chairman JOHNSON of Connecticut. I would be interested in your getting back to me about whether or not they offset the spending in this particular program?

Ms. GOLDEN. In other words, the approach that the Administration took was to offset within the entire budget rather than necessarily within each department.

Chairman JOHNSON of Connecticut. I want to look more narrowly because—

Ms. GOLDEN. OK.

Chairman JOHNSON of Connecticut [continuing]. Generically, the way the President's new spending is offset is with $80 billion in new taxes and new fees. And it would be very hard for me to go home at a time of surplus and justify $80 billion in new taxes and new fees. I think it's actually $82 billion. So I'm much more interested in—I know there always are lots and lots of micro-changes in a budget, and I'm very interested in whether or not he did recommend some changes in the Health and Human Services budget that would fund an increase in day-care spending. So if you would respond to that, have one of your experts look at that?

Ms. GOLDEN. Sure.

Chairman JOHNSON of Connecticut. I would appreciate that.

Ms. GOLDEN. I would note two things I think overall in response to those and then I will get you the specific information. I really believe that the reason that the President focused so intensely on child care as a proposal in the context of a balanced budget even though it was hard to do is really the same reasons that I think you've highlighted in your opening statement and throughout your career, which is that child care is so central because it matters both to the economy, to work and to children's well-being. And so I really believe that that's why it was so central.

Chairman JOHNSON of Connecticut. Well, I certainly do appreciate that. And there are many, many things that HHS does that are not nearly so central. There are some things that every government agency does that are downright unsuccessful. And so I'm just interested in as they went through, they weren't going through with the intent of funding this, I just want to see if you can give me some help on what cuts they did choose to make in that budget because the way our process works, you have to do these things within a budget envelope. And if we were to put more money into day-care, we're going to have to get it from somewhere, and I can tell you there are not a lot of members that are interested on either side of the aisle in going back and espousing $80 billion in tax increases.

And you may remember, actually most of the people in this room, I don't know whether they know or not, but staying within the budget agreement which the President supports would mean freezing spending and cutting $15 billion in addition. So the budget caps are extremely difficult to adhere to and not having been one who really frankly believes we should adhere to them, since both sides have decided to do that, including the Administration, I would have to say that I don't see any support on either side of the aisle for $80 billion in new taxes.

Ms. GOLDEN. We'll do that.

Chairman JOHNSON of Connecticut. So I'm more interested in the practicality of what changes in spending did they find within the HHS budget because that may give me some leeway?

Ms. GOLDEN. Thank you.

Chairman JOHNSON of Connecticut. Thank you.

After we return from this vote, we'll continue with the next panel so that you don't need to hang around. This is a 5-minute vote. So I would assume that we will reconvene in 8 to 10 minutes.

Ms. GOLDEN. Thank you.

[Recess.]

Chairman JOHNSON of Connecticut. Mr. Falk and Mr. Cullinan will join us. Thank you, gentlemen. Sorry there have been so many delays, but here we are and we should have no more delays this afternoon.

Mr. Falk, I would like you to go first. Mr. Falk is a specialist on Social Legislation, Domestic Policy Division of the Congressional Research Service. Mr. Falk.

STATEMENT OF GENE FALK, SPECIALIST IN SOCIAL LEGISLATION, DOMESTIC SOCIAL POLICY DIVISION, CONGRESSIONAL RESEARCH SERVICE, LIBRARY OF CONGRESS

Mr. FALK. Thank you, Madam Chairman, Members of the Subcommittee. It is an honor to appear here this afternoon to discuss the finances of the Child Care and Development Fund, the Temporary Assistance for Needy Families, or TANF program and the Welfare to Work program.

Though the Child Care and Development Fund specifically provides Federal funds for child care, States may also fund child care services using TANF and, to a limited degree, Welfare to Work funds. States also have the option to transfer up to 30 percent of the TANF block grant to the Child Care and Development Fund.

TANF and the Child Care and Development Fund are new programs, therefore, the available information that we have shows only early trends. To quickly summarize two points that are shown on the charts and tables that are contained in your handout, Chart 1 shows spending for the Child Care and Development Fund and TANF and compares them to their predecessor programs. Child Care and Development Fund spending has increased; most notably a 35-percent increase in outlays between fiscal year 1997 and fiscal year 1998. In contrast, expenditures in the TANF program have declined. Table 1 on the next page shows that States have used only a small part of their authority to fund child care from TANF. Direct Federal TANF expenditures were 1½ percent of the fiscal year 1998 block grant. Transfers to the Child Care and Development Fund were about 4 percent of the block grant.

I will focus the remainder of my discussion on the funds that remain in the TANF program and the Child Care and Development Fund programs that are unspent. Both programs make available fixed grants to States. However, a grant is not a transfer of cash to the States. What a grant does is permit a State to draw cash from the Federal Treasury when it is needed to pay the State for actual expenditures in its program. Essentially, a grant award is like a line of credit to the State. It establishes an amount that the State may draw from the Federal Government, but actual cash is drawn only when needed.

Table 2 summarizes TANF, Child Care and Development Fund and Welfare to Work program grants and expenditures. All three programs had unspent funds as of September 30, 1998. Unexpended TANF funds totaled over $6 billion. Almost all Welfare to Work funds remained unspent. The child care program also had some unexpended funds. However, it should be noted that having unspent grants at the end of a fiscal year is not, in itself, unusual. Each program has a different deadline for the expenditure of funds. The Child Care and Development Fund has different deadlines for the expenditure of discretionary, mandatory and matching grants. The Welfare to Work program allows 3 years for the expenditure for funds, and TANF has no deadline for the expenditure of grants.

States have obligated some of the grants that have yet to be spent. Generally, a State obligation is a commitment to spend. The definition of obligation varies from program to program. Further, what constitutes an obligation may vary from State to State. States have obligated all of their fiscal year 1998 mandatory Child Care and Development Funds. Additionally, States have obligated more than one-half of all unexpended TANF funds. Thus, the amount of TANF grants that are unexpended and unobligated total $3 billion.

In conclusion, there are three points I would like to make about unspent TANF funds. First, in passing TANF, Congress gave the States the flexibility to reserve TANF grants and accrue balances without a fiscal year limit. Congress also permitted States to use TANF directly for child care, or to transfer funds to the Child Care and Development Fund or to the Social Services block grant. States were thus given choices and faced tradeoffs between making current TANF expenditures, hedging against unexpected increases in TANF expenditures, or using TANF funds for other purposes such as child care or transfers to the Social Services block grant.

Second, there is a great deal of variation in the amount of TANF funds remaining unspent by States. Some States such as Connecticut, Illinois and Maine have spent all, or nearly all, of their TANF funds. Other States have considerable balances of unspent funds. This variation is shown in Table 3.

Third, $6 billion or $3 billion is a lot of money, but TANF is also a relatively large Federal program. In fiscal year 1998, TANF Federal expenditures were made at a rate of just under $1 billion a month. Therefore, as shown on Table 4, the total unexpended balance represents about one-half year's of Federal expenditures at the fiscal year 1998 rate. The obligated balance and the unobligated balance each represent about one-quarter year's of expenditures. Moreover, if one examines a worse-case scenario, where TANF cash benefits returned to their historic peak levels of fiscal year 1994, the unobligated balance represents only 1½ months of cash benefits.

Thank you for the opportunity to appear before the Subcommittee and I would be happy to answer any of your questions.

[The prepared statement follows:]

Statement of Gene Falk, Specialist in Social Legislation, Domestic Social Policy Division, Congressional Research Service, Library of Congress

It is an honor to be asked to appear before this subcommittee to discuss the finances of the block grant program of Temporary Assistance for Needy Families, (TANF), the Child Care and Development Fund (CCDF), and the Welfare-to-Work grant program. Though the CCDF specifically provides federal funds for child care, states and localities may also fund child care services directly from the TANF and welfare-to-work programs. Additionally, states have the option to transfer up to 30% of the TANF block grant to the CCDF.

TANF and CCDF are relatively new programs, created in the 1996 welfare reform law, and the information we have is based on only their first 2 years. The Welfare-to-Work grant program was added to TANF in the Balanced Budget Act of 1997. Therefore, the available information shows early trends in these programs.

CCDF and TANF Spending Trends

Chart 1 shows the trends in federal spending for CCDF and TANF, and compares them with spending in their predecessor programs in FY1995 and FY1996. The 1996 welfare reform law significantly increased federal funding for the programs consolidated into the CCDF. Federal outlays for CCDF did not rise significantly in FY1997 from the FY1996 level. However, in FY1998, CCDF outlays did rise, a full 35% from FY1997 levels, from $2.3 billion to $3.1 billion.

The 1996 law fixed TANF's basic block grant at $16.5 billion, an amount based on historically high expenditures made under Aid to Families with Dependent Children (AFDC) between FY1992 and FY1995. Since the spring of 1994, the welfare caseload has declined by 43%. Generally, expenditures have declined with the fall in the caseload. FY1998 federal TANF expenditures totaled $11 billion—down from $16 billion in its predecessor AFDC and related programs (excluding child care) in FY1995.

Fiscal year 1998 was the first year of the Welfare-to-Work program, added to TANF by the Balanced Budget Act of 1997. Total outlays in the welfare-to-work programs were $16 million in FY1998.

Use of TANF for Child Care

TANF allows states to use its block grant funds for child care in two primary ways:

• Up to 30% of the TANF block grant may be transferred to the CCDF. This amount is reduced by any amounts transferred to the Social Services Block Grant (SSBG). Up to 10% of TANF may be transferred to the SSBG, a percentage that is scheduled to be reduced to 4.25% in FY2001.

• Child care is an allowable activity that may be funded directly by the TANF block grant.

Table 1 shows how much of the TANF block grant was used for child care in FY1998. States used only 1.5% of the FY1998 TANF block grant to directly fund child care expenditures. States also transferred only 4% of the FY1998 TANF block grant to the CCDF.

There are two additional ways that TANF can help finance child care. First, some states have continued a practice from the AFDC program that allows recipients with earnings to deduct out-of-pocket child care expenses from their earned income when computing benefits. This often increases the cash benefit paid to the family. Second, proposed regulations allow states to count toward their TANF maintenance of effort requirement state-funded child care expenditures made in excess of those required to receive the maximum amount of CCDF matching funds. In FY1998, states reported at least $140 million of such "excess" child care expenditures. Since states must make progress toward meeting their TANF maintenance of effort requirement to draw down block grant funds, the ability to count these "excess" child care expenditures can help states access their TANF block grant funds.

WELFARE-TO-WORK AND CHILD CARE

Funds from the welfare-to-work grant program may also be used for child care, but in limited circumstances. Child care may be funded as a job retention and support service only once a participant has been placed in a job readiness or employment activity and only if child care is not otherwise available. The welfare-to-work program is also targeted to long-term TANF recipients with additional barriers to employment. Moreover, it should be noted that most welfare-to-work funds are not controlled by the states, but by localities. The Department of Labor is not collecting data on child care expenditures separately from data on overall expenditures for job retention and post-employment services.

GRANTS AND SPENDING

TANF, CCDF, and the welfare-to-work grant program make quarterly grants to the states. However, a grant is not a transfer of cash to the states. A grant permits a state to draw cash from the federal treasury when it is needed to pay the state for actual expenditures in its program. Essentially, a grant award is like a line of credit to the state. It establishes an amount that the state may draw from the federal government, but actual cash is drawn only when needed.

Table 2 summarizes TANF, CCDF, and welfare-to-work program grants and expenditures. TANF and CCDF grants represent the sum of FY1997 and FY1998 grants; the welfare-to-work program made grants beginning in FY1998.

As of September 30, 1998, all three programs had some unexpended funds. Almost all welfare-to-work funds were unspent. However, it should be noted that having unspent grants at the end of a fiscal year is not unusual. In federal grants-to-state programs, the time when grants are converted into actual spending is determined by both federal deadlines for states to obligate and expend grant funds, and by state decisions about obligating and expending funds. Each of the three programs has different rules setting deadlines for obligating and expending grant funds. The CCDF has different deadlines for the obligation and expenditure of discretionary, mandatory, and matching funds. The welfare-to-work program allows 3 years for the expenditure of mandatory grant funds. There is no deadline for the expenditure of TANF funds.

Additionally, TANF and the welfare-to-work grant program require states to expend some of their own funds in order to draw cash from federal grants. Though TANF is a block grant, states must make progress toward meeting the program's maintenance of effort (MOE) requirement to draw federal funds. The welfare-to-work grant program is a matching grant program. CCDF also requires states to expend their own funds in order to draw matching grants. In FY1997 and FY1998, all states participated in the CCDF matching grant program.

States have "obligated" some of the grants that have yet to be spent. Generally, a state obligation is a commitment to spend. The definition of obligation varies from program to program. The types of commitments that constitute an obligation may also vary from state to state. According to the Department of Health and Human Services (HHS), states obligated all of their FY1998 mandatory CCDF funds. Additionally, states have obligated more than half of all unexpended TANF funds.

TANF BALANCES

The presence of billions of dollars in "unused" TANF funds has aroused interest. However, the TANF program is new, so there is little history available to assess the magnitude of the balances. There also are no norms to help indicate whether the TANF balances are abnormally large.

The obligated balance will finance future expenditures that are anticipated and reflects commitments already made by the states. Since federal law imposes no time deadline for states to draw cash from their TANF grants, obligations can represent long-term contracts or commitments that will provide benefits and services to TANF families for several years into the future.

In TANF, about $3 billion remained at the end of FY1998 that was both unexpended and unobligated. These are funds states have available from FY1997 and FY1998 grants for new commitments, new TANF spending, or additional transfers to CCDF or SSBG. These are also the balances available to help finance future unanticipated expenditures, such as increased benefits paid if the caseload rises in response to a recession. There are three points I would like to make about the TANF balances:

- First, in passing TANF, Congress anticipated that TANF grants might be insufficient in a given fiscal year to meet program costs and provided several sources of federal funding to meet extra costs. One such source is the flexibility provided to "reserve" TANF grants from previous fiscal years and accrue balances without fiscal year limit, by setting no deadline on the obligation and expenditure of TANF grants. (The other sources are the TANF loan and contingency funds.) Also in passing TANF, Congress permitted states to use TANF directly for child care or to transfer funds to CCDF or the SSBG. States were thus given choices, and implicitly asked to make tradeoffs between making current TANF expenditures, planning for future TANF expenditures, hedging against unexpected increases in future TANF expenditures, or using TANF funds for other purposes, such as child care.
- Second, there is a great deal of variation in the amount of TANF funds remaining unexpended by state. Some states, such as Connecticut, Illinois, and Maine, have spent all or nearly all of their TANF funds and have no unspent balances. Other states have considerable balances of unspent funds. Table 3 shows the state-by-state variation in TANF balances.
- Third, the TANF program is a relatively large program. Federally-financed TANF expenditures were made at a rate of just under $1 billion per month in FY1998. Therefore, it might be illustrative to compare these balances with spending in the program.

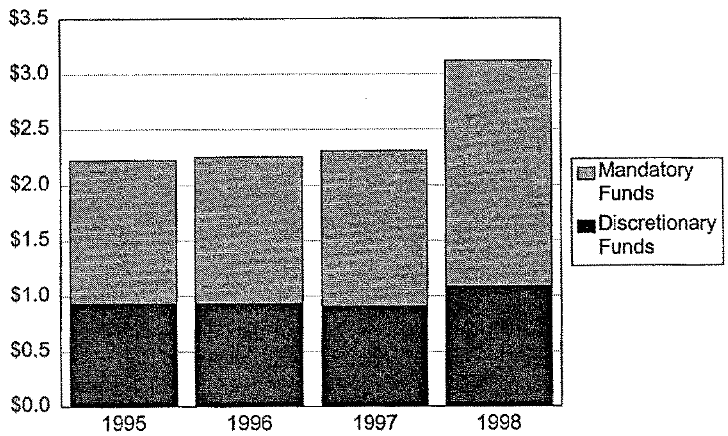
Table 4 addresses the question: How many months of expenditures could these balances finance? This is done by dividing the TANF balance (as of September 30, 1998) by average monthly expenditures. The table looks at different categories of expenditures and expenditures at different rates to put the $6.3 billion in perspective.

The table first shows the unexpended balances divided by average monthly federal expenditures during FY1998. The total unexpended balance represents about one-half year (6.7 months) of federally-financed expenditures. The obligated balance and unobligated balances each represent approximately one-quarter year of expenditures.

The unobligated balance can be used to help defray unexpected increases in expenditures that might exceed both federal and state funding for a given fiscal year. An unexpected caseload increase (for example, during a recession) would likely directly increase expenditures on cash benefits. Therefore, the table relates the unobligated balance to total cash benefit payments. Two measures are shown to provide a range of how long the unobligated balance would last in the event of an unexpected increase in expenditures. The unobligated balance is related to cash benefits paid at the FY1998 rate, showing that 2½ months of cash benefits at the FY1998 expenditure rate could be paid using the unobligated balance. An additional measure showing the balance related to cash benefits paid at a "recessionary rate" of their historical peak (FY1994) is also shown. The unobligated balance represents about 1½ months of cash assistance paid at the historical peak rate of benefit payments.

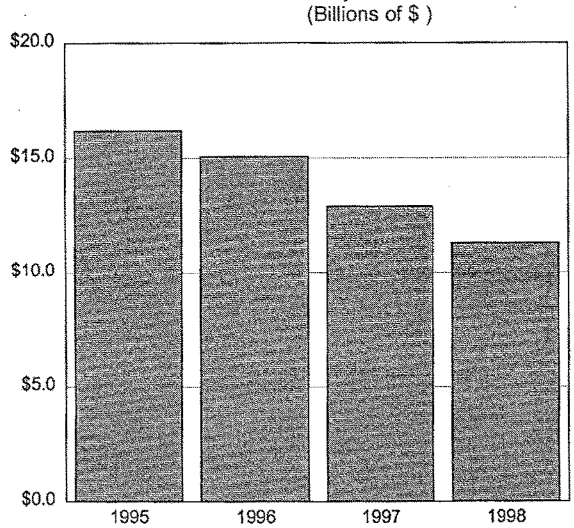
A Congressional Research Service report Welfare Reform: Unspent TANF Funds (Report Number RL30082) goes into greater detail about TANF balances. Thank you for the opportunity to appear before this committee. I would be happy to answer your questions.

Chart 1.
Federal CCDF Spending: FY1995-FY1998
(Billions of $)



Note: All data represent budget outlays except data for pre- welfare reform mandatory funds, which are the federal share of expenditures for AFDC/JOBS, transitional, and at-risk child care.

Federal AFDC/TANF Expenditures: FY1995-FY1998
(Billions of $)



Note: All data represent the federal share of expenditures for TANF and AFDC, EA, and JOBS.

Table 1.—Use of Federal TANF Grants: Expenditures for Child Care and Transfers: Fiscal Year 1998

[$ in millions, through September 30, 1998]

	Dollars	Percent of total TANF grants
Total Grants	$16,562	100.0%
TANF federally-funded child care expenditures	247	1.5%
Transfers:		
Child Care Delvelopment Fund	652	3.9%
Social Services Block Grant	1,079	6.5%

Source: Table prepared by the Congressional Research Service (CRS) based on data from the Department of Health and Human Services (HHS).

Table 2.—Welfare Reform Block Grant Programs: Cumulative Grants, Expenditures, and Unexpended Balances through September 30, 1998

[$ in millions]

	Grants	Transfers	Expenditures	Unexpended
CCDF (combined FY1997 & FY1998)	4,938	–	4,131	807
TANF (combined FY1997 & FY1998)	29,942	2,392	21,200	6,276
Welfare-to-Work (FY1998)	1,240	–	16	1,224

Source: Table prepared by the Congressional Research Service (CRS) based on data from HHS and Federal budget documents.

Table 3.—TANF Obligated and Unobligated Balances by State: September 30, 1998

[$ in millions]

State	Unexpended balance		
	Total	Obligated balance	Unobligated balance
Alabama	37.4	–	37.4
Alaska	16.7	16.7	–
Arizona	79.6	31.7	47.9
Arkansas	29.3	29.3	–
California	1,472.9	1,472.9	–
Colorado	81.2	–	81.2
Connecticut	–	–	–
Delaware	1.0	1.0	–
District of Columbia	42.6	7.5	35.1
Florida	395.8	142.9	252.9
Georgia	68.8	17.1	51.7
Hawaii	8.1	1.1	6.9
Idaho	31.1	–	31.1
Illinois	–	–	–
Indiana	195.3	195.3	–
Iowa	35.3	6.4	28.9
Kansas	21.6	–	21.6
Kentucky	44.9	–	44.9
Louisiana	129.8	–	129.8
Maine	–	–	–
Maryland	146.9	–	146.9
Massachusetts	28.3	28.3	–
Michigan	103.4	14.1	89.3
Minnesota	136.9	–	136.9
Mississippi	33.2	33.2	–
Missouri	63.2	63.2	–
Montana	30.0	30.0	–
Nebraska	36.7	–	36.7
Nevada	14.8	8.0	6.8
New Hampshire	6.0	–	6.0
New Jersey	223.1	–	223.1
New Mexico	60.1	4.9	55.2
New York	689.1	–	689.1

Table 3.—TANF Obligated and Unobligated Balances by State: September 30, 1998—Continued

[$ in millions]

State	Unexpended balance		
	Total	Obligated balance	Unobligated balance
North Carolina	93.1	–	93.1
North Dakota	8.1	5.8	2.3
Ohio	554.9	544.9	–
Oklahoma	110.2	–	110.2
Oregon	51.7	51.7	–
Pennsylvania	282.9	37.9	245.0
Rhode Island	15.7	–	15.7
South Carolina	34.7	–	34.7
South Dakota	11.3	3.4	8.0
Tennessee	91.5	14.5	77.0
Texas	211.4	211.4	–
Utah	13.6	–	13.6
Vermont	11.1	–	11.1
Virginia	32.3	32.3	–
Washington	142.4	0.9	141.5
West Virginia	80.7	–	80.7
Wisconsin	240.5	191.5	49.0
Wyoming	37.0	37.0	–
Total	6,276.4	3,235.2	3,041.3

Source: Table prepared by the Congressional Research Service (CRS) based on data from HHS.

Table 4.—TANF Balances Related to Expenditures: FY1998 Expenditures and Balances Through September 30, 1998

[$ in millions]

Ratio	Balance	Average monthly expenditures	Potential months of expenditures from the balance
Total balance to federally-financed expenditures	$6,276	$941	6.7
Obligated balance to federally-financed expenditures	3,235	941	3.4
Unobligated balanced to federally-financed expenditures	3,041	941	3.2
Unobligated balance to total (federal and state) cash benefits, FY1998	3,041	1,218	2.5
Unobligated balance to total (federal and state) cash benefits, peak year, FY1994	3,041	1,892	1.6

Source: Table prepared by the Congressional Research Service (CRS) based on data from (HHS).

Chairman JOHNSON of Connecticut. Thank you very much. Mr. Cullinan.

STATEMENT OF PAUL CULLINAN, UNIT CHIEF, HUMAN RESOURCES COST ESTIMATES UNIT, BUDGET ANALYSIS DIVISION, CONGRESSIONAL BUDGET OFFICE

Mr. CULLINAN. Thank you, Madam Chair. Madam Chair and Members of the Subcommittee, given the interest of time here, I will skip over most of my written statement and ask that it be submitted in full in the record.

Chairman JOHNSON of Connecticut. Absolutely. I should have mentioned that you are the head of the Human Resources Cost Estimate Unit of the Congressional Budget Office.

Mr. CULLINAN. Thank you. As has been stated before, the block grants of the states have been largely above what state needs have been in recent years, with substantial declines in caseloads resulting in the buildup of unspent balances. The amount of those balances varies widely among states.

The Congressional Budget Office (CBO) basically projects that spending for the Temporary Assistance for Needy Families (TANF) program over the next few years will be flat, at about $12.5 billion, and rise somewhat slowly thereafter, reaching $14.2 billion in 2002, and $19.4 billion in 2009. TANF spending, in our projections, does not exceed the level of the block grant until 2006. According to the Administration's numbers, that year would be 2003. So they are projecting a spending rate that is somewhat faster than CBO is projecting.

As a result, surpluses or unspent balances will accumulate further over the next several years, peaking in 2005, according to our forecasts. Of course, any projection of spending in these and other federal programs are subject to considerable uncertainty. There was a very rapid and unexpected rise in spending for means-tested programs in the early 1990s and a very rapid decrease from 1994 to 1998. The factors that caused the rapid rise and decline in spending are not yet fully understood. So there is a lot of uncertainty involved in the projections.

If caseloads begin to rise as a result of economic factors or other conditions, much of the spending will, in essence, be federal spending because many of the states have surpluses that they will use before they start digging further into their own pockets. So we could see very substantial fluctuations in federal spending if economic conditions or attitudes toward the programs changed.

Child care spending was a major focus in 1995 and 1996 as the Personal Responsibility and Work Opportunity Act (PRWORA) was being considered. A total of $4.5 billion was basically added to the program over the 1997–2002 period. The spending of those funds started off a little more slowly than we had expected but went very quickly once the second-year moneys were available. States had basically spent their entire amount for that year. CBO therefore projects that the moneys specifically dedicated for child care will be expended over the next few years. There is no significant surplus in that source of funds.

In addition to the mandatory moneys that are funded under TANF and the child care entitlement to states, about a billion dollars in discretionary funds is being provided annually for the Child Care and Development Block Grant.

CBO projects that under current law, states will continue to accumulate sizable surpluses under the TANF program, overall. Meanwhile, the states will exhaust federal funds provided exclusively for child care services. Although States have great latitude in directing TANF surpluses toward child care, so far they are not doing so on a wide scale. Whether states' priorities concerning TANF funds will change now that the federal child care funding has been fully tapped is not known.

[The prepared statement follows:]

Statement of Paul Cullinan, Unit Chief, Human Resources Cost Estimates Unit, Budget Analysis Division, Congressional Budget Office

Madame Chairman and Members of the Subcommittee, thank you for the opportunity to discuss the Congressional Budget Office's (CBO's) spending projections for the Temporary Assistance for Needy Families (TANF) program and for the federal child care programs. The projections, which have been revised slightly since the release of CBO's budget outlook in January, will be published in a forthcoming report on CBO's reestimate of the President's fiscal year 2000 budget.

PROJECTED SPENDING FOR TANF

As you know, TANF funding was established as a block grant to states under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), replacing the open-ended funding for Aid to Families with Dependent Children (AFDC). The basic block grant totaled $16.5 billion annually through 2002, with the amount allocated to each state based on the state's spending history. The grant provided additional funding for several other purposes such as bonuses for good performance and reduced illegitimacy, grants to the territories and Indian tribes, supplemental grants, and a contingency reserve. Funds allocated to states remain available to the states until spent.

The block grant amounts for most states have proved to be more than the states could spend in the near term as AFDC and TANF caseloads dropped by 40 percent from 1994 to 1998. Consequently, many states have accumulated sizable unspent balances that are expected to grow in the next several years, although more slowly than in the past. As of the end of 1998, states had not spent about 25 percent of the overall TANF grants. States' unspent balances varied widely. For example, Illinois, Connecticut, and Maine had spent all or almost all of their TANF funds, but Wyoming and Idaho had spent less than 20 percent of theirs.

PRWORA gave states much flexibility in determining how to use the block grant funds. In addition to funding traditional cash welfare benefits, states received the authority to transfer up to 10 percent of their TANF grant to the Social Services Block Grant and up to 30 percent for child care programs (no more than 30 percent of the total for both programs can be transferred). In addition, states could use TANF funds for providing child care services under the TANF program activities.

According to preliminary reports from the Department of Health and Human Services, in 1998 states transferred 4 percent of their TANF grant to the Child Care and Development Block Grant and 7 percent to their Social Services Block Grant. In addition, states spent 1.5 percent of overall TANF funding directly on child care, with individual states spending between 0 and 30 percent of their 1998 TANF grant on child care.

CBO projects that TANF outlays will total $12.6 billion in fiscal years 1999 and 2000, grow to $14.2 billion by 2002, and reach $19.4 billion by 2009. As indicated in Table 1, annual federal outlays for TANF are not expected to exceed annual funding until 2006, at which time the states as a whole will begin to spend portions of their balances accumulated from 1997 to 2005. CBO estimates that total unspent balances will grow from $7.1 billion at the end of 1998 to $25.4 billion at the end of 2005.

Of course, any spending projection involves considerable uncertainty. CBO and other forecasters did not anticipate the rapid escalation of spending in programs such as AFDC, Food Stamps, and Medicaid from 1989 to 1992 nor the speed at which spending in those programs (or their successors) would decelerate or even decline from 1994 to 1998. Given that history, policymakers should weigh any particular forecast cautiously before acting. Sharp changes in economic conditions like those of the early 1980s and 1990s can quickly render any spending projections obsolete because unemployment can increase application rates for such programs and the rate at which recipients leave the programs. Most states have large unspent TANF balances; therefore, a sharp turnaround in the number of caseloads would, in all likelihood, initially show up almost entirely as additional federal spending.

Table 1.—Temporary Assistance for Needy Families, CBO March 1999 Baseline

[By fiscal year, in billions of dollars]

Year	Budget Authority	Outlays	Annual Unspent Balance	Cumulative Unspent Balance
1997[a]	13.4	9.7	3.7	3.7
1998[a]	16.7	13.3	3.4	7.1
1999	17.1	12.6	4.5	11.6
2000	17.1	12.6	4.5	16.1
2001	17.2	13.2	4.0	20.1
2002	16.8	14.2	2.7	22.8
2003	16.8	15.3	1.6	24.3
2004	16.8	16.0	0.9	25.2

Table 1.—Temporary Assistance for Needy Families, CBO March 1999 Baseline—Continued

[By fiscal year, in billions of dollars]

Year	Budget Authority	Outlays	Annual Unspent Balance	Cumulative Unspent Balance
2005	16.8	16.6	0.2	25.4
2006	16.8	17.3	−0.4	25.0
2007	16.8	18.0	−1.1	23.9
2008	16.8	18.7	−1.8	22.1
2009	16.8	19.4	−2.6	19.5

Source: Congressional Budget Office.
[a] Actual.

Projected Spending for Child Care Programs

Deliberations about welfare reform in 1995 and 1996 raised concern about the adequacy of funding for the child care services required by welfare recipients and other low-income families as welfare programs focused increasingly on work activities. Consequently, PRWORA included a substantial increase—$4.5 billion—in mandatory funding for child care services during the 1997–2002 period. Although child care outlays in 1997 fell $237 million short of CBO's original estimates, spending in 1998 slightly exceeded the PRWORA estimates. CBO now projects that the states will fully absorb all of the budgetary resources provided explicitly for child care services beginning in 1999 (see Table 2).

In addition to the Child Care Entitlement to States program, the federal government annually provides states with $1 billion in discretionary child care funding through the Child Care and Development Block Grant. The block grant funds, originally authorized in 1990, are directed toward providing services to low-income families and supporting quality child care activities. Although spending under the block grant grew slowly in the early 1990s, in more recent years the states have essentially drawn the entire amount of the block grant—a pattern that CBO expects will continue.

Table 2.—Child Care Entitlement to States, CBO March 1999 Baseline

[By fiscal year, in billions of dollars]

Year	Budget Authority	Outlays
1999	2.2	2.4
2000	2.4	2.4
2001	2.6	2.5
2002	2.7	2.7
2003	2.7	2.7
2004	2.7	2.7
2005	2.7	2.7
2006	2.7	2.7
2007	2.7	2.7
2008	2.7	2.7
2009	2.7	2.7

Source: Congressional Budget Office.

The President's fiscal year 2000 budget includes several proposals to expand child care funding. One proposal would provide supplemental matching funds under the Child Care Entitlement to States program, allowing states to offer additional child care subsidies and activities to improve the quality of child care. Another proposal would create an early-learning fund that would provide grants to communities for activities aimed at improving the quality of child care for children under age 6. Assuming that the states would have to contribute 20 percent of the total funding for each program, CBO estimates that outlays would be $1.0 billion in 2000 and $9.4 billion from 2000 to 2004.

Concluding Remarks

CBO projects that under current law, states will continue to accumulate sizable surpluses under the TANF program overall. Meanwhile, the states will exhaust federal funds provided explicitly for child care services. Although states have great latitude in directing TANF surpluses toward child care, so far they are not doing so on a wide scale. Whether state priorities concerning TANF funds will change now that the federal child care funding has been fully tapped is unknown.

Chairman JOHNSON of Connecticut. Thank you very much. I appreciate your full statements. I appreciate your testimony. I want to get this a little clearer. Mr. Falk, you said that the States have obligated more than half of the TANF funds.

Mr. FALK. Of what is unspent—unspent TANF funds. Of the $6 billion, States have obligated a little more than $3 billion.

Chairman JOHNSON of Connecticut. I see, of the unspent TANF funds. So there is $3 billion that is not obligated or spent?

Mr. FALK. Correct.

Chairman JOHNSON of Connecticut. Does your work bring you into any contact as to why that might be?

Mr. FALK. Why that may be? First of all, Congress did give States the choice to reserve TANF grants. I think we have to think that some of these unspent balances result from the States taking that choice, and choosing to reserve some TANF grants for the future.

Chairman JOHNSON of Connecticut. Is there any requirement that they notify you if they are doing that? Or do we have any way of knowing that that's what they are thinking?

Mr. FALK. No. Actually, in terms of explicit rainy-day funds, the information is somewhat sketchy. We did have something from the National Governors' Association, last year, that talked about a few States committing some funds explicitly to a rainy-day fund; but as I said, the information there was quite sketchy. They don't have to report it, nor do they have to explicitly do it. They could just leave it as unobligated if they wish and that becomes implicitly a rainy-day fund.

Chairman JOHNSON of Connecticut. Are there other instances in other departments or other programs where they can explicitly, in a sense, obligate funds for a rainy-day fund?

Mr. FALK. I don't know whether even in TANF, given the definition of obligation, putting money aside or earmarking money for a rainy-day fund would constitute an obligated fund.

Chairman JOHNSON of Connecticut. I don't think it does now. I think that would be an improvement in our law, if we have a chance to make it. Are there other programs you know about that allow states to count money saved for a rainy day as obligated?

Mr. FALK. To my knowledge, I don't know of any.

Chairman JOHNSON of Connecticut. So we don't know how much of the $3 billion that is unobligated and unspent has been identified by State bodies as being reserved.

Mr. FALK. Earmarked specifically for rainy-day funds? No.

Chairman JOHNSON of Connecticut. OK. Thank you. Mr. Cullinan, I think, the way I understand your testimony, you are saying that the States are spending all of their specifically child care funds under TANF.

Mr. CULLINAN. Yes. That is correct.

Chairman JOHNSON of Connecticut. I want to get the names of the funds right. You believe that the States will exhaust the TANF child care funds, regularly, in the years ahead?

Mr. CULLINAN. As they are explicitly specified, not considering any transfer authority.

Chairman JOHNSON of Connecticut. Just the explicitly child care funds. Then they have the right to transfer up to 30 percent, but they have only transferred on average 4 percent or a total of 4 percent?

Mr. CULLINAN. A total of 4 percent.

Chairman JOHNSON of Connecticut. Have some States transferred a lot more and some States transferred none?

Mr. CULLINAN. Yes. That is correct.

Chairman JOHNSON of Connecticut. What is the most any State has transferred from their TANF funds into child care funds? I mean, you would think a State like Wisconsin that has dropped its welfare rolls so dramatically would have an equally dramatic demand for day care subsidies for low-income working families and, therefore, would have been motivated to transfer the 30 percent.

Mr. CULLINAN. Several states have transferred quite a bit. Michigan is one state that has transferred, I believe, 15 percent.

Mr. FALK. Nineteen.

Mr. CULLINAN. No, it was 19 percent in 1998 to child care, and basically very close to the rest of their 30 percent limit to the Social Services Block Grant (SSBG).

Chairman JOHNSON of Connecticut. So no State has transferred the 30 percent?

Mr. FALK. Michigan came close, 29-percent.

Chairman JOHNSON of Connecticut. What is the relationship between the 29-point-something percent and the 19 percent that we just talked about in Michigan?

Mr. FALK. Nineteen and ten percent.

Mr. CULLINAN. Right. It was the distinction between the transfer for child care and the transfer for the SSBG program. Michigan came very close to transferring the entire 30 percent, but two-thirds of that was for child care and a third was for SSBG.

Chairman JOHNSON of Connecticut. I see. Mr. Cardin.

Mr. CARDIN. Thank you, Madam Chair. First, let me thank both of you for your testimony. I think it is very, very helpful. It seems to me what you are saying is that in regards to the direct Federal programs for day care, the States are utilizing 100 percent of those funds, basically. As it relates to TANF, we have unobligated funds of about $3 billion that have not been spent, which would be equivalent to somewhere between 1½ to 2½ months of cash assistance, depending on where we are in the economy.

Mr. FALK. Right.

Mr. CARDIN. I think it is very useful. Why don't we go back to when we created this program. When we passed this program we, for some reason, wanted to allow States to carry from one fiscal year to another—to have the flexibility. That is not unusual for a Federal Program. We wanted to give the States maximum flexibility in handling this program to plan from one year to the other.

Looking at the CBO projections, when we passed this bill, did you project that we were going to have this of declining welfare on cash assistance by now?

Mr. CULLINAN. No, we didn't. That is absolutely correct. At the time of the legislation, we expected that the states would come very close to spending the entire block grant each year.

Mr. CARDIN. The major reason is that we have had much more success in getting people off of cash assistance. Do we know where we are going to be 2 years from now? I know you have a projection where we are going to be 2 years from now. But isn't it very possible that we could be off again by a significant number?

Mr. CULLINAN. Absolutely.

Mr. CARDIN. Now if you are a State administrator trying to plan programs for the next 2 years, would it be prudent to spend every dollar?

Mr. CULLINAN. I am not sure whether I would make a judgment.

Mr. CARDIN. I understand. Your hesitation is all I really needed. [Laughter.]

We have put the burden on the States. We have given them flexibility. Now we are starting to say, "Well, gee, we've done better than we thought we would on cash assistance, so let's use that money for other purposes or to deny other program advancements because there are cash surpluses available." You have a real dilemma. Suppose, as a State administrator, you used this money—transferred it, or whatever—to help provide more child care and then you have a turn in the economy. What do you do? Do you all of a sudden take the money away from child care and put it back into this program, affecting people who are already trying to make it in the workplace? What do you do?

These are some rhetorical questions. If you have good advice, please let me know. I think the program is working, the way we anticipated, with the States. I don't find the surpluses—the unencumbered balances—to be that large, considering the magnitude of the assignment that the States have to deal with. Am I seeing something I don't see?

Mr. FALK. Mr. Cardin, the reserved funds or the unobligated balances are one of three sources that States could turn to in the event that they have unexpected increases in TANF expenditures. The two other are the contingency fund and the loan fund. This is one of three routes that States can go.

Mr. CARDIN. One of the things I found—well, let me ask you this question. If you were setting up a reserve fund, how many months would you like to have available in a reserve fund? Does 1½ or 2½ months seem reasonable for a reserve fund? Would either one of you like to venture an opinion on that?

Mr. FALK. We don't make policy recommendations to Congress.

Mr. CARDIN. I understand. But you are giving us analysis as to what the current status is. You know the numbers better than we know numbers. You know the historical fluctuations of people needing cash assistance. If you are a State administrator, would it be reasonable for you to reserve 1½ to 2½ months of cash benefits for a change in the economy, from the TANF money, when the economy is booming and your employment rates are at historically high levels and your cash assistance and people on welfare are at a historically low level?

Mr. CULLINAN. That would certainly be one way to approach it. There are other programs that have, in essence, built up far greater reserves than you described. The unemployment compensation program would be one.

Mr. CARDIN. Unemployment compensation helps people who are working. It's interesting. I understand your point. Even though the welfare rolls will go back up, it is amazing that many of these people are not going to be qualified for unemployment. Or they will exhaust their unemployment and have to come back on welfare. We have seen it happen over and over again with unemployment being an unacceptable substitute.

You need unemployment compensation to keep people off of welfare, but it is not going to be a substitute for the rolls going back up in bad times. The last point I would just like to make. I understand the flexibility in the programs and that you can transfer the funds. But if the States were to develop day care programs within TANF and then provide assistance directly within TANF it would count toward the 5-year limits, would it not? Which is a dangerous position to put the States in if they wanted to use the money directly within the TANF program.

Mr. FALK. The Department has proposed regulations and child care would count as assistance, under those proposed regulations. We do not have final regulations, yet.

Mr. CARDIN. Well, I don't agree with those regulations, but if we have to live by them, it is another danger the States have in trying to deal with this problem directly within TANF. Thank you, Madam Chair.

Chairman JOHNSON of Connecticut. Just for the record, in your experience with these programs—looking back—have you ever seen a period of 1, 2 or 3 years in which there has been a 43-percent decrease in the caseload?

Mr. CULLINAN. I would have to go back and look at the record on that. Certainly in the 1989–1993 period, we had a substantial increase, but it was not as large as the subsequent decrease we have seen since then.

Chairman JOHNSON of Connecticut. Was it 43 percent a year?

Mr. CULLINAN. No. Absolutely not.

Chairman JOHNSON of Connecticut. One other point I think it is important to make is that the States are getting the same money they had when they had a 43 percent, on average, higher caseload. So every year we are giving them 43 percent more than they need, in a sense, to make cash payments. Now we did it on purpose and we need to do it. We need to keep doing it because of all the service needs people have.

But if people move from a working situation where they need more services back onto welfare, in a sense the money is still being paid as if they needed that grant. Isn't that true?

Mr. CULLINAN. Yes.

Chairman JOHNSON of Connecticut. So I think we have to be very careful about how we define things as we move through this. I think having $3 billion of unobligated and unspent dollars is very much more significant when in a sense the dollars are there.

Should the whole caseload come back on, then we would do what we used to do. We would pay benefits. That is what we used to do with this money. We are figuring out how not to pay benefits, how to pay services instead. That is better.

So I think it is particularly telling. I mean the thing that impresses me the most about your testimony is that this whole issue of flexibility, with a 43-percent decline on average, and it is only on average. There are some States that are 15 and 20 percent, and some that are much deeper. But that the States have elected to transfer so little of their TANF money into the very child care block grant you would think they would need to pump up. As the numbers go down, then of course they don't need as much daycare for their own TANF population, but they need a lot more for the working poor.

I find it really quite buffaloing why that money hasn't expanded. But personally, I think it is very, very important for the States to get credit for putting money into a rainy day fund, and if we have a chance, to clarify the law to acknowledge that kind of reserve. If action is taken by a State legislature to reserve some of their unobligated money, to count that as obligated and sort of off of our table. So I think that would go a long way to at least stabilize the resources of the States. But this is a very difficult problem.

Mr. English.

Mr. ENGLISH. Thank you, Madam Chair.

Mr. Cullinan, in going over your table 1, I would like to seek one point of clarity. In your fourth column, you have the annual unspent balance. Do I understand through 2003, at a time when the Administration has proposed to add an extra $20 billion to child care, the unspent balance by the States would be in the range of $24.4 billion, based on your current projections?

Mr. CULLINAN. That is correct. Or, alternatively, they would add $17.2 billion over the next 5 years on top of what they currently have not spent.

Mr. ENGLISH. Historically, have the States ever had more Federal dollars available for child care than at this time?

Mr. CULLINAN. I'm not absolutely certain about that, but the level of Federal dollars has probably never been higher, at least in nominal terms.

Mr. ENGLISH. Is that your impression?

Mr. FALK. That is my impression as well, yes.

Mr. ENGLISH. I am curious, Mr. Falk, what were the assumptions that you made to determine that the TANF balance represents less than 3 months of cash benefits at the 1998 expenditure rate?

Mr. FALK. Basically what I did was I divided the unobligated balance, the $3 billion, by total cash benefits that were paid in fiscal year 1998.

Mr. ENGLISH. Are you assuming then that the program is guaranteed another $16.5 billion each year?

Mr. FALK. No. That is just the balances. That is what is in reserve, and the States would receive their next year's grant as well. This is from just past grants.

Mr. ENGLISH. Madam Chairman, I know you probably have some more questions. I want to thank these gentlemen for their excellent analysis. This is a very helpful addition to our deliberations. I yield back the balance of my time.

Chairman JOHNSON of Connecticut. Thank you, Mr. English.

Thank you both for your analysis. It really is helpful to be able to get very specific information about what has been spent and what hasn't been spent, because this is a very important time for us to assure that the States have the money and the flexibility to meet the needs of the people moving off welfare, and of those low-income working families who never became dependent, but are in the same income category. Thank you very much for your help.

Again, if other Members of the Committee have questions, they will submit them in writing. Thank you.

Now I welcome Sharon Long, the senior research associate for the Health Policy Center of the Urban Institute; Helen Blank, the director of Child Care and Development of the Children's Defense Fund, and Clarence Carter, the commissioner of the Department of Social Services, from Richmond, VA.

Thank you all three for being here. Thank you for your patience. I always regret it when people have to wait during the voting process, but after all, that is our primary responsibility.

Ms. Long, would you like to start?

STATEMENT OF SHARON K. LONG, SENIOR RESEARCH ASSOCIATE, URBAN INSTITUTE

Ms. LONG. Thank you for the opportunity to appear here today. My comments are drawn from an Institute project that analyzes the shift of responsibility for social programs from the Federal Government to the States. I will address two issues. First, State responses to the increased opportunity for innovation under welfare reform, and second, the adequacy of child care funding to meet the needs of low-income working families.

The 1996 welfare reform legislation gave States increased flexibility for designing and targeting their child care assistance programs. The changes I am reporting on today are early responses by the States. We should expect to see further changes over time as States gain more experience both with TANF and the child care block grants. Nevertheless, a number of States have already taken the opportunity under welfare reform to improve the administration of their child care systems.

Before welfare reform, child care assistance was a complex system that was difficult for States to administer, and difficult for families to access. Many States sought to develop an integrated or seamless system of care to try to minimize those problems. A key first step in developing a seamless system is to consolidate the administration of child care within a single State agency. With the increased flexibility in program design under welfare reform, several States that have not achieved a seamless system before welfare reform, have been able to move in that direction. For example, California, Massachusetts, New Jersey, and Washington, have all moved to consolidate child care assistance within a single State agency. As part of the Institute's study, we will look to see what the impacts of that consolidation are on families over time.

For States that had made more progress toward achieving a seamless system prior to welfare reform, welfare reform provides an opportunity to further streamline child care assistance. For example, Florida is making an effort to establish a single point of entry for all child care and child development programs.

In addition to the opportunity to simplify the administration of child care, welfare reform has given States more flexibility in program design. However, States have generally made only very narrow changes in the designs of their child care programs. Program administrators report that they expect that welfare reform will over time increase the demand for child care assistance among current and former welfare recipients, and concerns about the costs for that potential increase in demand, along with concerns about what happens in a financial downturn have made some States hesitant to expand child care much beyond the welfare population.

Wisconsin is one State in our study that did undertake a more radical change in its child care system. They are providing help to all eligible families, without regard to their welfare status. However, to accomplish that goal, Wisconsin had to do two key things. First, they increased State funding for child care, and transferred TANF funds to child care. Second, they reduced the income standards for eligibility to reduce the number of families who would be eligible for assistance.

I would like now to turn to the adequacy of funding for child care assistance. In many working families, child care ranks as the single largest expense after housing and food. The increased funds for child care assistance under welfare reform have increased the number of families who are receiving help. However, there are still gaps among the low-income working families.

In Minnesota, for example, State officials report that working poor families who had been served before welfare reform, are now losing out to welfare families, despite an increase in State funding for child care. Both Florida and Wisconsin have provided additional funding targeted specifically to the low-income working poor, in an effort to reduce this crowding out. Massachusetts and New York transferred TANF funds to child care. Yet both States still report long waiting lists for families seeking subsidies.

In an early analysis of the adequacy for funding under welfare reform, we estimated that the increased funds for child care would serve at a maximum less than half of the low-income children with working parents who were in need of assistance. It is important to recognize that this is an upper bound on the share of children who could be served, since we did not incorporate family responses in our estimates. We would expect that the availability of assistance would induce some parents who are not working to go to work, and induce some parents to go from part-time to full-time work, and allow some families with children who are home alone or in unpaid care to move their children to other child care arrangements that they could not afford on their own.

While there is little research on the size of these family responses, we do know that they would all lead to higher levels of demand for child care assistance, and therefore, to a smaller share of families being served with the available funds. The share of children who could be served would also be lower if we used a different level of eligibility. In our tabulations, we used 150 percent of poverty. Eleven of the 13 States in our study have established eligibility levels that are above that. Those children would not be captured in our estimates.

We know that the working poor are less likely than the nonworking poor to receive child care subsidies. We also know that they are less likely than higher-income families to receive a tax credit for child care. Basic equity would suggest that low-income working families should not be penalized because they have not relied on the welfare program. Basic equity would also suggest that we not subsidize child care for higher-income working families, when we do not provide child care support for low-income working families.

Thank you for the opportunity to appear here today. I would be happy to answer questions.

[The prepared statement follows:]

Statement of Sharon K. Long, Senior Research Associate, Urban Institute

The views expressed are the authors and do not necessarily reflect those of the Urban Institute, its trustees, or its funders.

My name is Sharon Long. I am a senior research associate at the Urban Institute, a nonpartisan public policy research institution in Washington, D.C. I would like to address two issues related to the recent changes in child care assistance programs: (1) state responses to the increased opportunity for innovation under welfare reform and (2) the adequacy of child care funding to meet the needs of low-income working families.

My comments are drawn from a multi-year Urban Institute project analyzing the shift of responsibility for social programs from the federal government to the states. That project—Assessing the New Federalism—aims to inform public debate and to help state and local decision makers carry out their responsibilities more effectively.[1] The project focuses on 13 states, home to half of the nation's population. The states are Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin.

The 1996 welfare reform legislation made significant changes in the federal child care assistance programs for low-income families. It eliminated federal child care entitlements to families and consolidated the major sources of federal child care subsidies for low-income children into a single block grant to states. At the same time, welfare reform transformed the Aid to Families with Dependent Children (AFDC) program into a block grant and expanded its work participation requirements, thereby increasing the need for child care among families newly entering the workforce.

In this new world, states gain increased flexibility for designing and targeting their child care assistance programs. They also assume additional responsibilities for addressing the need for child care assistance. Child care administrators in many states reported that they do intend to make changes in their child care systems but, thus far, their first priority has been to get the Temporary Assistance for Needy Families (TANF) program up and running. The changes that I'm reporting on today are early responses by the states. We should expect to see further changes in state child care programs over time.

States Are Developing Seamless Child Care Assistance Systems

Already a number of states have taken advantage of the opportunities under welfare reform to improve the administration of child care assistance, making significant progress toward establishing seamless systems of care. Before welfare reform, federal child care programs were frequently criticized for the plethora of laws, rules, regulations, and accounting practices across the different funding streams. These resulted in a complex system that was difficult to administer and difficult for families to access. All too often, families needed to apply for assistance with multiple agen-

[1] Funding for the Assessing the New Federalism project is provided by the Annie E. Casey Foundation, the Henry J. Kaiser Family Foundation, the W. K. Kellogg Foundation, the Robert Wood Johnson Foundation, the Ford Foundation, the John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, the David and Lucile Packard Foundation, the Commonwealth Fund, the Stuart Foundation, the Weingart Foundation, the McKnight Foundation, the Fund for New Jersey, the Rockefeller Foundation, and the Joyce Foundation and the Lynde and Harry Bradley Foundation.

cies or providers, perhaps completing multiple applications and placing their names on multiple waiting lists. Many states sought to develop a system of child care that integrated the different funding streams to minimize these problems. Despite these efforts, state administrators reported that the complexity of the pre-welfare reform child care system interfered with their ability to meet the needs of children and their families.

A key first step in developing a seamless child care system is to consolidate the administration of child care funding streams within a single state agency. Other elements of seamlessness that often follow include a single point of entry for families seeking assistance; standardized applications, policies, and procedures across different programs; and a single waiting list for low-income families needing assistance. These characteristics all serve to make the child care system more efficient and more accessible for families.

With the increased flexibility in program design under welfare reform, several states that had not achieved a seamless child care system before welfare reform are making significant strides in that direction. For example, California, Massachusetts, New Jersey, and Washington have all moved to consolidate child care assistance within a single state agency. In California, the administration of child care funding was split between the Department of Education and the Department of Social Services before welfare reform. Under welfare reform, the state has combined all child care funds in a single state agency—the Department of Education. In Massachusetts, where interactions between multiple child care agencies were often contentious before welfare reform, consolidation within a single state agency has simplified child care assistance in the state.

For states that had already established substantially seamless child care systems, the greater flexibility in design under welfare reform provides the opportunity to address gaps that remain in the system. For example, Florida's goal is to establish a single point of entry for all child care and early childhood education programs and to unify the waiting lists for all child care assistance.

States Have Made Few Changes in the Design of Their Child Care Programs

Although welfare reform has given states much more flexibility in program design, it has also created strong incentives for states to focus on serving the welfare population. As a result, most states have made relatively narrow changes in their child care programs (e.g., limited changes in eligibility rules, benefit levels, and priority groups). The entitlement for child care assistance that existed before welfare reform has been replaced by a de facto guarantee of assistance for welfare families.

By eliminating the entitlement to child care assistance to families, welfare reform gave states greater flexibility in allocating child care funds across both the welfare and non-welfare populations. However, many of our study states have been reluctant to take advantage of that flexibility. Program administrators reported that they expect that, over time, welfare reform will increase the demand for child care assistance among current and former welfare families, particularly among families with very young children (for whom child care is quite expensive). Concerns about the potential costs of that increased level of demand, along with concerns about the implications of future economic downturns, have made some states hesitant to expand their child care programs much beyond the welfare population.

One state in our study that has undertaken a more radical change in its child care system is Wisconsin. Wisconsin has established a child care program that assists all eligible families. To accomplish its goal of supporting families without regard to their welfare status, Wisconsin made two key changes in its child care program. First, it increased state funding for child care significantly and has transferred TANF funds to child care. Second, it reduced the pool of eligible families by lowering the maximum income level for eligibility.

Funding for Child Care Assistance Eludes Low-Income Working Families

In many working families, child care ranks as the single largest expense after housing and food. The increased funds for child care assistance under welfare reform, combined with many states' investment of their own funds, have increased the number of families who are receiving help with child care. However, there are still large gaps in coverage among the low-income working families.

The federal government provides substantial support for child care through a variety of avenues. Middle-and upper-income families receive support through the nonrefundable Dependent Care Tax Credit. Of more relevance to low-income families is the funding available under TANF and the child care block grant. However, as noted earlier, the vast majority of that funding appears to be targeted to welfare families and former welfare families, raising concerns about the equity of the child care system for non-welfare families and the perverse incentives of the welfare system.

In Minnesota, for example, state officials report that working poor families who would have been served before welfare reform are now losing out to welfare families, despite an increase in state funding for child care. Both Florida and Washington have provided additional child care funding targeted specifically to the non-welfare low-income population to reduce such crowding out. Massachusetts provided both additional state funds and transferred TANF funds to child care, yet still has a waiting list for low-income families. New York also transferred TANF funds to child care, yet still has long waiting lists for low-income families.

In an early analysis of the adequacy of funding for child care under welfare reform, we estimated that, if states drew down all the federal dollars available under the block grant, the share of low-income children with working parents who could be served would increase significantly. We also estimated that those increased funds would serve at a maximum less than half of the low-income children in need of child care assistance in 1997.

It is important to recognize that this estimate represents an upper bound on the share of children who could be served since the estimate does not incorporate family responses to the availability of child care assistance. In particular, the availability of assistance will induce some parents who are not working to go to work, induce some parents to go from part-time to full-time work, and allow some families with children who are home alone or in unpaid child care arrangements to place their children in arrangements that they could not afford on their own. While there is little research to support estimates of the size of those family responses, we do know that they will lead to higher levels of demand for child care assistance and, therefore, to a smaller share of low-income children being served with the available funds.

The share of children who could be served would also be lower if the definition of low-income children was expanded from the measure that we used—children in families with income below 150 percent of the poverty level. Eleven of the 13 states in our study have established income eligibility levels for child care assistance under the child care block grant that are above 150 percent of poverty. Our estimates do not capture the child care needs of those children.

We know that the working poor are less likely than the nonworking poor to receive child care subsidies and less likely than higher income families to receive a tax credit for child care expenses. Basic equity would suggest that low-income working families should not be penalized because they have not relied on the welfare system. Basic equity would also suggest that we should not subsidize child care for higher income working families, when we do not provide that same support for low-income working families.

With falling caseloads and increased funds available under welfare reform, the states have more than adequate funds to provide child care assistance to their welfare populations. However, the funds are not adequate to serve the non-welfare low-income working families seeking help paying for child care. The challenge remains to provide enough child care assistance to meet the demands of welfare reform without abandoning non-welfare working poor families.

Thank you for the opportunity to appear before this subcommittee. I would be happy to answer any questions.

Chairman JOHNSON of Connecticut. Thank you. That was very helpful.

Ms. Blank, it is a pleasure to have you.

STATEMENT OF HELEN BLANK, DIRECTOR, CHILD CARE AND DEVELOPMENT, CHILDREN'S DEFENSE FUND

Ms. BLANK. We are delighted to be here today. We deeply appreciate the leadership role that this Committee has played for the last decade on child care, especially the role that you, Mrs. Johnson, have played on behalf of children and families needing child care.

From families, children, and child care workers' perspective, child care resources are just not doing it. Child care costs can be a staggering burden for parents. The average annual cost of child care in an urban child care center exceeds the average annual cost of public college tuition in almost every State. But one out of three families with young children earn less than $25,000 a year. They are making extraordinary choices.

We can't lower the cost of child care, because the largest portion is devoted to salaries. The lowest-paid level teachers earn on average $13,000 a year, which is lower than the poverty level. More than one in four teachers left their jobs over the course of the year. This creates an untenable situation for programs, which all across the country can't find teachers to fill their jobs. It is also untenable for young children, who need stable relationships, especially low-income children who face tremendous instability in their lives. Yes, we have seen tremendous progress over the last 10 years, thanks to increased Federal and State investments in child care. The new funds that were put in the welfare bill definitely made a difference. But every day in this country, too many low-income families are still left making painful choices between working and the safety of their children. These parents can't wait.

To make welfare reform succeed, we have to ensure that families don't fall back on welfare, and that families already on welfare can stay off. Low-income families live precariously. Any mishap can cause them to lose their fragile balance. An unstable child care arrangement that falls through can easily catapult into a lost job.

The number of working poor families continues to grow. There are 9.6 million in 1998. Families leaving welfare don't become doctors and lawyers. I wish they did. Most remain in low-wage jobs, and they are likely to stay in these low-wage jobs. They can't make it without child care help.

Unfortunately, only a handful of States have joined Wisconsin, like Illinois and Rhode Island, to ensure the child care help is equally available to both families on welfare, and low-income working families. In many other States, child care dollars are focused mainly on welfare dollars. State also have income cutoffs that limit eligibility for many low-income families.

Parents on the waiting lists are poor families. They are making enormous financial sacrifice or they are placing the health and safety of their children in jeopardy. They are not simply finding another child care slot. A recent study of parents on the waiting lists in Santa Clara County, CA, found that over one-third of parents were earning $10,000 a year and spending on average $300 a month on child care. They were putting their jobs at risk in order to just make it. Where are the children? In Florida, a mother on the waiting list had her three children with a provider who spoke no English, in her barren apartment, with no toys or books, just a television set all day long. How is education reform going to succeed if that is where our youngest children are?

In Minnesota, they did a similar study of families on the waiting list. One mother talked about her 6-month old being in three horrible day cares in the course of 6 months. Over 70 percent of Minnesota families on the waiting list had gone bankrupt or experienced severe financial difficulty.

The waiting lists aren't the only reflection of the demand. Forty three States told CDF that if all eligible families knew they were eligible for assistance, they couldn't help them. Child care is a well-kept secret because States are very concerned about the huge demand. In Iowa, there are 11,000 children receiving child care assistance, and 90,000 are eligible for help. Florida just transferred $117 million to CCDBG. They have 11,000 children under five eligible for child care help, and 95,000 school-age children who will not be able to get it, even with this transfer. Their eligibility cutoff is only 150 percent of the poverty level.

It is not just a matter of who gets help. It is that States make painful choices between who gets help and how much providers make. Only 18 States set rates for child care providers based on current market rate surveys. Connecticut and Maine, two States which have obligated all their TANF funds, use market rate surveys that are 5 to 7 years old. That means if low-income communities have to serve low-income families, it is a terrible sacrifice for providers.

High co-payments are also an issue. In Virginia, families making $10,000 a year have to pay 10 percent of their income for child care, that is 70 percent of the poverty level. Pennsylvania just raised their co-payments to 14.5 percent of income.

We don't think that that current usage reflects demand. Administrative barriers are also keeping families from child care assistance. In Maryland, child care eligibility workers were sent a State memo telling them to encourage use of cheaper informal care. This is happening in other States as well.

I wish transferring funds to CCDBG would fill the gap. Arizona, which reports that it is close to its 30 percent limit, still has huge gaps. It raised its eligibility this year. It is still limited to $22,000 for a family of three. They improved their rates making their rates go from the 75th percentile of the 1989 market rate, to the 50th percentile of the 1996 market rate. Parents still can't afford half the providers in their community. California and Texas have obligated all their TANF funds. Two hundred thousand on the waiting list in California, 36,000 in Texas.

Will the DCTC expansion help working families? Many families will be left at the gate if Congress only looks at tax strategies. A single head of household with two children earning just over $25,000, would receive no actual benefit from the President's DCTC tax proposals. Even if the DCTC were refundable, it would be difficult for families to manage because they wouldn't receive their refunds until the end of the year, and they have to pay weekly or bi-weekly child care bills.

The question we have to ask as a country is how are we going to ensure that families can work and support their children, and avoid dependence on TANF, keep their children safe, and help them go to school ready to read. In 1996, this Committee took important steps to help families move off TANF. In 1990, the Nation made a commitment to working poor families when President Bush signed the Child Care and Development Block G. Increasing the CCDBG by $7.5 billion over 5 years is the next step to take.

If we are to increase child care options, we can not hold working families hostage to the TANF surplus. We can't depend on a patchwork approach, transferring funds from one block grant designed to help our very neediest families to another with similar goals. We need a stable base in this country to ensure that every parent who needs it have the child care choices that they need to start to work and to stay working, and their children have the quality of child care they need to succeed in school.

[The prepared statement follows:]

Statement of Helen Blank, Director, Child Care and Development, Children's Defense Fund

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. CDF is a privately funded public charity dedicated to providing a strong and effective voice for America's children, especially poor and minority children.

Child care is an important issue affecting working parents and their children. Everyday, 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.

Quality child care is also critical to helping children enter school ready to succeed. Child care matters not just for parents but also for their children. 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. A new report, "Preventing Reading Difficulties in Young Children," released by the National Research Council in 1998, also notes that the majority of reading problems faced by today's adolescents and adults could be avoided or resolved in the early years of childhood. Children must arrive in the first grade with a strong basis in language and cognitive skills and be motivated to learn in order to benefit from classroom instruction.

While every working parent wants the best environment and outcome for his or her children, child care costs can be a staggering burden for many low-income working parents; costs consuming over a quarter of their income.

High Cost of Child Care

The average annual cost of care for a four-year-old in an urban child care center exceeds the average annual cost of public college tuition in almost every state. But one out of three families with young children earn less than $25,000. One out of three children of working mothers either is poor despite the fact that their mothers work, or would be poor if their mothers did not work. Their parents constantly must choose between paying the rent or mortgage, buying food, and being able to afford the quality care their children need.

Unfortunately, the cost problem cannot be remedied by asking child care providers to lower their price. Most providers already operate on exceptionally tight budgets. The largest portion of a family child care home or a child care center budget is dedicated to staff salaries, which are already unacceptably low. The lowest paid level teachers earn on average $13,125 a year while teaching assistants earn an average of $10,500 annually. As a result, more than one in four child care teachers and 39 percent of assistants left their jobs over the course of a year. Child care programs across the country report that they have had great difficulty replacing staff and finding qualified staff.

Providers who want to stay in the field do it at enormous sacrifice:

> Lori, a 29-year-old mother and child care provider from Philadelphia writes of her reasons for leaving the child care field: "I will soon be leaving my job as a child care provider. I enjoy the center I work with, the children, and the intelligent, caring people I work with. I am leaving because I am making $5.15 an hour to do a job worth at least $10.00 an hour. Of course you can't put a worthy price on caring for our nation's greatest resource, its children, but at least a fair working wage would be justice. I fear for the next generation. They deserve quality care, security, and to have their young minds stimulated. But that's just not going to happen at this rate. You can't expect hard working de-

cent women to keep plugging away with endless energy, when they are insulted every week at the sight of their paychecks."

FAMILIES FACE LOCKED DOORS

Our existing child care investments fall far short of meeting the needs of parents or their children, despite increases in the Child Care and Development Block Grant (CCDBG) included in the Personal Responsibility Act. Inadequate federal and state funding prevents millions of children from low-income working families from being able to get the help they need. These families face a series of locked doors. Many hard working low-income families are not even eligible for help due to low state eligibility cutoffs for child care assistance. Many who are eligible cannot get it -either because they are put on waiting lists or are turned away due to inadequate funds or because no effort has been made to let them know they are eligible to get the help they need to succeed. Those fortunate enough to actually qualify for child care assistance face additional locked doors. In some cases, the amount the state will pay for care is so low that parents cannot find 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.

New federal child care funds have enabled most states, at least temporarily, to meet the increased child care needs of families on welfare generated by the initial stages of the implementation of the new welfare law. They have also allowed a number of states to help more nonwelfare, low-income working parents with their child care expenses. In addition, they have given some states the opportunity to raise the amount they reimburse providers so that more providers are willing to accept children receiving CCDBG subsidies.

LOW-INCOME WORKING FAMILIES NEED A BOOST

Yet, enormous gaps still remain in our efforts to help low-income parents work and take care of their children. Much more needs to be done to ensure that families on welfare have the child care assistance they need to get and keep jobs, without sacrificing low-income working families who are struggling to keep their jobs and stay off welfare.

If our country is serious about promoting work, than it must address the real needs of low-income working families who are often one unreliable child care arrangement away from welfare. Low-income families live precariously, balancing competing basic needs with very limited resources. Any mishap can cause these families to lose their fragile balance. For example, unstable child care arrangements that fall through can easily catapult into a lost job.

The number of poor children in working families has escalated since 1989 from 7.5 million to almost 9.6 million in 1998. As welfare reform proceeds, this trend can be expected to continue. Families leaving welfare will likely remain in low-wage jobs and need child care assistance beyond a limited transitional period of one or two years. Wage growth is very slow. For example, median wages for families who exited welfare grew by only 9 cents an hour in their first five years according to a study by Meyer and Concian concerning women's work efforts in the five years after leaving welfare.

Additional investments in child care are critical if the country is to promote both work and family—not only by helping welfare parents leave welfare but also by ensuring that low-income, working parents have the child care assistance they need to stay employed and to help their children thrive. Some states such as Rhode Island, Illinois, and Wisconsin understand that welfare reform will have a better chance of succeeding if child care assistance is readily available to both families on welfare and low-income working families. These states have focused significant new child care resources on working families. However, too many other states continue to focus a large portion of their new child care funds on TANF families, neglecting the needs of low-income working families.

State child care subsidy programs are so underfunded that they cut off eligibility at family income levels far below what is allowed by federal law and what is needed by families—with the result that families earning as little as $20,000 a year for a family of three are not eligible for help in many states. The CCDBG allows states to help families with incomes up to 85 percent of state median income ("state median income"—or SMI—is the income level in each state below which half of all families fall). However, across the country all but five states disqualify families for help before they reach this level. In some states, the income eligibility cutoffs are so low that only the poorest of the working poor can qualify. West Virginia, for example, cuts off income eligibility at $15,000 per year for a family of three (barely above the

1997 federal poverty level of $13,330), whereas South Carolina cuts off eligibility at $16,700. As of January 1998, three out of five states would not have provided any help to a family of three earning $25,000 (slightly over 185 percent of federal poverty) who applied for child care assistance.

Even those low-income working families who do meet state income guidelines frequently cannot get help they need. Low state income cutoffs keep demand for state child care subsidy help artificially low. Yet even with low income cutoffs, many states face demand they simply cannot meet. These states are turning away eligible low-income working families or putting them on waiting lists for help.

- Texas has 36,000 children on a waiting list
- California has over 200,000 children on a waiting list
- Massachusetts has 17,200 children on a waiting list
- Pennsylvania has 12,600 children on a waiting list
- Alabama has close to 19,000 children on a waiting list and
- Georgia has 44,500 children on a waiting list

In many counties in California, the wait for child care assistance is over two years for low-income working families. These waiting list numbers often underrepresent the real need because many families do not put themselves on the list because they feel that it is futile. In addition, many states do not keep lists; they simply turn families away. Parents without help in paying for child care face many hardships. A mother from Pensacola, Florida says:

> I have two children and their child care costs are $120 a week. I work a full-time job, but after I pay taxes and insurance I bring home $230 a week. That leaves me $110 a week to take care of my children. It is almost impossible for me to survive. I make too much money to receive food stamps so my children have to go hungry for us to get by. If I had some help with child care, I would have more money to buy food for my children. I have worked at my job for seven and a half years, but I almost had to go back to part-time because I could not afford care. If I went part-time, my pay would be reduced and I would lose all my benefits.

Studies of low-income working families on waiting lists for child care assistance clearly paint a picture of the difficulties these families face without the child care help they need. The Day Care Services Association of North Carolina surveyed families on the state's waiting list for child care help and found that 78 percent experienced financial problems. For those families fortunate enough to eventually receive help, it made a significant difference. Eighty-three percent of respondents who did receive a child care subsidy said that the subsidy improved either the quality or reliability of their children's care.

A similar study of parents waiting for child care assistance in Santa Clara County by the Policy Analysis for California Education found that a large number of families on the waiting list are living at or below the poverty level but paying high amounts for child care. Over one-third of parents interviewed earn less than $10,000 annually. Yet, employed parents were on average spending about $300 a month for care. While waiting for help, parents were forced to make significant adjustments in their lives. About 40 percent reported that they gave up looking for work because they could not find affordable care.

Most families never get to the waiting list or to the point of applying for child care help because they do not even know child care assistance is available. Few states have made serious efforts to reach out to these families. In 1998, 43 states told the Children's Defense Fund that if all eligible families sought services, the states were not confident they would have the resources to serve these families. Only eight states reported that they would be able to serve all eligible families if they knew they were eligible, and most of these eight states had severely restricted the number of eligible families by setting very low-income cutoffs. Many potentially eligible families never apply for help because states do not publicize the availability of child care assistance as they know they cannot meet even the existing demand.

- Texas estimated that it is only serving 4 to 5 percent of all families who are eligible under the income guidelines, which restrict eligibility to families earning only about $20,000 a year or less for a family of three.
- Vermont is currently serving 7,000 children. Their state child care administrator estimates that there are about a third to a half again as many eligible families who need child care who are not being served.
- Florida, which recently transferred more than $100 million in TANF to the CCDBG, still has an estimated 11,000 children from birth to age 5 eligible for child care assistance as well as 95,000 school-age children in working families with incomes below 150 percent of the federal poverty level who need child care help.

• In Iowa, only about 11,000 children have families who have applied for child care assistance but 90,000 children are eligible for help.

LOW RATES AND HIGH FEES LIMIT PARENT CHOICE

State child care resources are stretched so thin that even parents fortunate enough to get help do not get the relief they need. Low subsidy rates for child care may mean that good quality, affordable child care that helps children learn is beyond parents' reach even with a child care subsidy. In many states, child care subsidy rates are so low that many providers are unwilling to accept children who have subsidies or limit the number of children with subsidies they are willing to accept. Some providers may take subsidies, but only if parents pay them the difference between what the subsidy rate will cover and the provider's actual rate (in addition to the copayment the parent is already required to pay). The effect of these practices is that parents often have little choice of caregivers. They are driven to choose the lowest-cost, often lower-quality care, since that is what the state subsidy rate will pay for. Or parents have to pay providers the difference, spending extra money on child care that their very eligibility for a child care subsidy indicates they cannot afford. A February 1998 report by the Inspector General of the Department of Health and Human Services emphasized that both low provider payment rates and high copayments restrict parents' access to care and limit their ability to choose the child care they want for their children.

Providers that serve a high concentration of children with subsidies may be unable to continue if rates fall below the real cost of providing care. In Des Moines, Iowa, for example, three inner-city child care centers closed in 1997 because they could not make ends meet under the state's reimbursement rates. Keeping rates low and failing to update them directly affects what kind of care children get and whether their parents can even find care in their neighborhoods.

In 1998, only 18 states set rates that were based on a recent survey of local market costs and that would enable parents to afford the rates charged by three-quarters of local providers.

• Connecticut and Maine use market surveys that are five to seven years old and have not increased their rates to reflect that their information is outdated.

• While Arizona raised rates in 1998, it was only from the 75th percentile of the 1989 market rate to the 50th percentile of the 1996 market rate—still far below the level needed to guarantee parents adequate choice, as they won't be able to afford half the providers in their community.

Child care subsidy programs also close doors to families when they ask parents to pay such high parent fees that child care remains unaffordable. In a number of states, low-income working families who do manage to get child care help are facing such high copayment levels that their child care costs remain prohibitive. For example, although experts recommend that low-income families above poverty pay no more than 10 percent of their income as parent fees, some states require three-person families at $20,000 a year (150 percent of poverty) to pay child care fees as high as 20 to 30 percent of their income:

• In South Dakota, the parent fee would be $500 per month, or 30 percent of the family's income of $1670 per month.

• In Oregon, a family at 150 percent of poverty would be required to pay $365 in parent fees—22 percent of family income.

• Nevada charges such parents about 18 percent of income in parent fees; Utah requires parents to pay 13 percent, Iowa, Maryland, and North Dakota require parents to pay 12 percent.

PROGRAM ADMINISTRATION CAN BE A BARRIER TO GETTING CHILD CARE HELP

Fear of being overwhelmed by requests for child care help also encourages administrators to set up administrative barriers that deter both TANF and low-income working families from taking advantage of child care subsidies. For example:

• A study in Washington State found that 23 percent of former TANF families did not use a child care subsidy because they feared using up their five-year limit on assistance.

• In Utah, families are told they must seek free care before being offered a subsidy.

• In Maryland, child care eligibility workers were sent a state memo telling them to encourage use of cheaper, informal care. This policy was rescinded, but workers were never told.

• In Milwaukee, Wisconsin up to 60 percent of child care placements begun by one agency were canceled by a second agency due to bureaucratic snafus.

Caseworkers may give families confusing information. A study done of the application process by Child Care Inc in New York reports that caseworkers receive limited training on providing child care assistance, and the information they are given as guidelines are often incomplete and outdated. Caseworkers are usually a parent's first, and in many cases, only source for obtaining information about child care. Because parents receive limited information on their child care choices, they believe that they have limited options and may be forced to use informal care. Caseworkers, anxious to move parents into a work activity, advise them to continue to use the person who is caring for children at the time of the appointment as an ongoing care giver, not taking into consideration that this may be a temporary situation. The parent may prefer a different arrangement in the long-term or the provider may be unable to offer a permanent arrangement.

TANF Funds Cannot Fill the Child Care Gap

Many states are moving forward to fill their child care and early education gaps. They are taking advantage of TANF funds and transferring substantial amounts to CCDBG. Some of this activity is not yet reported in FY 1998 data from the Department of Health and Human Services concerning unspent funds. For example, a recent CDF survey found that a number of states transferred or plan to transfer significant funds from TANF to CCDBG, including $66 million in North Carolina, $56 million in Indiana, $38.2 million in Arizona, and $117 million in Florida. Yet, these states and others continue to face large unmet child care needs. For example, across Florida, families with incomes of $32,900 (200 percent of poverty for a family of four) who do not receive child care help must pay about 28 percent of their gross income for two children in care. To serve children birth to age 5 from working families earning up to 200 percent of poverty would require an additional $77 million and providing child care to the school-age population would require an additional $216 million according to the Florida Department of Children and Families.

Indiana continues to limit eligibility to families earning 150 percent of the poverty level or less while Arizona cuts off assistance at 165 percent of the poverty level. States such as California, Texas, and Maine that have obligated all of their TANF funds, also show little evidence of being able to meet the child care needs of working families. Both Texas and California have long waiting lists for child care assistance. While Maine uses a 1993 market rate survey to determine their payment rates to providers. States cannot fill all their child care gaps with TANF dollars. They also have other important uses for these funds. They may justifiably be concerned about the impact that an economic downturn will have on their TANF caseloads and be anxious to conserve funds to preserve a safety net for families. Despite declining caseloads, states are also facing a challenge as they try to help the families who remain on welfare, since it is these families who face the most significant barriers to work, such as substance abuse, domestic violence, disability, and mental health problems, to employment and self-sufficiency. Research also indicates that children in families having the most trouble entering the workforce also have more acute physical or emotional problems and need more enriched child care settings.

If we are to increase child care options that meet the needs of parents and children, we cannot continue to depend on a patchwork approach. Transferring funds from one block grant designed to help needy families to another with similar goals will not assure the stable base needed to ensure that parents have the child care choices they need to work and their children need to enter school ready to succeed.

Improved Tax Credits Must Be Paired With Expanded CCDBG Funds

How do we provide more relief to these millions of families? Expanding the Dependent Care Tax Credit would definitely provide more help to some configuration of lower-middle and middle-income families who struggle to pay for child care out of very tight budgets. However, there are large groups of low and lower-middle income families that an expanded DCTC, unless it is made refundable, simply will not benefit. For these families, it is essential that more help be made available through the Child Care and Development Block Grant. For example, a single head of household with two children earning $25,252 (185 percent of the federal poverty level) would receive no actual tax benefit from the President's proposal to expand the DCTC, after applying the per child tax credit and the Earned Income Tax Credit. In fact, families of this configuration (single head of household, two children) would realize a net tax benefit under this proposed DCTC expansion only at incomes of $27,000 and higher. Similarly, a married couple family with two children at 185 percent of the poverty level -earning just over $30,000 a year—would receive only a very small net benefit, about $55, from the proposed changes; larger net benefits would be realized only at incomes above that level. A single head of household with two children earning $27,000 (approximately 200 percent of the poverty level) would receive a net gain of only about $89 from the proposal, with larger gains at incomes above that level.

INCREASE FUNDS FOR THE CHILD CARE AND DEVELOPMENT BLOCK GRANT

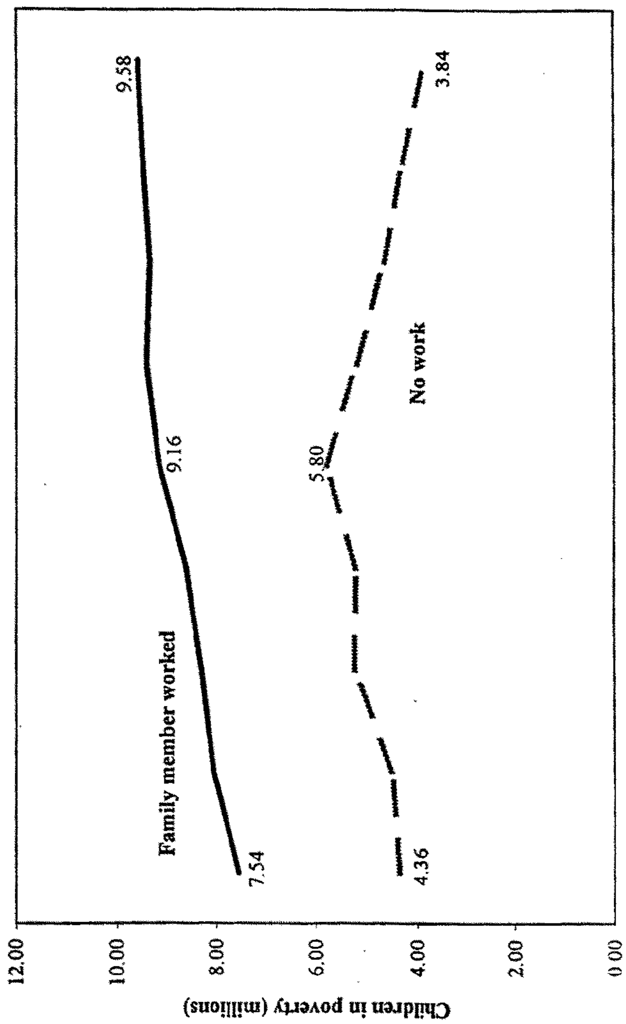
Without child care assistance, it is difficult to comprehend how low-income families manage. The Department of Labor's report on Consumer Expenditures in 1997 found that a family with one parent and at least one child under age 18 spends $21,303 on housing, food, apparel, transportation, and personal insurance and pensions alone. On average, they make $24,185 a year according to the same survey, leaving $2,882 for everything else they must buy, including health insurance and child care. Although for technical reasons these numbers should be taken as a rough guide rather than as precise figures, they do make it easier to see why so many American families are going into debt. A mother from Manchester, Connecticut earning approximately $24,000 a year talks about how difficult it is to work, raise her family, and ensure that her children are in a safe and supportive environment:

> I would like to see affordable, quality child care. I have an infant and a 3-year-old, and currently pay over $1,000/month in child care. This is 50 percent of my salary. There must be a better way for us to work and still feel safe about where our children are during the day without paying out half of our salary every month.

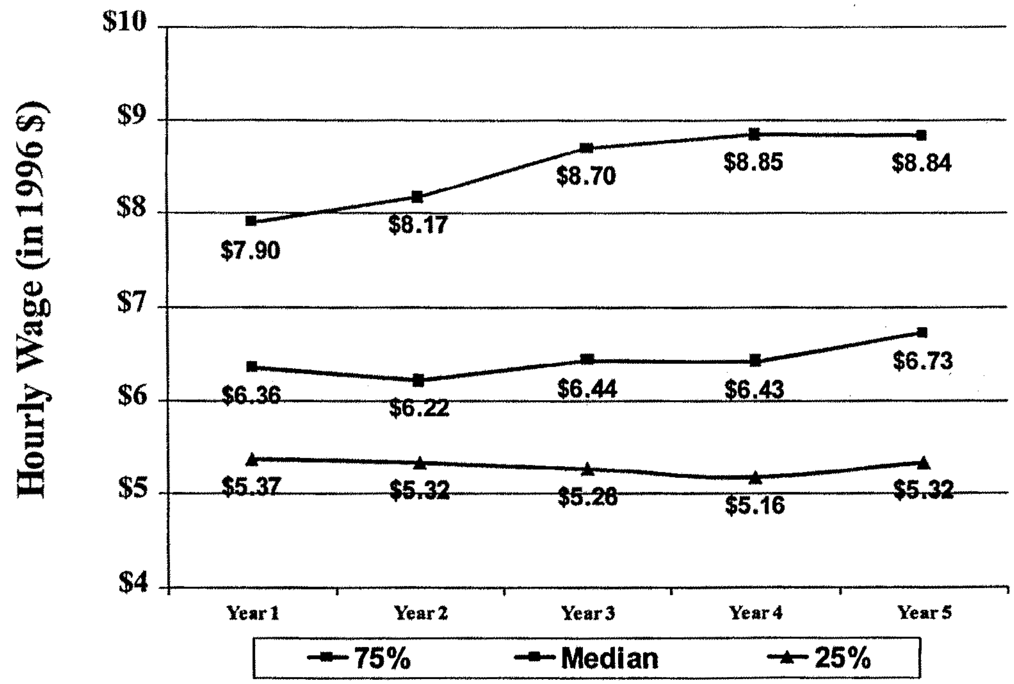
In 1996, this committee took important steps to help families move off TANF. It is equally important in 1999 to take further steps forward to ensure that low-income working families have the means to access the stable child care arrangements they need to continue working and moving towards independence. Increasing the Child Care and Development Block Grant by $7.5 billion over five years is the next step to take. This would not only provide essential help to these families, but would also provide new resources to strengthen the quality of child care. Moving on to improve the Dependent Care Tax Credit would give lower-middle and middle-income families the resources they need to expand their child care choices. However, it is essential that any DCTC expansion be paired with a substantial increase in the Child Care and Development Block Grant to help ensure the success of welfare reform, not just for this generation of workers but also for the next.

More poor children in working families

Number of children in poverty, by whether their family members had any work during the year, 1989-1997



Hourly Wages in First 5 Years after Welfare Exit



Source: Meyer and Cancian, *Work After Welfare: Women's Work Effort, Occupation, and Economic Well-Being* (July 1998)

Chairman JOHNSON of Connecticut. Thank you, Helen. That was a lot of information to go through. I appreciate your presentation. Mr. Carter.

STATEMENT OF CLARENCE H. CARTER, COMMISSIONER, DEPARTMENT OF SOCIAL SERVICES, RICHMOND, VIRGINIA

Mr. CARTER. Madam Chair, as I look at your agenda, it seems that I am the last presenter this afternoon. So I will adhere to the three B's of public presentation, be brief, be insightful, and be gone.

Chairman JOHNSON of Connecticut. Well, we do keep these hearings short so that we can hear everybody. So please don't be intimidated by being the last person, because you are also the most hands-on person that will have testified today.

Mr. CARTER. Thank you. I am pleased to have this opportunity to represent the Commonwealth of Virginia and my human services colleagues across the Nation, and 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. The first is State flexibility. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 ushered in an era of innovation and creativity with regard to public assistance programs. The Child Care and Development Fund was an important augment to PRWORA as it streamlined funding sources for child daycare, enabling States to combine the provision of daycare services with its work-based self-sufficiency focus cash assistance programs. States have enjoyed this new-found 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 resource 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 Child Care and Development Fund require States to set aside up to 4 percent 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 services.

We happen to subscribe to the theory that if parents are armed with all 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 an 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 Child Care Development Fund. 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 across the Commonwealth of Virginia 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 toward 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 the Child Care and Development Fund.

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. Despite the repeal in PRWORA, HHS wrote those very requirements back in the final regulations for the implementation of the CCDF.

I would commend to your attention a full description of the State's concerns over the Federal child care regulations compiled by the American Public Human Services Association, attached to my written testimony.

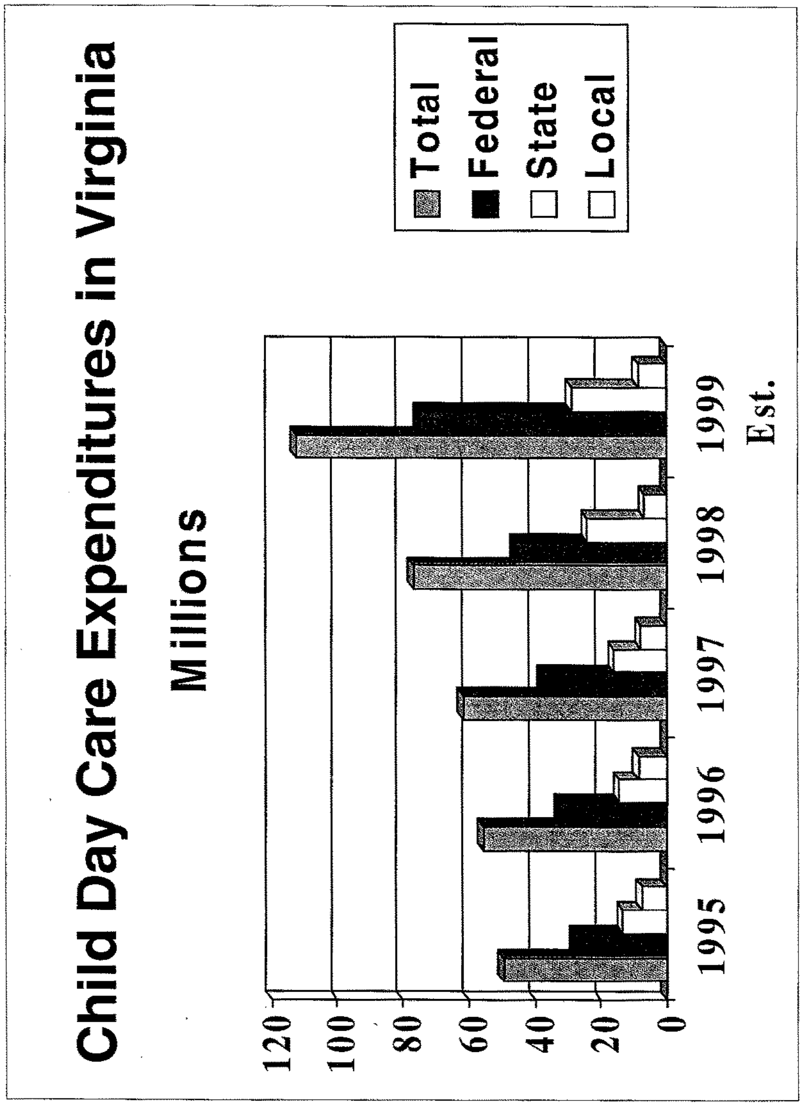
Next, I would like to talk briefly about principles of the provision of child daycare. As the Nation struggled to settle on foundation principles for welfare reform, in Virginia, we struggled with setting the guiding principles for the provision of child care services. The debate in Virginia has been between two schools of thought. On the 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, prescriptive 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 a 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 were economically necessary to assist in their purchase of services is the best public policy option.

The difference, quite frankly, is simple. On the one hand, we trust parents to make decisions in the best interests of their children. On the other hand, we believe the 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. 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 interests 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 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. Child care expenditures over the past 5 years have grown geometrically. I have provided for you a chart which shows the increase in expenditures. Since 1995, Virginia has increased daycare spending by more than $63 million or 112 percent. It is far and away the fastest growing program the department administers. We would, however, encourage Congress to pay close attention to the 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 percent of Federal mandatory funds, 99 percent of Federal matching funds, 90 percent of discretionary funds, and achieved 100 percent maintenance of effort. Thirty-three States spent $630 million in State maintenance of effort funds for child care, and $190 million was transferred from TANF to the Child Care and Development Fund, with even more States using TANF funds for child care.


Child Day Care Expenditures in Virginia
Millions
Total
Federal
State
Local
120
100
80
60
40
20
0
1995
1996
1997
1998
1999
Est.

The TANF block grant allows for a transfer of up to 30 percent to child care expenditures. In Virginia, we use a portion of our TANF transfer to child care to fund our low-income subsidized daycare 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 for daycare.

Just 2 years ago, we had a waiting list of more than 10,000 families to receive the daycare subsidy. We have used a combination of the Child Care and Development Fund and TANF transfer to reduce that waiting list to 2,300 families. While we continue to have an unmet child care subsidy system need, we have transferred only 15 percent of the allowable 30 percent 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. I would like to commend the chairperson and some of her colleagues in the House who have sent a letter to the Senate rejecting that proposed cut. 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 the TANF caseload.

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 1998, the future funding for title XX was reduced to $1.7 billion in fiscal year 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 States' ability to transfer TANF funds to title XX from 10 percent to 4.25 percent in fiscal year 2000.

All of these actions threaten to weaken the financial foundation of child care. The Nation has rightly deemed 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 to continue to work, child care is essential. We urge Congress to reject any cuts or so-called deferrals in 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 and 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 is 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 topic.

[The prepared statement follows:]

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.]

Chairman JOHNSON of Connecticut. Thank you. Mr. Carter, it is very interesting to me that Virginia did actually use the transfer mechanism to address the growing backlog of low-income families needing daycare. That that group should grow is absolutely perfectly logical. If it doesn't grow, we are not succeeding in supporting people as they move off welfare.

Why is it, in talking with your colleagues throughout the country, why is it more States aren't doing that? Or are States doing this? Are the other States moving TANF funds off into daycare and we are just not seeing it?

Mr. CARTER. I think, Madam Chairman, what we have seen, we are in the—if my math is right, the seventh quarter with regard to implementation of the Personal Responsibility and Work Opportunity Reconciliation Act. States have done a tremendous amount of work in putting the infrastructure in place to manage those programs. I think, quite frankly, while in congressional terms it may seem like a lifetime, we have simply been operating—we are in our infancy when it comes to reconstituting the social safety net.

So I think to suggest that States are not doing everything in that regard is not quite to understand that we have a significant challenge to turn this tanker the size of the Titanic on such short notice. So I think that we are doing really well in what we have done to this point. As these issues are raised, my colleagues are showing I think wonderful innovation in how they address the problem.

Chairman JOHNSON of Connecticut. So you think actually when we look at this in a year, that we are going to see a lot more of the TANF dollars being used to subsidize daycare for working people?

Mr. CARTER. I think what we will see is that States will be taking other innovative approaches to addressing this issue of moving folks to self-sufficiency. Yes, ma'am.

Chairman JOHNSON of Connecticut. I wanted to ask you, if we had just given you in the Child Care Block Grant the new money, instead of putting it in three categories, what would you have done differently? I mean we did put $19 million into resource and referral, and school-aged child care; $50 million into infant and toddler. Some of that you would have put into infant and toddler anyway because there is a big deficit there.

So what is the big deal—as long as we don't begin to control the money under TANF, this was all add-on money.

Mr. CARTER. Well, I mean, quite frankly, I think the big deal is that we turn this responsibility to the States to allow States to deal with the issue of child care in the context of their self-sufficiency programs. So then to restrict how we do that, I think goes counter to the purpose of the creation of the block grant.

Chairman JOHNSON of Connecticut. Well, I agree with you philosophically. I am wondering if you can give me examples of where—for instance, does this cause you to set up bookkeeping mechanisms and bureaucracies that you wouldn't have to? Are there variations across your State in what the sort of holes in the child care system are?

Mr. CARTER. Well, it certainly causes us to have to track administratively, to track along those three set-asides. It takes infrastructure in order to do that tracking. Quite frankly, in Virginia, we have made the determination to put as many dollars as possible into the direct purchase of service. We find if we put the dollars in mom and dad's hands, and give mom and dad the information that they need to make an informed decision, they will certainly make the best determination for their family.

So we want to put every possible dollar into direct purchase of services. What we would have to do here along these three set-asides, is to track those. So we would need some dollars in order to administratively track those three set-asides. Again, those dollars would come away from direct purchases of services.

Chairman JOHNSON of Connecticut. Ms. Long, you mentioned Wisconsin, that they have increased State funding significantly and transferred TANF funds to child care, and reduced the pool of eligible families. Could you talk a little bit more about—it sounds like what Wisconsin was trying to do was tailor the pool to the resources, that they did work to expand their resources. What did they do to tailor the pool?

Ms. LONG. What they did primarily to tailor the pool was to lower the income eligibility levels.

Chairman JOHNSON of Connecticut. From what to what?

Ms. BLANK. They went to 165 percent of poverty. I think they were at 200, and they eliminated mothers in education and training. They may have put them back, but they dropped about 3,000 mothers who were in school when they did this.

Chairman JOHNSON of Connecticut. Did they also go from 200 percent to 165 percent of poverty?

Ms. LONG. Yes. They ended up at 165. I don't remember where they started from, but they cut back to 165 to reduce the number of families that would be eligible for assistance.

Chairman JOHNSON of Connecticut. Do they also have more of a co-payment than other States?

Ms. LONG. I don't know the answer to that.

Chairman JOHNSON of Connecticut. Do you know that, Helen?

Ms. BLANK. They raised—well, actually, they had an original plan that created a huge fury. There are always some tradeoffs. In their plan, they were going to raise co-payments significantly. The day the new copayments went into effect, so many parents wrote the legislature, that they cut back on the co-payment increases. What they also did that was very controversial at the time was they made a decision to cut back on the quality of care. They were a State where providers who were caring for small numbers of children, I think it was under four, weren't required to be regulated. Before they made this change, they required those providers to have 15 hours of training a year if they receive public money, which I think is important as it affects the quality of care. They eliminated that training requirement. Then they paid the providers at the 50 percentile of the market so those providers got less. But the way they structured the co-payment system, parents were steered to those providers because parents did better if they chose cheaper providers. They have remedied some of that.

Wisconsin also is an interesting issue because they didn't——

Chairman JOHNSON of Connecticut. Let me just get that clear though. Did they eliminate the requirement they had earlier put in place for 15 hours of training?

Ms. BLANK. They eliminated the training requirement. What they did was they also cut the co-payment. They gave those providers less money, but they set up their co-payment system so parents would do better if they chose cheaper providers.

But the other interesting thing about Wisconsin is they didn't tell anybody about expanded child care assistance. They didn't do any active outreach when they made these changes, so it did not increase the demand substantially. They also had a policy in their welfare case manual called Light Touch, which said that caseworkers should encourage independence. A way of encouraging independence is not to tell people about benefits. I think they have since gotten rid of this.

But they were very nervous about what would happen with this demand, so they neglected to tell families. They have just begun—they didn't do outreach until a year-and-a-half after they made these changes.

Chairman JOHNSON of Connecticut. And what would you say was the sort of average, and I can't remember who mentioned this in your testimony, but the average income guidelines for working poor subsidies?

Ms. BLANK. I don't know if they are average. I believe that there are 10 States that are below 150 percent poverty. Three out of five States limit eligibility to 185 percent of poverty or less.

Chairman JOHNSON of Connecticut. How many do 185 percent?

Ms. BLANK. Three out of five.

The other interesting thing about income eligibility is no matter what it is, that doesn't mean families are getting the help. Even if families raise their eligibility, that doesn't mean States have enough resources to serve all the eligible families. They are hesitant to make child care assistance widely known. It has never been an entitlement like Medicaid. States are always going back and forth. You know, Ohio, because they were so afraid of the demand that welfare would create, lowered their eligibility. They made it too low. Then nobody came, so they raised it. But when you keep doing that to parents, they tend to shy away from the system.

Chairman JOHNSON of Connecticut. That is very hard. While the Dependent Care Tax Credit only helps those who have a taxable income, it does at least go to everybody eligible, you know, if they claim it, and most of them do know to claim it. But it doesn't help those below the incomes where it is useful.

Ms. BLANK. Well, what is interesting about the DCTC, and I think you are right, is that it is available to everyone. I remember the year it got put on the short form. In 1982, this was before we changed the income tax liability, so there were more poor families with tax liability. Many low-income families took advantage of the DCTC.

I found it interesting when we looked in my testimony, to find so many low and lower-middle income families, because of the different tax credits that are now in place, who wouldn't benefit from changes in the DCTC.

Chairman JOHNSON of Connecticut. Of course that is to a large extent the fact that we have excluded a tremendous number of low earners from the tax, from paying taxes at all. So we don't need to relieve them for this cost. We have relieved them from any tax liability, as opposed to when we first passed the Dependent Care Tax Credit. So in recent years we have really excluded large new groups from paying taxes at all. It still doesn't help that it's a large expense, but we are better off not taxing them at all than giving them some relief.

Ms. BLANK. I agree. But then we still have the mothers who can't make it. There is a mother in my testimony in Manchester, Connecticut, who made $24,000 a year, and is probably one of the families that wouldn't get much help from the DCTC. She paid I think 50 percent of her income in child care costs. So these lower-middle income families are really having a hard time.

Chairman JOHNSON of Connecticut. One last question before I'll turn to Mr. Cardin, and then I'll come back if I want. But one of the most distressing things I am seeing is that a lot of people who are leaving welfare and working part-time want to leave their children with family members or neighbors known to them. They therefore cannot get the money. It's true. They cannot get the low-income vouchers. They can if they qualify for kinship care, but even kinship care you have to go through a certain process. Many don't want to do that. So at the very time when they need it the most, they are not getting any voucher help.

Ms. BLANK. You know what is interesting, across the country people are saying the opposite. I think it depends on where you regulate family child care. In California, they sense that most of the money is going to informal care. In Connecticut, you have to be regulated once you take one child. So if you are doing family daycare with your voucher, you have to be in a regulated setting. You are only one of nine states that say once you take one child, you must be regulated. This is a state decision. Maryland is another one. But in some states, like in South Dakota, you can have

12 children and not be regulated. I don't think this is a good idea, you could go to a neighbor with 12 children.

The Block Grant is clear that you can use the money for infant care. Parental choice is paramount. Parents can use the money for relatives and neighbors and friends, and the certain relatives do not have to meet standards. Now some states are choosing to impose some requirements for relative as they are concerned about liability because they are afraid that they could be giving money to people who might have a criminal background or whatever. There have been some horrendous stories.

But it is very state-specific in terms of what the category of unregulated care is.

Chairman JOHNSON of Connecticut. That's interesting. Then it is more of a State problem, but it is having the effect of eliminating the underground from any compensation. Where the underground is just your children with a neighbor, the woman ends up being deprived of the resources she needs. She is just struggling along, at least that is the impression that I am getting right now from workers in the field. They don't know what to do about it, because they are stuck.

Ms. BLANK. It is also interesting because in Connecticut under AFDC, about 70 percent of the families on AFDC were using unregulated care, as were 50 percent of the transitional caseload. But I don't think anything has changed in terms of the regulations.

Chairman JOHNSON of Connecticut. The way the money flows has changed, so they can't pay these providers. So I'll check further.

Ms. BLANK. They may have imposed a requirement for a background check.

Chairman JOHNSON of Connecticut. I don't know. I will have to check on that.

Mr. Cardin.

Mr. CARDIN. Well, it is a fascinating discussion. I really want to follow on a point that Mrs. Johnson made which I agree with. That is, the emphasis over the last several years has been to try to help low-wage workers and to get them off the tax rolls, if at all possible, to keep on raising that level which a person is responsible for income taxes. In so doing, we don't provide any help on their daycare expenses, their child care. They child care expenses don't qualify for a tax credit because they are not eligible for a tax credit because they are not paying taxes.

I don't think anyone would argue that a low-wage worker is in better financial shape than a higher-earner that pays income taxes that can get the benefits from the Dependent Care Credit. Certainly the low-wage worker has more difficult financial straights in order to be able to afford daycare. It seems to me, and I really would like your observations on this, that the States are, on their programs, are concentrating on the people that are on welfare. That they are trying to develop programs to help people find employment, get off cash assistance, and give them daycare, because they are going to need it.

So if the States are concentrating on the people coming off of welfare, if the Federal tax credit program doesn't help low-wage workers who may have never been on welfare, have only created a real void in a real need area. I would just appreciate your comments.

Mr. CARTER. Mr. Cardin, if I could, I would just say in Virginia, and I think in my testimony I talked about how we have increased spending in our subsidy program, to that part of our program where people are post-public assistance or have never been on public assistance. We reduced our——

Mr. CARDIN. I saw that. I notice that Virginia has, I believe, obligated all your 1998 TANF funds?

Mr. CARTER. That's correct.

Mr. CARDIN. And you have transferred 15 percent of your funds into the Child Care Block Grant. So can we assume that you have taken care of all the child care needs in Virginia? That people aren't hurting and getting child care?

Mr. CARTER. I think also in the testimony it says that we still have a waiting list of 2,300 families.

Mr. CARDIN. So you have taken maximum advantage, used all your funds, have really stretched and taken care of current needs, with low welfare roll numbers. You still have a large waiting list. Imagine those people on the waiting list—what are their income levels?

Mr. CARTER. No. 1, we haven't taken maximum. We have transferred 15 percent of——

Mr. CARDIN. But you used all your TANF funds. There's no more left.

Mr. CARTER. But we have also transferred 15 percent.

Mr. CARDIN. I know, but you couldn't transfer any more because you don't have any more to transfer. You might have been able—you had to give up some other funding programs in order to do that. Right?

Mr. CARTER. That's accurate.

Mr. CARDIN. So I assume you are using the money wisely.

Mr. CARTER. We would like to think so.

Mr. CARDIN. Whether it's child care or not child care.

Mr. CARTER. We have got a 48-percent reduction in our caseload.

Mr. CARDIN. But you still have a large waiting list. You still have a large needs list.

Mr. CARTER. We continue to have an unmet need, yes.

Mr. CARDIN. I think that answers my question.

Mr. CARTER. I think what we have asked, what we have asked is that where there have been attempts to make additional dollars available, if those dollars will be unencumbered and allow the Commonwealth to direct those to where the Commonwealth chose to direct it to, as opposed to being mandated where to put those dollars, then it would again allow us to address that unmet need.

Mr. CARDIN. I fully support the flexibility we have given to the States. I am not here to say Virginia hasn't done the best job in the Nation. You may have done the best job in the Nation. But I am also proud of States that have some money in reserve in the event that things don't go so well. If I were managing a program, I would want to have a little bit reserved, realizing that never before in the history of our Nation, never before in the history of our Nation have we seen the type of decline of people on the welfare rolls. I hope it is a trend that will continue. But in my gut, I have a concern that we are going to reach a time when the States are going to be hard pressed for resources to deal with people who need cash assistance. And that if you have taken your money away from TANF, you may find yourself in a very difficult position to meet those needs.

Now again, you may have done the very best job. But here you are, you have maximized the resources in child care. I congratulate you for that. But you still have a tremendous unmet need. The people who aren't getting the services are people who are working. Right?

Mr. CARTER. The low-income subsidy system is yes, is for those low-income working families, yes.

Mr. CARDIN. But there are a lot of low-income working families that aren't getting help.

Mr. CARTER. We have reduced that waiting list to 2,300.

Mr. CARDIN. Twenty three hundred?

Mr. CARTER. Twenty three hundred, yes, sir.

Mr. CARDIN. I will be glad to yield.

Chairman JOHNSON of Connecticut. I don't quite—I want to get this clear. In your testimony, you say that you have transferred 15 percent of the allowable 30 percent of TANF funds, and that you were hesitant to recommend to the Governor transferring the rest of the TANF funds that you could transfer.

Mr. CARTER. That is correct.

Chairman JOHNSON of Connecticut. I think Mr. Cardin is hearing your testimony as that you have spent all your TANF funds. So you couldn't transfer 15 percent more because you have already spent them.

Mr. CARTER. No, no. I'm sorry, Mr. Cardin. We currently have about a $56 million TANF reserve at this point.

Mr. CARDIN. It's not encumbered?

Mr. CARTER. That is not encumbered. That is correct.

Mr. CARDIN. How much is that?

Mr. CARTER. Fifty six million dollars.

Mr. CARDIN. What percentage is that? What are we talking about? If you were to transfer that, how high a percentage could you get to?

Mr. CARTER. We could get to the 30 percent.

Chairman JOHNSON of Connecticut. I think what you meant when you said that you had spent all your TANF funds, you meant you spent all your daycare TANF funds?

Mr. CARTER. Yes.

Chairman JOHNSON of Connecticut. You transferred 15 percent, and you could transfer another 15 percent, but you are afraid that we are going to step in and take it?

Mr. CARTER. That is accurate.

Chairman JOHNSON of Connecticut. We are going to fight that.

Mr. CARDIN. For the record, HHS is showing that you have encumbered all of your funds. Now there is either a mistake in the information you are presenting or a mistake we have from HHS.

Mr. CARTER. Mr. Cardin, I would, with all due respect, the information—since I manage the program on a daily basis, I am pretty comfortable with the information we have provided you today.

Mr. CARDIN. OK. So you are saying that the information provided by HHS is wrong?

Mr. CARTER. I would like to see that.

Chairman JOHNSON of Connecticut. It appears that way to him.

Mr. CARDIN. If I might just ask one or two more questions. I particularly appreciate, Ms. Blank, you raising the issue on quality on low-wage, that people who are in child care are receiving low wages generally. That has to have an impact on quality. There comes a time where you are going to get turnover, you are not going to be able to keep the professionalism that you need. It has got to have an impact. Are we seeing any improvement on people who take care of our children getting a fair wage for the services that they are performing?

Ms. BLANK. No. There are a few pioneers actually in the State of North Carolina, that created a program that ties minimal increases in education to increases in wages. They have also created another program, which actually supplements child care worker wages in a few counties. But we do find if you do that, you can reduce turnover. The participants in Teach in North Carolina in Orange County had a turnover that was reduced from 44 to 10 percent.

But nationwide, we have a problem because women have to go to work. If we keep daycare wages low, it is possible for women to go to work. Every time I travel and I talk to people who are running child care programs, whether it is Maryland, North Carolina, Iowa, they all tell me the same thing. Over the last decade, while we have seen increased Federal and State investments in child care. Clearly, we have made great progress. I don't deny that. They think that the environment in programs for children are getting worse because they can't get quality staff.

We talk about schoolteachers. Well, if we pay schoolteachers in the District of Columbia—my youngest is doing Teach for America, $26,000 a year, and we have trouble getting them. Why would anyone work for $12,000 or $13,000 a year?

When you do have turnover, it is very hard for children. I have been in this business too long, so I remember testifying maybe 12 years ago, and this little child got up and said to his mother every Monday morning, "Who is my teacher going to be today?" Because you can be in the same program, but your teacher can switch. It is very hard to keep a program stable. It is hard for children, it's hard for people in this business. We just don't value our children enough. It is a make-shift system. That is what we believe it will be, until we change our minds.

Mr. CARDIN. Let me just make an observation. It really started with Mrs. Johnson and Mr. Stark's comments on this a couple hours ago on quality. I think you are hitting an issue of quality.

In another role that I had once before, heading the Maryland Legal Services Corp., and I had some responsibility for giving out money to Maryland legal service providers, I was shocked at the low income that people in public interest law were receiving, and conditioned a lot of new money on raising salaries. It was somewhat of a surprise, because it worked. We made a big jump in the salary level for people at legal aid. It did an incredible, I think, service in attracting and keeping people to do poverty law.

Now I know that some of my colleagues here would yell and scream if I tried to put as a condition to this new funds that there be improvement to the people who are providing these services. I really would like to do that, but I don't think I could get that through the Congress of the United States. But it would be helpful.

Let me just make this comment. It would be helpful for those that are advocates for additional Federal support, to be able to come forward and show that one of the byproducts of a stronger Federal role would be that the people who are providing the services would receive a fairer wage. We know that can't be done over night, but there should be some commitment made to raise the salary levels for those that are providing incredible service, taking care of our youngsters, at wages that I agree with you, are just unacceptable.

That is obviously not something that we are going to be able to deal with directly, or at least I don't think we are going to be able to. But I would hope that those that can do something about it would use some of the opportunities if we are able to move forward with additional help to make progress.

Ms. BLANK. Check on benefits, because they also don't—many of them don't have health care or sick leave, and they are with young children who get sick all the time. So when you start to fix that——

Mr. CARDIN. It's a quality issue. Thank you, Madam Chair.

Chairman JOHNSON of Connecticut. Mr. Carter, I just wanted to ask you a couple of other questions. Does Virginia give most of the money directly to the parents?

Mr. CARTER. That's correct.

Chairman JOHNSON of Connecticut. How do the parents find out about the various providers? Do you fund a large information and referral service or do you find that's not necessary?

Mr. CARTER. We do fund an information and referral service. We have expanded our outreach in that we are now putting together a Web site to make child care information available.

We have also produced a registry of child care providers that is in every library in the Commonwealth. So we really have tried to in many ways make the information available to families.

Chairman JOHNSON of Connecticut. Now did the Federal Resource and Referral Block Grant free up some money for you that you were using for resource and referral so that you could devote it to actual care?

Mr. CARTER. No. Quite frankly, we were making that expenditure, we were making the resource and referral expenditure prior to.

Chairman JOHNSON of Connecticut. Yes. So when we gave you more money, did you just spend more on that or did you displace that?

Mr. CARTER. We had to spend more on that.

Chairman JOHNSON of Connecticut. You couldn't displace?

Mr. CARTER. We were required to spend those dollars, we were required to spend the set-aside dollars.

Chairman JOHNSON of Connecticut. So you couldn't reduce your State effort when we gave you more money?

Mr. CARTER. That's correct.

Chairman JOHNSON of Connecticut. Looking at where you are now, would you rather have used some of those moneys for vouchers or was that an appropriate expansion of your resource and referral?

Mr. CARTER. I would rather use every single dime possible to put into a mother or mother and father's hands to purchase services.

Chairman JOHNSON of Connecticut. On this business of the HHS requirements and the requirements they wrote into the regulations that we had stricken from the law——

Mr. CARTER. Right.

Chairman JOHNSON of Connecticut. Why do you and the other administrators oppose those? Would you give us a little bit more insight into why you oppose the regulations?

Mr. CARTER. I mean we certainly don't oppose all the regulations. I am submitting with my written testimony a number of concerns that States have with the legislation.

Chairman JOHNSON of Connecticut. Is that this?

Mr. CARTER. Yes. But particularly the issue with the market rate surveys in the 75th percentile, we have found that those issues simply don't help us as States get to the provision of quality child care. We think that was one of the reasons that Congress wrote those out of the statute. Yet for HHS to turn around and put it back in the statute, we just don't quite understand, or put it back in the regulations, we don't understand.

Chairman JOHNSON of Connecticut. And how do you try to direct, affect the issue of quality?

Mr. CARTER. Again, as I said in my written testimony, we think that by providing appropriate information, to allow parents to make informed decisions, and then putting dollars in their hands, by what they do with those dollars, that will then set the bar for quality.

Chairman JOHNSON of Connecticut. Do you have any idea what percentage of the cost that your subsidies cover?

Mr. CARTER. I'm sorry? The question again?

Chairman JOHNSON of Connecticut. The percentage of the cost that your subsidies cover for low-income working families? I imagine it's a sliding scale.

Mr. CARTER. No, Madam Chairman. I'm sorry, I don't.

Chairman JOHNSON of Connecticut. And what is the maximum income that your program deals with? What is the maximum income a parent can earn?

Mr. CARTER. We actually have three different categories based on regions of the Commonwealth, because the economy of the Commonwealth is so diverse. We go from as high as 185 percent down to a low of 150 percent of the Federal poverty level.

Chairman JOHNSON of Connecticut. Thank you very much. If there are no further questions, we thank you very much for your testimony.

I would say, Helen, I appreciate all your data. It is a terrible tension between the potential demand that States face, and the salaries we are paying people, and then really the data about what is actually happening now. What is the meaning of those waiting lists? How many of those kids are really being served? How many are being served by the economy that we can't see, you know, family care and unlicensed care in States where licensure is very strict. But I really appreciate your very good data.

Thank you all for being here.

[Whereupon, at 4:12 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

Statement of Bill Harrington, American Fathers Alliance

Father love, or members of a fathers extended family, should be a mandatory option before federally funded childcare is made available to an applicant for subsidized childcare services. In an era of limited public resources, reasonable options should be pursued before limited funding is made available on an entitlement basis. Our reasonable proposal is as follows:

Upon receipt of an application for subsidized childcare services, every applicant should be required to provide the name and mailing address of the father. The service agent should mail a one page form to the father indicating whether or not the father or paternal family member, including aunts or uncles and grandparents, would be willing to care for the child during the time for which the mother has filed for subsidized childcare services. If such a document is returned from the father and signed, indicating whether he or a family member is willing to provide direct cost-free care for the child, this option shall be exercised and the request for subsidized care disallowed. If such document is not returned within 30 days, funding should be granted until or unless the father petitions the agency to request that he or his family members provide child care services at no cost to the government.

Attached are research documents, the first which shows that significant numbers of unwed fathers are primary caregivers of children and they are doing an excellent job. In the second report, married fathers are the principal source of care for minor children, more than all paid childcare combined. Taken together, these reports demonstrate the power and experience of father love. That being the case, fathers and extended families can reduce governmental spending and the consumption of taxpayer dollars.

We learn there is no risk involved in having fathers caring for their minor children. These loving and caring men and their family members are available as a cost-free option to paid childcare, and represent a decision clearly in the best interest of the children. We urge your consideration of this option, on behalf of loving fathers and family members from all over America. Government is not a substitute for a father, but fathers will always be a replacement for Governmental assistance.

Statement of Cory J. Jensen, Men's Health Network

The taxpayers should not pay for childcare if a parent or immediate family member is willing to do it for free. Childcare assistance is an important element in moving adults from welfare to work. If a parent or immediate family member is willing to take care of the children, they should be given priority in the matter. Studies find that parents and family members are more able to take care of children and are preferred by the children.

Before a person can receive subsidies for child care, they must prove the following criteria:

(1) That the other parent has declined to care for the child, or is unfit to care for the child. And, if the other parent has declined or is unfit to care for the child:

(2) That members of the child's immediate family have declined to care for the child, or are unfit to care for the child.

In today's world divorced and unwed parents are common. If the custodial parent works, is in job training or an education program, the non-custodial parent should become the first option in childcare. If the non-custodial parent is unwilling or is unfit to care for the child, the immediate family should be the next choice. If neither of these options is available, only then should the government subsidize childcare.

Numerous studies cite the importance of parental involvement in their children's lives. Whether wed, divorced or unwed, both parents have a right to participate in the upbringing of their children. The most obvious of these rights and responsibilities is to provide for the day-to-day care of the child. The federal government has acknowledged that childcare assistance is crucial in moving welfare recipients into the working world. Thus, if one member of the family is willing to provide the childcare, not only does this relieve the burden from the government and taxpayer, but it also strengthens the bond between parent and child and has a positive developmental influence on the child.

All too often fathers have been overlooked as willing caretakers of their children. Not only are many fathers willing and able to take care of their children, but a 1994 Census Bureau report (Who's Minding the Kids?, Child Care Arrangements: Fall 1991, P70–36) found fathers to be the preferred day care providers. To quote Mary Hawkins, co-author of the report, "We are increasingly finding fathers to be the preferred provider for child care . . ." (Press Release, May 20, 1994).

Unfortunately, the data collected also appear to highlight the barriers placed between children and fathers, if the father has been displaced from the home or has never lived with the mother. "Divorce and separation agreements may be responsible for these lower rates of child care participation. Also, divorce or separation may result in geographic moves by either parent that make a father's participation in child care impossible. In addition, divorce or separation usually create strained relationships that may not be conducive to frequent daily contact between former spouses and their children" (O'Connell, 1993).

A 1993 analysis by the Population Reference Bureau highlights how many children are being cared for by their fathers. "In 1991, there were more children under age 15 living in married-couple families who had fathers as the primary care providers (3.2 million) than the combined number of children in child care centers and nursery schools (2.2 million)" (O'Connell, 1993).

Day care costs were also studied, and the findings will be of interest to those studying childcare guidelines. This is a very lengthy and complicated study (61 pages) and we suggest that the reader obtain a copy for a better understanding of the definitions and terms used in the report. (U.S. Department of Commerce, Bureau of the Census, Washington, D.C. 20233).

The involvement of fathers in their children's lives leads to positive outcomes. Studies from as early as 1975 have detailed the advantages of father involvement. The Child Study Journal reported ". . . significant differences favoring the academic achievement of both boys and girls from father present homes . . ." Whereas "father absence had a much greater effect on . . . boys and girls . . . whose I.Q. was above 100" (Sciara, 1975).

The misconception that fathers are less suited to child raising than the mother is continuing to be debunked by researchers. "Child development is enhanced by more father involvement . . . there is less sexism in the children." Fathers "are able to meet the emotional and nurturance needs of children" (Hanson, 1985).

A 1981 study noted that "the father plays an active and unique role in part in his child's development." Unfortunately "fathers participate in child care as much as the mother allows" (Jones). This proves to be an argument for allowing non-custodial fathers to be the first option in childcare for their children, should the mother choose to move from welfare to work.

Not only do researchers promote fathers as an essential component of child development, but it also has been shown that when a father is absent, children suffer. "Children whose relationship with their fathers were disrupted were more vulnerable to a wide range of problems" (Beeson, 1984). While researchers do a wonderful job of interpreting data, the views of the children should not be overlooked.

> *Dan age eight:* His mother was angrily attempting to prevent any contact with the boy's father. Dan spoke of ". . . awful bad problems I'm having sleeping at night" (Wallerstein & Kelly, 1976).
>
> *Sonia* rushed into her classroom and announced ". . . with glee . . ." that her father had moved out the night before. Soon thereafter, she began vomiting in her breakfast, and alternately clung to and angrily shouted to her mother. Fearfully and repetitively she asked her mother, "Don't you love me?" For Sonia, the separation meant the loss of the parent that clearly favored her, while she remained in the custody of a rejecting mother who openly preferred her sibling (Wallerstein & Kelly, 1976).
>
> *Bill:* Teacher reported that, since the separation, Bill seemed frightened and prone to outbursts of crying. At home, Bill was moody, irritable, and forlorn at the loss of his father (Wallerstein & Kelly, 1976).
>
> *Mary age nine:* ". . . If my father could visit more often, I probably wouldn't mind so much (Wallerstein & Kelly, 1976).
>
> *Four-year-old girl:* Reacted to the loss of her father with nightmares, depression, and withdrawal from peers and activities. (She had) strong guilt feelings, which pushed her to a depressive, stage (Rosenthal, 1979).
>
> *Jane:* Cried on the telephone when speaking with her father, "I want to see you. I want to see you. I miss you . . . we only see you once a month. That's not enough" (Wallerstein & Kelly, 1976).

Professional studies also document the detrimental effects of decreased involvement of fathers.

> (The) duration of contact with the father was directly related to the quality of the father-child relationship and, indirectly, to the child's adjustment. (The) key factors (are:) insure that the father (has) easy access to his children and input into his children's lives, both of which are frequently denied fathers in actual practice (Shanon, 1977).

Additional studies support the concept that the presence of a father is tied to psychological adjustment of the child.

> Findings indicate a statistically significant association between time lost in the presence of the father and current adjustment. The more time lost, the higher the maladjustment score. The direct impact on the child's psyche of reduced contact with the father is an important factor to be considered in further research (Jacobson, 1978).

With overwhelming evidence that fathers are important in their children's lives, why not offer them the opportunity to provide for childcare? When the mother is working, in job training or an educational program a willing, non-custodial father should be the first option in childcare. Along with the obvious advantage of strengthening the child-parent relationship, there are the additional benefits of lowered government costs and involvement. Taxpayers should not be forced to support a welfare program that circumvents childcare by non-custodial parents or family members.

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Statement of Cristina B. Firvida, National Women's Law Center

Thank you for the opportunity to submit this statement to the Subcommittee on Human Resources for its hearing on child care financing. The National Women's Law Center is a non-profit organization that has been working since 1972 to advance and protect women's legal rights. The Center focuses on major policy areas of importance to women and their families, with special attention given to the concerns of low-income women. For more than a decade, the Center has been a strong advocate for federal and state policies that promote the availability, affordability, and quality of child care in America.

At a time when the overwhelming majority of women with children work outside the home, a major national investment is necessary to improve the availability, quality and affordability of child care, especially for low-income families struggling to keep their jobs and become more self-sufficient. As described in greater detail below, a significant new investment in the Child Care Block Grant of \$7.5 billion over five years is needed as an important first step to increasing the number of eligible families receiving help. Congress should also act to increase the amounts of the Dependent Care Tax Credit for lower and moderate income families and make it refundable so that families with no or low federal income tax liability can benefit from it.

The child care needs of American women and their families have increased dramatically in recent years, as women with children have entered the paid workforce in unprecedented numbers. Seven out of ten American women with children under the age of 18—and nearly three out of four women with school-age children—work in the paid labor force today, representing a major societal change since the 1940's when fewer than one in five women with children worked outside the home. Working parents know that providing their children with a safe and nurturing child care environment can make an important contribution to their children's healthy development. Yet high-quality child care is too often unaffordable or simply not available. Generally, the cost of child care today can range from $4,000 to $10,000 annually; even at the lower end of the range, child care expenses can consume a very high percentage of low-income family's income.[1] Although the federal government does provide some assistance to low-income families struggling with these high costs, too many families who are eligible for this assistance do not receive it. In many cases, high-quality care is not available at any price; recent studies have shown that most child care and early education in the United States fails to provide developmentally appropriate activities, and in the most egregious cases, fails to maintain basic safety and sanitary standards. Women and their families thus have a tremendous stake in public policies that will help make high-quality child care available and affordable to those who need it.

Women have another interest in effective child care policies as well: as child care providers. The vast majority of child care providers in this country—some 98%—are women. These women are working in a demanding occupation, charged with providing loving care and a healthy learning environment for the children entrusted to them. Yet the compensation these teachers and care-givers receive—between $10,500 and $14,800 per year, on average, often with no benefits—shortchanges not only the workers but also the children in their care, because the lack of decent wages and career advancement opportunities in child care make it difficult to attract and retain trained, qualified care-givers.

Women thus have a profound and dual interest in the enactment of effective child care policies. As parents, they need access to high-quality child care that will help their children learn and grow. As providers of child care services, they need compensation, training and advancement opportunities that will reflect the value of their important work while enhancing their skills and the quality of the care they provide to our nation's children.

It is not surprising, then, that child care is high on the list of working women's concerns.[2]

I. Working Families and the Need for Child Care

A Large Majority of American Women With Children Work Outside the Home

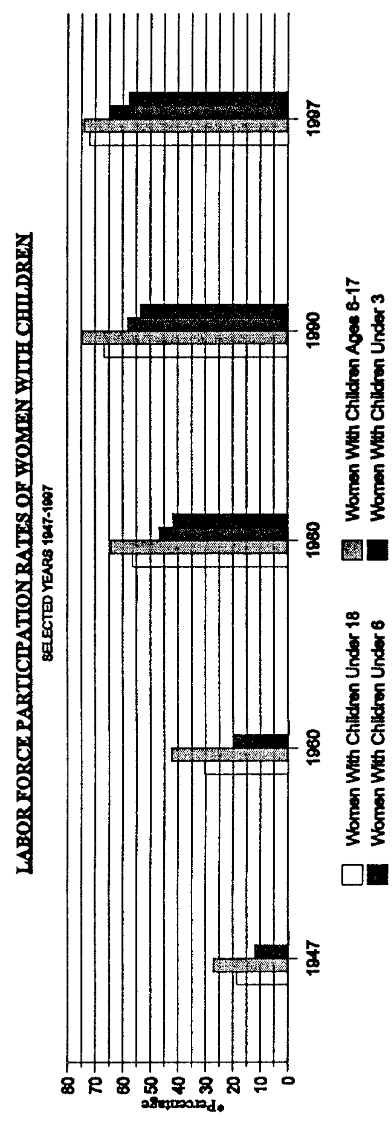
It is an undeniable fact of American life today that a large and steadily growing majority of women with children—married and single, with children of all ages from pre-school to teens—must look to child care to provide a safe and nurturing environment for their children during working hours. In addition, an increasing number of women with children are seeking a college education, and these women, too, need affordable, high-quality child care if they are to have access to the enhanced job prospects and increased earning power that a college degree can bring them.

Over 70% of American women with children under age 18 (72%), and almost three-quarters with children between the ages of 6 and 17 (74%), are in the paid labor force.[3] Even the majority of mothers with pre-schoolers now work outside the home—65% of women with children under age 6 are in the paid labor force, and 58% of mothers with infants (under age 1) are either in the paid labor force or looking for paid employment.[4] A majority of these women work full time—73% of all employed women with children under age 18, almost 70% of these women with children under age 6, and over 65% of these women with children under age 3 are working full time.[5]

These labor force participation rates reflect a steady and dramatic increase over the last 50 years, as shown in the chart below. In 1947, at the end of World War II, only 19% of women with children under age 18 were in the paid labor force. By 1960, that number had jumped to nearly one-third, by 1980 it was over half, and by 1990 it was over two-thirds.[6] Similarly, in 1947, only 12% of women with children under age 6 were in the paid labor force; by 1960 that number had climbed to over 20%, by 1980 it was over 46%, and by 1990 it was over 58%.[7] And as women have moved into the labor force in greater numbers, they have increasingly taken

Endnotes follow Statement.

jobs that are both full time and year round, partly due to economic necessity and partly due to their movement into traditionally male-dominated occupations that require full-time, year-round work.[8]



Sources:

1.U.S. Bureau of Labor Statistics, Current Population Survey, 1997.
2. U.S. House of Representatives Committee on Ways and Means

Mothers working outside the home today include married women as well as women who are sole heads of their households. In nearly 70% of married couples with children under age 18, the mother is in the paid labor force, and 70% of these women are working full time.[9] Over 70% of mothers who are sole heads of households with children under age 18 are in the paid labor force, and 80% of these women are working full time.[10]

Today, only 23% of married-couple families with children under age 18, and only 25% of married couples with children under age 6, fit the traditional model of husband as sole breadwinner.[11]

In short, it is an undeniable fact of American life today that a large and steadily growing majority of women with children—married and single, with children of all ages from pre-school to teens—must look to child care to provide a safe and nurturing environment for their children during working hours. In addition, increasing numbers of women seeking a college education have children, and these women, too, need affordable, high-quality child care if they are to have access to the enhanced job prospects and increased earning power that a college degree can bring them.

Why Women Work: To Support Their Families

Most women who work outside the home do so as a result of economic necessity. Some 10 million households with children—almost 30% of all U.S. households with children—are headed by women alone (women who are divorced, separated, widowed or never married).[12] These women must earn a living in order to feed, clothe, house and otherwise sustain themselves and their children. Child support alone does not enable these women to provide for their children, because so few child support orders are established or enforced, and when they are, the amount collected is generally insufficient to contribute significantly to meeting the demands of raising a child.[13]

Most married women, as well, work because their families depend in large measure on their income. Surveys of working women yield similar findings. In a 1997 survey of working women, more than half of the married women respondents (52%) reported that they contribute half or more of their household income.[14] A mother's income can often mean the difference to a family between living below the poverty line and living above it. One in five married women with children who do not work outside the home live in poverty, while only one in one hundred married women with children who work full-time live in poverty.[15] In addition, some married women work in order to protect against complete financial dependence on a spouse and being left with no job skills and inadequate means of support in the event of divorce—a concern that is well-founded, in light of the inadequacy of child support awards, as noted above.

Many Families Need Help Paying for Child Care

Working parents who rely on child care often have a hard time paying for it. For families with children between the ages of three and five, at all income levels, child care and early education is the third greatest expense after housing and food.[16] Nationally, child care consumes between 6% and 25% of a family's income.[17] However, one study of child care prices in six cities found that, for a minimum-wage worker, the average cost of care for an infant in a child care center would be at least 50% of the family's annual income.[18]

Child care costs vary by the age of the child and the kind of child care arrangement used. Generally, the cost of child care today can range from $4,000 to $10,000 annually[19]—for example, the average annual child care cost for one 4-year old child in a child care center in Hartford, Connecticut is $5,710; for a one year-old infant in a child care center in Baltimore City, Maryland, $7,980.[20] Yet about half of families with young children earn less than $40,000 a year,[21] and single mothers with children earn even less—in 1997, the median income of families with children headed by a woman was $17,256, 40% less than the median income of families with children headed by a man ($28,668) and more than two-thirds less than the median income of married couples with children ($54,395).[22]

Although the federal government provides some assistance to low-income families struggling with the costs of child care and early education, many families who are eligible for the assistance do not receive it. The Child Care and Development Block Grant allows states to help pay for child care for families with incomes up to 85% of state median income. However, all but four states disqualify families for help before they reach this federally authorized level.[23]

In some states, the income eligibility cutoffs are so low that only the poorest of the working poor can qualify. For example, in West Virginia, the cut-off is at $15,000 per year for a family of three (barely above the 1997 federal poverty level of $13,330), while Iowa and South Carolina cut off eligibility at $16,700.[24]

Even with eligibility cutoffs set so low, many states cannot meet the demand for child care subsidies. As of January 1998, about half the states had to turn away eligible low-income working families or put them on a waiting list due to inadequate funds. In California, over 200,000 families—mostly non-welfare, low-income workers—are on the child care subsidy waiting list.[25] A 1998 Children's Defense Fund study confirms that inadequate federal and state funding prevents at least nine out of ten eligible children in low-income working families from getting the child care assistance they need.[26]

Moreover, even those families who do receive child care assistance through the Block Grant struggle to meet their child care expenses because the child care subsidies are often too low to meet the needs of working families. In some cases, the amount the state will pay for care is so low that parents cannot find qualified providers who can afford to serve their children.[27] Delaware, for example, pays a maximum child care subsidy for a four-year-old in a child care center that is $200 per month less than the amount needed to allow parents to access care from three-quarters of Delaware providers.[28]

In other cases parents have to pay so much in parent fees or co-payments that child care expenses remain a staggering financial burden.[29] In South Dakota, for example, a parent earning $1,670 per month must contribute $500 per month (30% of the family's income) in order to get a child care subsidy.[30]

The amount of support provided by the government to families with child care expenses is in sharp contrast to the support offered to assist with the cosy of higher education. Families pay roughly 60% of total annual estimated expenditures for child care and early education, while families pay only about 23% of the cost of a public higher education.[31] The total government resources for higher education far exceed those for child care and early education, amounting to about $4,552 for every postsecondary student compared to $1,395 for every child under age six in child care.[32] This disparity in government support is compounded by the fact that families are usually better off financially by the time their children enter college than they are when their children are younger and in need of child care.[33]

Quality Child Care and Early Education: An Investment in Our Children's Future

Working parents need access not just to affordable child care, but to a child care setting that is safe and nurturing and will contribute to their children's healthy development and education. Quality child care is a wise investment in our children's future.

Research on early brain development and school readiness demonstrates that the experiences children have and the attachments they form in the first three years of life have a decisive, long-lasting impact on their later development and learning.[34] Recent breakthroughs in neuroscience show that early interactions directly affect the way the brain is "wired."[35] Brain development is non-linear: there are prime times for acquiring different kinds of knowledge and skills[36]—for example, by age two, a child's brain contains twice as many synapses and consumes twice as much energy as the brain of an adult.[37]

For these reasons, the quality of child care has a lasting impact on children's emotional well-being, social skills and ability to learn.[38] Children in poor-quality child care have been found to be delayed in language and reading skills, and display more aggression toward other children and adults.[39] Children in higher-quality preschool classrooms display greater receptive language ability and pre-math skills, view their child care and themselves more positively, have warmer relationships with their teachers, and have more advanced social skills than those in lower-quality classrooms.[40] In addition, higher-quality programs can lead to children's long-term success, including better school achievement, higher earnings as adults, and decreased involvement with the criminal justice system.[41] Higher-quality programs also pay for themselves in the long-run; researchers have found that seven dollars in public expenditures is saved for every dollar spent for quality child care and early childhood education.[42]

Despite these findings, many young children are being cared for in settings in which books and toys required for physical and intellectual growth are missing; warm, supportive relationships with adults are lacking; and in some cases, basic sanitary conditions are not met and safety problems are endangering infants.[43] It is not only pre-school children and infants who suffer from a lack of quality care settings. It is estimated that nearly five million children are left unsupervised after school each week, and many children are in settings that do not help them grow and learn because there are no constructive activities to promote their physical and intellectual development.[44] The problem is most acute in low-income communities, where fewer before- and after-school programs are offered.[45]

Studies have indicated that school-age children who are left alone after school are at greater risk of truancy, risk-taking behavior, substance abuse, poor grades, and stress.[46] FBI data show that violent juvenile crime triples in the hour after the school bell rings with nearly half occurring between 2 p.m. and 8 p.m.[47] In a recent survey, 92% of police chiefs nationwide identified an increased government investment in programs like child care and after-school programs as the most effective anti-crime weapon by a four-to-one margin over trying more juveniles as adults or even hiring additional police officers.[48]

II. The Early Childhood Workforce: Women as Child Care Providers

The vast majority of child care providers in this country are women. The child care workforce is 98% female, and one-third women of color.[49] These women—approximately 2.3 million early childhood teachers and teachers' assistants, family child care providers, and in-home providers[50]—carry the responsibility of providing a safe, nurturing, and stimulating setting for the children entrusted to them each day. The services these women provide can have a critical impact on the successful development of the children in their care.

Especially in light of their tremendous responsibility, child care workers are shockingly under-compensated. The U.S. Department of Labor reports that, in 1997, the median weekly salary for a family child care provider was $202 per week, which is $10,504 annually, based on 52 weeks of wages.[51] This is below the poverty threshold for a household that includes one parent and one child.[52] For an early childhood teaching assistant, the median weekly salary was $239 per week, or $12,428 annually, and for a worker in a child care center it was $285 per week, or $14,820 annually.[53] Moreover, many child care workers receive little if anything in benefits from their employers. Even among child care centers, the availability of health care coverage for staff workers remains woefully inadequate.[54]

Child care workers thus earn far less than the median earnings for all workers ($26,156 in 1997), and less than the median earnings for bus drivers ($21,060), janitors ($16,276), or bartenders ($16,024).[55]

In order to support themselves, many child care workers are forced to hold second jobs, continue to live with parents, or forgo health insurance, medical care and savings for retirement. As a result, many do not stay long in child care: 31% of all teaching staff leave their child care centers each year.[56]

This high turnover rate is shortchanging not only child care providers, but the children as well. The compensation of child care staff is clearly linked to the quality of care and education children receive. According to one study, "teachers' wages, their education and specialized training were the most important characteristics that distinguish poor, mediocre, and good-quality centers."[57] Another study identified staff wages as the most important predictor of the quality of care children receive: better quality centers paid higher wages, hired teachers with more education and training, and experienced lower staff turnover.[58] Reducing turnover is critical, because the stability of the relationship between the child and the care-giver is important to the child's social development.[59] For example, the U.S. Department of Defense, in its Military Child Development System, ties wages and advancement for its child care workers to training and education, and in so doing has significantly reduced turnover and thereby improved the morale and motivation of care givers and the quality of care.

III. Increasing the Federal Investment in Child Care

A major investment is needed to improve the availability, quality and affordability of child care, especially for low-income families struggling to keep their jobs and become more self-sufficient. Currently, at most one in ten low-income families who are eligible for assistance through the Child Care Block Grant are receiving the assistance they need. A new investment in the Block Grant of $7.5 billion over five years would be a significant first step in increasing the number of eligible families receiving help. Some of the additional money should be used to improve the quality of child care programs, especially for infants and toddlers and for early learning programs for pre-school children. Using additional Block Grant funds to enhance the compensation and training of child care providers would also result in higher quality care for children.

It is also critical that Congress act to strengthen and restore the value of the Dependent Care Tax Credit ("DCTC"), especially for lower- and moderate-income families. The DCTC provides valuable assistance to families by allowing taxpayers to offset a portion of their employment-related dependent care expenses against their federal income tax liability. Since the credit was last expanded in 1981, however, its value has eroded, particularly for low-and moderate-income families. To restore the value of the DCTC to these families, it should be made refundable so that families with no or low federal income tax liability can benefit from it. In addition, a number of other improvements should be enacted to strengthen the DCTC, such as raising the percentages of qualifying expenses that may be taken as a credit to help families cover the cost of more of their qualifying child care expenses. Improving the DCTC, however, must be paired with a significant expansion of the Child Care Block Grant if low-income families are to receive the level of assistance they truly need to meet their child care expenses.

Thank you again for this opportunity, and if the Center can be of assistance to you in your deliberations, please do not hesitate to call on us.

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[2] See, e.g., *Ask a Working Woman*, a report on the national survey for the Working Women's Department, AFL-CIO (1997); *Women: the New Providers*, Whirlpool Foundation study by Families and Work Institute (May 1995).

[3] Tabulations based on Department of Labor, U.S. Bureau of Labor Statistics, *Employment Characteristics of Families*, Current Population Survey, 1997, Summary and Table 3. These percentages understate how many women raising children are in the paid labor force because they reflect only women raising their own children, and do not include the many women who are raising grandchildren, nieces and nephews, or other related children.

[4] *Id.*

[5] *Id,* Tables 5 and 6. Of all mothers of children under age 18, 50% work full time; of all mothers of children under age 6, 42% work full time; and of all mothers of children under age 3, 37% work full time. *Id.*

[6] U.S. House of Representatives Committee on Ways and Means, 1996 Green Book, Table 10–1.

[7] *Id.*

[8] U.S. Department of Labor, Women's Bureau, "Facts on Working Women: 20 Facts on Women Workers," Sept. 1996.

[9] Tabulations based on data from Department of Labor, U.S. Bureau of Labor Statistics, *Marital and Family Characteristics of the Labor Force*, Current Population Survey, 1996, Tables 5 and 6. The number of mothers in the paid labor force includes mothers who are working outside the home as well as mothers who are seeking work outside the home.

[10] *Id.*

[11] Tabulation based on data from U.S. Department of Commerce, Bureau of the Census, *Money Income in the United States: 1997*, Current Population Reports, Consumer Income, No. P60–200 (September 1998), Table 6.

[12] U.S. Department of Commerce, Bureau of the Census, *Household & Family Characteristics: March 1997*, Current Population Reports, (April 1998), p. 6.

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[14] *Ask A Working Woman*, p. 8.

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[23] Locked Doors: States Struggling to Meet the Child Care Needs of Low-Income Working Families. (1998). Washington, DC: CDF.

[24] *Id.*

[25] General Accounting Office, Welfare Reform: States' Efforts to Expand Child Care Programs, GAO/HEHS–98–27, (Washington, DC: General Accounting Office, January 1998).

[26] Locked Doors: States Struggling to Meet the Child Care Needs of Low-Income Working Families. (1998). Washington, DC: CDF

[27] *Id.*

[28] *Id.*

[29] *Id.*

[30] *Id.*

[31] "Financing Child Care in the United States: An Illustrative Catalog of Current Strategies," The Ewing Marion Kauffman Foundation & The Pew Charitable Trusts, 1997, p. 2.

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[33] "Financing Child Care in the United States: An Illustrative Catalog of Current Strategies," The Ewing Marion Kauffman Foundation & the Pew Charitable Trusts, 1997, p. 3.
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[35] *Id. at p. 18.*
[36] *Id.*
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Statement of Kathryn J. Rodgers, NOW Legal Defense and Education Fund, New York, New York

Thank you for the opportunity to submit testimony to the House Ways and Means Committee on the importance of child care and early education for American families. NOW Legal Defense and Education Fund (NOWLDEF) has a 29-year commitment to women's rights and equality, particularly economic justice for all women. Access to affordable child care is essential to achieving this goal. In fact, affordable quality child care and early education programs are not only vital for women's economic independence, but are also critical to their children's development and well-being.

I. Introduction

As women become a larger part of the workforce, child care has become a national issue. Availability of high quality, reliable and affordable child care is often the only way that women with children can fulfill their potential as workers and support their families. At the same time, research has made it clear that good quality child care in a child's early years can make the critical difference in that child's ability to succeed. How we care for our children is a central issue affecting America's ability to utilize the full potential of the nation's workforce. Providing quality care is also necessary to ensure the country's future.

The critical importance of child care is nowhere more apparent than in the lives of low income women. Two years into welfare reform, the welfare rolls have declined dramatically and many poor single women with children have moved into the workplace. As this has happened, the inadequacy of our child care system has become extremely clear. Now is the time for a federal commitment to our nation's children, to make the resources available to ensure that while their parents work, their will have decent quality care. The American people support increased funding for child care and in particular support child care assistance for low income families. According to a national survey sponsored by the W.K. Kellog Foundation, 86% of Americans believe that child care should be available to all low income families so that parents can work.[1] This cannot happen unless the federal government targets sufficient resources specifically for child care to enable the states to provide child care and child care subsidies for all who need them.

Our testimony provides a brief history of the federal commitment in this area. We then outline the need for an improved child care system, the particular problems facing women moving from welfare to work, the critical need for child care for all low income families (not just those receiving welfare), the importance of quality care for our nation's children, and the international context in which this country makes decisions about our commitment to our children.

Based on this survey of available data, we urge Congress to take the following urgently needed actions to support children and their families:

- Increase funding for the Child Care and Development Block Grant ("CCDBG") to a level that will enable states to meet the child care needs of all families with incomes below 85% of the State Median Income.
- Require states to provide child care subsidies for all low income families who meet the federal CCDBG income standards.
- Require states to provide women required to work under the Personal Responsibility and Work Reconciliation Act ("PRA") with information on child care subsidies, available child care options and her right not to be sanctioned for failing to meet work requirements if the reason is the lack of appropriate child care for her child.
- Limit the co-payments that can be charged low income working families to a set percentage of income and prohibit co-payments for Temporary Aid for Needy Families ("TANF") recipients.
- Increase funding under the CCDBG to improve the quality of child care. Additional funding can be used to train providers, enforce quality and health and safety standards and provide comprehensive services such as parent education and health and nutrition programs to children and families in child care programs.
- Require states to perform market surveys annually and provide at least 75% of the cost of child care for eligible children.
- Increase funding to expand and improve Head Start.

II. Historic Federal Commitment to Child Care

Congress has long recognized the importance of quality early education and child care programs for low income families. During the New Deal of the 1930's, the federal government first entered the child care business by establishing federally funded nursery schools for poor children. Although the schools were primarily established to create jobs for unemployed teachers, nurses and others (as opposed to child care for working parents), when large numbers of mothers began to enter the labor force during World War II, many of these nursery schools were expanded to provide child care services. In fact, under the Latham Act, the federal government financed child care programs for approximately 550,000–600,000 children during the war years.[2]

Although financing for these programs ended in 1946, the need for child care and early education programs continued. In 1965, the federal government again responded to this need by making a major commitment to the early education of low income children with the establishment of the Head Start program, 42 U.S.C. § 9801. This important program, which has served over 15 million children since 1965, provides comprehensive services including quality early childhood education, nutrition, health and social services, along with a strong parent involvement focus, to low income children nationwide.[3]

[1] Endnotes follow Statement.

In 1988, Congress enacted legislation providing child care for families receiving Aid to Families with Dependent Children ("AFDC"), families that formerly received AFDC, and low income working parents at risk of becoming dependent on AFDC. Two years later in 1990, Congress created the CCDBG, 42 U.S.C. § 9858, to provide child care assistance for low income families as well as funds to improve the quality and accessibility of child care overall. In 1996, under the PRA, Congress eliminated the AFDC linked-child care entitlement programs and shifted the funding for these programs into the CCDBG.[4]

Although Head Start and the CCDBG block grant contribute to providing our nation's families with the child care and early education they need, they are far from adequate. Head Start only serves two out five eligible children,[5] and many children of working parents who could benefit from its services cannot take advantage of them because most Head Start programs do not offer full-day or year-round programs. Likewise, the CCDBG currently serves only 1 out of 10 eligible children.[6] This leaves so many children and families without decent care that it is not an overstatement to say that there is currently a national crisis in affordable, quality child care, especially for low income families. Clearly, the federal government can do much more to make affordable quality child care a reality by making major funding increases in these programs.

III. The Need for Federal Commitment to Child Care

The need for child care is clear. Since World War II, the number of women entering the paid labor force has increased dramatically. Three-quarters of women with children between the ages of 6 and 7 work outside the home.[7] Women with preschool children have also entered the workforce in significant numbers. In 1947 only 12% of women with pre-school children worked. By 1996, 62% of working women had young children—a rate five times higher than in 1947.[8] Yet in 1996, while there were an estimated 13 million children with working mothers, there were only 93,000 licensed child care facilities throughout the United States.[9]

As clear as the need for more quality child care is the fact that most working parents cannot afford that care without help. Full-day child care costs between $4,000 and $10,000 per year.[10] At the same time, half of America's families with young children earn less than $35,000 per year.[11] A family with two parents working full-time at minimum wage jobs earns only $21,400 per year. In short, quality child care is out of the reach of most low income American families unless there is governmental support.

A. Welfare-to-Work Issues

Passage of the PRA has increased the need for federal child care support.[12] Under the PRA, Congress for the first time required states to impose work requirements on single parent families with pre-school age children who receive cash assistance through the TANF block grant.[13] The PRA ended 60 years of federal commitment to support poor single parents so that they could care for their children in their own homes. Instead, the federal policy now mandates work for all poor single parents in need of public assistance. Yet the children in these poor families still need care, and unfortunately, when Congress enacted the PRA, it also repealed provisions which guaranteed child care to low income families.[14]

Although funding was increased for child care subsidies in 1996 under the CCDBG, experts acknowledged that the increase was not sufficient to provide quality child care for all poor families that need it. According to the estimates by the Congressional Budget Office at the time of enactment of the PRA, if states put single parents on welfare to work at the rates required by the new law, there would be a $1.8 billion shortfall in what would be needed to supply child care for children of those parents by the year 2002.[15] Indeed, a recent study of welfare recipients found that 60 percent reported that unavailability of child care kept them from participating in work programs.[16] In New York City, where there is a strong initiative to put all mothers on the welfare rolls to work, the city's own figures show that there is insufficient child care available. In December 1998, there were 57,000 children on welfare who were under the age of 3. At the same time, there were only 7,842 spaces for children in the city's subsidized family day care system, 1,120 spaces in the city's day care centers and 850 spaces in other centers that took subsidized children. In short, child care spaces were only available for one out of ten children in the city of New York.[17] Similarly, a report on California's AFDC population estimated that there would need to be a 1,800% increase in child care funding to provide subsidized child care to all children receiving welfare.[18]

In a nation with limited affordable child care, requiring poor parents to work outside the home for subsistence benefits without guaranteeing them child care creates both a moral and a real-life crisis while undermining the work goals of the PRA. Yet, to this day, Congress has failed to assure that care will be available for the children of poor parents forced to work outside the home when their low wages or a welfare check cannot possibly buy quality child care. Many states faced with moving significant numbers of poor women with children into the workforce, but without sufficient funds to ensure that all children can be placed in high quality subsidized care have responded in ways that are (1) harmful to both women and children, (2) counter-productive to the goal of making work possible for single mothers with children, and (3) contrary to federal law.

(1) Need for Better Notice to Recipients of Their Rights To Subsidies and Their Right Not to be Sanctioned.—Congress provided certain child care protections in TANF and the CCDBG. Under the CCDBG, states have an obligation to inform parents about the availability of subsidies and their child care options.[19] Under TANF, states are prohibited from sanctioning women who cannot meet work requirements because they do not have appropriate care for their pre-school child.[20] Unfortunately, these protections are insufficient to protect poor families. Many states are not letting women know that child care subsidies are available. Few states are telling mothers that they cannot be sanctioned if they cannot meet work requirements due to the lack of child care for their pre-school age child. In fact, as of this date no state has defined the term "appropriate care" for purposes of determining whether a woman with a pre-school child can perform work outside her home. The result is that many mothers are using any care they can for their children or suffering loss of benefits in order to remain at home caring for their children. At one end of the spectrum are the horror stories of deaths of young children placed in the care of young siblings, abusive boyfriends or incompetent or neglectful caregivers:

- In Wisconsin, a 13 year old child with severe mental and physical handicaps, DeAndre Reeves, died while left without adequate supervision while his mother had to meet work requirements. His death followed months of pleading by his mother with caseworkers, social workers and her state representative that her son needed her personal care. She was not offered appropriate care for her son nor was she told anything but that she had to work to get her welfare check. A welfare rights group in Wisconsin places the death toll at 7 of children killed in inappropriate informal care situations while their mothers complied with work requirements.[21]
- In New York, a mother required to start a workfare job left her children with her boyfriend because she had no other care; when her 3-year old daughter cried too much, he beat her to death; the woman's other children were subsequently placed in foster care.[22]
- In Washington, a woman told she would lose her welfare benefits if she did not attend an orientation program for workfare and that she could not bring her 4-month old to the orientation left the child with an 11-year old who did not know what to do when the child vomited, left the baby on his back and returned to find that the baby had died by aspirating on his vomit.[23]

For most mothers told they have no choice but to leave their children with anyone they can find, there is a constant fear that their children will become another victim of inadequate or abusive care.

Failure to inform women of their options with respect to child care is nothing new. Studies of low income women entitled to child care subsidies under prior law show that most of the population eligible for subsidies did not know about them and consequently did not use them.[24] Estimates are that fewer than 20% of welfare or former welfare recipients in employment programs in California in 1995 knew about child care subsidies potentially available to them; similarly, in Georgia, less than half of those leaving welfare for work were aware of the potential availability of Transitional Child Care assistance and only about 35% of those eligible for the program received assistance. In New York, a study by the Public Advocate for New York City found that welfare families were consistently misinformed by welfare program staff about available child care subsidies, with almost half never informed that subsidies were available and the same proportion believing they would lose their grant if they did not find child care. Half of the women given referrals by the Office of Employment Services, the agency responsible for workfare placements, were not able to find child care from the referrals either because the programs were already full or were not accessible to the family.[25]

(2) Need for child care subsidies for all low-income families.—There is not enough money for child care in any state to ensure that all low-income families can provide good quality care for their children. Although the welfare rolls have dropped dramatically in the last five years, the majority of those leaving welfare move into low paying jobs that do not provide enough income to lift a family of three out of poverty, even when child care costs are not considered. By March 1998, only 8% of the previous year's recipients had jobs paying weekly wages above the poverty line—

barely up from 6% in March 1990. At the same time, the proportion of workers with weekly wages below three-quarters of the poverty line surged from 6% to 14.5%.[26] As women move off the welfare rolls and into employment, they earn wages that are often little better than what their welfare benefits were—and out of those low wages, they must pay for child care. Given the average cost of child care in the United States, it is clearly impossible for low-income women to provide quality child care for their children without outside help. And, in many cases, paying for child care may make it impossible to provide for the other basic needs of the family.

Provision of child care support for all low-income mothers with children is therefore critical to allowing women to remain in the workforce when they leave welfare and enabling working single parent families to maintain a standard of living that meets their basic needs. In theory, the child care block grant, the CCDBG, permits states to make their child care systems a "seamless web" in which welfare recipients, those transitioning off of welfare and other low income women workers are all eligible for child care subsidies as long as they earn less than 85% of the State Median Income. However, this theory has not become a reality.[27] While some states have increased funding for child care for working poor families (*e.g,*. California by 12%; Texas, Pennsylvania by 24%; Florida by 70%), many states have decreased their child care subsidy funding for low-income working families (Minnesota by 24%; Ohio by 11%; New York by 5%). According to the Department of Health and Human Services ("HHS"), no state provides child care subsidies for all families who would be eligible under the CCDBG block grant standards.[28]

Some states that claim to provide subsidies for the working poor require co-payments even of very low-income families. For example, eight states require co-payment fees for all families regardless of income ranging from 10% to 30% of the family's income.[29] At least seventeen states charge co-payments to TANF families.[30]

In addition, some states that provide subsidies to low-income families as well as welfare reliant families do not provide subsidies that are high enough to purchase quality care. Under the terms of the CCDBG, states must ensure that their subsidies are high enough to purchase child care. Almost all states do this by means of a market rate survey and a provision of subsidy at a certain percentage of the market rate needed to purchase care. However, according to HHS, in 1998, only 12 states reported having conducted a survey in 1997 and many had not done so in three or four years.[31]

B. Quality of Care

In addition to being crucial to parents' abilities to work, affordable, quality child care and early education programs are essential to children's development. The early years of a child's life are critical to intellectual development and later academic success. The first three years of life are particularly important to children's early learning and development.[32] A recent Carnegie study pointed out that "the quality of young children's environment and social experience has a decisive, long-lasting impact on their well-being and ability to learn."[33]

Low income children in particular have a great need for quality care and education. Low income children are 30% more likely to suffer from delays in growth or development, a significant emotional or behavioral problem or a learning disability.[34] Children on welfare are three times more likely to be in poor health than non-poor children.[35] As more poor single parent families move into the workforce, and, as noted above, are not earning wages that lift their families above poverty, the need to support their children with good quality child care grows. In a nation where one in four children grow up in poverty, and 45% of all children under age six live in poverty,[36] a national commitment to provide quality child care for these children whose parents are working would seem consistent with fairness, equality of opportunity and the long-term goal of assuring that all Americans can contribute to the development of society. However, a large number of families, particularly low income families, do not have access to quality care due to unavailability or high costs of such care. As a result, many children miss out on an important opportunity for early learning, which in the long run can jeopardize their ability to succeed in school and their ability to succeed in life.

The magnitude of this problem is significant considering the number of American children in child care. Each day, an estimated 13 million pre-school children—including six million infants and toddlers—spend some or all of their day being cared for by someone other than their parents.[37] Unfortunately, the quality of care received by many children is low.

A study of the quality of child care centers found that 7 in 10 child care centers in the United States provided mediocre care, and 1 in 8 had care that was so inadequate that it threatened the health and safety of children.[38] Indeed, 40% of infant and toddler rooms in centers were found to endanger children's health and safety.[39]

While poor quality care affects families at all income levels, low income families are more likely to be cared for in settings that do not meet quality standards (such as unregulated family child care and profit making centers). A national study of child care in family-based settings found that low income and minority children were more likely to be in lower quality programs than other children.[40]

IV. The International Context

A national commitment to child care and early education is not unprecedented. Indeed, during the national crises created by the Depression and World War II, the United States showed that the federal government would devote federal resources to child care when necessary. Now should be no different. In fact, since this country is in the midst of a child care crisis, federal action is needed more than ever.

In making child care a national priority, the United States must follow the lead of 191 countries worldwide that consider child care a basic human right. These 191 countries have all ratified the Convention on the Rights of the Child which provides that parties "shall take all appropriate measures to ensure that children of working parents have the right to benefit from child-care services and facilities for which they are eligible."[41] Although the United States has signed this important international treaty (which in and of itself obligates it to accept the Convention's norms), it and Somalia are the only two countries that have failed to ratify it.[42]

In contrast, many European countries take their commitment under the Convention seriously and have made access to child and early education programs national priorities. For instance, France has one of the most ambitious and comprehensive systems of free public pre-school in the world,[43] and in 1995 Sweden amended its Social Services Act to require municipalities to provide child care for children between the ages of 1 and 12 whose parents need it.[44] The United States should not lag behind other industrialized nations in its commitment to children and parents. Rather, if the United States is to remain a world leader, it must follow the lead of other nations and make child care and early education a national priority.

V. Federal Support for Child Care is Crucial

Despite the challenge of welfare reform, despite the infusion of additional funds to the states for child care, despite the availability of TANF surplus money in some states, the states are not meeting the child care needs of low income families. There are simply too many children in low income families who need child care, and because quality child care is so expensive, the states cannot provide it without a commitment from the federal government to make quality and affordable child care and early education programs a national priority.

With respect to TANF surpluses, this Committee should be aware that not all states have such surpluses.[45] Nineteen states, including California, have no TANF surpluses. Children in those states as in other states need good quality child care. To refuse to provide additional federal money for child care because some states have TANF surpluses will penalize those states and the children in those states for the state's appropriate expenditure of federal TANF money on the needs of the TANF population. Furthermore, that some states have surpluses in their budgets from TANF or from other sources does not mean that they will choose to spend that money on child care. In any event, the availability of quality child care for any American child should not depend on which state he or she happens to live.

Whatever states are doing with their TANF money, they are all spending 100% of the money appropriated under CCDBG. But they know it is not enough. In a recent survey done by the Children's Defense Fund, most states admitted that those entitled to subsidies did not know about them and conceded that if all who were eligible did apply, the needs of those families could not be met.[46] A floodgates fear is one of the things that keeps the states from making a commitment to child care for all of their children. Good quality child care will only be available to all children in all low income families across the country if there is comprehensive federal legislation that makes a major federal investment in improving the availability, affordability and quality of child care and early education programs. The states cannot do it alone.

Again, we ask Congress to:

- Increase funding for the CCDBG to a level that will enable states to meet the child care needs of all families with incomes below 85% of the State Median Income.
- Require states to provide child care subsidies for all low income families who meet the federal CCDBG income standards.
- Require states to provide women required to work under the PRA with information on child care subsidies, available child care options and her right not to be

sanctioned for failing to meet work requirements if the reason is the lack of appropriate child care for her child.

• Limit the co-payments that can be charged low income working families to a set percentage of income and prohibit co-payments for TANF recipients.

• Increase funding under the CCDBG to improve the quality of child care. Additional funding can be used to train providers, enforce quality and health and safety standards and provide comprehensive services such as parent education and health and nutrition programs to children and families in child care programs.

• Require states to perform market surveys annually and provide at least 75% of the cost of child care for eligible children.

• Increase funding to expand and improve Head Start.

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Statement of Mathew E. Melmed, ZERO TO THREE: National Center for Infants, Toddlers, and Families

Ms. Chairman and Members of the Committee, I am delighted to have the opportunity to appear before you today on behalf of ZERO TO THREE: National Center for Infants, Toddlers and Families to discuss the special needs of infants and toddlers in child care. I am Matthew Melmed, Executive Director of ZERO TO THREE, a national non-profit organization that has worked to advance the healthy development of America's babies and young children for over 20 years. I would like to start by commending Congresswoman Johnson's role in championing the Family and Medical Leave Act for more than a decade—your efforts have made a profound positive contribution to the healthy growth and development of our youngest children.

You have no doubt been hearing a great deal about the critical brain development that occurs in the first three years of life and its impact on all that follows. How, and how well, we think, learn, control our emotions and relate to others for the rest of our lives—in short what makes us human—depends on the nature of the interactions and attachments we have as very young children with our parents and caregivers.

In 1990, nearly half of all children under the age of three were being cared for by someone other than their parents.[1] As welfare-to-work requirements affect families with very young children, the demand for out-of-home care for infants and toddlers is rising. At the same time, concern about the quality of infant/toddler child care is growing. Although detailed information about child care arrangements for very young children is sparse, the research that has been done raises serious questions about the quality of many child care settings that serve children under three.

As more and more infants and toddlers are moving into child care, for longer and longer periods of time, it is important that we understand how early caregiving experiences profoundly influence cognitive, social, and emotional development. Recent neuroscientific research has provided us with this greater understanding.

Brain Development: The Lasting Effects of Early Relationships

Until recently, neuroscientists didn't know that infants' brains were so active and complex. They had always assumed that brain structure was genetically determined by the time babies are born. Now, we know differently. New imaging techniques provide non-invasive ways to study the brains of living people, and allow scientists to see a baby's brain developing—not just growing bigger, but forming microscopic connections responsible for such things as feeling, learning, and memory.

[1] Endnotes follow Statement.

While genes give you certain predispositions, for example, to have a certain type of temperament, these predispositions are vitally influenced by a wide range of experiences as you grow. The old debate over "nature vs. nurture" is dead. We now know that they work hand in hand to guide future development.

At birth, the brain is in a highly unfinished state. During the first 3 years, it forms most of the synaptic connections, the basic wiring of the brain, that it will keep for life. PET scans show us that by 12 months, a baby's brain qualitatively resembles an adult's in terms of basic architecture. The brain of a two-year-old is as active as an adult's. This is visual proof that very young children are primed for learning.

All learning takes place in the context of important relationships. During the earliest days, months, and years, children learn about the world through their own actions, and their caregiver's reactions. They are learning about who they are, how to feel about themselves and what they can expect from those who care for them. Such basic human capacities as the ability to feel trust, to experience intimacy with, and cooperate with others, develop from the earliest moments of life. Early experiences—positive and negative—have a decisive impact on who we become as adults.

Research has found that a strong secure attachment to a nurturing caregiver has a protective biological function, helping the child learn to cope with stress and control emotions. What research also tells us is that day-to-day interaction between babies, their parents, and other caregivers are learning partnerships with very high stakes. That's because babies and young children experience their environment almost completely through their relationships with their primary caregivers. They need us to survive and thrive.

When a toddler plays with, talks to and listens to his parents or child care provider, he learns to focus and concentrate, to recognize the familiar and explore the unfamiliar, to communicate, to take pleasure in learning. These same processes allow a first grader to focus on a book, quiet down, filter out noise in a classroom, feel motivated to try a new challenge, and feel good about learning to read.

Loving a baby is important, but parents and caregivers must also be able to read a child's individual signals and respond appropriately. Every baby is unique. By nature babies vary greatly in how they react to sensations. Some are more sensitive to sound ... others to touch. These variations in how they learn affect how they understand their world.

Babies also have different temperaments and different ways of showing their needs, moods, and preferences. The key to successful development lies in how well caregivers—parents and child care providers—respond to a baby's signals, and how well they nurture them and mediate their environment, in order to mesh with the child's own physical characteristics, sensitivities, abilities, temperament, and mood.

Any policy decisions about infants and toddlers in child care must be premised upon and support the central fact that it is through continuous, day-to-day relationships with parents, child care providers, and other caregivers that children develop intellectually, socially, and emotionally.

The key to quality child care is the quality of relationships—relationships between the infant and her family, between child and caregiver, between caregiver and family, and among adults in the child care setting. Child care quality depends on caregivers who are knowledgeable and skilled, and committed to creating and sustaining these relationships.

Quality Matters

Over the past 15 years a number of studies have examined the effects of varying levels of quality on children's behavior and development. Each reached the same conclusion: A significant correlation exists between program quality and outcomes for children.[2] In longitudinal research currently underway, The NICHD Study of Early Child Care has found that among children under three, in a range of child care settings chosen by their families, higher quality care is related to better mother-child relationships, higher cognitive performance, higher language ability, a higher level of school readiness, and fewer problem behaviors reported by caregivers.[3]

Inadequate care poses serious and potentially fatal risks to the current well-being and future development of infants, toddlers and their families. Recent empirical research suggests that unfortunately, inadequate care is a widespread phenomenon. The national Cost, Quality and Outcome study of center-based infant/toddler care showed that "child care at most centers in the United States is poor to mediocre, with almost half of the infants and toddlers in rooms having less than minimal quality." It found that fully 40 percent of the rooms serving infants in centers provided care that was of such poor quality as to jeopardize children's health, safety, or development.[4]

A study of family and relative care in three communities revealed similar patterns in family child care programs and home-based care. Using the Family Day Care Rating Scale (FDCRS), this study rated only 9 percent of the homes as good quality (meaning growth-enhancing) while 56 percent of homes were rated as adequate/custodial (neither growth-enhancing nor growth-harming), and 35 percent were rated as inadequate (growth-harming).[5]

The National Center for Early Development & Learning, supported by the Institute on Early Childhood Development and Education, Office of Educational Research and Improvement, US Department of Education, recently reviewed six studies that had each rated the quality of a sample of programs for young children using either the Early Childhood Environment Rating Scale or the Infant-Toddler Environment Rating Scale. All studies reported average quality ratings below the minimum rating for reasonable quality, and infant programs were always rated lower than preschool programs.[6]

WHAT IS QUALITY CARE?

Parents, providers, and child development experts may use different words to describe elements of quality, but they tend to agree about what is essential:

- health and safety;
- small groups for infants and toddlers, with caregivers responsible for no more than three young or mobile infants and no more than four children 18 months–3 years old;
- primary caregiver assignments;
- continuity of care;
- responsive caregiving and planning;
- cultural and linguistic continuity;
- meeting the needs of the individual within the group context; and
- the physical environment.[7]

At the National Leadership Forum on Quality Care for Infants and Toddlers, sponsored by the Child Care Bureau and Head Start Bureau last year,[8] J. Ronald Lally, a pioneer in the field of infant/toddler child care and a founding member of ZERO TO THREE, observed that good child care for infants and toddlers is a blend of science and art. The science of child care, he explained, encompasses knowledge of health and safety, developmental stages in the first years of life, and temperament and other individual differences. The art of child care is the ability to respond to the child—and to a group of children—in the moment, in a way that will support development and learning.

Lally has identified seven "gifts" that a good child care program offers babies and very young children—nurturance, support, security, predictability, focus, encouragement, and expansion. He groups these gifts in two clusters, each providing a distinct set of benefits for very young children's development. Predictability appears in both clusters, serving as a bridge on which the young child can travel from the comfort of the familiar to the adventure of discovery. Before young children can explore their environment purposefully and develop their intellectual potential fully, they must feel safe. Once they find security, they can seek challenges.

In Lally's conception, the gifts of nurturance, support, security, and predictability let children know that they can count on being loved and cared for in the child care setting. Predictability, focus, encouragement, and expansion facilitate the young child's intellectual development. But the ability to offer children these gifts rests on the structural elements of quality—small groups, appropriate staff-to-child ratios, primary caregiving, and continuity of care from responsive, knowledgeable adults who are well trained and feel supported by their colleagues and work environments.

USING STANDARDS, LICENSING AND REGULATION, AND ACCREDITATION TO ACHIEVE QUALITY IN INFANT/TODDLER CHILD CARE

In a July, 1998 analysis of using standards to ensure high-quality child care, The United States General Accounting Office distinguished two major dimensions of quality—structural and interactive.[9] Structural dimensions include measurable aspects of the child care setting, including caregiver education and training, child-to-staff ratios, group sizes, and safety and health standards. Interactive dimensions focus on the child's experiences during the day. These experiences largely reflect the quality of interaction among all the children and adults who are part of the child care environment. The GAO found that staff turnover (that is, how many staff left a setting during a year) and compensation of caregivers were identified by the literature and experts to be critical determinants of the quality of child care, since these issues affect interactions between the child and caregiver.

State licensing standards for infant/toddler care tend to focus almost exclusively on structural dimensions of quality. Using the database of the National Resource Center for Health and Safety in Child Care (NRC) at the University of Colorado, which contains child care standards for 50 states and the District of Columbia, the GAO report found that the extent to which state standards reflect the standards set by the National Association for the Education of Young Children and the National Health and Safety Performance Standards developed by the Maternal and Child Health Bureau vary. Maryland requires a 1:3 ratio for infants 0–18 months, a 1:6 ratio for toddlers 18–24 months, and a 1:10 ratio for 3 and 4 year olds. Child care standards in over half the states stipulated staff/child ratios that were the same as the NAEYC standard for younger children (6 weeks through 18 months). Fewer states incorporated these standards for older children. Not all states have standards for group size. Thirty-two states have state standards stipulating group size for children ages 6 weeks through 18 months. According to the Center for Career Development in Early Care and Education, as of 1995, 35 states had no preservice training requirement for center-based child care providers; 46 states had no preservice training requirement for family child care providers.[10]

Systems of accreditation for center-based and family home child care generally examine a range of quality indicators including: relationships among adults, as well as those between adults and children; the physical environment of the child care setting; developmental learning goals, curriculum and activities; safety and health; staff qualifications and professional development; and administrative and business practices. The process of accreditation tends to involve a number of steps, including self-assessment; parent surveys; systematic efforts, as needed, to improve program quality; on-site evaluation by an accreditation team; review; and ongoing monitoring and renewal of accreditation to ensure maintenance of quality. There are 6 national systems that accredit child care programs and providers. In addition, some states are establishing accreditation systems as a way to improve the quality of child care. A number of local, state, and national initiatives are underway to encourage individuals and child care programs to go through the accreditation process.

The *Revised Head Start Program Performance Standards,* which govern the operation of all Early Head Start and Head Start grantees and delegate agencies, address both structural and interactive dimensions of infant and toddler care. Performance standards describing the Head Start Program's child development and education approach for infants and toddlers, staff qualifications, staff-child ratios, and group size provide the rationale for each standard, guidance, and related information. As the Early Head Start Program expands and efforts are made to place infants and toddlers of participating families in community-based child care settings, relevant performance standards will be applicable to community-based settings, as well as to child care provided directly by Early Head Start grantees.

Several sections of the Revised Head Start Program Performance Standards and guidance specifically address the care of infants and toddlers in groups.

- *Infant and toddler staff qualifications:* Early Head Start and Head Start staff working with infants and toddlers must have obtained a Child Development Associate (CDA) credential for Infant and Toddler Caregivers or an equivalent credential that addresses comparable competencies by January 1, 1999 or within one year of hire as a teacher of infants and toddlers. Staff training must develop knowledge of infant and toddler development, safety issues in infant and toddler care, and methods for communicating effectively with infants and toddlers, their parents, and other staff members. When a majority of children speak the same language, at least one classroom staff member interacting regularly with the children must speak their language.
- *Staff-child ratios and group sizes:* Each teacher working exclusively with infants and toddlers must have responsibility for no more than 4 infants and toddlers. No more than eight infants and toddlers may be placed in any one group. If State, Tribal or local regulations specify staff-child ratios and group sizes more stringent than this requirement, the State Tribal, or local regulations must apply.
- *Child development and education approach:* Standards require grantee and delegate agencies to:
    - encourage the development of secure relationships in out-of-home care settings for infants and toddlers by having a limited number of consistent teachers over an extended period of time. Teachers must demonstrate an understanding of the child's family culture and, whenever possible, speak the child's language.
    - encourage trust and emotional security so that each child can explore the environment according to his or her developmental level.
    - encourage opportunities for each child to explore a variety of sensory and motor experiences with support and stimulation from teachers and family members.

• Promote an environment that encourages the development of self-awareness, autonomy, and self-expression.

• support the emerging communication skills of infants and toddlers by providing daily opportunities for each child to interact with others and to express himself or herself freely.

• Support the development of infants' and toddlers gross motor skills and create opportunities for fine motor development.

Public Investments for Quality

Neuroscientific and child development research that highlights the importance of sensitive, responsive care during the earliest years, combined with evidence documenting the dearth of such care in many infant/toddler child care settings, has led to important initial public investments from all levels of government and the private sector. Unfortunately, the disparity between the demand for quality infant/toddler child care, and the capacity to meet those needs given resource limitations, continues to increase.

In order to meet the increasing need for quality infant and toddler child care we must:

1. Examine licensing and regulatory standards to promote child development and ensure health and safety for all children by reducing group size and ensuring appropriate staff/child ratios for infants and toddlers and staff qualifications.
2. Raise the level of training expected of all infant/toddler caregivers; expand and improve training opportunities.
3. Increase compensation and benefits to infant/toddler child care providers, linking increases in compensation to completion of training, demonstrated competence, and commitment to the field.
4. Create child care environments that are models of comprehensive services, based on child-centered, family-focused efforts that make multiple services families may need easily accessible and linked through the child care setting.
5. Promote linkages within the child care and Head Start communities and forge new partnerships with groups and organizations typically seen as "outside" the child care community to improve the quality of infant/toddler care.
6. Involve parents, employers, legislators, and other stakeholders and decision-makers in public awareness and engagement campaigns designed to create and sustain societal commitment and investment in quality care for infants and toddlers.
7. Use all currently available funding streams and allocate new financial resources to supplement and maximize efforts that support quality infant/toddler child care.

Experts in the field agree that structural elements of child care—group size, staff/child ratios, and staff training—are essential to support quality. Adequate compensation and benefits for workers is essential to minimize turnover and ensure the professional development of staff over time. Until salaries and benefits are high enough to attract and keep competent staff in the field, training becomes an endless cycle of basic courses for beginning workers. More importantly, from the perspective of children's development, the turnover in staff that inadequate compensation makes inevitable destroys the secure, intimate, growth-promoting relationships in the child care setting that are the goal of all quality improvement efforts.

Child care for infants and toddlers can serve as a central element in an array of community-based health, parenting education and social supports that all families with very young children require.

The connection between public engagement and imaginative financing has become increasingly clear. We must build public support for the idea that protecting and promoting the healthy development of all very young children is the responsibility of communities as well as families. Increased public awareness of the importance of the earliest years can lead to the mobilization of public and private resources for the significant, sustained community investment required to finance the true cost of quality care.

Promising Approaches

Many states and counties are blending federal, local, state, and private funds and are forming creative partnerships that are allowing them to maximize the impact of each dollar they spend to improve the quality of infant and toddler child care.

They have recognized that responsive care for infants and toddlers requires trained caregivers who stay on the job. So they look for ways to make training affordable and financially rewarding to individual caregivers, as well as reimbursement mechanisms that will increase the resources of centers and family child care homes that recruit and retain well-trained staff.

California

In California for example, federal funds are being used to enhance more than a decade of investment in increasing the number of slots and improving the quality of care. In 1986, the California Department of Education (CDE) and WestEd (formerly Far West Laboratory) created a partnership, the Program for Infant/Toddler Caregivers (PITC) and created a comprehensive, high quality, multi-media training system for center-based and family child care providers.

With CDE and private funds, trainer-of-trainer institutes were created. Participants could become certified by completing a training plan. At that time, however, participants were required to pay the full cost of the institutes.

When Child Care and Development Block Grant quality improvement funds became available in 1991, the CDE designated funds to provide institute participants with scholarships to cover the cost of the training, plus lodging and meals. In return, participants are expected to fulfill certification requirements and to provide 25 hours of training to other providers in their county during the two years after completion of the training.

The goal is to have a cadre of certified graduates in each county to provide training on an ongoing basis at the local level to program directors and caregivers and to provide critical information to local policymakers about the components of quality infant/toddler services.

The Federal Infant Capacity Building funds made available to the states in FY 1998 provided the additional funding required to, among other things, coordinate and expand training efforts at the regional and local level and provide grants for start-up costs for new infant/toddler programs that meet PITC program standards (such as small groups and continuity of care).

Michigan

In Michigan more than half of the families leaving the welfare rolls are placing their infants and toddlers in informal care, either in the homes of relatives or with aides, who provide care in the family's home. To qualify as a provider of state-subsidized care, an aide or relative must only fill out a simple form and be checked against a child abuse/neglect protective services data base.

Concerned by the growing number of providers with little knowledge about child development, and little incentive to stay in the field (aides coming into the home earn $1.35–$1.60 per hour/per child) if other opportunities arise, Michigan's 4-C resource and referrals agency approached the state legislature about the need for better outreach to aide and relative care providers. Beginning this year, free training will be opened to aides and relatives. Aides and relatives who complete 15 hours of free training and provide child care for 3 months to Michigan Family Independence Agency-funded children will receive a one-time bonus of $150.

Many aides and relatives who have completed this training are choosing to pursue a CDA credential and have become either a licensed family child care provider or a center-based employee. Of these providers many have chosen to pursue further training, with some working to open their own family child care homes.

Oklahoma

With significant savings from reduced welfare rolls, the Oklahoma First Start initiative was requested by the Oklahoma Legislature and approved by the Commission on Human Services. Administered by the Oklahoma Department of Commerce, funds are used to provide full day/full year services for 191 infants and toddlers, 0–3 years of age, to families who are employed or are moving from welfare to work.

A competitive bidding process made funds available statewide to public and private child care programs that are able to blend funds from different sources. The seven grantees utilized funding sources that included the state child care subsidy system, the Child Care Food Program, foundations and corporations. First Start grantees must commit to meeting the Early Head Start Performance Standards—which govern the operation of all Early Head Start programs and address both structural and interactive dimensions of infant and toddler care—and to receiving national accreditation within 24 months.

The largest Grantee is the Tulsa Children's Coalition, which administers the grant and contracts with non-profit and for-profit child-care providers to serve 92 children. The Coalition, an organization that includes Tulsa's Chamber of Commerce, Tulsa Public Schools, United Way, Community Service Council and the Head Start Agency, has been very successful in finding creative ways to access new resources and build child care capacity. For example, the Coalition joined with Tulsa's anti-poverty agency, the Community Action Project (CAP), to establish two family child care homes in resource-poor neighborhoods. Through CAP's family home ownership program, women who had experience in child care were provided assistance in purchasing homes in public housing developments. Another example is two new centers in Tulsa Housing Authority (THA) communities where THA provided space and other resources. The United Ways and a private foundation provided funding for necessary renovations and supplies for these new centers.

The three states that I've highlighted represent just some of the many bold and creative initiatives that states have undertaken to improve the quality of infant and toddler child care. Unfortunately, these initiatives are enhancing the lives of only a small fraction of our youngest children. The disparity between the demand for quality child care, and the capacity to meet those needs given resource limitations, continues to increase.

CONCLUSION

New developments in brain and child development research shows us what infants and toddlers need. Our challenge is to ensure that every child receives it. It is for this reason that I am here today, to ask you on behalf of America's babies and families to commit to allocating the additional resources, and to forming the new partnerships at all levels of government, with child development experts and the private sector that will nurture the healthy growth and development of our country's youngest citizens. Thank you.

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