# ASSESSING THE CHILD CARE AND DEVELOPMENT BLOCK GRANT

# HEARING

BEFORE THE

SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS

OF THE

COMMITTEE ON EDUCATION AND THE WORKFORCE

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, FEBRUARY 27, 2002

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HEARING ON ASSESSING THE CHILD CARE

AND DEVELOPMENT BLOCK GRANT

WEDNESDAY, FEBRUARY 27, 2002

U.S. HOUSE OF REPRESENTATIVES,

SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS,

COMMITTEE ON EDUCATION AND THE WORKFORCE,

WASHINGTON, D.C.

The subcommittee met, pursuant to notice, at 2:00 p.m., in Room 2175, Rayburn House Office Building, Hon. Howard ``Buck" McKeon [chairman of the subcommittee], presiding.

Present: Representatives McKeon, Isakson, Castle, Goodlatte, Osborne, Mink, Tierney, Holt, McCollum, and Miller.

Staff present: Jim Cline, Professional Staff Member; Scott Galupo, Communications Specialist; Kate Gorton, Professional Staff Member; Patrick Lyden, Professional Staff Member; Stephanie Milburn, Professional Staff Member; Deborah L. Samantar, Committee Clerk/Intern Coordinator; Holli Traud, Legislative Assistant; Denise Forte, Minority Legislative Associate/Education; Maggie McDow, Minority Legislative Associate/Education; and Alex Nock, Minority Legislative Associate/Education.

## *OPENING STATEMENT OF CHAIRMAN HOWARD P. "BUCK" MCKEON, SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C.*

**Chairman McKeon**. A quorum being present, the Subcommittee on 21st Century Competitiveness will come to order.

We're meeting today to hear testimony on assessing the Child Care and Development Block Grant.

Under committee rule 12(b), opening statements are limited to the chairman and the ranking minority member of the subcommittee. Therefore, if other members have statements, they may be included in the hearing record. With that, I ask unanimous consent for the hearing record to remain open 14 days to allow members' statements and other extraneous material referenced during the

hearing to be submitted in the official hearing record. Without objection, so ordered.

I will begin now with my opening statement.

Good afternoon. Thank you for joining us for this important hearing today to hear testimony on the impact of federal childcare assistance. This subcommittee has sole jurisdiction over the program requirements and the discretionary funding side of the Child Care and Development Block Grant and will play a vital role in its reauthorization over the next few months during consideration of the president's proposal to further welfare reform by increasing independence and strengthening families. Today, building on the previous hearings that we have held on welfare reform, we will examine the operation of the Block Grant in preparation for its reauthorization.

We know that affordable, reliable childcare is critical to allow mothers to obtain and retain employment. Largely as a result of welfare reform, there are unprecedented numbers of women with children who are in the workforce. Recognizing the increased need for assistance, the federal government has made a significant financial commitment to providing access to affordable childcare for low-income families.

Funding for the Child Care and Development Block Grant has more than doubled in the last five years, to $2.1 billion in fiscal year 2002, and the president's budget proposes to maintain this funding commitment. In addition to these funds, more than $2.7 billion in mandatory funding was available this year, and over $4 billion from the Temporary Assistance for Needy Families block grant was spent on child care assistance for low-income parents in the year 2000.

As part of welfare reform in 1996, this committee streamlined the funding and program requirements within the Child Care and Development Block Grant to provide states maximum flexibility in addressing the child care needs of low-income families and children. Currently, states set eligibility levels, quality standards, and reimbursement rates for providers, and health and safety requirements. States largely have targeted their funds to serve those most in need, families on or transitioning off of cash assistance. However, low-income families that never have participated in welfare also receive assistance.

Importantly, the block grant ensures parents are free to choose the childcare setting they prefer for their children. Childcare subsidies are usually provided as vouchers that parents can use to purchase any type of childcare. Parents may use their certificates for center-based care, a family childcare home, relative care, or in-home care.

In addition to providing direct subsidies to care, states must currently spend 4 percent of all Child Care and Development Block Grant funds on activities to improve the quality of care. States use these dollars in a variety of ways. Many have increased consumer information available to parents, worked to increase the capacities of child caregivers, or increased reimbursement for higher-quality care, just to name a few. The importance of quality care is reinforced by research indicating that the experiences of a young child greatly affect a child's success in school.

Today, we will hear from experts in the childcare field, directors of state child care programs, and an operator of a childcare facility. I know all will offer us insight into the strides that have been made in supporting our nation's parents as well as caring for our young and school-age children. The committee welcomes their thoughts on further steps that need to be taken.

I am sure the witnesses' testimonies will be invaluable as we prepare to consider legislation. We look forward to their comments.

With that, I would like to recognize Congresswoman Mink for any statement that she cares to make at this time.

OPENING STATEMENT OF CHAIRMAN HOWARD P. "BUCK" MCKEON, SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C. – SEE APPENDIX A

## *OPENING STATEMENT OF RANKING MINORITY MEMBER, PATSY MINK, SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS, COMMITTEE ON EDUCATION AND THE WORKFORCE, WASHINGTON, DC*

**Mrs. Mink**. Thank you very much, Mr. Chairman. I, too, join you in underscoring the importance of these hearings and look forward to the testimony that the panelists will be offering to this subcommittee.

The issue of child care is one of the most critical facing the poorest members of our society, especially those struggling in one or more low-wage jobs, trying to make ends meet to provide for their children.

I look forward to your testimony to help us understand how the current childcare development block grant funds are being used and how we must improve the program in order to meet more of the needs of our poorest families.

We know that a very small percentage of eligible children are being served, that those that are get very poor to maybe adequate care but that high-quality care is usually priced out of these parents' budget or not available, even, in their communities. Research shows us that only 12 to 15 percent of eligible children are receiving childcare subsidies from this program, in some states, less than 10 percent.

Many who are receiving subsidies are unlikely to find affordable high-quality care in their communities, and this presents a major problem. Many are forced to rely on their families and friends for home-based care for their children, which offer their children high-risk situations, and this issue also needs to be addressed by this committee. Center-based care may be of higher quality,

but by no means is it high quality, and we have to work to improve center-based care, as well. States currently only spend about 4 percent of the child-care funds on quality, and this certainly is inadequate funding of this very substantial need.

The childcare providers and their staffs need assistance. The care personnel are in low-paying jobs. According to the National Organization of Women's Legal Defense Education Fund, childcare workers earn between 10,000 and 18,000 annually, and the turnover rates is very high. So, anything we can do to improve the status of the employees of these centers will go to the improvement of the childcare for the children involved.

Parents have a hard time finding care for whole workdays. Sometimes they have to bus back and forth from their place of employment to transfer their children to another caregiver because of the time restraints.

The whole issue of quality childcare for TANF parents is a very critical issue that we have to face in this committee.

We face two major issues in the reauthorization of childcare block grant, and that has to do with providing additional funds and to make sure that we have quality care. I, myself, have introduced H.R. 3113, the reauthorization of TANF, and we go into this issue. One of the big changes in 1996 was to take childcare away as an entitlement. My bill puts that back in, and I hope that that change will be incorporated.

The sponsor of the reauthorization bill on our side is the ranking Democrat of the full committee, and it is my privilege now to defer time my time to Mr. Miller for whatever comment he would choose to make.

**Mr. Miller**. Thank you very much for yielding, Ms. Mink, and thank you for all the work you have done on this issue and to the chairman for holding this hearing. I will be very quick.

I just want to say that this committee made a fundamental decision about the education system in this country to put in accountability, to put in standards, and to put in another $150 billion of the public's money, but we also know that too many children who are entering that system are damaged in one form or another, simply not school-ready, and we cannot make that kind of investment in a new ESEA bill and not recognize how core child development and child care is to those children entering our education system.

We also now have had five years' experience with the welfare reform and the change in the American workplace to a 24/7 economy, and we now understand that childcare has got to deal with non-traditional employment, with non-traditional hours, and there may have to be a premium for those services. We also recognize, as we demand that women on welfare go to work, we may preach to other women not on welfare to stay home, but we demand that women on welfare go to work, that we have got to provide toddler care, we have got to provide the kinds of support services for very young infants and toddlers that are necessary if that demand is going to continue on those individuals.

So, I would hope that, as we look at welfare-to-work, as we look at welfare reform, as we look at school reform, we would understand that this is the most important developmental time for us as human beings and that we would construct a system that recognizes that and puts a premium on quality, puts a premium on child development and healthy development of those children, and I look forward to these hearings, and I hope that we will have a chance to fully participate in this entire debate on the reauthorization of the welfare reform legislation and the importance that child care plays in that system.

Thank you and I yield, Ms. Mink.

**Mrs. Mink**. Mr. Chairman, I ask unanimous consent that my entire statement be inserted in the record at this point. Thank you.

OPENING STATEMENT OF RANKING MINORITY MEMBER, PATSY MINK, SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS, COMMITTEE ON EDUCATION AND THE WORKFORCE, WASHINGTON, DC – SEE APPENDIX B

**Chairman McKeon**. Without objection, so ordered. Thank you, Ms. Mink, Mr. Miller.

At this time, I would like to introduce our witnesses.

We have, first, Secretary Janet Schalansky, the Secretary of the Kansas Department of Social and Rehabilitation Services. She will be testifying on behalf of the American Public Human Services Association. She is the recipient of the Outstanding Person of Kansas Conference on Social Welfare and the YMCA Woman of Excellence Award. Secretary Schalansky earned a master's degree in rehabilitation counseling and a bachelor's degree in pre-medicine from Emporia State University.

Next, we will have Doug Besharov. Mr. Besharov is a resident scholar at the American Enterprise Institute for Public Policy Research and Professor at the University of Maryland School of Public Affairs. A national expert on social welfare policy and the legal process, Besharov has written extensively on issues affecting the lives of children and families. He is a former director of the U.S. Center on Child Abuse and Neglect and editor of the book Enhancing Early Childhood Education Programs.

I understand Mr. Castle would like to recognize a constituent from his state of Delaware.

**Mr. Castle**. Thank you, Mr. Chairman.

I do not quite know how to introduce Helen Riley to everybody, because I think her testimony will introduce her better than I could, except to say she has been on the firing line with respect to child care for a number of years. We have a nursery in Delaware, in Wilmington, near where my office is, that serves very low-income children, which have been in business for in excess of 100 years, and Helen has not been there for 100 years, but she has been there for more than 30 years.

She has degrees from the University of Delaware in psychology and elementary education. She has done practically everything at St. Michael's. I have visited St. Michael's and it is a wonderful enterprise they have going there. In my judgment, they do a wonderful job working with the kids. In fact, I nominated St. Michael's School Nursery for the Governor's Excellence in Early Child Care and Education Award, and I was even more pleased when they were chosen for first place in that particular category.

I think that is what we need to hear in this subcommittee. I agree with a lot of the opening statements, Mr. Chairman that people have made here about the importance of this but we need to know how it's working out there. Finally in introducing Helen, I would just say, even though it is perhaps a personal comment, I have seen those kids in kindergarten or first grade who just aren't ready, frankly, to proceed in education. We can have all the education reform bills, the no child left behind, you can possibly imagine, and you may never get to those kids if you do not do something earlier. Perhaps handling childcare correctly is the way to do it.

I like the way they do it at St. Michael's. I like what Helen has to say, and I look forward to her testimony, as well as what I think is a very good panel, and we thank you, Mr. Chairman.

**Chairman McKeon**. Then we will hear from Ms. Karen Ponder. Ms. Ponder is the Executive Director of the North Carolina Partnership for Children, an organization providing oversight and technical support to North Carolina's 81 Smart Start partnerships. She has been involved in early care and education as a teacher, pre-school director, board member, and teacher trainer.

Finally, Ms. Helen Blank. Ms. Blank is the director of the Child Care and Development Division at the Children's Defense Fund, where she works to expand support for early care and educational experiences for children, particularly low-income children. At the Child Welfare League of America, she was involved in the development of child welfare reform legislation. Ms. Blank has authored major studies on federal and state childcare policies and numerous articles and papers on childcare and education policy.

Now, before we begin, let me explain the lights. You have all given us written reports. We have those, and those will go fully in the record, so you may use your five minutes to summarize or whatever way is most important to you. At the end of four minutes, that green light will become yellow, and at the end of five minutes, it becomes red, and I think that I have talked about the trap door. I don't think it really is there, but I would hate to find out, however, at the end of five minutes, if you could finish, we would appreciate that, and then the same will stand for members when we get our five minutes for questioning, but we're really happy to have you here today.

You know, this is a subcommittee that has been known in the past, I think, for some partisanship. I think we have come a long ways in working to overcome that, and especially when we're talking about children, I think it is pretty hard to be partisan over children, and I hope that we will, and I know we will benefit from this hearing here today, and we will hear now from Ms. Schalansky.

## *STATEMENT OF JANET K. SCHALANSKY, SECRETARY, KANSAS DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES, TOPEKA, KANSAS, ON BEHALF OF THE AMERICAN PUBLIC HUMAN SERVICES ASSOCIATION, WASHINGTON, DC*

**Ms. Schalansky**. Thank you very much, Mr. Chairman and members of the subcommittee. I am Janet Schalansky, Secretary of the Kansas Department of Social and Rehabilitation Services. I am here representing our state of Kansas as well as on behalf of the American Public Human Services Association, a non-profit, bipartisan organization representing state and local human service professionals for more than 70 years. I thank you for this opportunity to be here to talk about the ever-important subject of childcare.

The investment in childcare among the states has increased dramatically since welfare reform; 80 percent more children are receiving subsidy today than they were in 1996. In fiscal year 2000, there was $9 billion in combined federal and state dollars on childcare. That includes the 7 billion of the childcare development block grant, as well as the TANF block grants. In addition, states spent $2 billion in direct TANF spending. Since 1997, 189 million was spent at that time. Today that is $4.3 billion of TANF is spent on childcare.

At this same time, states have exceeded their 100 percent maintenance of effort, and it is clear, I think, their commitment to both access and quality has been impressive. Many of the states have done a lot of partnering in order to get at the ever-growing problem of caregiver wages and retention. In California, they partnered with their community colleges and state universities to do a mentoring teacher project, as well as a child development-training consortium.

In Michigan, as Congressman Miller talked about, they were dealing with the odd-hour childcare: weekend, shift work, the need for childcare 24/7 in our country based on the employment market. They gave grants to providers to improve quality and expand access. In Ohio, they worked on collaboration with Head Start and childcare so that they could increase opportunity, leverage resources, and improve quality and expand access.

In Kansas, right in the middle of the country, we have 15,513 children are served monthly by the childcare subsidy. This is up dramatically from the early '90s. This year, we are having a very tight budget situation, which is shared by many states, but we recommended and the governor approved a rate increase, recognizing the importance of child care not only to the children but to those parents who we needed working in the economy. We raised rates to the 65th percentile for licensed care and to the 60th percentile for registered care. We also increased rates for special need childcare for those children with special needs.

We also did some extensive work on an infant-toddler project, again recognizing the importance of quality childcare in that zero-to-three time in these children's life.

We also were one of the first states in the country to transfer almost $8 million of our TANF block grant into childcare, so that we could begin an early Head Start program that serves

825 children directly, and that program benefits an additional 2,000 children. That expands our quality initiatives to about $14 million, which is about 20 percent of our block grant.

We also have benefited from the flexibility that the block grant has given us for various initiatives. We hooked up with the Kaufman Foundation, blended our dollars in order to develop some programs for at-risk children for after school in the Kansas City area. We also are in a consortium with other states in our region: Nebraska, Iowa, and Missouri, to define and evaluate childcare quality and learning from those experiences. That will be a three-year project.

We have also, although we have had significant increases in funding, we are seeing significantly more children. There continues to be need for increased funding. We serve right now about 16 percent of the eligible children in our subsidy. We currently have no waiting list. However, we do not do any outreach. Twenty percent of the folks in our study indicated that they were not aware of the subsidy program.

Now, looking at the document put out by Crossroads, by the APHSA Crossroads New Directions for Social Policy, in that organization we believe that it is important to states for maintaining flexibility and increase federal funding. As I indicated earlier, $4.3 billion of TANF was transferred into childcare. With reauthorization of welfare reform and also with our caseloads going up on welfare, if we are unable to transfer those dollars from TANF, then we will need $4 billion more into child care. We also support the restoration of funding for the social service block grant to $2.8 billion. Both of these have been critical uses of childcare in our states.

Quality remains ever important for each of the states. The federal government should support research, which promotes policies, which encourage public and private sectors in building and sustaining early care, education, workforce well-trained, and that staff is adequately compensated. Five years, Congress made its decision to invest in childcare, streamline funding, and devolve authority to the states. We support the continued work on this effort.

Time has not allowed me to go into everything. It is in the record, as you said, Mr. Chairman, and I stand ready to respond to questions at the appropriate time.

STATEMENT OF JANET K. SCHALANSKY, SECRETARY, KANSAS DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES, TOPEKA, KANSAS, ON BEHALF OF THE AMERICAN PUBLIC HUMAN SERVICES ASSOCIATION, WASHINGTON, DC – SEE APPENDIX C

**Chairman McKeon**. Thank you very much. Mr. Besharov.

## *STATEMENT OF DOUGLAS J. BESHAROV, RESIDENT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC*

**Mr. Besharov**. Thank you very much, Mr. McKeon and members of the subcommittee. I am very pleased to be here today to tell you about the sufficiency of child care funding and the use of child care vouchers to ensure that parents have choice in the care they receive for their children, and I am going to try to make four points in the time I have.

First, there have been, as you know, major increases in child care funding, big enough to cover all the working poor, almost all welfare leavers, but just not enough to cover full eligibility under the CCDBG and the CCDF, and I am going to elaborate on that in a moment. Much of this money, however, is not going to the working poor and is not going to welfare leavers, and that is because of the parental preference for home-based care.

In many states, not all, it is extremely difficult to use a voucher to purchase home-based care, and the result is that, although there is an excess of funds for the working poor and for welfare leavers, there is a disproportionate use of the funds available for center-based care and, therefore, higher-income recipients. It's a problem at the end. I say it is a dilemma that requires us to think very hard about what the purpose of subsidies is for.

I said that I would start with the point that child care spending has increased. I have provided with my testimony a sheet called ``Rising Federal and Related State Spending on Child Care." It is the appropriate role of congressional committees to look mainly at the monies available through their own jurisdiction, but what I did in this handout is to collect all the federally funded childcare that is available for low-income Americans. That figure from 1994 to the year 2000 rises from $9.5 billion to 17.2 billion. That includes after-school programs, Head Start, and so forth.

The Congressional Budget Office has just issued a report, I think it is the Congressional Budget Office, which reflects those numbers, roughly.

Now, as I said, that is a very large increase. It is actually an 81 percent increase in spending. Much of that, as was just said, comes from TANF transfers, and I would be remiss if I did not emphasize that all my comments are based on the assumption that childcare funds from TANF are available to the states, because if those funds dry up, everything I say is moot, and so, you all should realize that as we talk about the size of the block grant and the other things it is being used for.

However, with that assumption put on the table, which is an 81 percent increase in funding in about six years, and by our calculation, that created 2.3 million additional slots. I will say that again, 2.3 million additional slots, and those roughly reflect the numbers that I just heard.

I did say, however, that this was enough money, depending on how you count it. The figures are that about 20 percent of welfare leavers get child care subsidies, and depending on the year, between 10 and 15 percent of those eligible for CCDBG/CCDF, get funding, but there is enough money to cover all the leavers and there is enough money to cover all the working poor.

Why aren't they getting the money? The answer is that, even though we have, what I believe is a terrific voucher system, that has increased parental choice in a way that I think the original sponsors in 1992 never would have expected, there are still limitations in parental choice.

Those limitations have to do with using vouchers for home-based care. Some of the opening statements today drew a distinction between the quality of home-based care and the quality of center-based care. Let me say that, if I had hours, I would share with you the research that suggests to me that it is an open question about whether centers are better than home-based care. I will mention just two things. One, child-pupil ratios are lower in home-based care, and number two, there is less movement from home to home than there is from center to center; they are much more stable.

The obstacles, to sum up, have to do with the fact that much of home-based care is not licensed, and often, advocates as well as state officials are hostile to supporting unlicensed care. Part of this is informal obstacles. For example, in many states, a relative providing childcare has to be fingerprinted, even the grandmother. Explain that to a Hispanic woman in California where the take-up rate among the Mexican-Americans is tremendously low, partly, all observers agree, because of these kinds of requirements.

Well, to close up, let me say enough money, if the TANF money is available, the money not going to the lowest income first because of the problems with the availability of vouchers for home-based care, and finally, I think in the question-and-answer, a discussion of the fact that, although I have made it a very simple yes-and-no, in fact, providing vouchers for home-based care is a complex policy issue.

Thank you very much.

STATEMENT OF DOUGLAS J. BESHAROV, RESIDENT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC – SEE APPENDIX D

**Chairman McKeon**. Thank you. Ms. Riley.

## *STATEMENT OF HELEN C. RILEY, EXECUTIVE DIRECTOR, ST. MICHAEL'S SCHOOL AND NURSERY, WILMINGTON, DELAWARE*

**Ms. Riley**. Thank you, Mr. McKeon. It is an honor and a privilege to be invited to speak today before the subcommittee.

I want you all to know that, when I go back to school tomorrow, I will speak with the kindergarten and the pre-K, the four-, five-, and six-year-olds at my program, and tell them about this experience and my firsthand encounter with democracy and try to inspire them to be involved, as well, and tell them that, indeed, any one person can have an opportunity. Just remember at the end of today that those children I will be speaking to tomorrow are the children who will be affected by your policies, and of 36 four- and five-year-olds that we have in our program, 30

receive purchase of a care subsidy to attend our program.

I have 31 years experience in the childcare and early education field. I am not a policy wizard. I do a lot of child advocacy, but I am the person who, for 31 years, on a daily basis, has been in the place where the policies meet the people.

What I propose to do today is give you my point of view on three points that are critical for children zero to five and then the fourth thing is to give you my perspective as a citizen, taxpayer, and voter on how these programs look to an insider, somebody with a bird's eye view of what happens on a daily basis.

The first point that I want to talk about is school readiness and quality childcare and early education. The second is parental choice and equitable access to quality programs. The third is cost as it relates to workforce, facilities, and educational programming, and then the fourth will be my perspective.

School readiness and quality: All the recent findings in brain development research tell us that the first year of life is the most critical. There are connections that are made in the brain during that year that support language and literacy, math and science, social skills, emotional development, and a sense of oneself as a learner. I really do not understand why it is that, at the age of 18, we can understand that a mind is a terrible thing to waste, is a statement that applies, but we do not seem to be able to relate it at eight months.

The other thing to keep in mind when we talk about 21st century competitiveness is that, in the first year of life, when children are exposed to foreign language, their brains remain forever more receptive to foreign language and to the ability to learn foreign language.

Now the reality: Children every day are somewhere with someone doing something and we are paying for it. Some are in places that are unsafe and unhealthy, but we have opportunities to optimize those situations and integrate into them, integrate the informal childcare system into the educational system. The reason we should do that is the potential is great, we can get rapid results, they're measurable in a short time, and we can make positive impact on other problem areas for this country, public education and eventually the workforce, crime, and health.

One of the things that I have read recently that I find startling and that inspires me every day is a statistic that says that children who live in poverty come to kindergarten with a vocabulary of about 5,000 words. On the other hand, children who do not live in poverty come to kindergarten with a vocabulary of 20,000 words. I picture some poor child going into the kindergarten classroom and the teacher saying, here, put this in your cubby and the child not knowing whether that's his or her own personal space or a body part.

I think we really have to think about the handicap that is created for children when they do not have exposure, because they're at high risk and living in poverty, to programs that can stimulate their language and their learning abilities. Also, in good early childhood programs, children receive intervention and remediation at an earlier stage, where it is most effective and most likely

to be successful.

Parental choice and equal access: They are values of our culture. We talk about them all the time. They were part of the system in its original design, but the reality is that quality programs are closed or severely limited to families using purchase of care due to low reimbursement rates from states. In my state, we pay 75 percent of the 75th percentile. My program raises over $200,000 a year to subsidize the children on purchase of care. That is about 86 children, and we need about $2,000 per child.

I wonder whether parents who are selecting childcare actually get their first choice or their second choice or their eighth choice or their last choice or just what is available. Do we ask them and are they satisfied?

I will try to finish quickly.

My personal view: I take a hard look at the government programs that I participate in my program. I see families today going to work and going to school. That is a big improvement, but the training programs that I see parents attending prepare them for mediocre jobs, and a lot of the jobs that they hold are mediocre and low-paying jobs. That is tough on kids. The parents are last ones hired; first ones fired or laid off. The jobs are unstable. The children are in and out of care as parents move from job to job. These families literally live month to month with their job arrangements and with their child care arrangements.

One thing that I do see that we have to increase is the sense of hope in the families, in the parents, mothers and fathers, who participate in the program and get a job. Their sense of self and their sense that things will be better are tremendous. I see them come in so excited to be working or to be in school. They share that information with us, and their expectations for their children rise when they see themselves being able to model for their children what they want their kids to do.

When I get back, I will tell my children about the experience today, and I ask you to remember that they are the same children that we are talking about. Please do the best that you can by these children. I am willing to help in any way that is possible, and I thank you for the opportunity to speak.

STATEMENT OF HELEN C. RILEY, EXECUTIVE DIRECTOR, ST. MICHAEL'S SCHOOL AND NURSERY, WILMINGTON, DELAWARE – SEE APPENDIX E

**Chairman McKeon**. Thank you. Ms. Ponder.

## *STATEMENT OF KAREN W. PONDER, EXECUTIVE DIRECTOR, NORTH CAROLINA PARTNERSHIP FOR CHILDREN, SMART START, RALEIGH, NC*

**Ms. Ponder**. Mr. Chairman and the subcommittee, I am pleased to be here today to talk to you about what I believe is the biggest priority for our country.

In the early '90s, North Carolina took a hard look at the needs of its youngest children and decided we were tired of the status quo. Sixty-seven percent of the mothers of our young children were in the workplace, the state's childcare standards were the worst in the nation, and business leaders were calling for a better-prepared workforce.

To give you just one example of how low our standards were, 10 years ago a high school dropout convicted of a felony could be a childcare and education teacher. Today in North Carolina, background checks prevent people with criminal history from caring for children, and our early care and education workers are required to be at least 21 years old and have a high school diploma. The good news is, in addition, 80 percent of our childcare and education teachers have now completed college-level course work or have achieved a college degree.

In 1993, North Carolina created a comprehensive, locally controlled, public-private early care and education initiative called Smart Start. Smart Start engaged business leaders, the faith community, parents, childcare, education, and every North Carolina community in finding solutions. The locally designed programs have improved the quality of childcare, better educated teachers, made care and education more accessible and affordable to families who need it, improved children's health outcomes, and improved the services we provide that support families to get the results they want for their young children.

The state partnership that I oversee sets accountability standards and holds every community accountable for achieving results.

North Carolina was able to create a more effective early care and education system because of the childcare development block grant and the TANF transfer dollars, because these funds form for us, and for all other states, a foundation on which to build an early care and education system, and yet, the unmet needs of both access to childcare and education and the quality of individual programs remain enormous. Even with state initiatives like ours, including Smart Start, TEACH Early Childhood Scholarships, and WAGES, programs that were developed in North Carolina and that many other states are now replicating, there is not enough funding to do the job we need to do.

In fact, with our combined funds, including using over 40 percent of our Smart Start dollars to provide subsidies for poor families, there is only funding for 18 percent of our eligible population to be served.

In North Carolina, we were fortunate to have the political will to put additional state dollars into developing a vital system of early childhood education. However, those state Smart Start dollars are not a substitute for CCDBG, TANF, or Head Start dollars. Our state has been able to

maximize the use of all of these funds but learned as we created our system that the problems of access and quality were even greater than we had imagined.

Smart Start and the funding from the block grant that is set aside to improve the quality of childcare have helped us to increase the percentage of high-quality childcare and education centers from 20 percent in 1993 to 66 percent in 2001, and conversely, the percentage of poor-quality childcare has decreased from 80 percent in 1993 to 34 percent in 2001, and we need the flexibility currently in the block grant that allows us to maximize all of our funds to best serve the children of North Carolina. We ask for that flexibility to continue with the reauthorization.

Today, Smart Start receives $220 million in public funds, has raised $125 million in private contributions, and has been replicated in six states, with broad interest from others, but our greatest accomplishment has been increasing the readiness of young children to enter kindergarten by increasing the quality of care and education they receive in the early years. Children who attend Smart Start quality programs have better cognitive and language skills and fewer behavioral problems when they enter kindergarten than do children from programs without that support.

More than 80 percent of North Carolina childcare and education teachers have a college degree or have completed college course-work, and the number of early care and education teachers leaving the workforce after a year has decreased from 42 percent to 31 percent.

Decades of research show that we know what to do for young children and that, when we give them high-quality experiences, not only does school readiness improve, but drop-out rates decrease, the need to repeat grades, the need for special ed, or the potential for committing crime decreases, but we also know that we need funding to continue to serve every child. We have made many gains in our state, but we have got so much farther to go, and state funds cannot replace the resources that are provided through the federal child care development block grant or the Head Start funding.

We ask you to assure that this block grant is well-funded in all states to help our children be ready for the rigorous goals that are set forth in the recently-enacted K through 12 law. We are requesting that action be taken to ensure that every child in the nation has the opportunity to begin school on a solid foundation. I believe the return on the investment in the lives of young children will demonstrate that making the needs of young children one of the nation's highest priorities yield significant benefits to society.

Thank you.

STATEMENT OF KAREN W. PONDER, EXECUTIVE DIRECTOR, NORTH CAROLINA PARTNERSHIP FOR CHILDREN, SMART START, RALEIGH, NC –SEE APPENDIX F

**Chairman McKeon**. Thank you. We thought we were going to have a solid four hours before the first vote, but there is a vote. There will be one vote on the Upton amendment, and some of our members have left so they can vote and come back, and we'll continue moving the hearing, and we appreciate your understanding of this.

We will hear now from Ms. Blank.

## *STATEMENT OF HELEN BLANK, DIRECTOR OF CHILD CARE AND DEVELOPMENT, CHILDREN'S DEFENSE FUND, WASHINGTON, DC*

**Ms. Blank**. Thank you. We welcome the opportunity to testify today, and we look forward to working with the subcommittee to improve families' access to quality childcare. We especially appreciate the bills that Representatives Mink and Miller have introduced that would make significant progress in helping families work and children learn.

As you consider childcare and CCDBG, remember that it helps achieve two primary objectives, allowing low-income parents to support their families and work, both mothers on welfare and mothers who are trying desperately to stay off welfare in low-wage jobs, as well as providing the early learning experiences that children need to do well in school. The demand for childcare has escalated dramatically since the passage of the welfare act, with both the number of welfare mothers and single mothers rapidly entering the workforce. The president's welfare proposal actually increases the number of families who will need childcare help.

Childcare can be a huge burden for families. It costs four to 10 thousand dollars a year, more than the cost of public college tuition. It is interesting to note that 77 percent of college tuition is paid for by the public and private sector, where parents are only asked to pick up 23 percent of the cost. At the front, as our witness has testified, a very important end, parents must pay 60 percent of the cost of childcare. The private sector only pays 1 percent, and government only picks up 39 percent.

With the help of Congress, we have made tremendous progress, and the number of children and families getting childcare assistance has increased over the past five years, but we are not there yet. Only one in seven children who are eligible for CCDBG receive help. A report that CDF did indicates that, even in a robust economy, there are huge gaps in families' access to quality childcare. There are three major choices that states, as they try to balance limited resources, make regarding childcare assistance: who is eligible for help, how much parents contribute to the cost of care, and how much providers are paid. In each of these areas, we have got room for improvement.

For example, over one-third of the states have waiting lists for childcare help or have just closed intake, and these waiting lists are sizeable: 37,000 in Florida and Texas, 12,000 in Indiana, 18,000 in Massachusetts. Some people say, well, don't worry, those families on the waiting list, they found childcare. These families are poor families, remember that, and they face tremendous hardships as they try to go to work, and they do not get childcare assistance.

A 1998 survey of parents on the waiting list in Santa Clara County, California, found that over one-third of parents earn $10,000 a year or less. About 40 percent of parents said they had given up searching for work, because they could not find affordable childcare. Forty-two percent had problems with quality.

In Houston, most families on the wait list were spending 25 to 30 percent of their incomes on childcare. Imagine. These families on the wait list are not just TANF families. They are low-income working families, and only a handful of states, and they have tried, are managing to provide childcare assistance as a guarantee to both welfare families and low-income working families, because welfare reform will not work if we just look at welfare families, because every low-wage family is one unstable childcare arrangement away from losing their job. They cannot go back on welfare anymore with time limits.

Waiting lists tell only part of the story. They do not include families who do not bother to apply because they believe it is futile, and as we heard from Kansas, they do not include the millions of families who, because states do not do outreach, because they know their money is limited, do not even know that childcare help exists.

Families that receive help still face hurdles. States may make burdensome co-payments. Thirty-five states require families at half the poverty level, $7,000 a year for a family of three, to pay a co-pay. Forty-six states require poverty-level families to pay a co-pay.

The quality, and you heard this already from other witnesses, of care and even a family's basic choice of providers is determined by how much states pay providers. Remember that these providers are struggling low-wage women themselves, many of their children eligible for child-care subsidies. Nearly half the states set rates on outdated market rate surveys of the cost of care. What does this mean, 75th percentile? Think about it. How can a provider be expected to provide good care to children if she is receiving a payment based on what childcare cost in 1996 and it is 2002? Her rents, her salaries, utilities, and even the cost of books and crayons are not frozen in time.

So, what do states do? To make up for these shortcomings, two-thirds of states say, well, you can charge families more than the required co-payments? What does that mean? For families to have real choice, they must even pay more for childcare out of their income already stretched to the limit.

These gaps are growing wider. Last year, New Mexico slashed its eligibility limits from 200 to 100 percent of the poverty level. West Virginia plans to cut eligibility. So does the state of Washington. West Virginia is eliminating a planned bonus reimbursement rate for infant and odd-hour care, the care that is hardest to find. Texas, by 2003, will serve 6,200 fewer poor working families than it did in 2001. They have pulled their TANF money out of childcare.

Gaps in subsidy policies are only one part of the picture. Overall quality must be addressed. We know that children's early experiences have a profound impact on their ability to succeed in school, and many of those experiences are in a childcare setting. Forty-six percent of kindergarten teachers report children are not prepared for school. In order to have a strong start, the first line of

business is a well-compensated and trained teacher. Yet, we pay $16,350, on average, for a childcare provider. So, as a result, the turnover rate is nearly one-third. Children cannot form stable relationships with teachers.

A number of states have made promising steps to address this issue, but do you know what we spend nationwide? Twenty-five million dollars of CCDBG and TANF money to raise care giver wages. It is wonderful that we are doing it. It is a drop in the bucket. Most states don't have basic minimum levels of quality. In this country, in 30 states, you can go to work with no training in child development in a childcare center and in 33 states, in a family childcare home. How can we meet the goals of the Leave No Child Behind Act that you passed last year if we do not start early?

States need more resources. They have done wonderful things with their quality money. They have hired more inspectors. They have staff and resource and referral programs providing support to childcare providers, but 4 percent is not enough for well-trained and compensated staff, low staff-child ratios, roomy facilities, basic equipment, regular monitoring of providers, resource and referral programs to help families find care.

It is essential that CCDBG be strengthened. We cannot just use other programs. We have had greater investments in Head Start and pre-K, but Head Start only serves three out of five eligible children, early Head Start less than 5 percent. State pre-K programs serve few of the low-income children who are eligible, and both Head Start and pre-K are part-day programs. If they want to meet the needs of working parents, they need a full child-care subsidy wrapped around it. It's not double counting. These are two separate programs that have to work together.

We have nearly 7 million children at home alone after school, and only 11 percent of the requests for funding for 21st century community learning centers were funded. About a third of the children receiving CCDBG subsidies are school age.

We need more investments. We think we should be doubling the number of children served, providing care to at least 2 million children over the next five years, and increase the funds targeted to improving the quality of care.

This is an important opportunity with reauthorization to expand investments in a program so crucial to the goals of both Congress and the administration, the goals of helping our families work, stay off welfare, be self-sufficient, and the other equally important goal of helping ensure all children go to school ready to learn so the education reform bill is a success.

Thank you.

STATEMENT OF HELEN BLANK, DIRECTOR OF CHILD CARE AND DEVELOPMENT, CHILDREN'S DEFENSE FUND, WASHINGTON, DC – SEE APPENDIX G

**Chairman McKeon**. Thank you very much.

I am going to recess until someone returns to get in the chair, and so it will be just a couple of minutes, and then we will move forward.

So we will be in recess at this time.

[Recess.]

**Mr. Castle**. [presiding] The subcommittee will resume.

As you can see, people are still voting, and they will be coming back, and Chairman McKeon will be here in a moment, believe me, I am not just taking over, I was authorized to do this. I think it is important to point out, since I am the only one here at this point, and hopefully somebody from the minority side will be here in time, when I finish my questions.

Let me thank all of you. You may have, from my introduction of Helen Riley, come to understand how important I think this subject is, and I do not mean the subject, necessarily, of what we are doing at the federal government but the subject of caring for kids and getting them ready for life and particularly ready for school. I am just a strong believer that those developmental years are it, and if we do not take advantage of that, then we are going to have problems. Having said that, how we do it becomes a heck of a lot cloudier out there. It is not easy, and the funding issues are not easy, as well.

So, let me just ask some questions, perhaps, specifically, and let me start with my friend, Mr. Besharov.

You said that providing care to a greater number of children is not simply a matter of needing more funding. If funding is, in fact, adequate, what are the issues that are responsible for creating what I am going to call, an apparent shortage in childcare? You may not view it as a shortage.

**Mr. Besharov**. The problem is how we set eligibility or how the Congress set eligibility under the CCDF when that was enacted. Eligibility nationwide is up to a maximum of 85 percent of state median income for families, and that takes the maximum, in some states, in excess of $40,000 a year of family income. So, we have a very large potential eligibility built into the law, and then we have the need being viewed from two dimensions, one for the poor and the near-poor, welfare leavers and otherwise, and then, secondly, as a generalized childcare program for low- and middle-income Americans.

So, if the Congress truly desires to serve up to 85 percent of median family income, which is a very high income, I wish I had come prepared to tell you what it was in Delaware, but it is high.

**Mr. Castle**. Glad you did not, but go ahead.

**Mr. Besharov**. That program nationwide would cost something like $40 billion a year, as opposed to the 4 billion being spent directly and the other three being spent through TANF. There are a lot

of people, as you heard Helen and others mention, only 15 percent of people who are technically eligible under the CCDF get benefits, and that is because the bar is very high. I tried to lower the bar to talk about welfare leavers and the working poor, which are families with an income at or around 100 to about 115 percent of the poverty line.

For those families, I think most observers agree that there is enough money in the system to serve them. The disagreement is why those people are not getting funded.

**Mr. Castle**. Okay. Actually, it is a very complicated subject, and perhaps I asked a more complicated question than we can lend itself to in a five-minute answer, and I actually am interested in the Delaware figures on that. We really do need to understand all that, and I think we should come back to it at some point. I do want to ask a couple other questions.

I know that Ms. Riley can answer this, and perhaps Ms. Ponder, as well, but I would be interested to know what the parents share with you regarding their searches for child care. I am hearing, at the hearing, that a lot of people are not even looking for first choice, second choice, they are just looking for, you know, where is it, the logistics of it or whatever it may be, but are you running into parents who are truly weighing this or, in the case of low-income parents, there is no weight of educational opportunities, other opportunities for the kids?

I am not saying that parents do not care. I am just saying what do you find that they are looking for, not what you are providing but what they are looking for.

**Ms. Riley**. May I?

**Mr. Castle**. Yes, you may.

**Ms. Riley**. Parents do care. They do not want to put their children just somewhere. We get, I would say, right now, we are averaging, because we keep a tally, 15 to 20 calls a day for purchase of care slots in our program. We are serving 125 children at any given time.

So, that number of daily calls is huge. That says to me there is a big pool of people out there.

**Mr. Castle**. So, what are they looking for?

**Ms. Riley**. What they are looking for is loving care of their children. They are looking for hours that are compatible with their work time, but more than anything, they are looking for programs that will get their children ready for school, in addition to baby-sitting.

**Mr. Castle**. Is that really true, or is it true because you all do it, so they come to you, at your school, your nursery and school?

**Ms. Riley**. The kinds of things that parents say, even parents who come when their children that are one or two years old, is that he was home with my mom, his grandmother, but I really want him to get used to a social setting and being around other children. I want him to learn. I want him to be

ready for school. So, education, early education is very important to parents.

**Mr. Castle**. I do not mean to cut you off, but my time is up, and I want Ms. Ponder to respond momentarily, if she could, too, before we go to Mr. Tierney, I guess.

**Ms. Ponder**. It is an issue we have struggled with in North Carolina, and one of the ways, all the national research says that parents are not good choosers of their child's care, and we know that is for many reasons. Basically, they do not have money to pay for good care, and it would be terrible for them to say their child is in bad care just because that is all they could afford, and so, they sort of close their eyes to things that do not work sometimes.

So, the way we have addressed that is to institute a five-star rating system and then to train parents through an education campaign about what the difference is for a family, so that when they walk into a child care center in North Carolina, they have a potential five stars, and if it is a one-star, they know that is the worst child care that has a rating, that is licensed in our state. It has been very effective, but the other thing is you have got to have enough good choices or it does not matter what they know. If they cannot afford and get good quality childcare, then it does not matter. It just makes them feel worse about their child's situation.

So it is a continuing issue for families, but one I think there are answers to if there is enough good care provided.

**Mr. Castle**. Thank you. I appreciate that. I cannot imagine how long the one-star operations stay in business, but

**Ms. Ponder**. It is actually now very slim. We like to see them go out of business every day.

**Mr. Castle**. Thank you.

**Ms. Ponder**. If they are not willing to improve.

**Mr. Castle**. I understand, not willing to upgrade. Mr. Tierney.

**Mr. Tierney**. Thank you. Thanks to the chairman.

I was struck two weekends ago when I had a chance to go to a conference on education and one that the chairman at the moment had to been to last year. They had it again this year, and one of the publications that came out was funded by a lot of foundations, MacArthur and Ford or whatever, but their principle argument was that we should have children going to school at age three and four, as well as five, and all the way up. They estimate, and these were mostly business-people that had participated in putting this together, as well as the foundations. It was not anything biased in one direction or the other, but it would be about $40 billion just for the federal cost, and that is if the states shared, to get three, four, whatever, and obviously, with roughly a little over $4 billion, we are a long way from that.

So, we look at, I suspect, what can we do in the interim to try to get people back to work? That is what this is supposedly all about it, and we have got quality problems, we have got access problems.

I am struck, Ms. Blank, by the fact that your testimony indicates that, at $16,000, roughly the average pay for these people, they could qualify to have their kids sent to these programs. It strikes me as bizarre. So, when I look and see that the proposed funding in the budget that has been sent down to the House of Representatives for consideration would freeze the funding for not only the CCDBG but also for after-school programs, talk to me about that.

How realistic is that, and how responsible is that for us to let that sit without putting that up?

**Ms. Blank**. I think that this is a very big issue, and people, for years, just have not been able to be honest about the resources you need to make it work. You cannot freeze childcare for five years. I mean look what happens when you just freeze rates to providers. What does that say to those children waiting for care, and you have to look at where children are. We talk about good, strong early learning experiences.

There was a mother in Florida who had her three children on the wait list for Florida. At that point, it was 25,000. Her three children were in front of a TV set with a provider who spoke no English and no furniture all day long. When she received her subsidy, she was able to go to a childcare center. It was not terrific, Florida has low standards, but it was so much better.

We cannot freeze all those families out for the next five years. It is great that North Carolina has a rated licensing system, but there are 25,000 families on the waiting list. So, think about it, if those families cannot get off the waiting list, how they feel going to that one-star center every day.

This is not going to work without additional resources. Charlie Gruner, who was in Iowa, who has done a lot of work on collaboration among programs, wrote something a few years ago, and he said it isn't collaboration in early childhood, just lack of resources. If you pay someone $16,000 a year, how are you going to get programs to hire qualified staff?

**Mr. Tierney**. Let me ask Mr. Schalansky and Ms. Ponder and again Ms. Blank, probably in that order, what would be the impact on the development of these children and on school readiness of children and on the labor force itself if we adequately funded these types of programs? Talk to us about how it would change our workforce, how it would change the prospects for the development of those children.

**Ms. Schalansky**. I met with a group of human resource professionals in the greater Kansas City area about a year ago, and some of the things that they talked to us about was the loss of productivity in their workplaces because moms and dads couldn't get to work because they didn't have child care, and I think that it becomes very critical that we do that.

We also know that, as Ms. Blank mentioned, that the most underpaid professionals we have are those who we ask to serve our children at zero to five, and I think it is critical that we continue to find a way to raise wages, to increase the quality.

We know and all the research shows, the higher training and the quality of the teachers in childcare, the better the quality and the more learning that can happen. You heard the data about the number of children who are coming to school not ready to learn because of inadequate early childhood experiences, and we use the term in our state ``early education'' and not early childcare. Because it so often was equated with baby-sitting, which does not get the results that we want. We know that in Kansas, which about two-thirds is very rural; all we have in most of those communities is home-based care.

So we have tried to spend some effort through our Kansas State University, through their extension offices, to get training to those home-based care, but it is critical that we raise the quality of the staff there and that we get increases in the slots. I have difficulty in our state believing that we have enough funding with the number of children that are still waiting.

**Mr. Tierney**. If I can keep the chairman distracted, we will go to Ms. Ponder.

**Ms. Ponder**. I just wanted to add to that that the business sector in North Carolina has been extremely interested in the subject, because clearly it is their workforce, not only their future workforce but their present workforce that is struggling with the issues around child care. So, they have not only been willing to talk to us about it, but they have been willing to find it and have been very key in helping us maintain what we have now, but their philosophy has been, if a child has the right foundation, then they have the best potential to be successful in whatever they achieve.

So I think we have got to make sure that every child has the foundation built, that literally, and I am the grandmother of four under three years old, watching the language development real close and personal again in the very earliest years and the potential for learning when children have the right beginnings affirms to me again that it is immoral for us not to give every child the right beginning. So, the ways we can do that with childcare and early education, we do know what works.

For us, it literally is a matter of having enough money to pay for it.

**Chairman McKeon**. Mr. Isakson.

**Mr. Isakson**. Thank you, Mr. Chairman.

Mr. Besharov, would you describe for me, and I want to make sure I understand what you are saying when you say home-based care. Tell me what home-based care is, because you talked about the obstacles to it.

**Mr. Besharov**. Home-based care is care by relatives, including sisters of the parents, grandparents of the children. It includes, also, friends and neighbors down the street, and it also includes licensed or unlicensed group homes in the neighborhood, and for children under three, that is the

predominant form of childcare in this country. The difference is that older children and their parents tend to like a more center-based arrangement, but when we are talking about infants and toddlers, there is a much stronger preference to be with a friend down the street.

**Mr. Isakson**. Your testimony talked about, in a number of states, there are too many obstacles for there to be enough of that type of care. Is that correct?

**Mr. Besharov**. The care is there, and the parents are paying for it. The obstacles are getting the vouchers to reimburse funding. It is only one in five welfare leavers getting a subsidy, even though there is enough money for all of them, because the money is going to other people.

**Mr. Isakson**. Thank you.

Ms. Schalansky, is that the same type of care that you described as informal care providers?

**Ms. Schalansky**. Yes. That would be correct. It would be small home providers in our state, typically less than six children in that home.

**Mr. Isakson**. Do you agree with Mr. Besharov in terms of, any number of states, the obstacles being so high that they cannot get the funding for that type of care?

**Ms. Schalansky**. I am not sure that I am aware of that in the same way that he talks about it, because I think, for us, it is our predominant way to deliver care in many of our small and rural communities. I do not think we have the obstacles that he talks about being described. We have also tried to put some special provisions in our regulations, which allow for relative care if that is the parent's choice.

**Mr. Isakson**. Mr. Besharov, I think you mentioned in your testimony fingerprinting of a relative as an obstacle to qualifying for the funding. Was I correct?

**Mr. Besharov**. That is correct.

**Mr. Isakson**. I think Ms. Ponder, whose accent, being from Georgia, I just love, by the way.

**Ms. Ponder**. I am not.

**Mr. Isakson**. I love southern accents, but I believe you talked about the necessity for some degree of security in terms of background checks and fingerprinting.

**Ms. Ponder**. Right, because we have some history of not doing that well.

**Mr. Isakson**. I understand that being an obstacle. I also understand, from being at the state level for so long, the threshold that people are holding all of us to, try and make sure we do not get children in dangerous situations.

**Ms. Ponder**. One of the ways we have done that is to actually work with those families that provide care. Our state pays half the reimbursement to unlicensed care, which is what we call that kind of care, but even if that is unlicensed care, the real issue is that families need access to high quality, whether it is unlicensed or licensed.

We work with those families, and often it is the case that there are some obstacles to their not getting an approval by the state. We are not trying to say what they teach children, if it is religious or whatever, but that the setting needs to be of high quality enough to meet the school readiness needs of children regardless of who does it. I think we have to be careful that we do not argue who does it but that it is high quality wherever a child is. It should be a high quality home, for that matter.

**Mr. Isakson**. In Georgia, we have worked at getting facilitators and trainers into these environments. Ms. Schalansky mentioned that in her printed testimony, to try and raise that level.

I do not have another question. I just wanted to really compliment all of the panel, but I subscribe to Ms. Riley's testimony with regard to early childhood development, the brain research, and you are absolutely correct on the stimulants in those first 36 months, and the flip side of that is the lack of that stimulus forever closes the door in many children forever in terms of language and music and a lot of cognitive skills.

So I commend you for what you are doing and for what I am sure your school is doing in Delaware, and I will yield back the balance of my time.

**Chairman McKeon**. Thank you.

Ms. Mink?

**Mrs. Mink**. Thank you very much, Mr. Chairman. I certainly appreciate all of the testimony today about the unmet needs of our children in being provided with quality childcare programs, that they might, if there were adequate funding, be available to utilize, and it would be beneficial, particularly for the younger children, to get them more ready for their regular school experience. So, I appreciate the testimony, and although it is somewhat depressing, I must say, to hear the statistics of the numbers of people that are being turned away, Ms. Riley, I think you talked about a typical day, you had 14 phone calls and 12 you had to turn away.

**Ms. Riley**. We had 14 phone calls. This was the day before yesterday.

**Mrs. Mink**. Typical day?

**Ms. Riley**. That is typical, 14 phone calls, 12 eligible for purchase of care, no spaces for any of them.

**Mrs. Mink**. Okay. Twelve were found qualified. Where would they go?

**Ms. Riley**. In Delaware, a lot of them end up in family care or in family day-care homes, other centers. They do not get their first choice.

**Mrs. Mink**. So, in your experience, out of the 14 that called you, the center-based care was their first choice?

**Ms. Riley**. Yes.

**Mrs. Mink** Or they would not have called you, right?

**Ms. Riley**. That is right.

**Mrs. Mink**. So, they, then, have to turn to family care.

**Ms. Riley**. Right.

**Mrs. Mink**. So, we have to be concerned about both the care and then what happens to those that cannot be accommodated.

Do you have any statistics, Ms. Ponder, since you have this state experience, as well, of the number of children that qualify totally for the federal support and who are not now being provided either family-based care or center-based care, and what happens to these families is they have neither. Do we have any statistics to show that?

**Ms. Ponder**. Well, we have 25,000 on our waiting list so they qualify.

**Mrs. Mink**. What happens to the 25,000?

**Ms. Ponder**. They are in random places. You know, their sister, big sister stays home every other day and their brother stays. It is all kinds of arrangements. Their grandmother, who is elderly, may keep them.

**Mrs. Mink**. Well, the 25,000, are those welfare?

**Ms. Ponder**. They are low-income.

**Mrs. Mink**. Not necessarily welfare.

**Ms. Ponder**. No. We are serving most of the welfare families.

**Mrs. Mink**. Including the welfare leavers?

**Ms. Ponder**. Yes, at this point, but you know, we're under some financial crunch.

**Mrs. Mink**. Twenty-five thousand are working family children.

**Ms. Ponder**. Very poor working, just barely over the line in some cases and just barely holding on, and some of them are paying for part of their care and literally choosing between clothes and food and child care. So, it is a combination of ways that they keep managing until they can hopefully get some money.

**Mrs. Mink**. So, Ms. Blank, in your testimony, you provided the committee with a good bit of statistics and other figures, which really lay the foundation of a tremendous need. On the quality issue, for instance, which is a major point of your testimony, how can we, sharing that concern and supporting it and believing that something has to be done, how do we go about doing it in the federal legislation?

**Ms. Blank**. Well, the balance is flexibility for states. You cannot do much; I will be honest, unless you add more resources.

**Mrs. Mink**. Well, now we say 4 percent.

**Ms. Blank**. Right. There is 4 percent now and states spend, on average, about 6, but they have to serve all those families on the wait list.

So, if you provided additional resources, I mean we estimated, if you added $20 billion of mandatory money this year, over five years, you could serve 2 million more children if you tripled that quality set-aside. That would allow states to do more of the innovative work that is going on in North Carolina.

**Mrs. Mink**. Do we say in the current law where they have to spend 4 percent of the TANF money, our childcare development money that they have to spend for quality?

**Ms. Blank**. There are very few limits, and there always have been, in childcare, in the statute. The statute simply says 4 percent of CCDBG must be spent for quality.

**Mrs. Mink**. Do we say that it must be matched, that was my question, by the states?

**Ms. Blank**. Childcare is funded in two ways. Part of it is discretionary through appropriations and part of it is mandatory. The mandatory funds must be matched by the states at the Medicaid matching rate. So, they do contribute to the cost of care.

They contribute to the total CCDBG pot. In order to draw down the money, they have to provide a match. So, they do contribute.

**Mrs. Mink**. So, you think, by increasing the funding in the program and increasing the percentage, that we might come closer to meeting the need of quality?

**Ms. Blank**. There are a number of steps you could take. You could increase the percentage. We have particular needs for infants and toddlers. That, I think, is probably the lowest-quality care and

the hardest to find. You could target more resources on infant care. You could say the only standards in CCDBG are that states must have minimal standards around training and health and safety and physical premise safety.

**Mrs. Mink**. Do we say anything about compensation of the workers?

**Ms. Blank**. No, and there is numerous things that you could do. You could say that anyone who works in a formal childcare setting, not relatives, but anyone who works in family child or in childcare centers has to have training in child development, not a degree, maybe two hours, before they work with young children. That would be a start. You could have a special set-aside or program. The Miller bill has a title in CCDBG that is called Focus, which just focuses on both creating programs to help providers who do not have education get education, and it is a slow business.

**Mrs. Mink**. What about Ms. Riley's point of getting 14 phone calls and 12 being turned away? What can we do about increasing the number of care centers for children? We talked about quality. We talked about the compensation of the workers. What can we do to increase the availability, Ms. Riley, or anyone?

**Ms. Blank**. If you added more resources, in fact, when we originally worked on childcare a very long time ago, Senator Hatch had put in the bill a set-aside for supply building. You could say to states, and again, there is a balance, because states like flexibility. You could say here is a set-aside of funds just to improve the supply. There is no money available for child-care construction. We have been very fortunate because we have opened up church basements and whatever, but if you looked at the average childcare facility, I think you would be a little sad. We have storefronts. We have programs that really are not built for young children.

So, you could direct more of the money to supply. A lot of this is resources, and what we do is we do the best we can and states do the best they can by making trade-offs.

**Ms. Riley**. May I respond, because in Delaware there is no wait list? There is no waiting list in Delaware. Everyone is being served. The point I was making is that parents are making a selective choice for better programs for their children with an educational component, and we serve infants and toddlers, we serve children from two months. Infant care is extremely expensive to provide and to do in a quality way. It is very labor-intensive. It needs a lot of equipment.

Actually, my board did a study, and everybody assumed that kindergarten was going to be the most expensive program to run, except that those of us administering the school knew it is the infant care, where we have ratios in our program of one to two or one to three, depending on the age of children.

So, that is the point. That is what people are looking for. They are looking for quality, whether it is for an infant or for a three-, four-, or five-year old.

**Mrs. Mink**. I yield back my time.

**Ms. Blank**. The Miller bill actually has another provision, Mrs. Mink, which would allow for states to provide more support for accredited, high-quality childcare, which is another step in the right direction.

**Chairman McKeon**. Thank you.

**Ms. Schalansky**, you mention in your written statement the importance of cross-program flexibility and coordination. What federal laws or regulations impede your ability to do that?

**Ms. Schalansky**. Well, I do not know that there is anything that impedes it right now, except I think we have concerns about increased set-asides or increased limits that could be added to the current legislation.

In Kansas, I said, right now, there's a 4 percent quality set-aside. We exceed that significantly, because that is where one of our priorities are, but I think that it is important that, as we reauthorize, that in order to try to make some things happen in the system, that we do not set some set-asides or some limits that prevent the flexibility. I think our ability to blend or braid funding with other folks who will come to the table, whether they are employers, whether they are United Ways, whether they are other foundations, has been critical, and if we can get them to do a piece, let us say our United Way was going to do a lot of quality. I would hate to see our set-aside tied up to the fact that we could not get them to the table, so that whatever flexibility, I think, would help us, and we do not want to see any increases in that.

The other piece, and one is on the food funding, the child food funding, which now is hooked to a social service block grant. I remember, earlier in my career, when I ran a childcare program, we spent most of the money we spent on childcare in Kansas was social service block grant, but in order to get that childcare food program, you have to use SSBG, and I think states have shifted, and we believe that that ought to be tied to either TANF or CCDBG now.

So, that would be one thing, and I thank my little helper for reminding me of that.

**Chairman McKeon**. Thank you.

Mr. Besharov, your written testimony suggests that the current benchmarks for reimbursement rates is arbitrary. What, in your opinion, would be a better way to establish or target the reimbursement rates?

**Mr. Besharov**. Well, the benchmark is set now at 85 percent of median family income. That is very high, and as we have heard here today, would cost $40 billion or more a year to meet, nowhere near current expenditures and it was put at that level to guarantee states the flexibility, that states that wanted to spend more money could, wanted to change their eligibility could. I think there is a simple solution here that would clarify where we spend, and that is to say that states can give childcare subsidies to anyone they wish as long as they serve the lowest income first and the second lowest next.

In other words, just impose an income test that says the most needy first, and let the states serve whomever they would like. That would avoid the dueling paradigms we have here between an eligibility standard that is much too high for planning, very few states are using the federal standard, and yet the advocacy is around the federal standard.

**Chairman McKeon**. Thank you.

**Mr. Besharov**. I also want to apologize. When I was invited to testify, I explained that I have a class at 4:00 o'clock in College Park, and as we have heard from every other member of this panel, the students come first, even if they are over 20 years old, and I will have to leave. I am very sorry, Mr. Chairman and members of the committee.

**Chairman McKeon**. We appreciate you being here and understand that, and we think that students should come first, too.

I think they may be having a vote anytime, so we are getting toward the end.

**Ms. Ponder**. Mr. Chairman, may I just respond? In North Carolina, with the rules as they now exist, we can set the eligibility anywhere we want to, and for us, we had set it at 75 percent.

So, I do not understand what you need to do to help that, and maybe that is just my ignorance, because maybe it is that the state, and I wish he were not leaving, so we could talk about it. Maybe it is just that his state will not change it.

Is that the case?

**Mr. Besharov**. No, no, no.

**Ms. Ponder**. Okay, because I think that is an important issue.

**Mr. Besharov**. There are two discussions taking place today, in my opinion. One is about the quality of childcare, generally center-based care, and what we do about that. The second conversation is what we do about the working poor, including welfare leavers, to enable them to put their children in a safe and reasonably good place while they work. Those two objectives are very difficult to match together unless you spend the 40 billion or more, because many of those low-income mothers are working odd hours, evenings, weekends, and so forth.

I do not know of any centers that operate that way, and I understand both sides of this argument. That is why I say parse it out at the state level. You cannot get it right here in Washington, I believe, but Mr. Miller knows I always say that. I do not think we can, but I think it shows. We can let the states that want to go higher, that want to put their own money in, do it. I am not saying cut dollars. I am not saying that at all.

I am just saying clarify this discussion so that the state officials know that they are not aiming at 85 percent of state median income. They are aiming at serving as many people as possible, starting at the bottom and working their way up. That would be, it seems to me, a

legitimate way to go, but I realize that that would be quite controversial, and I really apologize. Please invite me back, please do not have a vote, and so forth. Excuse me.

**Chairman McKeon**. Thank you very much.

**Ms. Blank**. Can I just say that most states do target their assistance on the poorest families? When we ask them, they usually target. So, they give the poorest families childcare assistance now, and you want to have enough flexibility so families' incomes can go up without losing childcare help.

**Chairman McKeon**. Thank you very much.

My time is up. Mr. Miller.

**Mr. Miller**. Thank you.

I like your aggressiveness. I was afraid I was going to have to use my time so you could answer Doug.

Ms. Ponder, let me ask you if you might, I think I am re-plowing some of the ground that Mrs. Mink referred to, but I think it is an important point, and that is, how did South Carolina, I mean North Carolina, sorry.

**Ms. Ponder**. That is okay. I am a native South Carolinian.

**Mr. Miller**. Good. My kids went to school in South Carolina, so we are equal here.

North Carolina, you have made a conscious decision around the question of improving provider training and qualifications, and in your testimony, you quickly jumped over what you think some of the results are, but you know, that is an expensive decision to make, and yet the state made it, and I just wonder if you might walk us through that.

**Ms. Ponder**. Well, we believe it is the most critical piece of what happens with a child in a program, because if the teacher is educated about early child development and early education, then they're going to do the right thing for kids regardless of what, maybe the storefront or wherever they are.

So, we decided, based on the research, that if we could improve the education of teachers in early care and education, that that would probably be the single most important thing; if we could just work hard on one thing, that is what it would be.

So, that was our reason, and it has turned out to be the case, because as we have improved the education of the teachers, we have improved the quality of the programs, and we have a long way to go. We are not there yet, and it is expensive, but our state was committed to doing it, and we have put a lot of our money in that.

**Mr. Miller**. There is a school of thought that has been said to me a couple of times, that, you know, bad childcare is not as bad as we think it is for children.

**Ms. Ponder**. I have spent my life doing this, and I have spent most of it actually either in the classroom or guiding the classrooms from a director's perspective, and I know that bad childcare harms children. I have seen it in my state over and over again.

I honestly believe, and I do not say this often, and this is sure not the safe place to say it if I do not say it often, but I honestly believe that bad childcare is worse than no childcare, because in bad childcare, if you have a teacher that does not know what that person is doing, not only is it harming an individual child, but you have got a whole classroom of little people who are interacting with each other in probably inappropriate ways if the teacher is not in charge of the class and does not have meaningful things going on. So, they are fighting and falling all over each other and hitting and doing all those kinds of things.

You can handle that better if you are a bad provider and you just have one or two children at home with them than in a classroom. I honestly have been in classrooms that were licensed that I think are abusing children because of what is happening there. I think it's a critical issue. I wish I did not believe that. I wish I could convince myself that it is not the case, but it is, and in many cases, it is that they do not know any better. Let me give you the best example that I experienced.

I trained, before Smart Start, I was training people about how to do it better, you know, classroom at a time, center at a time, and I did this entire training, like a three-hour session, on how you manage behavior with four-year-olds, and I really thought I had done a good job. People seemed to get it that you redirect, you do not have running places that invite them to run. You have them involved. You have them learning a little bit more than they already know.

Well, I got finished, and I said is there a last question, because it is time to go, and one of these teachers said to me, you have not told me how you punish a two-year-old for wetting their pants, and I literally jumped up and down and said where do you start to explain that you do not punish a two-year-old?

So, that is the kind of thing I am talking about. If a person does not understand, for example, that a two-year-old, part of their job is climbing, that is what a two-year-old was made for. They love it. They are going to do it. They are going to do it appropriately or they are going to get in trouble for doing it, which is what you see in an inappropriate two-year-old classroom, you know, children standing in the corner because they were climbing on something.

**Mr. Miller**. I am going to ask you to stop there for a second.

**Ms. Ponder**. I am sorry.

**Mr. Miller**. Just as the light goes, Ms. Riley is over there shaking her head, so I want to give her a chance.

**Ms. Ponder**. I hope you are agreeing.

**Ms. Riley**. I certainly am agreeing. I think that there is no way that dangerous situations, situations where people really don't know what they're doing, there is no way that that should be a place where we put children. The other thing that is appalling to me, when I said I wanted to speak as a citizen and a voter and all, is that we are paying for that. It is as ridiculous to me as when we paid money for those toilet seats that cost hundreds of dollars.

We should be outraged that we would spend $2 of government money on something that nobody would buy. There is no value for the dollars spent, and to me, the thing I worry about is are we really saying that we do not value the children that much, that it is okay? I mean that is what is wrong with the educational system. We have not decided about zero to five. We have not decided as a culture, as a country what it is that we want for our children and our future. They are left out of the equation.

**Mr. Miller**. Thank you.

Let me just say, we look at this, I hope, from this committee's point of view, you know, what we have learned about children over the last 30, 35 years is, whether you look at children as just something to be taken care of or whether you look at an infant or a toddler or a two-year-old as this immense opportunity about the rest of their lives, and you know, Ms. Riley, you are right. Why would we spend a dollar that we do not get value for?

You know, we are trying to stop that. It is a bit of a habit, but we are trying to stop it, and especially when, you know, it is about what the pediatricians and neonatal specialists and all these people tell us, is that, you know, this is a bundle of opportunity, if handled properly, and I think this committee is going to have to decide which vision it has of children. If they are just sort of to be maintained while parents go to work, if this is just about storage until kids, until the parent comes to pick him up, that is one vision of the world.

I do not know how you would buy into that, but it is conceivable, and in some instances, that is about what the care equals, is you are just storing your kid here until you get home, and it is because, and you talked about the choices, but it is really about, for us, as policy-makers, whether or not we can extract all that potential or help to extract all that potential out of these children while they are in the most formative years of their lives. They are going to make other choices later in their lives we know about, but clearly here is one where they are a sponge for development and opportunity.

**Ms. Riley**. May I respond?

**Mr. Miller**. Sure.

**Ms. Riley**. You know, to me, it is as if the light went on, finally, in my own state that the mission to be accomplished with welfare reform was to get people to work, and so, putting children in childcare of any kind, and I am not a proponent of center care. I am a proponent of quality wherever it is. The mission was to get people to work. It was not to provide an early education. It

was not to make sure that there was quality. It was not any of those things. It was to get people to work, and it has been successful, but in what happened, we saw other opportunities unfold, and they are related.

The opportunities to do something with those zero to five years are so related to other major problems that we are facing that I think it is just a matter of where does this belong now? Is it tied to the working issue? Is it tied to education? Is it tied to criminal justice? Is it tied to everything? So, maybe the piece that send people to work just comes out of health and social services, but maybe there needs to be collaboration and partnerships among different branches of the government to make sure we accomplish everything that there is the potential to accomplish.

**Mr. Miller**. Thank you, Mr. Chairman.

**Chairman McKeon**. Well, I think there has been a lot of eloquence here, and I think you have hit some really good points. I also have a lot of grandchildren. I have 24 grandchildren and a lot more than three under three, but really, we have been blessed. Their mothers are able to stay home with them, and I watch them work with them, and as has been said, they are like a sponge, and watching them soak that up, they are very blessed, and one of the problems I personally have to deal with, being a member of Congress, is every day I get frustrated.

There are many more opportunities and things that can be done than we seem to be able to accomplish or have the resources or the abilities to tackle, but there have been some very good things, I think, come out of this hearing, and I appreciate your being here, the things that you have brought.

I appreciate the members that have been here and the questions that they have asked.

I hope that, as we move forward with legislation, you will keep in touch with us and that we can come back to you for more questions if we have them and that you will feel like, as you leave here, if there is something else you wanted to say, get it to us. We will keep the record open and get it in the record, and with that, we will adjourn this hearing.

Thank you very much. The hearing is adjourned.

[Whereupon, at 3:50 p.m., the subcommittee was adjourned.]

***APPENDIX A -- OPENING STATEMENT OF CHAIRMAN HOWARD P. "BUCK" MCKEON, SUBCOMMITTEE ON 21$^{ST}$ CENTURY COMPETITIVENESS, COMMITTEE ON EDUCATION AND THE WORKFORCE, U.S. HOUSE OF REPRESENTATIVES, WASHINGTON, D.C.***

**STATEMENT OF THE HONORABLE HOWARD "BUCK" McKEON**

**CHAIRMAN**

**COMMITTEE ON EDUCATION AND THE WORKFORCE**

**SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS**

**February 27, 2002 Hearing On:**

**"ASSESSING THE CHILD CARE AND DEVELOPMENT BLOCK GRANT"**

Good afternoon. Thank you for joining us for this important hearing today to hear testimony on the impact of federal child care assistance. This committee has sole jurisdiction over the program requirements and the discretionary funding side of the Child Care and Development Block Grant. This Committee will play a vital role in its reauthorization over the next few months during consideration of the President's proposal to further welfare reform by increasing independence and strengthening families. Today, building on the previous hearings that we have held on welfare reform, we will examine the operation of the Block Grant in preparation for its reauthorization.

We know that affordable, reliable child care is critical to allow mothers to obtain and retain employment. Largely as a result of welfare reform, there are unprecedented numbers of women with children who are in the workforce. Recognizing the increased need for assistance, the federal government has made a significant financial commitment to providing access to affordable child care to low-income families.

Funding for the Child Care and Development Block Grant has more than doubled in the last five years to $2.1 billion in fiscal year 2002, and the President's budget proposes to maintair this funding commitment. In addition to these funds, more than $2.7 billion in mandatory funding was available this year, and over $4 billion from the Temporary Assistance for Needy Families block grant was spent on child care assistance for low-income parents in 2000.

As part of welfare reform in 1996, this Committee streamlined the funding and program requirements within the Child Care and Development Block Grant to provide states maximum flexibility in addressing the child care needs of low-income families and children. Currently, states set eligibility levels, quality standards, reimbursement rates for providers, and health and safety requirements. States largely have targeted their funds to serve those most in need -- families on or transitioning off of cash assistance. However, low-income families that never have participated in welfare also receive assistance.

Importantly, the block grant ensures parents are free to choose the child care setting they prefer for their children. Child care subsidies are usually provided as vouchers that parents can use to purchase any type of child care. Parents may use their certificates for center-based care, a family child care home, relative care, or in-home care.

In addition to providing direct subsidies to care, states must currently spend four percent of all Child Care and Development Block Grant funds on activities to improve the quality of care. State use these dollars in a variety of ways. Many have increased consumer information available to parents, worked to increase the capacities of child caregivers, or increased

reimbursement for higher-quality care, just to name a few. The importance of quality care is reinforced by research indicating that the experiences of a young child greatly affect a child's success in school.

Today, we will hear from experts in the child care field, directors of state child care programs, and an operator of a child care facility. I know all will offer us insight into the strides that have been made in supporting our nation's parents as well as caring for our young and school-age children. The Committee welcomes their thoughts on further steps that need to be taken.

I am sure the witnesses' testimonies will be invaluable as we prepare to consider legislation. We look forward to their comments.

With that, I would like to recognize Congresswoman Mink for any statement that she may have.

***APPENDIX B -- OPENING STATEMENT OF RANKING MINORITY MEMBER, PATSY MINK, SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS, COMMITTEE ON EDUCATION AND THE WORKFORCE, WASHINGTON, DC***

Statement by
Congresswoman Patsy T. Mink
before the
Subcommittee on 21st Century Competitiveness
Hearing on the Child Care and Development Block Grant
on
Wednesday, February 27, 2002

Thank you, Mr. Chairman.

The issue of child care is one of the most critical facing the poorest members of our communities, especially those struggling under TANF in one or more low-wage jobs, trying to make ends meet for their children's future. I look forward to the testimony today to advise this Committee on how the CCDBG funds are being used, and how we must improve the program to meet the needs of our poorest families.

We know that a very small percentage of eligible children are being served, that those that are get poor to adequate care, and that high-quality care is usually priced out of the parents' budget, or not available in their neighborhood. Research shows that only about 12-15% of eligible children are receiving child care subsidies from the Child Care Development fund – in some states, less than 10% were being served, and no state served more than 25%.

Many who are getting subsidies are unlikely to find affordable high-quality care in the low-income communities they typically live in since at least half the states set their reimbursement rates lower than the federal standard of 75% of the market rates. As a result, many cannot afford local high-quality child care, if even available. After all, high quality child care is very expensive.

Many are forced to rely on their families, friends, or other home-based care for their children, but this carries a high risk of being low quality. While this type of arrangement can be more flexible and inexpensive, it means less developmental progress for their children. In some 30 states, family child care providers can provide child care services without any training at all.

While center-based care may be of higher quality, it by no means is high-quality, and much work needs to be done there as well. States currently only spend about 4% of their Child Care funds on quality, but it's not yet clear what they're doing with that. And we know that market conditions are not leading to a highly-trained child care workforce. This is a low-paying job, with little training and much turnover. According to the National Organization of Women's Legal Defense Fund, child care workers earn $10,000 to $18,000 annually, yet the current poverty threshold is about $17,650. NOW-LDF also reports that turnover rates are as high as 25%, as compared to 5% for public school teachers, yet more highly-trained staff, working at accredited (and thus more expensive) care centers have much lower turnover rates, ensuring the children in their care much more stability.

Parents also have a hard time finding care for the whole work day, often forcing them to interrupt their work day to see if patchwork arrangements actually did materialize, or to transport their

children from one setting to another, from school to care, or to work, or to home. This often results in workplace sanctions against the parent, such as being denied promotions, losing pay, or getting fired. Few jobs, and especially the low-wage jobs that most TANF parents are in, allow the sort of flexibility these parents need to properly care for their families. The resulting sanctions, or job loss, mean even more financial instability for the family, presenting parents with difficult choices: leave work to take care of their children or stay and keep their jobs; leave their jobs to take care of their children and face sanctions under TANF.

Thus we face two directions as we reauthorize the Child Care and Development Block Grant. One is to stay the course, apply no additional resources to the situation, and see thousands or millions more poor children go without adequate child care while forcing their parents to work or lose welfare support.

The other option is to change course, and fix the child care system now before we lose another generation of children to unpredictable and unhealthy child care arrangements. We need to help by providing more resources for child care and increasing the quality of child care by increasing training and the pay of child care workers. Funding will clearly be a big factor in this reauthorization discussion. We must provide significant additional resources to help get more care to those who need it, to improve the quality of the care, and to improve the access of poor, working parents to high quality child care in their communities.

My bill reauthorizing TANF, H.R. 3113, would help take us down the correct path for fixing many of the current system's deficiencies. My bill would rightfully restore child care as an entitlement to all families on TANF, and would grant two years of eligibility to families leaving TANF but with incomes below 250% of poverty. The care needs of children must be met as their mothers move into the labor market. It's clear from abundant research that these needs are not currently being met.

H.R. 3113 also provide stronger protections against sanctions for working parents who have difficulty finding child care and define child care as a work activity for parents with children below 6 or with serious disabilities. My bill would also change the High Performance bonus for states to focus more on those things that support a TANF recipient's efforts to find and keep a job, such as comprehensive high-quality child care.

We should recognize that very young children in low-income families need the benefit of having their parents at home to raise them as much as their wealthier peers. Having their parents at home to raise them until they begin school is especially important to ensure they're prepared to start their education ready to learn. Too often in the current child care system, these children are subject to myriad care arrangements, with no childhood development, and no consistent contact with a caring, focused, and interested adult. My bill would help these children have a fighting chance to start school at the same level as their peers.

In conclusion, I look forward to this discussion. It is clear that we simply cannot maintain the status quo regarding CCDBG and child care generally.

Thank you.

***APPENDIX C -- STATEMENT OF JANET K. SCHALANSKY, SECRETARY, KANSAS DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES, TOPEKA, KANSAS, ON BEHALF OF THE AMERICAN PUBLIC HUMAN SERVICES ASSOCIATION, WASHINGTON, DC***

Douglas E. Howard, *President*

Jerry W. Friedman, *Executive Director*

**WRITTEN TESTIMONY**

**OF**

**JANET SCHALANSKY**
**SECRETARY, KANSAS DEPARTMENT OF**
**SOCIAL AND REHABILITATION SERVICES**

**BEFORE THE HOUSE EDUCATION AND WORKFORCE SUBCOMMITTEE**
**ON 21ST CENTURY COMPETITIVENESS**

**HEARING ON ASSESSING THE CHILD CARE**
**AND DEVELOPMENT BLOCK GRANT**

**FEBRUARY 27, 2002**

Representing Public Human Services Since 1930
810 First Street, NE, Suite 500, Washington, DC 20002-4267 • (202) 682-0100 • fax: (202) 289-6555 • http://www.aphsa.org

Good afternoon, Mr. Chairman and members of the Subcommittee. I am Janet Schalansky, secretary of the Kansas Department of Social and Rehabilitation Services. Today I am testifying on behalf of the state of Kansas and on behalf of the American Public Human Services Association (APHSA), a nonprofit bipartisan organization representing state and local human service professionals for more than 70 years. Thank you for the opportunity to testify on the subject of assessing the Child Care and Development Block Grant (CCDBG).

**Background**

Since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996, states' investments in child care have exceeded all expectations. We have seen a dramatic increase in the number of families and children served as evidenced by the unprecedented growth in child care expenditures. Between 1996 and 1999, there was an 80% increase in the number of children receiving a monthly child care subsidy.

States have programmed every dollar available for child care. The child care story is a CCDF and TANF story. Since Fiscal Year (FY) 1997, we have doubled spending on child care. In FY 2000, states expended over $9 billion in combined federal and state dollars on child care. This includes $7 billion from the Child Care and Development Fund (CCDF) and TANF dollars transferred, plus $2 billion in direct TANF spending. States have increased TANF spending on child care from $189 million in FY 1997 to

$4.3 billion in FY 2000. TANF funds spent on child care exceeded the entire federal portion of the CCDF allocation in FY 2000.

Under the child care and development fund act, states have met or exceeded the 100% maintenance-of-effort requirement each year. States have drawn down all matching funds and have obligated all mandatory and discretionary funds. While allowed under federal law to spend up to 5% of CCDF on administrative costs, states, on average, spent just 2.6% on administrative costs in FY 2000. This represents a decrease of $3 million in administrative costs from the year before.

**Quality**

The commitment by states to quality child care has been unwavering. Every state has instituted health and safety standards.

States have developed programs to focus on the special needs of infants and toddlers. In **California**, the Program for Infant and Toddler Caregivers provides multimedia-based training for trainers of infant and toddler caregivers. Child Care and Development Funds are used to train a minimum of 240 new trainers each year. In **Georgia**, the Department of Human Resources provides training facilitators and technical assistance for informal care providers of infants and toddlers.

Other initiatives focusing on informal care providers include the Legal Exempt Quality Project in **Hawaii**. The state employs contractors to inform relatives, friends, neighbors, and other caregivers of age-appropriate behavior and skill development.

According to data collected by APHSA, at least half of states are conducting activities focusing on the issue of caregiver wages and retention. For example, **California** has spent $50 million on both state and county efforts to develop promising policies and practices. Like many states, **California** has partnered with local universities and community colleges to provide quality improvement initiatives. For example, Antelope Valley College and Los Angeles Mission College, both in California, are participants in the state's Child Development Training Consortium and Mentor Teacher Project. The initiatives help staff meet the requirements of California's permit structure, support professional development of staff, and support career advancement and professionalism in the early care and education field.

**Massachusetts** provides quality awards to child care providers for achievement in quality programming, innovation in child care service delivery and assistance for providers in achieving accreditation. And **Oregon** has a new pilot tax credit initiative focusing on paying the actual cost of quality care.

"Odd hour" care, to support parents engaged in shift work, evening, or weekend employment, has also been improved by state initiatives. **Michigan**, for example, has

used its Enhanced Quality Improvement Program to give grants to providers to improve quality and expand access to care, particularly 24-hour and weekend care.

States have also focused on improving program administration. **Texas** has increased the ability of local workforce boards to make decisions related to child care, including eligibility requirements, payment rates and sliding fee scales for subsidies.

**Ohio** has also worked on increasing collaboration between Head Start and child care. The state has formed a workgroup to identify barriers to collaboration and propose policy changes to increase opportunities to leverage resources, improve quality, and expand access.

**The Child Care Story in Kansas**

The child care program in the state of Kansas is administered by the Kansas Department of Social and Rehabilitation Services. Kansas ranks 15th in geographical size in comparison to other states. The state population of 2,688,418 includes both urban and rural communities. In population, Kansas ranks 32nd in the nation, 26.5% of the population is under 18 years of age; 7% is under the age of five. The median household income is $36,488, which is fairly consistent with the national median. In Kansas, 10.9% of the population and 15.4% of the children are living in poverty.

In federal FY 2002 Kansas received a TANF block grant of $101.9 million. Kansas has historically spent, and is projected to continue spending, the entire amount of the TANF

block grant. Of the block grant, almost $17.9 million was transferred to CCDF to cover child care expenditures. Quality initiatives accounted for 19.8% of Kansas' total child care budget.

In Kansas, 15,313 children are served monthly, by child care subsidy. Approximately 16% of those eligible for subsidy payments are served. Child care subsidy payments are available to families with incomes below 185% of the federal poverty level (FPL). Families who receive a subsidy payment, however, may be required to contribute a copayment for their child care based on a sliding-fee scale. For example, a family of three—a mother and two children—with an income at 150% of FPL ($1829 monthly/ $21,948 annually), would have a total monthly copayment of $177. TANF families and those whose children are at risk of abuse and neglect have no fee. Kansas has no waiting list at this time. Kansas spends $53,206,577 annually on subsidy payments.

This year, in an attempt to promote both quality and access, child care provider rates were adjusted based on state norms. Rates were set at the 65$^{th}$ percentile for licensed providers and at the 60$^{th}$ percentile for registered providers.

Approximately $14 million is spent annually on child care quality in Kansas. Of that, $7.9 million is for Kansas Early Head Start, which serves 825 children and families and has an impact on another 2,000 children. Kansas was the first state in the nation to devote TANF funds to this comprehensive state-funded program.

Kansas supports flexibility in use of CCDF funds. This allows us to partner with other agencies and funding sources, focusing on initiatives targeted as issues important to Kansas. Each state has its own unique issues and needs the flexibility to develop partnerships and programs to meet these needs. Several important state collaborations have produced the following:

- After-school programs developed with the Kaufman Foundation—for inner-city programs in Kansas City
- Apprenticeship project designed and implemented with the Department of Labor through a federal grant—administered through a community college
- Kansas Head Start and Early Head Start Programs—which bring together year-round child care and Head Start services
- Statewide Resource and Referral network providing core services to all 105 counties
- Initiatives for programs to provide literacy, school readiness, teen parenting and fatherhood services for families—through Early Head Start centers and community services
- Midwest Child Care Research Consortium, a three-year project to define and evaluate child care quality involving Kansas, Nebraska, Iowa, and Missouri

Kansas also embraces the emphasis of quality, which CCDF has supported. In Kansas we consider quality to combine enhanced services delivered by well-trained professionals with the availability and access to those services. Our success in this area is demonstrated by:

- **Caseload and Rates.** We have funded caseload growth (with no waiting list) and set eligibility for subsidy at 185% of FPL in order to serve the working poor and TANF recipients. We have increased rates to providers who care for children with special needs while maintaining provider rates that sustain a competitive level with local market rates to ensure access for families receiving child care subsidy.
- **Professional Development.** Our infant/toddler project trains and supports child care providers and families by improving the quality and supply of infant/toddler care by working directly with infant/toddler professionals. These supports include funding professional development initiatives to raise quality of care and reduce staff turnover; funding TEACH scholarships that enable providers to increase their professional knowledge of the best early child hood practices; working with community colleges and universities to coordinate early childhood curriculum and credit requirements; and providing support/information on child development to nonregulated/relative care providers by direct contact and educational materials.
- **Access and Safety.** Centers receive funding grants for expansion, start-up, and to meet licensing requirements/improving quality of services. Grants are also given to family home providers to help meet licensing requirements and improve quality of care.
- **Public Education and Awareness.** We provide education and training on early brain development and other research through open workshops in collaboration with the Kansas Departments of Education and Health and Environment. The state also sponsors a statewide public awareness campaign on quality childcare

targeted at parents, businesses, and providers.

The Institute for Social and Economic Development recently completed a study of TANF leavers in Kansas. The results of this study indicate that access to high-quality child care is an important factor in families maintaining employment upon leaving TANF assistance. Fewer than 20% of leavers participate in the child care subsidy program and 15% of families who return to TANF, who originally left due to earnings, do so as a result of child care problems.

While Kansas has been able to achieve some degree of success in our child care programs, we strongly support increased funding. In Kansas these dollars would be used for the most pressing needs facing us today:

- Increase access for low-income children and lower eligibility rates and copayments
- Increase slots for infants and toddlers
- Outreach to low-income families and funding to support caseload growth
- Recruitment and retention of quality providers
- Increase provider payment rates above the current percentiles

**Policy Recommendations**

The simplicity introduced with the Child Care and Development Block Grant has greatly contributed to state child care successes, including Kansas. Last year, APHSA released *Crossroads: New Directions in Social Policy* containing recommendations for the reauthorization of CCDBG and other human service programs pending congressional reauthorization. We called for (1) maintaining flexibility; (2) increased funding; (3) cross-program flexibility; and (4) streamlined data reporting.

**Flexibility.** The APHSA membership wholeheartedly supports the need for flexibility in the CCDF that permits states to design child care plans that balance the expansion of services and new quality of care initiatives. To that end, state administrators oppose creating new mandatory set-asides of funding and increasing current ones. CCDBG was created in part to simplify what was a myriad of child care programs with little flexibility. We have demonstrated that we can achieve much more under the current program. Let us not move backwards by adding more strings to the program and impeding states' abilities to meet parental needs in a changing employment environment.

APHSA also advocates flexibility in programming by transferring funds to CCDF. We support permitting states to transfer up to 10% of their TANF block grant to the Social Services Block Grant (SSBG), a key source of funding for child care. APHSA also backs the preservation of state authority to transfer up to 30% of the TANF block grant into CCDF and the ability to spend TANF funds directly on child care.

**Funding.** As I stated earlier, in addition to the CCDF funds, $4.3 billion of TANF funds were spent directly on child care. APHSA believes that the funding currently in the system should remain in the system. States are concerned that increased TANF caseloads during the current economic recession may reduce the amount of TANF funds available for child care. In addition, if Congress mandates new TANF work requirements, then federal child care funding must increase as well. We need $4 billion in addition to the CCDF funding to maintain our current investment. If Congress wants states to increase quality and increase access, then additional funds will also be needed.

APHSA supports maintaining the state's option to draw down these funds by a matching fund formula to make unmatched dollars available to other states at the close of a fiscal year. APHSA calls for a statutory change to allow donated funds from private sources to count toward maintenance of effort when funds benefit the donors' facility or use.

APHSA also endorses restoring SSBG funding to $2.8 billion. Forty-three (43) states used SSBG to help provide child care services in FY 1999, the most recent year for which data are available. That year, more than 2.6 million children were recipients of child care funded in part by SSBG.

Finally, APHSA is committed to efforts to improve quality. The federal government should support research that contributes to the understanding of measurable indicators that can be addressed at state and local levels. We should promote policies that encourage public and private sectors in building and sustaining an early care and education

workforce that is well-trained and adequately compensated. We oppose increased or additional set-asides, particularly when there are no new resources provided.

**Cross Program Changes.** We need to examine links to other programs. The link between the Child and Adult Care Food Program (CACFP) and SSBG is one example. CACFP provides federal funds for meals and snacks served in licensed child care centers, family and group day care homes, and Head Start centers. Currently, for-profit child care programs are only eligible for CACFP if their state used Title XX funds for child care. APHSA supports changing the link so that it is between SSBG, CCDF, or TANF funded child care. This would extend nutritional assistance to additional child care settings.

The reauthorization of Head Start in 1998 included new legislative authority that placed an increased emphasis on linking child care and Head Start funds and services. The intent is to extend services to full day and full year so that families in need of such complete child care are not left with a patchwork of services. APHSA encourages the continuation of Head Start awards that favor full-day, full-year services and services that combine Head Start and child care funding.

Last year, Congress reauthorized the 21st Century Community Learning Centers at $1.25 billion. APHSA would like to see that these expanded funds are leverage effectively with CCDF and TANF investments to expand the greatest number of after-school and out-of-school time program slots possible.

**Streamlined Data.** Let us work together to improve data collection. When it comes to data, more is not necessarily better. Too often it means incomplete data and information, which does not help inform program decisions. Much of the data submitted by states has unfortunately fallen into a federal abyss. This must be rectified. The aggregate data collection report asks elements repetitive of other required reports and should be eliminated. The case-level data collection report needs to be amended to contain elements that actually inform programming needs. States should also be allowed the option of requiring a social security number for receipt of benefits under CCDF to increase the ability to offer cross-programming opportunities.

**Challenges Ahead**

While much has been achieved, we have many challenges ahead. If we are to support welfare-to-work efforts and Workforce Investment Act (WIA) objectives, then child care is the linchpin. If we are to continue to maintain the gains made in the last five years and sustain our commitment to permit welfare clients to make the transition to work, retain employment, and support working poor families, then we must provide child care that is dependable and respects parental choice regarding formal and informal care arrangements.

States continue to have strong concerns about using 85% of the state median income as an eligibility standard. Program eligibility should be determined at state and local levels. Furthermore, federal funding has not been provided in order to furnish child care services

to the population deemed federally eligible. A substantial increase in federal funding would be needed to reach all eligible children in this category.

Demand for different types of child care is growing as well. We need more funding to help increase access and quality within nontraditional hours for child care. We also need additional resources to create greater access and quality for children with special needs who require child care. Expanded access and quality require financial investment. In a block grant, reaching a balance between these objectives must be accomplished at the state and local levels.

These challenges are now occurring at the same time that states are facing some of the most massive budget cuts in their history. Many states have begun to see an increase in TANF caseloads. This has already lead to decreases in several states in direct spending of TANF funds on child care as well as decreases in funds transferred to CCDF. Some states have also reported decreased TANF spending on child care due to deficits in other areas of state spending. These cuts will likely have an impact on both eligibility levels and provider rates.

Five years ago, Congress made a decision to invest in child care, streamline funding, and devolve authority to the states. Unprecedented success has been achieved to date. We urge you to keep the promise made in 1996 and resist adding new requirements and expectations without the resources necessary to implement them.

Thank you for the opportunity to testify. I am honored to present to you today a state's perspective on the success of our child care program and the important part that CCDF plays in that success. I would be pleased to respond to any questions you may have.

# Committee on Education and the Workforce

Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

| | | |
|---|---|---|
| Your Name: Janet Sebalansky | | |
| 1. Will you be representing a federal, State, or local government entity? (If the answer is yes please contact the committee). | (Yes) | No |
| 2. Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999: See Attachment A | | |
| 3. Will you be representing an entity other than a government entity? | (Yes) | No |
| 4. Other than yourself, please list what entity or entities you will be representing: American Public Human Services Association (APHSA) | | |
| 5. Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4: | | |
| 6. Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 1999, including the source and amount of each grant or contract: See Attachment B | | |
| 7. Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question number 4 that you will not be representing? If so, please list: | Yes | No |

Signature: Janet Sebalansky Date: 2-26-02

Please attach this sheet to your written testimony.

## FEDERAL LETTER OF CREDIT BALANCES

| Fund | Y172P Federal Grant System | | Authorized |
|---|---|---|---|
| 3304-0340-3036 | Child Welfare -IV B | CWS00 | 3,053,699.00 |
| 3304-0340-3036 | Child Welfare -IV B | CWS01 | 3,042,094.00 |
| 3304-0340-3036 | Child Welfare -IV B | CWS02 | 3,030,218.00 |
| 3314-0440-3116 | Medicaid Assistance - 2000 | MP | 863,460,636.00 |
| 3314-0440-3116 | Medicaid Assistance - 2001 | MP | 961,243,797.00 |
| 3314-0440-3116 | Medicaid Assistance - 2002 | MP | 281,380,170.00 |
| 3316-9100-6007 | Child Support - 2000 | AO | 23,925,120.00 |
| 3316-9100-6007 | Child Support - 2001 | AO | 27,562,801.00 |
| 3316-9100-6007 | Child Support - 2002 | AO - estimated | 16,978,804.00 |
| 3314-0441-0441 | Medicaid Admin - 2000 | MT | 46,549,030.00 |
| 3314-0441-0441 | Medicaid Admin - 2001 | MT | 49,118,966.00 |
| 3314-0441-0441 | Medicaid Admin - 2002 | MT | 57,907,000.00 |
| 3312-0420-3096 | Foster Care | FC00 | 38,212,287.00 |
| 3312-0420-3096 | Foster Care | FC01 | 37,688,284.00 |
| 3312-0420-3096 | Foster Care | FC02 - estimated | 38,148,046.00 |
| 3312-0421-3097 | Adoption Assistance | AA00 | 8,258,132.00 |
| 3312-0421-3097 | Adoption Assistance | AA01 | 9,025,001.00 |
| 3312-0421-3097 | Adoption Assistance | AA02 - estimated | 8,589,622.00 |
| 3317-6314-6314 | Refugee Social Svs | REFSS00 | 267,879.00 |
| 3317-6314-6314 | Refugee Social Svs | REFSS01 | 179,195.00 |
| 3317-6314-6314 | Refugee Social Svs | REFSS02 - estimated | 179,196.00 |
| 3312-0422-3098 | Independent Living | IL00 | 1,007,844.00 |
| 3312-0422-3098 | Independent Living | IL01 | 1,583,555.00 |
| 3312-0422-3098 | Independent Living | IL02 | 1,573,226.00 |
| 3322-0520-0520 | Child Care & Dev Fund | CCDF00 | 20,939,621.00 |
| 3322-0520-0520 | Child Care & Dev Fund | CCDF02 | 43,165,760.00 |
| 3322-0520-0520 | Child Care & Dev Fund - Disc | FFY2000 | 31,393,262.00 |
| 3322-0520-0520 | Child Care & Dev Fund - Disc | FFY2001 | 40,453,017.00 |
| 3323-0530-0530 | Temp. Asst. to Needy Families | TANF00 | 101,931,061.00 |
| 3323-0530-0530 | Temp. Asst. to Needy Families | TANF01 | 101,931,061.00 |
| 3323-0530-0530 | Temp. Asst. to Needy Families | TANF02 | 101,931,061.00 |
| 3304-0345-0345 | Family Preservation | FPSS00 | 1,811,435.00 |
| 3304-0345-0345 | Family Preservation | FPSS01 | 1,690,873.00 |
| 3304-0345-0345 | Family Preservation | FPSS02 | 916,885.00 |

**FEDERAL LETTER OF CREDIT BALANCES**

| Fund | | | | Authorized |
|---|---|---|---|---|
| | **Y172P Federal Grant System - Continued** | | | |
| 3317-8315-3656 | Refugee Cash, Medical, Admin | | REFMED00 | 396,000.00 |
| 3317-8315-3656 | Refugee Cash, Medical, Admin | | REFMED01 | 147,000.00 |
| 3317-8315-3656 | Refugee Cash, Medical, Admin | | REFMED02 - full amount not known | 120,000.00 |
| 3324-0540-0540 | CHIP | | CHIP00 | 30,320,974.00 |
| 3324-0540-0540 | CHIP | | CHIP01 | 29,337,718.00 |
| 3312-0423-0423 | Adoption Incentive Payments | | AIPP00 | 316,101.00 |
| 3312-0423-0423 | Adoption Incentive Payments | | AIPP01 | 526,899.00 |
| | **V645B Federal Grant System** | | | |
| 3301-0310-3007 | ADAS Block Grant | | SAPT00 | 11,080,004.00 |
| 3301-0310-3007 | ADAS Block Grant | | SAPT01 | 11,699,847.00 |
| 3305-0350-3046 | Lieap Block Grant | **** | LIEA00 | 13,526,126.00 |
| 3305-0350-3046 | Lieap Block Grant | **** | LIEA01 | 15,862,659.00 |
| 3305-0350-3046 | Lieap Block Grant | **** | LIEA02 | 12,854,397.00 |
| 3307-0370-3056 | Social Service Block Grant | | SOSR00 | 17,113,240.00 |
| 3307-0370-3056 | Social Service Block Grant | | SOSR01 | 16,684,115.00 |
| 3307-0370-3056 | Social Service Block Grant | | SOSR02 | 8,074,894.00 |
| 3310-0460-3076 | Mental Health Block Grant | | CMHS00 | 2,787,226.00 |
| 3310-0460-3076 | Mental Health Block Grant | | CMHS01 | 3,273,481.00 |
| 3310-0460-3076 | Mental Health Block Grant | | CMHS02 | 1,090,530.00 |

## FEDERAL LETTER OF CREDIT BALANCES

| Fund | | | Authorized |
|---|---|---|---|
| | **8423G Federal Grant System** | | |
| 3317-4315-3226 | MH PATH B.G. - 2000 | CSMX060017J | 300,000.00 |
| 3317-4315-3226 | MH PATH B.G.- 2001 | CSMX060017K | 300,000.00 |
| 3317-7312-7312 | Adoption Opportunities - 2000 | G90CO081803 | 250,000.00 |
| 3317-7310-3716 | Child Abuse & Neglect - 2000 | G0001KSCA01 | 243,092.00 |
| 3317-7310-3716 | Child Abuse & Neglect - 2001 | G0101KSCA01 | 240,641.00 |
| 3317-7310-3716 | Child Abuse & Neglect - 2002 | 02 Grant | not awarded yet |
| 3317-7321-3796 | Children's Justice Asst - 2000 | G0001KSCJA1 | 102,090.95 |
| 3317-7321-3796 | Children's Justice Asst - 2001 | G0101KSCJA1 | 199,491.00 |
| 3317-7321-3796 | Children's Justice Asst - 2002 | 02 Grant | not awarded yet |
| 7375-7164-7164 | Family Resource & Support - 2000 | G0001KSFRPG | 467,743.00 |
| 7375-7164-7164 | Family Resource & Support - 2001 | G0101KSFRPG | 615,851.00 |
| 7375-7164-7164 | Family Resource & Support - 2002 | 02 Grant | not awarded yet |
| AG Office | Access & Visitation Program - 2000 | G0001KSSAVP | 103,133.00 |
| AG Office | Access & Visitation Program - 2001 | G0101KSSAVP | 103,133.00 |
| 3317-4363-3546 | DD Council Grant - 2000 | G0001KSBS17 | 594,253.00 |
| 3317-4363-3546 | DD Council Grant - 2001 | G0101KSBS17 | 610,953.00 |
| 3317-4363-3546 | DD Council Grant - 2002 | G0201KSBS17 | 114,248.00 |
| 3317-6324-3708 | Head Start Collaboration Grant - 2002 | G07CD000701 | 175,000.00 |
| 3317-4359-4359 | MH-Aims Integration Project - 2001 | CH1SM5288601 | 100,000.00 |
| 3317-4359-4359 | MH-Aims Integration Project - 2002 | CH1SM5288602 | 100,000.00 |
| 3317-1320-1320 | Kansas Data Infrastructure Grant | CH1SM54216A | 100,000.00 |
| 3314-0442-0442 | Medical Survey & Certification - 2000 | 050005KS5001 | 2,357,537.00 |
| 3314-0442-0442 | Medical Survey & Certification - 2001 | 050105KS5001 | 2,846,404.00 |
| 3314-0442-0442 | Medical Survey & Certification - 2002 | 050205KS5001 | 631,007.00 |
| 3317-4366-4366 | Parent Empowerment Program | G90DF003701 | 194,578.00 |
| 3317-4367-4367 | Ticket to Work Infrastructure | G11P91226/701 | 529,117.00 |
| 3317-4370-4370 | Real Choice Sys "Starter Grant" | 10P9136517-01 | 50,000.00 |
| 3317-4368-4368 | Traumatic Brain Injury Grant | 1P05MC0005501 | 75,000.00 |
| | **M326G Federal Grant System** | | |
| 3317-6324-3708 | Head Start Collaboration Grant - 2000 | G07CD000402 | 161,959.00 |
| 3317-6324-3708 | Head Start Collaboration Grant - 2001 | G07CD000403 | 143,353.30 |

## FEDERAL LETTER OF CREDIT BALANCES

| Fund | | | Authorized |
|---|---|---|---|
| | **77C5B Federal Grant System** | | |
| 3317-3710-3710 | Quality Child Care Initiative Grant - 2001 | AF10033DEO | 350,000.00 |
| Rehab | **GAPS Federal Grant System** | | |
| 3315-0450-3126 | Basic - 2000 | H126A000022 | 22,845,999.00 |
| 3315-0450-3126 | Basic - 2001 | H126A010022 | 23,459,628.00 |
| 3315-0450-3126 | Basic - 2002 | H126A020022 | 19,280,935.00 |
| 3317-5314-3596 | Client Assistance Program - 2000 | H161A000017 | 111,026.00 |
| 3317-5314-3596 | Client Assistance Program - 2001 | H161A010017 | 118,241.00 |
| 3317-5314-3596 | Client Assistance Program - 2002 | H161A020017 | 120,724.00 |
| 3317-5310-3566 | Independent Living - 2000 | H169A000023 | 297,581.00 |
| 3317-5310-3566 | Independent Living - 2001 | H169A010023 | 297,581.00 |
| 3317-5310-3566 | Independent Living - 2002 | H169A020023 | 297,581.00 |
| 3317-5312-5312 | KANSAIL - 2000 | H177B000016 | 225,000.00 |
| 3317-5312-5312 | KANSAIL - 2001 | H177B010016 | 225,000.00 |
| 3317-5312-5312 | KANSAIL - 2002 | H177B020016 | 225,000.00 |
| 3317-5316-3606 | Supported Employment - 2000 | H187A000023 | 333,007.00 |
| 3317-5316-3606 | Supported Employment - 2001 | H187A010023 | 333,183.00 |
| 3317-5316-3606 | Supported Employment - 2002 | H187A020023 | 327,437.00 |
| 3317-5305-5305 | Rehab Training | H265A000041 | 131,544.00 |
| | **ASAP Federal Grant System** | | |
| 3309-0390-3076 | Disability Determination - 2000 | 0004KSDI00 | 12,279,586.00 |
| 3309-0390-3076 | Disability Determination - 2001 | 0104KSDI00 | 12,281,868.00 |
| 3309-0390-3076 | Disability Determination - 2002 | 0204KSDI00 | 6,026,186.00 |
| 3309-0390-3076 | Disability Determination - Computer | 0004KSDI01 | 43,077.00 |
| 3309-0390-3076 | Disability Determination | 0004KSDI02 | 2,400.00 |

**FEDERAL LETTER OF CREDIT BALANCES**

| Fund | | | Authorized |
|---|---|---|---|
| | **USDA Food Stamps** | | |
| 3311-0410-3086 | USDA (Food Stamps) | FFY2000 | 9,408,437.00 |
| 3311-0410-3086 | USDA (Food Stamps) | FFY2001 | 8,855,327.00 |
| 3311-0410-3086 | USDA (Food Stamps) | FFY2002 | 11,677,656.00 |
| | **USDA (TEFAP)** | | |
| 3317-2312-3886 | USDA (TEFAP) | FFY2000 | 367,697.00 |
| 3317-2312-3886 | USDA (TEFAP) | FFY2001 | 461,805.00 |
| 3317-2312-3886 | USDA (TEFAP) | FFY2002 | 412,435.00 |

**FOOTNOTES:**

* Grant period 3/1/1999 through 2/29/2000

** Grant period 3/1/2000 through 2/28/2001

**** 15% of these grants were transferred to Ks Dept of Commerce for wea

# American Public Human Services Association
# Federal Grants Received Since 10/1/99

| Department of Health and Human Services: | Grant Number | Amount |
|---|---|---|
| Medicaid Information and Assistance Project | 500-98-0006 | $ 786,805 |
| Improving Implementation of the Interstate Compact on the Placement of Children | 90-CO-0898 | $ 899,645 |
| Executive Leadership Institute | 90-XP-0015<br>90-XP-0019 | $ 15,000<br>$ 15,000 |
| Regional Joint Meetings of HRSA and State Medicaid Directors Around Continuity of Care | 250-98-0008 | $ 454,667 |
| Regional Joint Meetings of HRSA and State Medicaid Directors Regarding Current Issues | 01-0495 (P) | $ 99,337 |
| U.S. Department of Justice | | |
| Subcontract with the National Council of Juvenile and Family Court Judges: Interagency Collaborations to Address Domestic Violence and Child Maltreatment | 2000-MU-MU-K010 | $ 274,951 |

## *APPENDIX D -- STATEMENT OF DOUGLAS J. BESHAROV, RESIDENT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC*

**TESTIMONY OF DOUGLAS J. BESHAROV**
**Resident Scholar, American Enterprise Institute**
**Professor, University of Maryland School of Public Affairs**
**before the Subcommittee on 21st Century Competitiveness**
**of the Committee on Education and the Workforce***
**February 27, 2002**

Chairman McKeon, and Members of the Subcommittee on 21st Century Competitiveness:

Thank you for inviting me to testify on the adequacy of current funding levels for government-sponsored child care. My name is Douglas J. Besharov. I am a resident scholar at the American Enterprise Institute for Public Policy Research, where I conduct research on children and families. I am also a professor at the University of Maryland School of Public Affairs, where I teach courses on family policy, welfare reform, and evaluation.

A key objective of welfare reform is to move recipients, usually single mothers, into paid employment. For these mothers to go to work, someone must care for their children when the children are too young for school or when school is not in session. Hence, providing (or subsidizing) child care has been integral to welfare reform at least since the Kennedy administration. It was certainly a major part of the debate leading up to the passage of welfare reform in 1996.

In this testimony I address three questions: (1) Is child care funding sufficient for the demands of welfare reform? (2) Have states successfully expanded child care programs under welfare reform? And, (3) what changes, if any, should be made to the child care provisions of federal law when the welfare law is reauthorized?

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* The original version of this testimony appears in: Douglas J. Besharov with Nazanin Samari, AChild Care after Welfare Reform,@ in *The New World of Welfare*, edited by Rebecca Blank and Ron Haskins (Washington, D.C.: Brookings Institution Press, 2001), 461-481.

## Funding

Is child care funding sufficient for the demands of welfare reform? Even though the 1996 welfare reform law considerably streamlined child care funding streams (Besharov 1996), they are still numerous and complicated. Thus, to develop a reasonably accurate estimate of how much money is available (and spent) for child care, one must combine often ambiguous information from many different programs. Even then, it is still difficult to determine the sufficiency of child care funding--because there is no objective measure of "need." Let us explain.

### Spending increased about 65 percent

Before the passage of welfare reform, there was much complaint about the overlapping and confusing nature of these funding streams (Besharov 1996). A GAO report, for example, described the 90 early childhood programs in 11 federal agencies and 20 offices that made up the federal government's approach to child care (U.S. General Accounting Office 1994). As part of the new welfare reform law--The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)-- Congress streamlined the major child care funding streams (at least partially) and provided a framework and incentives for sharp increases in spending.

***Federal funding streams.*** The 1996 welfare law created the Child Care and Development Fund (CCDF), which repealed the legislative authority for the three AFDC-related child care programs with differing program rules--At-Risk Child Care, AFDC/JOBS Child Care, and Transitional Child Care--and combined their funding with CCDBG funding to create the new CCDF block grant (Greenberg, Lombardi, & Schumacher 2000).

States may use CCDF funds to aid to families with incomes up to 85 percent of state median income for families of the same size as the applicant family. The mother (the father, too, if it is a two-parent family) must be either working or in an employment and training activity and the child must generally be under age thirteen. (CCDF funds may also be used to subsidize care for children at risk of abuse or neglect, or who need child care as a protective service.)

The CCDF contains three separate funding streams: (1) a base allocation of $1.2 billion in entitlement funds for which no state matching is required; (2) an additional $1 billion in entitlement matching funds, available to states that meet a maintenance of effort (MOE) requirement, based on their 1994 or 1995 spending level (whichever is higher); and (3) a discretionary fund of about $1 billion (U.S. House of Representatives 2000). In 1999, CCDF federal and state spending, not counting transfers from the Temporary Assistance for Needy Families block grant (TANF), was $4.8 billion. (As discussed below, states must spend at least 4 percent of their CCDF funds to improve the quality and availability of child care, but no more than 5 percent for administrative activities.)

States can also use unspent welfare funds for child care. Recognizing that, as welfare caseloads fall, the need for child care would growth, the welfare law gives states two ways of using unspent TANF funds to pay for child care. They can either (1) transfer up to 30 percent of their TANF block grant to the CCDF; or (2) use TANF funds directly to pay for child care. Most states do both. In 1999, states transferred $2.4 billion in federal funds from TANF to the CCDF, with $1.6 billion actually spent that year. Direct state spending through TANF totaled an additional $1.1 billion. Thus, total TANF spending on child care (through transfers and directly)

amounted to about $2.7 billion (U.S. Department of Health and Human Services 2000; Falk 2001; and U.S. General Accounting Office 2001).

The Social Services Block Grant (SSBG) provides funding to states for a variety of social services, including child care. The Children's Defense Fund estimated that in 1997 states spent 20 percent of the SSBG on child care (Children's Defense Fund 1997). If states continued to spend this portion of their grant on child care, 1999 spending would have been $380 million.

Often overlooked in discussion of child care funding is the Child and Adult Care Food Program (CACFP), which provides meals and snacks to children in child care. In 1999, CACFP subsidized meals for 2.6 million children at a cost of $1.6 billion (U.S. Department of Agriculture 2000). The CACFP is an entitlement that goes to licensed child care centers and family or group child day care homes serving both low- and middle-income children.

Head Start should be considered as part of this list because it provides the equivalent of child care services as well as educational and social services for children in families below the poverty line. In 1994, Head Start served about 740,000 children (mostly three and four year olds) at a total cost of $3.7 billion (in 1999 dollars), which was almost 43 percent of total child care expenditures. In 1999, Head Start served 831,000 children at a total cost of $4.7 billion, almost one third of expenditures (Head Start Bureau 2000). Most Head Start programs, however, are only part day and part year, so they need to be supplemented if they are used to care for children whose mothers work full time (U.S. General Accounting Office 1999b, pp. 6-7).

***Funding amounts.*** Piecing together a unduplicated total of child care spending is, hence, no simple task. Since the welfare caseload began to decline in 1994, it seems appropriate to focus on the increase in spending between 1994 and 1999. During that period, combined federal

and federal-related state funding rose from $8.9 billion to $14.1 billion (both in 1999 dollars). Not all these funds, however, were available for expanded services. Some were designated for "quality" improvements: In 1999, $323 million in CCDF funds and $148 million in Head Start funds. (These amounts are excluded from the following analysis.)

**Table 1**
**FEDERAL CHILD CARE SPENDING**
**1994 and 1999**
(Billions of 1999 dollars)

| Program | 1994 | 1999 |
|---|---|---|
| Head Start | $ 3,738 | $ 4,660 |
| CCDF | 3,021 | 4,755 |
| CACFP | 1,517 | 1,599 |
| SSBG | 627 | 380 |
| TANF Transfers | | 1,600 |
| TANF Spending | | 1,139 |
| Total | $ 8,903 | $14,133 |

**Ample funding for "current" patterns**

Was this additional $4.7 billion in annual child care spending sufficient to meet the demands of welfare reform? (Remember, the funds for "quality" enhancements have been removed from the analysis.) Yes, and more so--but only if the measure is funding sufficient to reflect increases in the labor force participation of low-income mothers *within long-standing patterns of paid and unpaid care.* In fact, within that constraint, most states seem to be providing child care to all CCDF eligible families with incomes below the poverty line.

Between 1994 and 1999, national welfare rolls declined by 54 percent. At first glance, this sharp drop in welfare recipiency, involving about 2.7 million families and 4.4 million

children, suggests a big increase in the need for child care. (Although the caseload decline may also be influenced by fewer entrants, the data to assess these numbers and the reasons for nonentry are not available. Thus, we rely on the leavers studies as a proxy for assessing what is happening as a result of the broader caseload decline.)

*Low take-up rates?* Surveys of the families that have left welfare, called "leaver studies," however, indicate that as many as 80 percent do *not* receive child care subsidies when they leave welfare. For example, in a review of four leaver studies with representative samples of leavers and sufficient information about child care usage, the U.S. General Accounting Office (GAO 1999b, p. 22) reported that 17 percent to 27 percent of all leavers received a child care subsidy at the time of the survey.

And yet, most observers, including the GAO and even the Children's Defense Fund, have concluded that the child care needs of welfare reform have been accommodated. For example, a 1999 GAO report concludes that, in the post-welfare reform period, although low-income parents still face difficulties finding care for infants, children with special needs, and nonstandard hours, "care for preschool children generally was not difficult to find." (GAO 1999a, p. 11) Thus, in testifying before the House Committee on Ways and Means Subcommittee on Human Resources in 1999, Helen Blank (1999) of the Children's Defense Fund said:

> 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.

***Explanations***. How could such a small percentage of former welfare mothers be receiving child care benefits (20 percent)--and yet, in Blank's words, for the states to have met 'the increased child care needs of families on welfare'? It turns out that many women who have left welfare did not actually "need" child care assistance in order to leave the rolls. (We rush to emphasize that this does not mean that child care assistance would not have been financially beneficial to many welfare leavers--just that many did without it.)

*First*, many of the mothers who left welfare are not working. (The mothers who are not working seem to be relying on other family or household members or other sources of government support.) (Besharov and Germanis 2000) The leaver studies, and other research, suggest that only about 60 percent of welfare leavers are working, and that only 75 percent of them (45 percent of all leavers) are working full time. In light of these work rates, real world, take-up rates are substantially higher, as much as 50 percent higher. For example, in its review of leaver studies, the GAO found that the take-up rate for employed mothers who left welfare ranged from 27 percent to 38 percent (GAO 199b, p. 22).

*Second*, many of the children whose mothers left welfare were already in care. For example, in 1994, even before recent declines in welfare caseloads, about 45 percent of poor four-year-olds (and 21 percent of poor three-year-olds) were already in Head Start. Over half of these children were on welfare (compared to about 30 percent in 1999) (U.S. House of Representatives 2000, p. 972).

*Third*, some of the mothers who work have incomes above the eligibility limits or that require copayments large enough to make it seem not worthwhile to seek child care assistance. For example, according to the leaver studies, we estimate that about 10 percent of leavers have

family incomes that make them totally ineligible for aid, and about 30 percent have incomes above the poverty line where copayments begin in earnest.

*Fourth*, of the mothers who work, many have school-age children who do not need care or at least not enough hours of care for them to go to the "trouble" of seeking a government subsidy--especially given the "barriers" described below. Based on administrative data from the U.S. Department of Health and Human Services, for example, we estimate that 45 percent of the children who left welfare were between the ages of 6 and 18. Although the regular school day may not permit a full-time parent to work without having an additional child care arrangement, many children are involved in after-school activities, such as sports or clubs, reducing the need for such supplemental arrangements.

Summing up, we can perform the following very rough calculation: Starting with the children of all leavers, subtract out those with mothers apparently not working (40 percent, leaving 60 percent of the total), then subtract out those whose families are not income eligible (10 percent, leaving 54 percent of the total), and then subtract out those who are not age-eligible (ages 13 and older) (8 percent, leaving 50 percent of the total). Of the remainder who are theoretically eligible for aid, 32 percent (16 percent of all leavers) are preschool children with full-time working mothers who, presumably, need full-time child care; 42 percent (21 percent of all leavers) are children in Head Start or school with full-time working mothers and thus do not need full-time child care; 12 percent (6 percent of all leavers) are preschool children with part-time working mothers who, presumably, need part-time child care; and 14 percent (7 percent of all leavers) are children in Head Start or kindergarten with part-time working mothers and thus probably do not need child care. By our calculation, then, the percentage of all children of

leavers who need full-time care is roughly 16 percent, which is well-within the percentages reported in leaver studies to be receiving child care subsidies (between 17 and 28 percent, according to the General Accounting Office, for example).

However, if one adds in the number of children needing part-time care, a somewhat different story emerges. By our calculation, 27 percent of all leaver children probably require part-time care. That would mean that 43 percent of all leaver children are theoretically eligible for full- or part-time child care assistance (16 percent plus 27 percent). If we assume that the leaver figures are accurate, then not all leaver children eligible for aid receive it (28 percent as the upward bound in the studies vs. 43 percent by our calculation).

Moreover, we hypothesize that the difference is caused by the fact that--while most leaver children requiring full-time care receive it--many (if not most) leaver children needing part-time care do not. Instead, we further hypothesize, somewhat higher-income families needing full-time care are being given priority over leaver families needing only part-time child care. A number of state policies formalize this priority, and at least one multi-state survey found informal policies to the same effect. (Rules limiting assistance for "in-home" care, discussed below, are another barrier to child care assistance, again falling most heavily on families needing only part-time child care.)

**Implementation**

Have states successfully expanded child care programs under welfare reform? Again, the answer is yes, largely because of the widespread use of child care vouchers. Vouchers have made it easier for low-income parents to use the excess capacity of providers while lowering the barriers of entry into the market for subsidized care for the full range of formal and informal

providers. However, state and federal polices place substantial barriers in the way of receiving assistance for part-time care and for care in the family home.

**Expansion of supply**

Between 1994 and 1999, almost a million children were added to child care subsidy programs. This expansion, most observers agree, was accomplished with relative smoothness. The major credit seems to go to the widespread use child care "certificates," which are basically vouchers (Besharov and Samari 2000).

***Tapping excess capacity.*** At least until recent expansions, the child care market has a high level of excess supply, especially for home-based providers. For example, according to the Profile of Child Care Settings Study conducted by researchers at the Urban Institute and Mathematica Policy Research, Inc., in early 1990, 12 percent of spaces in child care centers were empty, as were 18 percent of family day care spaces (Kisker, Hofferth, and Farquhar 1991).

Vouchers allowed parents to go directly to providers that had vacancies or that could expand to meet the increased demand, thus avoiding a cumbersome, slow-moving contract and grant-making process. Vouchers also opened the doors to a whole array of licensed centers and family day care homes, by greatly reducing the paperwork and other administrative tasks related to serving subsidized clients. The director of a center in Boston noted that contracts with the state (to purchase slots) required the completion of over 50 pages of forms each year. Establishing eligibility to serve clients with vouchers, on the other hand, only required the completion of a 5-page form each year.

***New providers.*** Vouchers also lowered the already low barriers to entry into the child care market. They permitted government funds to flow to unlicensed providers, for whom entry

into the child care market requires little more than finding customers. Most states do not require these providers to complete training or make many adjustments to their homes. Even health and safety requirements seem relaxed in operation if not as a matter of policy.

Vouchers have also made it easier for new center-based providers to enter the market--by giving them the opportunity to attract customers without having to get a large government grant or contract. They can start small, with minimal start-up costs, and grow as their business expands. For example, one provider in Milwaukee, who now owns three child care centers, opened her first day care home with a $4,000 personal investment.

***Access to more providers.*** Voucher systems have increased parental choice for those low-income families receiving child care assistance by allowing government funds to go to all types of providers. First, as mentioned above, vouchers allow parents to use relatives and other unlicensed providers, who can be much more flexible in the hours and form of care they provide. Second, they allow parents to use centers and other providers that before had served only the more affluent.

Some parents need only half-day care; some need evening or after-hours care; and others need full-day care, perhaps with extended hours. Some parents want their children cared for by other family members; some want to use neighbors; others want a nursery school and still others a child care center, perhaps in a church. Some parents may want all their children in one place even if they are of different ages; others may not care. Some parents will want their children close to home; others will want them close to work. The variations are almost infinite.

Under grant or contract systems, it is a practical impossibility for public authorities to cover all these possibilities. Vouchers, on the other hand, can accommodate such variation with

relative ease (Ross and Kerachsky 1996). In fact, voucher systems may be the only way to serve families whose child care needs vary so much--as the parents enter and exit work. (The alternatives would be to keep children in care even when the mother is not working--or to pay a fee to keep the slot available until she starts working again. Neither makes much sense.) However, as we will see, under current policies, there are substantial barriers to assistance for part-time care.

**Incentives for low-quality care?**

The choice that vouchers give parents, however, is constrained by reimbursement and copayment rules. A major question is whether these rules distort parental decision making, by creating incentives for them to use low-quality care, or by discouraging them from claiming a subsidy altogether.

***Reimbursement schedules.*** Reimbursement rates have to reflect the conditions of the local market for child care. Too low, and providers will not accept publicly subsidized families (or will cut back on the scope or quality of their services). Too high, and providers will raise prices without necessarily benefitting the family or the government; if enough children are involved, overall market prices may rise. Or, providers may attempt to price discriminate, setting a lower price for parents without subsidies, or they may give illegal rebates to subsidized families, as discussed in a later section.

The applicable federal law originally required states to offer reimbursement rates based on the 75th percentile of local market rates. But because of varying local conditions, this nationwide standard was too high in some communities, and, perhaps, too low in others. (It all depends on the distribution of prices in the particular area.) Thus, in 1996, PRWORA lifted this

requirement for the CCDF, which now requires that "payment rates for which assistance is provided . . . are sufficient to ensure equal access for eligible children to comparable child care services in the State or substate area that are provided to children whose parents are not eligible to receive assistance." (HHS regulations now call the 75th percentile a "benchmark.")

Although about 30 states still base their rates on the 75th percentile, many used their new freedom to set lower (or higher) rates (Gabe, Lyke, and Spar 1999, p. 9). For example, Massachusetts sets reimbursement rates based on the 55th percentile of local market rates, while California reimburses up to the 93rd percentile (U.S. Department of Health and Human Services 1998). Some child care experts argue that even the 75th percentile is too low, that it drives many parents to use lower-cost and, hence, lower-quality care. There appears to be a fallacy in such reasoning: Why should government subsidies be *equal the most expensive care* in the community, when most members of the middle class do not use such care because of its cost. The better measure is whether reimbursement rates are set at a reasonably high percentage of what middle class or more financially comfortable families pay.

But some states do set reimbursement rates lower, as low as the 55th percentile of local market rates. A very low reimbursement rate could lead some parents to chose extremely inadequate care, but that depends on the distribution of cost and quality among providers in same category of care, and there is no systematic evidence that this is happening.

***Copayments and sliding scales.*** Under grant and contract systems, many providers (probably most) maintain sliding fee scales based on income. A "copayment" is the same concept applied to a voucher regime. Thus, the CCDF requires states to impose copayments, and, as a result, all states require copayments from parents.

A major purpose of copayments is fairness: Those families that can afford to pay for a larger share of child care costs should be required to do so. Thus, and in keeping with the CCDF requirement, most if not all states take family income into account in setting copayments. Copayments are generally not required from families below the poverty line, and are often quite modest for families immediately above it.

As with reimbursement schedules, states must be careful not to set copayment rates too high, lest they discourage the use of the child care subsidy (or encourage the use of inadequate child care); nor too low, lest they fail to reflect the ability to pay or have no effect on parental decision making. Careful research in other fields establishes that copayments can do both. In Congressional testimony, Helen Blank (1999) complains that:

> Child care subsidy programs . . . 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.

Blank seems to be referring to copayment rates that are such a high percentage of family income that it does not pay for the mother to work, or for her to seek the subsidy. But how could that be, assuming that, no matter what, the parents need to purchase child care? The answer is that the required copayment may be higher than the cost of care that is available to parents, a real possibility when the size of the copayment is based on parental income rather than the cost of care, especially when there is not adjustment for part-time care. (The way copayments can act as barriers to assistance is discussed below.)

***No apparent impact on usage patterns.*** In theory, therefore, low reimbursement rates and high copayments might lead low-income parents to use low-cost providers, that is, to use home-based (and often unlicensed) care instead of center care. The available evidence, however, does not support these fears. Long-standing patterns of child care usage have apparently not changed under vouchers and welfare reform.

For example, in 1998 and 1999, Bruce Fuller of the University of California-Berkeley and Sharon Lynn Kagan of Yale University examined the child care experiences of 948 randomly selected single mothers and their children who had recently entered welfare reform programs in California, Connecticut, and Florida. The researchers interviewed the mothers, observed their children's child care environments, and evaluated their children's cognitive and social development.

Fuller and Kagan concluded that "the welfare-to-work push on single mothers is placing a growing number of children in mediocre and disorganized child care settings." (Fuller and Kagan 2000, p. 4) But, in fact, according to Fuller and Kagan's own data, the children of "welfare reform" were placed in center-based, family day care, and relative-provided care at about the *same rate as all other American children, regardless of income.* Moreover, compared to other low-income children, they were more likely to be in licensed centers. (In the sample, 34 percent of the children in care were in center-based care, a figure significantly higher than the national figure for low-income families.) The Census Bureau estimates that nationally, 22 percent of preschoolers in care with family incomes below the federal poverty line are in center-based care, and 30 percent of preschoolers in care with family incomes above the federal poverty line are in

center-based care. Figures for family day care and relative provided care were about the same regardless of income.

These findings are echoed by research conducted at the Urban Institute by Stefanie Schmidt, Freya Sonenstein, and Jeffrey Capizzano. Using data from the Urban Institute's National Survey of America's Families (NSAF), they show that in 1997, "the child care arrangements of current welfare recipients, former welfare recipients, and high-income children [did] not differ significantly." The researchers further noted that the proportion of children in each type of care has not changed significantly over time. A comparison of Census Bureau data from 1994 and the 1997 NSAF data reveal similar patterns of use for working mothers with children under six years of age. (Although different surveys are involved, the Urban Institute researchers concluded that they were comparable.) (Schmidt, Sonenstein, and Capizzano, 1999, p. 10)

The Urban Institute researchers also noted that "the use of family day care homes or relative/babysitter care does not differ significantly by welfare status and income. While there has been much discussion in the child care policy arena about welfare recipients depending heavily on relatives to care for their children, our results indicate that this group are no more likely to use this form of care than other groups." (Schmidt, Sonenstein, and Capizzano, 1999, p. 10)

These studies have various weaknesses, but they strongly suggest that child care usage has not shifted toward informal care in the wake of welfare reform. Nevertheless, one should assume that patterns vary in individual states. But even in a state like Wisconsin, where the framework provides substantial financial incentives for informal care, parents seem to be

choosing providers in accord with their preexisting preferences: Home-based care for infants and toddlers, center-based care for older preschoolers, and, for school-aged children, a hodgepodge of help for before- and after-school care.

How should one interpret this lack of change in child care patterns? We believe it suggests that current child care subsidies are not large enough to shift underlying parental preferences. Parents prefer center-based care for older preschoolers, because of its presumed cognitive and social advantages. They prefer family-based care for younger children, because they value the warmth of individual care for infants and toddlers. And they rely on family-based or in-home care for part-time care, because of its flexibility and convenience. In this context, and in light of the next section, we conclude that child care subsidies are, in essence, a form of financial support for low-income families. (In the last section, we ask whether this reality should be accepted or whether per child subsidies should be increased enough to change these underlying preferences.)

Barriers to assistance for part-time and in-home care

In general, most eligible leaver families seem to have access to the process of obtaining child care aid. There are some reports that mothers do not know that they are eligible for benefits (Schumacher and Greenberg 1999), or that some caseworkers discourage them from seeking benefits, but these seem to be fairly limitedBunless the issue is part-time care or in-home care. To be blunt, it appears that many of the families leaving welfare that use part-time or home care are not receiving assistance--while families with somewhat higher incomes are receiving assistance for full-time care.

***Part-time care.*** Many mothers who left welfare need assistance only for part-time care. As described above, many of their children are already in school, Head Start, or some other similar program that provides the equivalent of child care. Moreover, based on the leaver studies, we estimate that 25 percent of employed leavers work part-time (about 15 percent of all leavers) and, thus, they too need only part-time care. However, current child care policies (federal and state) make it difficult--and often not worthwhile at allBfor low-income parents to obtain assistance for such part-time care.

An indeterminant number of states, for example, have formal or informal policies against providing child care aid to mothers working part time. In Pennsylvania, for example, published rules require that parents work at least 25 hours a week in order to receive a child care subsidy. This means that in some states families with a full-time earner receive preferential treatment. For example, in Pennsylvania, a mother with two children, ages 4 and 5, working full-time at $10 an hour ($20,000 per year) would be eligible for a child care subsidy. At the same time, a mother with two younger children, a newborn and a child age 1, who prefers part-time work for 20 hours a week (in order to spend time with her very young children) and earns only $8 an hour ($8,000 per year), would be ineligible for child care assistance, because the state requires that she work at least 25 hours per week. This bias exists, even though her actual child care expenses might be the same as those of the mother working full-time, since child care costs are higher for infants and the discount for part-time care may be limited.

The assumption seems to be that mothers can make informal and less expensive arrangements for part-time care. From the political right, one also sees a tendency to believe that poor mothers should work full-time, and from child care advocates, one senses a desire to

encourage licensed care. But whatever the intention, the result is the same: Financial need is not the sole basis for deciding who gets assistance, and some families with higher income get benefits while families with lower incomes do not.

In addition, many states have imposed copayment requirements that *do not distinguish between full- and part-time care (nor even by the number of children in care)*, so that the copayment becomes prohibitively high for the amount of care needed. For example, in many states, the copayment for a family with an annual income of $20,000 is about 10 percent, or $2,000 per year. The average cost of full-time family day care for a 4-year-old in full-time care is about $4,000, but only about $2,400 if the care is part-time. In the case of a two-parent family in which the mother works part-time, the amount of the copayment approaches the cost of family day care, and probably exceeds what a relative would be paid. John Pawasarat and Lois M. Quinn of the University of Wisconsin-Milwaukee Employment and Training Institute, noted this effect in Wisconsin:

> Child care payment schedules are tied to family income rather than cost of care. These schedules tend to subsidize high cost, high volume child care use where the copayment can be ignored and penalize low-cost use for parents employed part-time or with school-age children (Pawasarat and Quinn 1998).

In addition, recurrent eligibility redeterminations that, although reasonable, may discourage parents from seeking assistance, especially for small amounts of aid.

***In-home care.*** Many of the mothers who have left welfare, like American mothers in general, tend to prefer home-based care, especially for very young children and part-time care (Farkas, Duffett, and Johnson 2000). For example, in 1994, about 56 percent of poor

preschoolers with employed mothers were in care in their own home (36 percent) or in family day care (20 percent), which is about the same as the 62 percent of preschoolers with employed mothers with annualized incomes above $36,000 (32 percent and 30 percent, respectively), and even about the same as the 58 percent of preschoolers with employed mothers with annualized income above $54,000 (31 percent and 27 percent, respectively).

However, current child care policies (federal and state) make it difficult--and often not worthwhile at all--for low-income parents to obtain financial assistance for informal or home-based care, especially if it is part time. The barriers to obtaining aid for part-time care were described above. In addition, many states have imposed: (1) prohibitions or limitations on paying family or household members, including subjecting them to the minimum wage and other requirements of the Fair Labor Standards Act; and (2) background check requirements, even for close family members, that discourage informal providers from agreeing to accept vouchers. (Some informal providers simply do not want any involvement with the government, especially since that might mean that they have to pay income taxes, but that disinclination is not really a barrier to subsidies.)

This issue of in-home care is particularly significant. The U.S. Department of Labor has classified in-home child care providers as domestic service workers subject to the Fair Labor Standards Act. Consequently, the U.S. Department of Health and Human Services (HHS) has advised state child care agencies that in-home providers are, thus, covered by the minimum wage and also subject to tax requirements (U.S. Department of Health and Human Services 1998, p. 39949). However, HHS has not provided much guidance on how these rules affect subsidized in-home care, and instead says that states have "considerable latitude" in implementing this type

of care. But that does not settle the legal issue. As a result, some states appear to ignore the issue, while others require parents who use in-home care to pay the difference between the subsidy rate and the minimum wage (an effective increase in the parental copayment), while other states simply do not allow it.

As a result of these and other rules and procedures, conclude researchers at the National Center for Children in Poverty and Abt Associates Inc., many states have "instituted implicit or explicit policies to limit or eliminate" the use of in-home care (Collins, Layzer, Kreader, Werner and Glantz 2000, p. 79).

***Formal and informal rationing.*** In many states, the income limits for child care benefits were established without regard to the funds available, that is, more families are eligible than there are funds for them. At the extreme, for example, four states set their income limits at the maximum allowed under the CCDF (85 percent of state median income), but they actually provide aid to no more than 9 to 15 percent of eligible children (U.S. Department of Health and Human Services 2000). Most states have set their income limits below the maximum allowed under federal law, as low as 43 percent of state median income, but even under these lower income limits, no state serves more than about 30 percent of eligible children, with most serving far less. Rationing, either formal or informal, is the inevitable result.

One way of rationing, as we have seen, is to support full-time care rather than part-time care. Another important, but less visible, form of rationing is the widespread use of waiting lists. When income-eligibility levels are higher than available funding, agencies create waiting lists with internal priorities--in an attempt to ensure that they serve the most needy. A common approach is too guarantee benefits to welfare leavers (as long as they are not earning above

income limits) and to put other families on a waiting list--until it is clear there is enough money to cover them. Apparently, the waiting lists are worked through on a first-come/first-served basis, regardless of income so long as it is under the income-limit. In many cases, this means that families with higher incomes are served before those with lower incomes.

Lastly, agencies ration child care benefits by not telling eligible families about them. Abt researchers have found that some agencies minimize that outreach efforts "because state and local staff feared that it would create a demand they could not meet" (Collins, Layzer, Kreader, Werner, and Glantz 2000, p. 47).

States have apparently not felt the need to address these inequities, probably because the organized community of child care advocates has been eager to create conditions favoring the continued expansion of coverage and use of licensed care. The states have also been discouraged from doing so by uncertainty about current policies and funding levels. As we saw, unspent TANF funds (either transfered to the CCDF or spent directly) account for 37 percent of state expenditures. (Head Start is excluded.) Since TANF funds are viewed as likely to be only a temporary source of support for child care, states have been reluctant to start the arduous and politically controversial process of developing more elaborate priority systems.

Thus, resolving the future questions about the future shape of both the CCDF and TANF (including finding levels) would encourage state and localities to engage in the needed long-term planning. Helpful would be a small change that lengthens the accounting period for spending child care funds. One reason that states are so careful about child care spending is that dealing with surpluses and shortfalls at the end of the year can be administratively cumbersome and politically embarrassing. If states had greater flexibility in "banking" funds from one year to the

next because they underspent--or borrowing from the next year because they overspent--they might be more willing to give lower-income families the kind of priority now accorded to welfare leavers.

Thus, there appear to be real barriers to some families eligible for subsidies, especially for part-time and in-home care--that are caused by restrictive reimbursement and copayment rules (especially regarding care by other family members), the way waiting lists are administered, the apparent unwillingness of some providers and parents to subject themselves to government scrutiny (such as background checks and tax audits), and caseworker and client confusion generally. At the same time, it appears that there has been a partial monetization of family-provided child care--with some evidence of informal "rebates" to parents. Most states have not addressed these issues with sufficient intensity, largely because of uncertainty about the amount and nature of future federal funding for child care. Depending on how these issues are resolved, they could greatly increase child care expenditures without a corresponding increase in child care slots.

**Recommendations**

What changes, if any, should be made to the child care provisions of federal law when the welfare law is reauthorized? The following recommendations are made within the context of child care being predominantly a state program, for which there should be a minimum of federal micro management.

***Data***: Data about child care patterns and spending should be more comprehensive, more reliable, and more timely. The data currently available are not sufficient to understand patterns of child care usage and to identify gaps in coverage. Better data are needed, for example, on the

income and demographics of recipients, the nature and hours of care, the hours of work, and parental copayments.

***Funding streams***: Funding streams should be less categorical and less rigid, and there should be a more stable source of key child care funding than unspent welfare funds. To facilitate longer-term policy planning (and budgeting), statutory provisions should be updated to reflect the sharp decline in welfare caseloads and the correspondingly large increases in child care spending.

Greater efforts are also needed to coordinate Head Start with the broader world of child care so that it is relevant to working mothers--and to welfare reform.

***Barriers to usage***: State and federal policies should not create unnecessary barriers to the use of child care subsidies for part-time care and for care by home-based providers, especially family or household members. Current policies concerning eligible providers, minimum wage payments to care in the family home, and copayment requirements serve as barriers to subsidies for part-time care and care by home-based providers, especially by family or household members. A good place to start would be to make sure that the Fair Labor Standards Act is not applied against close relatives providing child care.

***Income eligibility***: The current federal income limit for receiving child care benefits (85 percent of state median family income) should be replaced by a generalized requirement that states give priority to serving children based on financial need. The current eligibility limit is misleadingly high and causes policy and administrative confusion; in many states, waiting lists rather than pure financial need are used to ration subsidies.

***Vertical and horizontal equity***: Eligibility and subsidy rules should be better tied to financial need and should reflect differences in family and household composition; consideration

should be given to cashing out child care benefits (or, at least, making vouchers partially refundable). The current system discriminates against mothers who receive child care help from other family members or who need only part-time care, while giving an unfair bonus to mothers who have other sources of household assistance.

***Quality earmarks***: Efforts to improve the "quality" of child care (about $323 million or 6 percent of CCDF expenditures and $148 million or 3.2 percent of Head Start expenditures in 1999) should be focused on: (1) a national research agenda of randomized studies of best practices in child care; and (2) rules that allow subsidized parents to spend more of their own money on child care and, in response, to have the provider receive a higher payment from the government. In the year 2000, quality funds amount to about $850 million. From 1997 through 2000, about $2 billion will have been spent on various "quality" initiatives with little discernable result. Despite the rhetoric, knowledge about what characteristics of child care that make the most difference for children is quite rudimentary. Parental judgment, informed by substantially better research, should be harnessed to improve the quality of child care.

***Increased funding?*** This paper does not suggest what additional funding, if any, should be provided--because the answer depends on the resolution of various policy issues, some of which are outlined in the paper. However, it may be helpful to enumerate the most important factors: fuller participation of income eligible families (even if it means the monetization of services already being provided); greater use of licensed and center-based care (which are more expensive than informal care); an increase in mandatory activities for welfare recipients (such as work experience and job training) so that more mothers will need care for their children; a reduction in the amount of unspent welfare funds available for child care (either because

caseloads rise or because the welfare block grant is reduced); and an increase in the number of working poor.

Conclusion

The largely undisputed sufficiency of funding for child care after welfare reform is based on current usage patterns--including large amounts of informal care, often provided free to parents. Most child care advocates call for efforts to increase the take-up rate for child care assistance--and to prevent parents from cashing out their child care benefits through informal rebates--because they worry about the quality of these arrangements. In fact, many advocates call for a major effort to improve the quality of child care for low-income children, including a vast expansion of Head Start-like services.

In other places, this writer and other observers have commented on the relatively ambiguous impact of expensive, "quality" child care and early childhood programs on child outcomes. This raises the policy--and moral--question of how much money should be spent on child care *versus* other programs for disadvantaged children? That is not a question one often hears in the child care debate, but it should be decisive.

Compare the $69 billion more per year that we estimate that it would cost to provide full-time, early childhood education to all preschoolers eligible for CCDF assistance (and heightened quality care for older children) with what we spend on some other programs under the jurisdiction of the Senate Committee on Health, Education, Labor and Pensions: elementary and secondary education--about $15 billion; student financial assistance--about $10 billion; and Older Americans Act--about $1.6 billion.

It may well be that there are better ways to improve child outcomes with another $10,000-$15,000 to spend per child for three to five years. Imagine the following: A single mother with two preschoolers working full time at the minimum wage earns $10,300. Then we spend $20,000-$30,000 of taxpayer money to enroll her two preschoolers in an early childhood education programs. What if we used part of the money to support basic, decent child care, and used the rest to allow her to work part-time, so she could spend more time with her children? Or, what if we used the rest of the money to increase the Earned Income Tax Credit (EITC), so that she could take more money home? Or, what if we used the rest to remove the marriage penalty embedded in the EITC and other quasi-welfare programs? Or, more radically, what if we just gave her the cash?

The failure to be clear about the weak evidence behind claims for the effectiveness of "quality" child care and early childhood education programs prevents policymakers from asking such questions. Does anyone doubt the answer that the mother in this example would give? Doesn't that tell us something very important?

Table 1-1
**Rising Federal and Related State Spending on Child Care**
(Billions of 2000 dollars)[a]

| Program | 1994 | 2000 | Increase | Potential new full/part-time slots[b] |
|---|---|---|---|---|
| CCDF | $3.123 | $6.934 | 122% | 1,027,000[c] |
| AFDC/TANF[d] | .155 | 2.093 | 1,250% | 571,000 |
| Head Start | 3.865 | 5.267 | 36% | 118,000 |
| SSBG | .634 | .365 | -42% | -83,000 |
| Title I Preschool | .170 | .425 | 150% | 188,000 |
| 21st Century | 0 | .453 | | 450,000 |
| CACFP | 1.573 | 1.684 | 7% | N/A[e] |
| **Total** | **$9.520** | **$17.221** | **81%** | **2,271,000** |

[a] This increased child care funding is not just for welfare leavers. Conversely, this table does not include the growing state spending on kindergarten and prekindergarten programs.

[b] Many child care programs do not have data on the actual number of children served. The potential new slots created for each program was estimated by dividing the increase in spending by the average cost per slot. For the CCDF, the average cost was estimated to be about $3,250 per slot. Due to the absence of other data, this cost per slot was applied to the TANF and SSBG programs. For Head Start, the actual increase in slots is reported. For Title I preschool and the 21st Century programs, the estimated cost per slot for each program is used ($1,335 and $1,000, respectively).

[c] The calculation of potential additional slots for the CCDF is adjusted downward to reflect the $477 million in quality funds which generally do not go to creating slots. If it were included, the figure would be 1,173,000, and the total of potential new slots would be 2,417,000. The $477 million figure for quality spending is based on the assumption that states spent 4 percent ($235 million) of state CCDF funds (excluding MOE) are spent on quality plus the $242 million in quality earmarked funds.

[d] The 1994 AFDC figure is the amount for the AFDC dependent care disregard.

[e] The CACFP subsidizes meals for children in child care and supplements other child care subsidies; thus it does not directly increase the number of slots.

Douglas J. Besharov, 2002.

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# Committee on Education and the Workforce

Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

| | | |
|---|---|---|
| Your Name: Douglas J. Besharov | | |
| 1. Will you be representing a federal, State, or local government entity? (If the answer is yes please contact the committee). | Yes | No X |
| 2. Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999: Award from U.S. Department of Education's Office of Vocational and Adult Education (OVAE) – contracted paper on "What Role Should Career and Technical Education Play in High Schools?" | | |
| 3. Will you be representing an entity other than a government entity? | Yes | No X |
| 4. Other than yourself, please list what entity or entities you will be representing: | | |
| 5. Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4: - Resident Scholar - American Enterprise Institute - Professor - University of Maryland School of Public Affairs. - Member, Policy Council, Association for Public Policy Analysis and Management, - Coordinator, Norman and Florence Brody Public Policy Forum - Member, Board of Governors, Smith Richardson Foundation | | |
| 6. Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 1999, including the source and amount of each grant or contract: | | |
| 7. Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question number 4 that you will not be representing? If so, please list: | Yes | No X |

Signature: [signature] Date: 2/26/02.

## *APPENDIX E -- STATEMENT OF HELEN C. RILEY, EXECUTIVE DIRECTOR, ST. MICHAEL'S SCHOOL AND NURSERY, WILMINGTON, DELAWARE*

**TESTIMONY**
**OF**
**HELEN C. RILEY**

BEFORE THE
SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS
"Assessing the Child Care and Development Block Grant"
Wednesday, February 27, 2002

A turn-of-the-century workday at the leather tanning factories beside the Christina River in Wilmington, Delaware began before daybreak and often extended into the evening hours. The labor itself was exhausting, but by wage standards of the time, paid fairly well. The men and women employed by the factories considered themselves fortunate.

But like today, these hard-working parents desperately needed childcare. As heads of family, they *needed* to work, but to work meant that their children would be left alone to fend for themselves in the vacant lots adjacent to the factories, or in the care of a neighbor, family member, perhaps even a brother or sister.

St. Michael's School and Nursery was founded in 1890 to serve these families, and for over 112 years has continued its mission of providing quality childcare and early education to children of working parents. While it may appear that today's parents have more *choices* for the care of their children, the accessibility issue facing the factory workers a century ago hasn't changed for today's families.

Since its inception, St. Michael's has aspired to provide working families with more than just "custodial" childcare. It provides a developmental curriculum with activities for all ages of children. Scholarly research validates our belief that babies are voracious learners. During the first three years of a child's life, neurological synapses are formed that become the foundation for future emotional and academic success. Empathy and self-control are brain-imprinted in the earliest stage of a child's life. It can't be enough to keep little children's bodies safe from accident and injury while they are in our care. We must do no harm to their developing

2-Helen Riley

intellects, personalities and souls. With over 65% of mothers with infants in the labor force, more than half of our nation's youngest children spend upwards of forty hours a week in childcare. This being true, we must be careful and intentional about the people we entrust our children to and the things we do and model in their presence. What our caregivers knew over 100 years ago, we reaffirm today, that the early years of childhood present a unique window of opportunity for developing the human brain. St. Michael's is committed to the words in its name—"School and Nursery." We work hard to strike a balance between loving and learning. We acknowledge and respect childhood as a precious, fleeting time of life that is far too valuable to risk wasting. The school's faculty has always viewed even the youngest children as ready and able to learn. We are thoughtful, careful and intentional about what we teach to babies, preschoolers and Kindergartners. And the children learn!

Research show that children who participate in high standard early education programs have fewer behavioral problems and score higher on school readiness and language tests, yet an important national study has found that most childcare programs are barely adequate, providing only mediocre custodial care. Some have even been deemed "harmful" to very young children. The cost to our nation in remedial programs is staggering. That is why early intervention with high quality childcare programs is crucial.

My school wants to be a positive influence in as many children's lives as possible. A keystone to providing a diverse environment for learning is the ability to embrace the rich culture and full socio-economic spectrum of our city and its metropolitan area. Over 70% of our families receive Purchase of Care (CCDBG dollars). A combination of state assistance, parent co-payments, and dollars from St. Michael's own tuition assistance program help children in poverty and low-income households attend our school. Yet accessibility remains a problem for many, many families because we cannot possibly provide tuition assistance to all who ask for

3-Helen Riley

help. Low reimbursement rates to childcare providers in Delaware and other states mean quality programs either refuse or limit service to Purchase of Care families. The alternatives are lowering standards in personnel, program elements and facilities; or, for non-profits, fundraising hundreds of thousands of dollars per year. All of these families tell us that they choose St. Michael's because of our long history and reputation for quality. They know what is best for their children and that's what they want.

St. Michael's volunteer Board of Directors must raise approximately $200,000 per year in contributions to help provide tuition assistance for these children. They benefit from the structure, nurturing, and love that we provide. For some of them, we are the one constant that they can count on and their primary source of readiness for school.

Every day we see young minds developing. At this early stage they strive for success and are full of hope. If we provide them all with the same opportunities and support, they will not be impeded by the neighborhood they live in, the size of their parent's paycheck, the color of their skin or the language they speak. Poverty has both immediate and lasting negative effects. Why are we able to understand that "A mind is a terrible thing to waste" when a child is eighteen years old, but not when they are eight months old? When we look into the face of a young child, do we know that each deserves the best start in life we can provide?

My concern is that we reach as many children as possible because all children benefit from good early childhood education and society benefits from providing it for them. School readiness was established as the number one educational goal of the George Bush administration in 1990. It should remain our number one educational priority today. It is the first and most critical step to improving our educational system and our international competitiveness.

4-Helen Riley

Just as successful corporations develop strategies and niches to create competitive advantage, so too must successful early care and education programs. Programs that "follow the dollars" and change identities and operating strategies to capture short-term funding streams are increasingly vulnerable as foundations, private donors, and government funding agencies place greater emphasis on accountability, measurable outcomes, and long-term impact.

Under my leadership, St. Michael's has taken deliberate and measured steps to refine and strengthen its competitive advantage: *the provision of high quality childcare.* These practices include;

- Controlled student enrollment that facilitates personal relationships between teachers and students;
- Controlled student enrollment that allows for classrooms with open space and little clutter;
- Recruitment of staff with four-year degrees and training in early childhood development;
- Use of teams (administrators, department heads, lead teachers, teacher assistants) that allows for sharing of resources, dissemination of best practices, and quality control;
- Strong in-house training programs that introduce staff at all levels to best practices and new approaches to working with children;
- Use of "floaters" on staff to reduce dependency on substitute teachers unfamiliar with the culture and practices; and
- Compensation packages – competitive with public school systems and corporate employers – that facilitate staff retention.

5-Helen Riley

Over the years, many studies have examined what constitutes a high quality childcare program. Three of the factors most consistently delineated as fundamental to a program's effectiveness are degreed and dedicated teachers, faculty and staff stability, and consistent administrative leadership The pursuit of quality is not, however, without its costs. Controlling student enrollment at numbers well below building capacity reduces revenue. Recruiting well-trained staff and using "floaters" translates into higher salaries and higher operating costs. The "cost" of quality is exacerbated by dual commitments to quality ***and*** serving the poor. While Purchase of Care reimbursements appear to make it possible for children of lower income families to attend childcare, these rates fall well short of covering the actual cost. Providing a quality program and serving the poor create financial strain and complexity.

. Even the most dedicated Board of Directors or caring private owners, the most talented administrators, and the best-trained and dedicated faculties find it painfully difficult to balance the critical issues of accessibility to good care and education, compensation & benefits to stabilize the workforce **and** the cost of providing what is best for children.

Yesterday was a typical day at St. Michael's.

- Fourteen people called to inquire about enrollment – 12 were Purchase of Care eligible families. We could not help any of them. Where will those children be tomorrow? Will those parents be able to go to work or to school? These faces haunt me.
- A little 4 year-old girl in the Pre-K with whom we have worked for the past three years, building her social and emotional stability and intellectual skills, was withdrawn from our program when her mother lost Purchase of Care assistance. Where is she? I worry whether she will be ready for Kindergarten next year.

6-Helen Riley

- One of my preschool teachers is leaving next month to prepare for the birth of her first baby. She hopes to be able to stay home with her young child for as long as possible. I'd like that too, but who will care for and teach her class of 16 three-year old children? Where will I find someone willing and able to take her place? I'm frustrated about having to solve these staffing problems again and again.
- My Board of Directors and I met to discuss how we will raise about $2,500 to subsidize each of the 86 children who come to our school through Purchase of Care. Since the economy has slowed, will we be able to raise this money to serve these children? I worry.

These are times that are pressing, and yet urging us to think creatively. I find I am most successful when I try new solutions to old problems and stop repeating ways that have not worked.

I'm not a policy wizard. I am a person who for the past 31 years has been where the policies hit the people. Although it's been difficult, I continue to see potential and limitless opportunities to make a positive impact for our children, for our country, and for the future. Solving the problems of accessibility, parental choice, cost and school readiness requires that we work together and make sure the best happens for children. This is a good start. Thank you for listening.

## Committee on Education and the Workforce

Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

Your Name: HELEN C. RILEY

| | Yes | No |
|---|---|---|
| 1. Will you be representing a federal, State, or local government entity? (If the answer is yes please contact the committee). | | X |

2. Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999:

No.

| | Yes | No |
|---|---|---|
| 3. Will you be representing an entity other than a government entity? | X | |

4. Other than yourself, please list what entity or entities you will be representing:

St. Michael's School and Nursery, Inc.

5. Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4:

Executive Director of St. Michael's

6. Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 1999, including the source and amount of each grant or contract:

Purchase of Care Funding through CCDBG
CACFP funding through Dept. of Ed., DE and Dept. of Agric.

| | Yes | No |
|---|---|---|
| 7. Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question number 4 that you will not be representing? If so, please list: | | X |

Signature: Helen C. Riley Date: 2/25/02

Please attach this sheet to your written testimony.

## *APPENDIX F -- STATEMENT OF KAREN W. PONDER, EXECUTIVE DIRECTOR, NORTH CAROLINA PARTNERSHIP FOR CHILDREN, SMART START, RALEIGH, NC*

**Testimony**
**of**
**Karen W. Ponder**
**Executive Director, North Carolina Partnership for Children**
**Raleigh, North Carolina**

**Testimony Before the**
**Subcommittee on 21st Century Competitiveness**
**United States House of Representatives**

**Hearing on**
**Assessing the Child care and Education Development Block Grant**
**February 27, 2002**

Mr. Chairman, Members of the Subcommittee:

I am Karen Ponder, executive director of the North Carolina Partnership for Children and North Carolina's Smart Start initiative. I am pleased to be here today with this distinguished panel to discuss what I believe is the nation's most important priority—our young children.

In the early 90s, North Carolina took a hard look at the needs of its young children and decided it was tired of the status quo. Sixty-seven percent of mothers of young children were in the workplace; the state's child care standards were the lowest in the nation; and business leaders were calling for a better, more educated workforce. To give you one example of how low our standards were: 10 years ago, a high school drop-out convicted of a felony could be a child care and education teacher. Today in North Carolina, background checks prevent people with a criminal history from caring for young children and child care and education workers are required to be at least 21-years-old and have a high school diploma. In addition, 80% of our child care and education teachers have now completed college level coursework or have achieved a college degree.

In 1993, in response to many overwhelming needs of young children, North Carolina created a comprehensive, locally-controlled, public-private early care and education initiative called Smart Start. Smart Start engaged business leaders, the faith community, parents, child care and education teachers and every North Carolina community in developing the solutions. Locally designed programs have improved the quality of child care and education, better educated teachers, made child care and education accessible and affordable for families and improved children's health and family support services. The state partnership sets accountability standards and holds every community accountable for achieving results.

North Carolina was able to create a more effective early care and education system because of the Child Care Development Block Grant (CCDBG) and the TANF transfer dollars. These funds form for us and all other states, a foundation on which to build an early care and education system. And yet the unmet needs of both access to child care and education and the quality of individual programs remain enormous. Even with state initiatives like Smart Start, TEACH Early Childhood Scholarships and WAGES that were developed in North Carolina and that many states are replicating, there is not enough funding to do the job we need to do.

Let me give you a quick snapshot of the landscape of child care and education across the nation and in North Carolina.

- Roughly 12 million children below school age spend part of their week in a non-parental care arrangement. Of those eligible for CCDBG assistance, only 1 in 7 can be served even when combining federal CCDBG funds and TANF transfers to CCDBG.

- Almost 60% of mothers in the workforce have a child who has not yet reached his/her first birthday, many as early as six weeks old, because the family receives no income subsidy while on family leave.
- For many families, the cost of child care and education per year exceeds the amount charged in tuition by their state's public colleges and universities. And subsidy rates are well-below not only what the market rate says should be the cost of care, but significantly below the full cost of high quality standards.
- North Carolina has a waiting list of 25,000 thousand families for child care and education assistance. Many states have even more eligible, yet unserved, children. Other states have simply decided not to pursue intake or keep a waiting list because of the futility of it.
- The majority of children from low-income families are in some kind of child care program. For children in Early Head Start or Head Start, reliance on CCDBG funding is also critical. Funding for Head Start typically is only enough for a half day program, but most parents work a full day, five days a week.
- Child care and education staff in 30 states are not required to have any training in child development before they begin work in child care and education.
- Compensation for child care and education staff is lower than that of parking attendants. Many child care and education staff in North Carolina are themselves eligible for CCDBG assistance for their children. As a result, about a third leave each year and there is a constant crisis to recruit and keep good child care and education teachers and staff.
- Quality improvements are largely financed by the CCDBG quality set aside and include training, better monitoring of child care and education programs, specialists in health, infant/toddler care, or literacy in resource and referral

agencies, among many others. T.E.A.C.H., WAGE$ and other programs to attract, enhance, and keep qualified teachers are very reliant on CCDBG dollars and still aren't available to all teachers who need them.

- And most importantly, all children -- no matter which setting or program they spend their day in -- have the same needs for early learning, social and emotional development, and physical development. They will all be entering school in a few years, whether or not their needs have been met.

In North Carolina, we were fortunate to have the political will to put additional state dollars into developing a vital system of early childhood education. However, those state Smart Start dollars are not a substitute for CCDBG, TANF or Head Start dollars. Our state has maximized the use of all these funds but learned as we created the Smart Start system that the problems of access and quality were even greater than we imagined. That's why over 40% of our Smart Start dollars are currently providing additional subsidies for working families.

Smart Start has educated and engaged communities to find local solutions to meeting the needs of their young children in ways never before imagined. Because of their work, we have been able to increase the percentage of high quality child care and education centers from 20% in 1993 to 66% in 2001. More importantly, the percentage of poor quality child care and education has decreased from 80% in 1993 to 34% in 2001.

Today, Smart Start receives $220 million in public funds; has raised $125 million in private contributions; and has been replicated in six states with broad interest from across the country.

But our greatest accomplishment has been increasing the readiness of young children to enter kindergarten by increasing the quality of care and education they receive in their early years. There are four times as many children enrolled in high quality child care and education programs today in North Carolina as there were in 1993. Children who attend child care and education centers that have participated in Smart Start programs have better cognitive and language skills and have fewer behavioral problems when they enter kindergarten than do children from programs without Smart Start's support. More than 80 percent of North Carolina child care and education teachers have a college degree or have completed college coursework. And the number of child care and education teachers leaving the workforce after one year has decreased from 42 percent in 1993 to 31 percent in 2001.

Smart Start also played an integral part in the success of North Carolina's welfare reform efforts in the late 90s. Without affordable, high quality child care and education, parents cannot be productive employees. Because we optimized Smart Start, CCDBG and TANF transfer funds, child care and education centers and family homes are now able to provide high quality child care and education without having to pass the costs on to parents.

Decades of research prove that children in high quality early childhood environments are less likely to drop out of school, repeat grades, need special education or commit crimes, than children who do not have such exposure. This is true particularly of children from low income families.

While Smart Start has made significant gains for North Carolina's children, more funding is needed to meet the needs of every child. State funds cannot replace the resources provided through the federal Child Care Development Block Grant or Head Start. If the federal government does not assure that CCDBG is well funded, states can only go so far in helping all children be ready for the rigorous goals set forth in the recently enacted K-12 law. We are requesting that action be taken to ensure that every child in the nation has the opportunity to begin school on a solid foundation that assures their future success. I believe the return on the investment in the lives of young children will demonstrate that making the needs of young children one of the nation's highest priorities yields significant benefits to society. Thank you.

# Committee on Education and the Workforce

Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

Your Name: Karen W Ponder

| | Yes | No |
|---|---|---|
| 1. Will you be representing a federal, State, or local government entity? (If the answer is yes please contact the committee). | | ✓ |

2. Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999:

None

| | Yes | No |
|---|---|---|
| 3. Will you be representing an entity other than a government entity? | ✓ | |

4. Other than yourself, please list what entity or entities you will be representing:

North Carolina Partnership for Children

5. Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4:

Executive Director

6. Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 1999, including the source and amount of each grant or contract:

See attached

| | Yes | No |
|---|---|---|
| 7. Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question number 4 that you will not be representing? If so, please list: | | ✓ |

Signature: Karen W Ponder Date: 2-26-02

Please attach this sheet to your written testimony.

## *APPENDIX G -- STATEMENT OF HELEN BLANK, DIRECTOR OF CHILD CARE AND DEVELOPMENT, CHILDREN'S DEFENSE FUND, WASHINGTON, DC*

**Testimony of the Children's Defense Fund**

**before the**

**U.S. House of Representatives**

**Committee on Education and the Workforce**

**Subcommittee on 21st Century Competitiveness**

**Child Care Helps Families Work and Children Learn**

**Presented by:**

**Helen Blank**
**Director, Child Care and Development**
**CHILDREN'S DEFENSE FUND**

**February 27, 2002**

I am Helen Blank, Director of Child Care and Development at the Children's Defense Fund. The Children's Defense Fund welcomes the opportunity to testify today on child care and looks forward to working with the subcommittee to improve families' access to quality child care. CDF is a privately funded public charity dedicated to providing a strong and effective voice for America's children, especially poor and minority children. We welcome this hearing on such an important issue and appreciate the bills that Representatives Mink and Miller have introduced that would make significant progress in helping families work and children learn.

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

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.

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

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

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

The number of low-income parents entering the workforce has risen significantly since the enactment of the welfare law. Among families receiving welfare cash assistance, the proportion participating in paid employment or work activities grew from 11 percent in 1996 to 33 percent in 1999. Overall, employment among low-income single mothers with young children grew from 44 percent in 1996 to 55 percent in 1999. These employment gains can only be sustained if families have access to dependable child care. This means help with child care costs, which can be a staggering burden for these working parents and consume a large portion of their paycheck. Child care costs

can easily average $4,000 to $10,000 a year—more than the cost of college tuition at a public university.

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

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

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

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

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

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

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

As of March 2000, only four states allowed families with incomes up to the maximum level allowed under federal law (85 percent of state median income) to qualify

for assistance. In two-fifths of the states, a family of three earning $25,000 could not qualify for help.

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

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

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

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

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

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

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

The families on waiting lists are mainly low-income families who do not receive TANF and are not transitioning from TANF. Only a few states have acted to ensure that

all eligible families who apply will have access to assistance, regardless of whether or not they are receiving welfare. Rhode Island has established a legal entitlement to child care assistance for all eligible families, and states such as Illinois, Oregon, Vermont, and Wisconsin have clearly indicated (through budget language, regulations, or public statements) their commitment to serving all eligible families who apply. These states are the exception rather than the rule.

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

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

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

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

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

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

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

- Forty-six states required families at the poverty line ($14,150 for a family of three in 2000) to pay a fee. In two-fifths of the states, a family at this income level was required to pay 5 percent or more of their income in fees. Arkansas' fees were 11 percent of income for a family at the poverty line, and North Dakota's fees were 15 percent of income.

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

family at this income level paid 16 percent of income; in Nevada, they paid 17 percent; and in South Dakota, 19 percent.

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

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

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

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

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

rates and significant differential rates can produce an effective reimbursement rate structure.

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

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

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

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

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

income families working to stay off welfare. An estimated 6,200 fewer children in low-income (non-welfare) families are expected to receive child care assistance in 2003, as compared to 2001.

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

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

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

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

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

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

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

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

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

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

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

Similarly, many school-age children lack opportunities to participate in constructive after-school activities. Nearly 7 million school-age children are home alone each week. In 2001, only 11 percent of the requests for funding through the U.S. Department of Education's 21st Century Community Learning Centers after-school program could be filled.

Additional investments in child care will help more low-income parents afford good care that enables them to work and that helps their children grow and learn. CCDBG funding should be increased so that by the end of five years, families of at least an additional 2 million children can receive help paying for care. Funding targeted toward improving the quality of care child should also be expanded, with special attention to the needs of infants and toddlers. Provisions should also help providers have access to additional education and training and increased compensation. We should not miss an opportunity this year with reauthorization to expand investments in a program so crucial to the success of children and families and to truly ensure that no child is left behind.

# Committee on Education and the Workforce

Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

| Your Name: | | |
|---|---|---|
| 1. Will you be representing a federal, State, or local government entity? (If the answer is yes please contact the committee). | Yes | No X |
| 2. Please list any federal grants or contracts (including subgrants or subcontracts) which you have received since October 1, 1999: | | |
| 3. Will you be representing an entity other than a government entity? | Yes X | No |
| 4. Other than yourself, please list what entity or entities you will be representing: Childrens Defense FUNP | | |
| 5. Please list any offices or elected positions held and/or briefly describe your representational capacity with each of the entities you listed in response to question 4: | | |
| 6. Please list any federal grants or contracts (including subgrants or subcontracts) received by the entities you listed in response to question 4 since October 1, 1999, including the source and amount of each grant or contract: | | |
| 7. Are there parent organizations, subsidiaries, or partnerships to the entities you disclosed in response to question number 4 that you will not be representing? If so, please list: | Yes | No ✓ |

Signature: Helen Blunk Date: 2-25-02

Please attach this sheet to your written testimony.

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