

# CHILD CARE: SUPPORTING WORKING FAMILIES

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JOINT HEARING  
BEFORE THE  
SUBCOMMITTEE ON SOCIAL SECURITY  
AND FAMILY POLICY  
OF THE  
COMMITTEE ON FINANCE  
AND THE  
SUBCOMMITTEE ON CHILDREN AND FAMILIES  
OF THE  
COMMITTEE ON HEALTH, EDUCATION,  
LABOR, AND PENSIONS  
OF THE  
UNITED STATES SENATE  
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MARCH 19, 2002



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## **CHILD CARE: SUPPORTING WORKING FAMILIES**

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**TUESDAY, MARCH 19, 2002**

U.S. SENATE, SUBCOMMITTEE ON SOCIAL SECURITY AND  
FAMILY POLICY OF THE COMMITTEE ON FINANCE, AND  
THE SUBCOMMITTEE ON CHILDREN AND FAMILIES OF  
THE COMMITTEE ON HEALTH, EDUCATION, LABOR AND  
PENSIONS,

*Washington, DC.*

The hearing was convened, pursuant to notice, at 2:38 p.m., in room 215, Dirksen Senate Office Building, Hon. John B. Breaux (chairman of the subcommittee) presiding.

Also present: Senators Dodd, Graham, Wellstone, Murray, Grassley, and DeWine.

### **OPENING STATEMENT OF HON. JOHN BREAUX, A U.S. SENATOR FROM LOUISIANA, CHAIRMAN, SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY**

Senator BREAUX. The committee will please come to order.

It is our pleasure this afternoon to have a committee hearing which is really an interesting combination of two committees who have jurisdiction over the general question of child care.

We have engaged in this effort in a very cooperative fashion. I want to thank Senator Chris Dodd for his cooperation, and his staff working with our staff, to try to have a hearing on the particular question of child care with the two principal committees in the U.S. Senate that deal with this issue.

Of course, the Senate Finance Committee has jurisdiction, as well as the Health, Education, Labor, and Pensions Committee which both have jurisdiction over the Child Development Block Grant program.

We have jurisdiction under the Welfare Reform TANF program, which provides direct assistance for child care. So we said, look, let us have a joint hearing. I think that is going to work out very well.

I would just note that my colleague has always been a leader in the other committee on child care, but he has even a greater interest now on the issue of child care, as he is a father of a small child. It always makes a difference and has a great way of helping you understand the problems associated with child care.

I certainly share the administration's goal, which is to leave no child behind. It is clear that children should not be the victims of welfare reform. Providing welfare reform, which I strongly supported and most people here did as well, was always looked at as

a way to get people into the workforce, but not to do damage, or violence, or upset the conditions that children find themselves in.

Particularly when there may be a single mother involved who goes to work, we want to make sure that the child, indeed, is not left behind. That is what this hearing is all about.

I think we have fundamentally changed the way welfare assistance works in this country, a change that I think has been very much to the positive. Yet, at the same time, I think this Congress and this country have a commitment to poor families that were sent into the workforce, that their children will also be provided adequate child care at the same time.

We have actually increased child care spending dramatically, from \$2.7 billion in 1994 to \$9.4 billion in the year 2002. But, at the same time, it is important to note that we have more low-income working families. From 1996 to 1999, we moved 1.8 million families from welfare to work in primarily minimum wage jobs. We also put families that remain on cash assistance to work by implementing the work requirements.

The number of low-income single mothers working increased from 1.8 million to 2.7 million between 1996 and 1999. It is very clear, and evidence indicates, that reliable child care is directly related to job retention. A parent simply cannot be in two places at one time.

So, we are here today to try and find out what this Congress should do as we move towards reauthorizing the TANF program, how we can make sure that, indeed, no child is left behind.

I am delighted that we are joined, as I have indicated, by our colleague, Senator Chris Dodd. I would recognize Chris for any remarks.

**OPENING STATEMENT OF HON. CHRISTOPHER J. DODD, A U.S.  
SENATOR FROM CONNECTICUT**

Senator DODD. Thank you very much, Mr. Chairman. I am pleased to be doing this jointly with you.

I appreciate the presence of Senator Grassley, as well as Mike DeWine. Mike and I have worked on numerous bills together dealing with younger Americans.

Wade, it is good to see you again. We have worked together over the years. Welcome back to an area I know you care deeply about. So, I appreciate your presence here today, and the other witnesses we will have before us.

The chairman has said it very well. Obviously, the Finance Committee bears a very important responsibility in the TANF area. The HELP Committee obviously is involved in the authorization of the Child Care and Development Block Grant and related issues.

If I could just take a couple of minutes just to share some general thoughts on this. We have invited all of our witnesses to talk about one of the most basic issues, the care of our children and the well-being of children. I do not know of a single responsible American who does not place that as a tremendously high priority.

Children, I have often said, represent 20 percent of the population of the United States, but without any question they certainly, more importantly, represent the future of this Nation and its well-being.

If you just remember these numbers, I have used them over and over again, but I think it says much more than additional rhetoric I will add here to it. Presently today, 78 percent of all women who have children at school age are in the workforce.

Seventy-eight percent. Sixty-five percent of women who have children under the age of six are in the workforce, and more than half of all women who have infant children are in the workforce.

And while there has been a slight reduction in that last number a bit, every indication is that these numbers are at least going to stay at the present level and some will probably increase.

We are talking about, in most cases here, about families who are intact families. There are a lot of misconceptions about who these people are and what sort of families they are.

We are talking here primarily, I think as Senator Breaux, Senator Grassley, and Senator DeWine have been talking about, is working poor families. How do we see to it that people who are working, just hanging on to that edge, do not fall back into a subsistence kind of existence? So, this is really what this is all about when you think of those numbers.

Since 1996, the number of families receiving child care assistance has grown dramatically, to about two million children. The chairman has pointed it out, but for as many children who received assistance, available child care funds reach only one in seven or eight eligible children in the country.

As you know all too well, child care in many communities, if you can find it, is out of reach financially for people. In the District of Columbia, you are talking about close to \$10,000 per child, on average. In other States it is a lot less, but usually nothing less than \$4,000.

So around the country it is somewhere between \$4,000 and \$10,000, \$10,000 being at the upper level. There may be numbers above \$10,000. I have not seen them, but nonetheless, when you are talking about people who are living on the edge, that \$10,000 per child is just a staggering amount of money.

Quality is obviously a critical, critical issue. About 14 million children under the age of six are in some type of child care arrangement every day. Fourteen million children, every day, are in some kind of arrangement. This includes about six million infants in the country in that situation. The cost of care, as I mentioned, is between \$4,000 and \$10,000.

Far too many of America's parents, of course, are left too little choice. Nearly 10 States currently have waiting lists for child care assistance. Every State has difficulty meeting child care needs.

Those numbers on waiting lists go from a high in California of 280,000 people on the waiting list, but include States like North Carolina at 25,000, Texas 36,000, and down the list. Massachusetts is 18,000.

Some States do not even bother to keep waiting lists any longer because they are so long, that really there is no point in maintaining them. But there is a tremendous need out there.

I know there are some who say we do not need more money for child care, that during the last few years we have pumped billions more into child care. But I think we have the responsibility to look at what has happened over the last few years as well.

While that has been a lot of money, I do not argue with that conclusion, the demand is also historic, just as the contributions have been. The welfare case load dropped by 1.8 million from 1996 to 1999. The majority of welfare leavers are now employed in low-wage jobs. The share of TANF families working and participating in work-related activities while receiving TANF has soared to nearly 900,000 in 1999.

Between 1996 and 1999, the number of employed single mothers grew from 1.8 million to 2.7 million. According to the Congressional Research Service, there has been a marked increase in single mothers working, from 63.5 to 73 percent.

Most welfare leavers are leaving for low-wage jobs. This is the crux of what we are going to be talking about. On average, they are making between \$7 and \$8 an hour. They are working, but they are still struggling to get by.

Many low-wage parents move from one low-wage job to another, but rarely to a high-wage job. Therefore, even over time these parents still need child care assistance to stay employed.

I am very concerned, and I am going to talk to Wade about this, about the welfare reauthorization plan with no additional funds for child care. I am fearful that this will result in shifting assistance from the working poor to those on welfare, that it will be robbing from the working poor to pay for those on welfare to see that they get child care, but in so doing will create tremendous burdens on the working poor.

Already we do not have enough child care funds for the working poor. HHS estimated a year ago that we reach about 12 to 15 percent of those eligible. On Friday last week, we had testimony from a young woman in Maine who earns about \$18,000 a year, eligible for child care assistance. She is on a waiting list. She sleeps on a couch in her grandmother's home in Maine. So, the housing issue is taken care of.

But she spends literally one-half of her disposable income on child care, where she can find it, then trying to find food and clothing. She is lucky that she has got a place to be with that child.

We are going to hear from other people today, and I will wait for their testimony to talk about it. A more realistic prediction would be that if we give States the resources, they will step up to the plate. I think that is true. Flexibility is going to be the key.

Let me tell you what flexibility without sufficient resources leads to, in my view. It leads to low eligibility levels, no outreach, low provider reimbursement rates, high co-pays, and waiting lists.

Sound familiar? That is right. With the cost of child care today, with the additional resources provided over the last several years, too many of our States are forced to restrict access to low-income working parents. The assistance that is provided often limits parents' choices, of course.

I think we can do better than that. Too often I hear about the low-income families stringing together whatever they can so they can hold their jobs. For many, this means grandma 1 day, an aunt the next day, an uncle, a neighbor providing child care.

It is no wonder that 46 percent of kindergarten teachers report that half or more of the students that they receive into their classrooms are not ready for kindergarten in this country.



So we need to look at these issues in an integrated manner, in my view. The education bill that the President signed requires tests for every child in grades three through eight, and the results of those tests will be used to hold schools accountable.

But if we expect children to be on a par by third grade, we need to look at how they start school and when they start that learning process. The learning gap just is not beginning in kindergarten, it is first noticed in kindergarten.

If we are serious about education reform, we need to look at the child care settings children are in and figure out how to strengthen them. Seventy-five percent of children under five in working families are in some type of child care. I mentioned that earlier.

Too often, it is very poor quality. We cannot separate the issue of quality from the overall puzzle of providing child care assistance. If you do, then you wind up with a system where the working poor in this country default to any safe, well-lit place will do. That is just unacceptable. It ought to be to every single American.

It is not about parking your car. It is not about leaving your pet someplace. This is about leaving America's children, 6 million infants, 14 million kids, every day.

And what is happening to them in those settings? That is where they are spending their time. Not two hours a day or two hours a week, but six and eight hours a day. Then we expect them to enter kindergarten ready to learn. We are anticipating too much if the quality is not improved. So, this issue goes right to the heart of what kind of a Nation we are going to be in the 21st century.

Let me quickly add as well, I strongly support providing some sort of tax assistance, and I know the chairman does as well, and Senator Grassley, Senator DeWine, for those who make the choice to stay at home.

I know that is a difficult choice for many to make. But I do not want this battle to be a battle about those who make that choice. They ought to get help, too, so we are not pitting one set of families against another in this country.

For too many people, the choice is not there. They have no choice. They have got to place children in a child care setting. We ought to be doing everything we can to see to it that child care is available, it is affordable, and it has got quality. Hopefully, this hearing today will shed more light on that issue.

Thank you, Mr. Chairman.

Senator BREAUX. Thank you, Senator Dodd.

Senator Grassley, any comments?

#### **OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA**

Senator GRASSLEY. Yes.

Chairman Dodd, Chairman Breaux, I thank you very much for holding a hearing like this. It is so important to the millions of families across the country for which child care and work are a challenge.

This challenge has emerged as one of the central topics in the debate on welfare reauthorization. There is no question in my mind that child care is an important part of a parent's ability to work.

It is relevant to the welfare reauthorization debate and deserves the full attention that this hearing gives it.

Today's joint hearing is uniquely designed to look at child care in the broad sense, and I look forward to hearing from our witnesses about the strengths and weaknesses of the current child care programs.

Now, of particular importance to me is understanding how child care programs are working to serve individuals moving from welfare to work. Working parents know best about the importance of finding affordable, high-quality child care.

We cannot say too much about the importance of quality of the child care for our children. We know that learning starts at a very young age, and creating a healthy environment for children to grow and learn is critical to facilitating positive outcomes.

Without a doubt, the need for qualified, dependable, and available child care is in high demand, even in my State of Iowa. Iowa ranks second in the country for numbers of working parents, 79 percent, with children under age five, and first in the country in the number of working parents with school-aged children, at 83 percent.

The rate of workforce participation by mothers has doubled just in the past 30 years. Today, nearly 77 percent of all Iowa mothers are part of the workforce. The high rate of two-parent workforce participation demonstrates my State's strong work ethic, and is something that Iowans can be proud of.

However, at the same time, the rising work rates have contributed to a dramatic rise in the demand for these child care services. Working parents know firsthand about the challenges of finding high-quality child care.

In my State of Iowa, thousands of children are receiving quality services in various settings, but too many families face unmet child care needs. The child care challenge is multifaceted. Affordability, availability and quality are all important to a parent seeking such child care.

For parents who need child care during non-traditional hours, such as during evenings and weekends, the challenges can be even greater. The bottom line is, parents want the assurance of knowing that their children are in good hands when they leave to go to a job.

As a parent, grandparent, and great-grandparent, I see the daily challenges that my own family members face. We are all employers in the Senate, so I understand and support the needs of parents to look out for their well-being of their children. Child care arrangements can come undone, and it is in the best interests of an employer to be flexible and supportive when necessary.

Today's witnesses will provide a great deal of information related to Federal spending on child care programs, and we ought to pay attention to that testimony.

Yet, I think it is also important to point out the great strides made by Congress just last year to assist low-income working parents with costs of caring for children.

Prior to the enactment of the bipartisan tax relief plan last year, the Tax Code had two major subsidies for child care: the \$500-per-

child tax credit, refundable only for very large families, and a tax credit for the care of dependent children.

Last year's bipartisan tax relief package expanded existing child care subsidies and added new ones. The \$500-per-child tax credit was increased to \$600 retroactively and made fully refundable for low-income families, and doubled it over the next 10 years.

The Dependent Care Tax Credit was expanded and a new credit for employer-provided child care facilities was enacted. We simplified, and at the same time expanded, the Earned Income Tax Credit. All total, these measures add up to close to \$200 billion in that legislation, where the total cost was \$1.3 trillion.

I understand now that these measures are not the precise topic of today's hearing, but it is important that we understand the range of support that is available to assist working families with children.

These provisions apply to low- and middle-income families, and represent a recognition, as well as a commitment, on the part of Congress to help defray the child care costs.

I thank you, Mr. Chairman.

Senator BREAU. Senator DeWine?

Senator DEWINE. Mr. Chairman, I do have a written statement which I will submit for the record.

Senator BREAU. Without objection.

[The prepared statement of Senator DeWine appears in the appendix.]

Senator DEWINE. I would like to congratulate you and Senator Dodd for holding this hearing. There is nothing more important than our children. I just appreciate the hearing and look forward to testimony.

Senator BREAU. Any comments, Senator Wellstone?

**OPENING STATEMENT OF HON. PAUL WELLSTONE, A U.S.  
SENATOR FROM MINNESOTA**

Senator WELLSTONE. Mr. Chairman, I only have about an hour's worth of comments. [Laughter.]

Senator BREAU. Without objection, we will put it in the record. [Laughter.]

Senator WELLSTONE. First of all, I want to thank Secretary Horn for being here. I want my complete statement included in the record. I think I just want to make about two points in about two minutes.

The first, has to do with TANF. I want to say to the Secretary and members of the committee, that if in fact we are going to be talking about 70 percent of families, often a single parent, mother, working 40 hours a week, then we absolutely have to see much more of a commitment than is in the budget on child care money. It will not work, otherwise.

I mean, the question is, what happens to the 2- and 3-year-olds? The question is, what happens to the States right now? Where do they get the money from? So I just want to tell you, it will not work unless we have the additional commitment of resources. It will end up being harsh, and that is not what you want to do.

My second point, is that 70 percent of the women in my State work. I think it is the largest percentage of female labor force participation any State in the country.

And, gosh, John, the cost of child care is more than college tuition for a lot of these families, and they do not have the money. I mean, many of these families are making \$35,000 and have two small children, and face are just astronomically high child care costs.

As a matter of fact, the truth of the matter is, in many States there is a long waiting list for child care. Basically, what you are talking about depends upon the family, but you can be talking about up to 50 percent of their income just on child care costs.

And then my last point, I just want this to be for the record. My understanding, Mr. Chairman, is that child care workers earn an average of \$15,430 per year—about \$2,500 below the poverty line for a family of four—and they often don't have any health care benefits or anything else.

I would like to raise the philosophical value/spiritual question about why it is that we so devalue the work of adults that work with small children. To me, that is the other real big question.

Senator BREAU. Thank you, Senator Wellstone.

[The prepared statement of Senator Wellstone appears in the appendix.]

Senator BREAU. Any comments from Senator Murray? Patty, welcome.

#### **STATEMENT OF HON. PATTY MURRAY, A U.S. SENATOR FROM WASHINGTON**

Senator MURRAY. Thank you very much, Mr. Chairman, for having this hearing. Mr. Horn, it is nice to have you here as well. I look forward to your testimony.

I think this hearing is very critical. We know what it takes to have children and families succeed, and I guess that is why I am so disappointed with the administration's numbers on welfare and child care proposals.

We know that if parents are going to move off of welfare, stay off of welfare, and lift their families out of poverty, then they need help. They need help with education, transportation, and, most of all, they need help with child care.

I think it is really important to think about what families are facing today. In my home State of Washington, we now have the second-highest unemployment in the Nation.

Parents cannot afford child care problems that cause them to miss a day of work, because they know there is somebody waiting right behind them to take their job.

I see so many parents today struggling with access, affordability, and quality, people who work a night shift, waitresses, security guards.

They do not have any good options today. We see too many of these kids who end up with a relative one night, a next-door neighbor the next, and we all do not want to know where on the third night. So, off-hours child care is just an extremely difficult and challenging problem.

Parents do not want to leave their kids in a bad situation. No one chooses to do that. But if we do not help them with child care and then enforce standards and procedures that require them to work, we are going to see kids in very bad situations.

So, Mr. Chairman, I want to submit my entire statement for the record, but I do just want to say today that we cannot increase required work hours and freeze child care funding or we are going to have children who are growing up in this country without the kind of background and ability to be secure adults. They are going to cost us more later. We know all the statistics on that.

But I will just share with you my own personal experience. I was a preschool teacher before I was a U.S. Senator. I could tell which kids came to my classroom who had been in quality settings before and which ones had not.

You can often predict when kids are 3, 4, and 5 years old whether or not they are going to do well in school and later on in life based on the kind of care they have had before they ever enter school. We are doing a disservice to those kids and to this country if we do not provide the kind of quality, affordable child care that is absolutely essential.

Senator BREAUX. Thank you, Senator Murray. Your entire statement will be made a part of the record.

[The prepared statement of Senator Murray appears in the appendix.]

Senator BREAUX. The committees are now very pleased to welcome as our first witness the Assistant Secretary for Children and Families in the Department of Health and Human Services.

I will not read all of your background, Dr. Horn. I will just mention that you are president of the National Fatherhood Initiative. You have testified before our committees before. You have been a commissioner on children.

You have been the author of numerous articles on children and family issues, and a frequent commentator on children's issues. You have a Ph.D. in children's clinical psychology. Dr. Horn knows children. We are very happy to have you here for testimony. Please go ahead.

**STATEMENT OF HON. WADE HORN, ASSISTANT SECRETARY OF HEALTH AND HUMAN SERVICES, ADMINISTRATION FOR CHILDREN AND FAMILIES, WASHINGTON, DC**

Dr. HORN. Thank you very much, Chairman BreauX, Chairman Dodd, and members of the committee. I am very pleased to talk to you today about child care and its role in advancing our welfare reform agenda.

Promoting child well-being and parents' ability to work, particularly in the context of welfare reform, are two essential priorities for this administration. Child care clearly plays a key role in both.

The President's budget seeks to continue funding child care at its current historically high level within the existing flexible framework of the Child Care Development Fund, or CCDF.

The administration is committed to preserving the key aspects of the discretionary and mandatory child care programs that make up the Child Care Development Fund: support for work and job train-

ing; healthy development in school readiness for children in care; parental choice; and administrative flexibility for States and tribes.

The major restructuring of federally funded child care programs under PRWORA provides a solid foundation for entering the next phase of welfare reform.

Specifically, the President's fiscal year 2003 budget includes \$2.1 billion for the Child Care and Development Block Grant, and \$2.7 billion for the mandatory child care funding, for a total of \$4.8 billion.

This request continues the significant funding commitment to these programs. In fact, over the last decade, Federal funding appropriated for child care has tripled, from \$1.6 billion in 1992 to \$4.8 billion this year.

But these funds are only part of the picture. Looking at State and Federal dollars associated with the Child Care Development Fund, TANF, and the Social Services Block Grant, we estimate that about \$11 billion will be invested in child care through these three block grants alone.

I would like to turn now to the key aspects of the CCDF program that form the framework of the administration's child care program.

First, supporting work and job training. Our child care reauthorization and funding request described previously complements the expectation under the TANF reauthorization that an increasing number of families will be engaged in work and other meaningful activities by ensuring that resources are available to support safe, affordable child care when necessary.

Child care is a critical support for working families. Studies in several communities show that receipt of child care subsidies substantially increases the likelihood of employment.

Second, promoting child development. In addition to supporting working parents, quality child care promotes early childhood development and literacy skills to help prepare children for school and life. States engage in a range of strategies to strengthen quality, and we manage a broad portfolio of training and technical assistance activities to support these State efforts.

The President's budget maintains funding for quality child care by continuing all of the quality set-asides currently contained in the statute.

Third, parental choice. Our Nation's child care system is built on the foundation of parental choice, recognition that parents, and not government agencies, should decide what is best for their children.

In the Child Care Development Fund, we support parental choice through vouchers and access to a wide range of child care providers, including relatives, neighbors, child care centers, faith-based programs, and after-school programs.

We also support parental choice by equipping parents with the information and tools they need to make well-informed choices for their children.

Finally, allowing for State and tribal flexibility. Child Care Development Fund grantees have significant flexibility to decide how child care funds will be used and what will be emphasized in achieving the overall goals of improving the accessibility and quality of care.

Within basic Federal requirements, States determine eligibility criteria and co-payments for families as well as provider reimbursement rates. States also determine the amount of TANF funds that will be transferred or directly spent for child care.

It is for these reasons that the administration believes the current framework for child care is the right strategy for the future.

Further, looking beyond State and Federal spending out of the block grants, other resources support child care in the context of early childhood strategies, including Head Start, State-funded pre-kindergarten or pre-K programs, and 21st century community learning centers.

Head Start, a \$6.5 billion program, provides comprehensive services for low-income preschool children and their families. While originally designed as a part-day program, a growing number of Head Start programs have expanded to provide full-day services.

State-funded pre-K programs are another key investment in early childhood education. About 40 States fund pre-K programs for at least some of their preschool-aged children.

Recognizing the similar goals of these programs, the administration is promoting collaboration across the different programs in the early childhood and education field. When collaboration works, families receive comprehensive, quality services on a full-day, full-year basis that meet the needs of working parents.

Finally, as we prepare younger children to read, we cannot forget about older children or youth. Some studies show troublesome outcomes for adolescents when their parents are in welfare-to-work programs, including increased behavioral problems and lower academic achievement.

The administration's response includes our Positive Youth Development Initiative, an approach to all youth that builds on their assets and potential and helps them make good and healthy decisions.

The No Child Left Behind Act authorizes new flexibility for after-school programs through the Department of Education's 21st century community learning centers. These centers are focused on providing academic enrichment opportunities during non-school hours.

In closing, the administration clearly recognizes that a strong commitment to child care is fundamental to our self-sufficiency strategy for low-income families. Our commitment is founded on a multifaceted approach that includes a high level of Federal resources and collaboration through child care, child development, youth development, and educational opportunities at the State and local levels.

Thank you again, Chairman Breaux and Chairman Dodd. I would be pleased to answer any questions that you might have.

Senator BREAUX. Thank you very much, Dr. Horn, for your presentation.

[The prepared statement of Dr. Horn appears in the appendix.]

Senator BREAUX. As I understand the administration's proposal, number one, we are increasing the work requirements to 70 percent and 40 hours of work. I do not agree with that. I think that is more than we can handle. But if you move in that direction and you are level funding child care, it really does not seem to make

a great deal of sense. With no new resources and greater requirements, I think we have got a problem here.

We are going to be talking about the level of funding if you look at the principal programs for child care. It seems to me that most of the States have gotten the easy cases, so to speak, out of the system and working. The ones we have left are the most difficult. They are the least educated, have the most problems, are the most difficult to get into the workforce.

So the challenges, I think, even though the numbers may be greatly reduced, are greater. There are going to be an awful lot of people in Congress that are going to come to all of us and say, as well as people out there, look, Senator, you cannot do this if you are level-funding it. Tell me why you think you are justified in taking that position.

Dr. HORN. First, I would like to clarify that our proposal does not require 40 hours of work. What our proposal does, is increase the work requirement from 20 hours a week to 24.

What it also suggests, is that clients to count towards the work participation rate ought to also be engaged in 16 hours of other meaningful activities for a full simulation work week of 40 hours a week.

Senator BREAU. Is education included in that?

Dr. HORN. Education is included in that. Training is included in that. Substance abuse intervention could be included in that. Participation in rehabilitation plans could be included in that.

The definition of what a meaningful activity is, is anything that can be reasonably connected to the purpose of the TANF program. One of the things that we do in our proposal, is we suggest there ought to be an over-arching purpose of TANF to improve the well-being of children.

So any activity that the parent engages in that can be reasonably directed towards improving child well-being can count towards those 16 hours past the 24 hours of core work.

Senator BREAU. I agree with that. But it is correct that work requirements and/or work-related requirements are greater than under the current program in the administration's recommendation.

Dr. HORN. They go up by 4 hours a week. That is right. But they do not go to 40 hours a week, which is a misconception we have read a lot about in the newspapers and heard in the media today.

One last thing. For example, if a parent were to be involved in a joint activity with their child, for example, volunteering in the Head Start program, going to an after-school program with their youth, volunteering at the school, all of that would count towards the 16 hours of meaningful activities under the administration's proposal.

Senator BREAU. Well, I understand that. The problem is, the other 16 hours the parent, in many cases, will not be at home and somebody is going to be watching, or should be watching, the child no matter what they are doing, if they are off in school learning, or job search, and everything else.

The child would be left alone if they do not have child care during that period. Whether it is 40 hours of work or 40 hours that



is constituted through all of these other activities, the fact remains that that person could be away from their child during that period.

I am for moving in that direction, but not without additional funding for child care, because we are requiring them to be separate for a longer period of time.

Dr. HORN. Right.

Senator BREAU. Would you agree with that? You said "right." I want to make sure she got "right" on there. Is that a strong "right" or just a "sort of right?"

Dr. HORN. Well, one thing that you mentioned in your opening statement which we do not think is quite accurate, is that only about 12 percent of the eligibles are being served through child care funding streams.

Senator BREAU. My State is at about 13, I think, or somewhere in that neighborhood.

Dr. HORN. If I could, Mr. Chairman, I would like to show you a couple of charts that demonstrate that, the percentage served in terms of the eligible population, is significantly greater than the 12 to 13 percent that you suggest.

The way that we calculate the 12 percent figure, is this. We assume that the Child Care Development Fund is the only Federal funding stream available for supporting child care choices. So, what we do, is we take \$4.8 billion and we extrapolate to the theoretical population that could be served by that \$4.8 billion.

The theoretical universe includes the assumption that every State includes under their subsidy program up to 85 percent of the State Median in income for that State. In some States, like my own State of Maryland, if they chose that 85 percent of State Median Income, the subsidies would go to families earning up to \$52,000.

So, the way you get to 12 percent is by assuming that the only funding stream is the Child Care Development Fund, and that every State has, in fact, utilized an 85 percent State Median Income criteria for determining eligibility. The fact of the matter is, we know that many States have less than 85 percent State Median Income.

Senator BREAU. Louisiana has 75.

Dr. HORN. And so what we see in the next pie chart is 18 percent. That then is the calculation of the number of families who were served in 1999 by the Child Care Development Fund, given the actual eligibility rules.

However, what we know is that there is a lot more money available to States for child care than just the Child Care Development Fund. They also have transfers in the TANF block grants and to the Child Care Development Fund. They can directly fund child care through the block grant and they can pay through the Social Services Block Grant.

When you add those up, and the State maintenance of effort requirements under those programs, what you get is \$11.7 billion in spending for child care subsidies. That is what this 2003 is, the 30 percent figure. Now what you are at, is 30 percent of the eligible population is being served with subsidies.

But it seems to me, in the context of TANF, the most relevant question is, to what extent are we serving the most needy? That

is, to what extent are we providing subsidies to families below the poverty line?

Senator BREAUX. I did not mean for you to testify again. I just wanted you to answer my question. You have taken all of my time up.

Dr. HORN. I will be done in 60 seconds.

Senator BREAUX. No, you are really done now.

Dr. HORN. Which brings us to 47 percent. If you look at the next chart, the next chart looks at families below poverty by age group. In the three to five age group, we have 72 percent being served.

That does not include the \$6.5 billion that we are spending in Head Start. There are now 225,000 children in Head Start who are in full-day/full-year services, and that 72 percent does not include them.

So I am not suggesting that every single person who needs the subsidy is getting it. That is patently false. What I am suggesting is, the 12 percent figure is substantially lower than the actuality, what the true measure is in terms of what is being served.

Senator BREAUX. It is more like 18 percent, is what you are saying.

Dr. HORN. It depends on how you count it. If you are talking about all of the funding sources, then it is more like 30 percent. If you are talking about those below the poverty line, it is more like 47 percent.

Senator BREAUX. All right. Well, my time is long gone. You ate it up with all your testimony. But I will come back.

Senator Dodd?

Senator DODD. Let us keep this up, because I think this is an important point. You are very clever, but what is available under TANF and SSBG can be a lot of different things. So using the words "children are being served" under that is an illusion.

They could be getting "served" with those dollars, but that does not necessarily constitute child care assistance. So when you start looking at these numbers, the 12 and 18 are child care. When you get down to your 30 and 47, you start talking about TANF and SSBG, and you are clearly then talking about something other than child care.

Dr. HORN. No. Actually, these are child care figures.

Senator DODD. That is a distinction we see. The Chairman asked the critical question, obviously, whether it is going to be work-related. These are additional requirements in the Welfare Reform proposal. Those requirements will constitute time that those parents, for the most part, are going to be away from their children.

There may be some you have talked about where there may be a child/parent relationship, but for the most part, we are talking about increasing the amount of hours that children will be away from the home setting. Is that not correct?

Dr. HORN. In many cases, that would be correct.

Senator DODD. All right. Our point is simply this, and you heard it the other day—at least, they did in front of Secretary Thompson and others. You are hearing it, by the way, in a bipartisan way. This is not "these" versus "ours" on this issue. You propose flat-lining the child care assistance.

You cannot, it seems to me, mathematically make a case, given waiting lists by the way—I mean, forget whether or not you increase the hours. We are only serving, would you not agree, only about one in seven or eight of the eligible population in America, that we are only serving a fraction of those who would otherwise qualify?

Dr. HORN. In terms of child care subsidies?

Senator DODD. Yes.

Dr. HORN. Not below the poverty line, no. I do not think that is correct.

Senator DODD. Of the eligible population, 85 percent of State median income.

Dr. HORN. Again, it depends.

Senator DODD. Let us sort of agree on something here.

Dr. HORN. It is about 30 percent. If you want to talk about the amount of money that is there and that is serving the eligible population as defined under law, which is not below the poverty line, which can go up to 85 percent.

Senator DODD. I agree, it goes up.

Dr. HORN. It is about a third.

Senator DODD. Well, we think it is up. But we are under-serving an eligible population.

Dr. HORN. Senator, if the point—and I apologize, Chairman Breaux, for taking too much of your time with an overly long answer. Look, we share the same goal. We do not want kids to be in poor-quality child care and we do not want to force someone to go to work and leave their child unattended. That is not the goal.

In fact, the way that we have structured our proposal, is that we have a ramp-up phase for 2 years. In the first year of the proposal, because we allow States to continue to have 100 percent of their case load reduction credit, the effective national average participation rate is not going to be 50 percent, it will be about 5 percent.

In the second year, we allow half of the credit and the effective work participation rate will be 30 percent. The reason we did that, was because we want to work in partnership with the States to determine, what is the strain on the child care system of this proposal.

And if there is, in fact, a strain on the child care system, the Child Care Development Block Grant is an appropriated program and it is very reasonable for us all to revisit whether those funding levels are appropriate.

Senator DODD. But wait. Wait. The math does not add up. First of all, the flexibility of the original welfare reform program is basically gone here. You are mandating what States do here. The first proposal had a lot of flexibility for States. That was one of the things that made it attractive for a lot of people.

But here, you have set up work programs far surpassing the number of TANF recipients currently working or in work-related activities for many more hours a week. We have already agreed on that. We are under-serving an already-eligible population, and you have got a flat line here.

So what we are all asking is sort of the same question. That is, by the way, not doing anything more on quality. So, even serving

the present population, we know that the quality is inferior in most places.

The other day, you had someone from the White House testifying. Let me quote him for you. They described child care. Your quote is good: "Your children need quality child care that promotes their healthy development and literacy skills so they can succeed in school and later in life." Wade Horn. Great quote.

Let me tell you what one of your colleagues out of the White House said the other day. "Any safe, well-lit place will do." That is a quote. I am not making it up. What is it here? Any safe, well-lit place will do? That is not quality child care. Do you agree with that?

Dr. HORN. I agree. As someone who has utilized child care in many of its various forms, just a well-lit place will not do. It needs to be a place that is safe, that is nurturing, and that provides a quality environment for that child.

Senator DODD. On Head Start, can we kind of agree that Head Start is not child care? This is not child care. We are kind of lumping that together. You may get Head Start for a couple of hours. The most you will get is maybe six hours a day in some places.

Dr. HORN. I agree that Head Start is not child care. I think we also can agree, for those 225,000 children who are in full-day/full-year Head Start, they do not need an alternative child care arrangement as well.

Senator DODD. But you also know that many of those children who are in Head Start also did. Of the 800,000 and some-odd that were in Head Start, about 450,000 of them needed child care in addition to Head Start.

Dr. HORN. I agree with that.

Senator DODD. Thank you, Mr. Chairman.

Senator BREAUX. Thank you, Senator Dodd.

Senator DeWine?

Senator DEWINE. Thank you, Mr. Chairman.

Secretary Horn, under current law, four percent of the funds are set aside for activities to improve quality. I think we all agree that we need to improve quality, and obviously one way to do it is money. But, in addition to that, there are other things that we can do.

What evidence do we have that the States have been able to take this set-aside money and do anything that has improved the quality? What evidence do we have that they are going to do that in the future?

Dr. HORN. I think that States have been very creative in using the four percent minimum set-aside for quality improvement. They have used it for a variety of different purposes to train providers in the latest knowledge, not just in terms of child development, but specifically for early literacy development, a very strong priority of this administration.

They have also used it creatively to try to tie training to increased reimbursement rates. They have used it for consumer education so that parents have better information when they go about choosing child care.

In fact, States do not just spend the minimum. One of the reasons that I generally do not like set-asides, is they tend to become ceilings, not floors. But in this situation, the States have actually seen it as a floor, not as a ceiling. States have been actually a little bit closer to 6 percent on quality activities. I think those activities have been very effective.

Senator DEWINE. On our next panel we are going to hear from a witness who has lost her transitional child care assistance and who has been placed on a waiting list for additional child care help.

Her child care expenses are about 42 percent of her weekly take-home pay. She has been told that the only way she can obtain assistance with her child care expenses is to quit her job and return to welfare.

That is certainly not the message that any of us want to send to individuals who have worked so hard to leave the welfare rolls. What do you recommend for this witness, and what are your thoughts about this?

Dr. HORN. Well, I think it is important for the State agency to work with this person so that does not happen. There are almost 30 States in the United States that have no waiting lists at all for subsidies for child care. I think that one of the things we need to do, is to focus on what they are doing correctly and how they are managing their case loads.

Senator DEWINE. What do you think they are doing correctly?

Dr. HORN. I think that they are doing creative mixes in terms of co-pays. Some States, for example, if you walk in the welfare door as opposed to just a working family applying for a subsidy, basically they say, for a very long time, you do not have to have any co-pay, regardless of what your income rises to.

So, in some situations you have two families, both making the same amount of money, one has a co-pay, one does not. It ought not to matter which door you walk in in terms of the kind of co-pay that you are required to pay under child care subsidies.

So, I think that States should take a look, if they have those kinds of arrangements, because if they are not requiring co-pays, they are treating families going through the welfare door differently. Then it seems to me if they started to charge co-pays, that for those families with the same income levels there would be more money available for other kinds of subsidies.

We have also done some things in this proposal to increase State flexibility so they have more money available for child care. One of the big complaints we have heard from the States when we went on a listening tour in advance of developing our proposal, is that they could not use carry-over balances for anything other than cash assistance.

So if you had carry-over balances, you could not use it for child care subsidies. That does not make any sense. So, our proposal says, if you have carry-over balances you ought to be able to use those for services as well as cash assistance. So, those States that have carry-over balances ought to be able to use those to increase their subsidies if they have carry-over balances.

We have also heard from the States the need to count as obligated, not as unobligated, rainy day funds. Those rainy day funds, if you put into them under current law, once you do draw down on

them, their carry-over balance is going to use them as cash assistance. We clarify that they are obligated. They can be used for services, not just cash assistance.

So we think our proposal contains flexibility to allow States to manage the new, admittedly, more challenging work participation standards.

Senator DEWINE. Mr. Secretary, Congress, last year, as you know, increased the dependent care tax credit as well as the child tax credit. What additional assistance do you think we can provide to working poor families who choose to have a parent stay at home with the children?

Dr. HORN. Well, I think that Senator Dodd's comment about making sure that, whatever we do, we do not pit one type of family arrangement over another, is very important one, whether that be two-parent families versus single-parent families, or families where both parents are working outside the home, or just one is working outside the home.

I think there are very important policy choices that we always be careful that we do not pit one kind of an arrangement against another.

One of the things we do in our proposal, under the current law, if you are a two-parent household and you are on TANF, you are required to meet the work participation rate to engage in 55 hours a week of work. Now, unless you have got one really big workaholic in that family, that means both parents have to be working.

What we say in our proposal, is that we take the two-parent work participation requirement down from 55 hours to match it up with the required hours for a single-parent household, which would allow a two-parent household to have one parent stay home, if that is what they choose to do, to take care of their child. I think that would be very helpful for this population.

Senator DEWINE. Thank you, Mr. Chairman.

Senator BREAU. Thank you.

Senator Wellstone?

Senator WELLSTONE. Thank you. Mr. Secretary, I am odds with you here. The Administration's proposal would require that TANF parents spend 25 percent more hours per week outside of the home—outside of the home; you said not necessarily just work—each week, than they are required to under current law. Correct?

Dr. HORN. I do not agree with the fact that all of those 16 hours—in fact, all of those 16 hours do not have to be outside the home.

Senator WELLSTONE. Well, as Senator Breau was saying, of all of the different options—and quite frankly, I am not sure States are going to be able to figure this thing out mathematically. Believe me, most of it will be work. But most of it is away from home. Yet, the administration provides no new funding. Correct?

Dr. HORN. Actually, our proposal has \$3 billion more spending over baseline over 5 years.

Senator WELLSTONE. You provide more funding for child care under TANF?

Dr. HORN. No. I am sorry, I did not understand your question then.

Senator WELLSTONE. Then let me go on. Yet, you say you have got enough money. I do not know exactly how. I presume that what you are saying to our States, is you can take it out of other money that you have.

So, now, you tell me. What will the State of Minnesota take funding away from? Tell me, what program in the State of Minnesota are we going to take funding away from in order to provide the funding for these families?

Dr. HORN. Again, Senator, I do not think we disagree on the goal. That is why, again, what we do, is we provide a ramp-up period of 2 years in which the State of Minnesota would be—I assume you have had case loads in Minnesota drop by about half. This means that the State of Minnesota's work participation rate in the first year will be 5 percent.

Now, most States are well above 5 percent right now in terms of the work participation rate. That is precisely the reason we did that in the second year, where you get half the case load reduction credit, so you only have to put in about 30 percent if you have a 50 percent case load reduction into work participation requirements.

So the idea is not for us to impose this "mission impossible" on States, but to work with States over the next 2 years to find out creative ways where we are mixing education, training, and work together so that we can move more families effectively and efficiently towards self-sufficiency. That is the goal.

Now, if we find in those 2 years that there is a real strain on the child care system because of these requirements, then it seems to me we have gotten an appropriated account under the Child Care Development Block Grant where we can revisit whether or not additional resources need to be made, or other kinds of adjustments need to be made. So I just want to emphasize, this is—

Senator WELLSTONE. But tell me again. You have got all this stuff about "creative ways," and this, that, and the other. Frankly, I do not agree with a number of the premises of what you are saying. But even if I do agree, tell me, in 2 years in Minnesota, what programs are we going to take money away from as we figure out creative ways of doing this?

You would require that TANF parents spend more time outside the home. That is for sure. A lot more time than under current law. Yet you provide no additional funding for child care. That is for sure as well.

But you say there will be enough money, but the reason you say there is enough money is you are assuming that the State of Minnesota is going to take money away from other programs. I want to know which ones they are. Give me some examples, over the next 2 years, how my State of Minnesota can be creative. What money are we going to take away? What are we taking money away from?

Dr. HORN. Unless the State of Minnesota has less than 5 percent of its TANF population in work, I do not think you are going to have to take away any funding from any program. Not in the first year. In the second year, there is a 30 percent work participation requirement. So, I do not think, in those 2 years, you are going to need to rob Peter to pay Paul.

What we want to see, is as we help States develop systems which we think will be more effective at moving people towards self-sufficiency, if there in fact is a developing strain on the child care system, as I have said, and as Secretary Thompson has said in his testimony before the Senate Finance Committee and House Ways and Means, then it is very appropriate for us to revisit whether or not there ought to be more money in the Child Care Development Block Grant.

Senator WELLSTONE. So what you are saying is, and this will be my last point, that if the State of Minnesota and other States need additional money, you make a commitment today that you will increase CCDBG appropriations 2 years from now if our States need the additional funding. Is that correct? Is that what I am hearing from you?

Dr. HORN. The commitment that we would make, is that we would make adjustments to the system to ensure that child care is not the barrier towards moving people towards self-sufficiency.

Senator WELLSTONE. Yes. Except, you see, I get nervous when you say "we will make adjustments in the system." Frankly, I think you have taken away. The irony of it is—I want the chairman to hear this because I am becoming the conservative here—you are doing a one-size-fits-all now, because States have had a heck of a lot more flexibility under current laws than they will under what you are proposing.

You are taking away a lot of that flexibility. You are saying, this is what you are going to do, and you are going to have to put a lot of funding in that. My State is saying, and a lot of other States are saying, we do not know where that money is going to come from. You are saying you have got additional flexibility, which means take it away from other programs.

Now I am saying, but if that does not work out and it turns out that we need additional funding, will you make a commitment for additional CCDBG money for child care? You are saying, no, but what we will make a commitment to, is we will create flexibility in the system so that you can meet your needs. I do not know what that means.

Why would you not make a commitment today for more funding for child care? You do not have enough.

Dr. HORN. If I made that commitment today, Senator, I would be the former Assistant Secretary by tomorrow morning. [Laughter.]

Senator WELLSTONE. Do you know what? That answer, I appreciate. [Laughter.] That answer I appreciate.

Senator DODD. We can get you a job with the Corps of Engineers, maybe. [Laughter.]

Senator BREAUX. Senator Murray?

Senator MURRAY. Thank you, Mr. Chairman. I am not sure I want to follow up on that.

Mr. Chairman, I think we all sense that there is a huge problem here with child care. I have tried to listen to your answers, and I feel like you are very creative with percentages.

I am not sure I can follow all of the lines that you have drawn here on this, and I was trying carefully to listen to you.

But let me give you the reality. In Washington State, we have a \$20 billion budget. We just had to cut \$1.6 billion out of that



budget. My State has the second-highest unemployment in the Nation, right behind Oregon. We are not recovering from this recession, even though back here in Washington, DC all of the administration folks keep coming back here and telling us we are. We are not. Our State, and I think many of our States, is really struggling, trying to balance the budget.

In fact, my State did have kids eligible for child care subsidies up to 225 percent of poverty until this year, and they have had to cut it back to 200 percent of poverty. That is 13,000 families who are not going to get child care next year.

We are now telling families, under your proposal, that they have to be out of the house 40 hours a week with no increased child care costs.

There is no official waiting list for child care in the State of Washington. Those 13,000 families are not on a waiting list. The reality is, waiting list or not, there are families out there who are now being told they have to be at work who do not have anywhere to put their kids.

Their kids are in horrendous situations. We are going to be hearing about them. We are going to have stories in our newspapers about kids that are left alone. We are going to have stories about kids that are in unsafe conditions. We will have put them there. I liked your creative responses, but I think we are all going to be facing the reality here of the additional work requirements you want without the additional resources for child care.

Now, having said that, I just want to ask you, as I mentioned in my opening statement, it is one thing if you are working 9:00 to 5:00, but most of our welfare parents who are required to be at work are not going to find a 9:00 to 5:00 job. They are going to find one in the evening, they are going to find one all night long, but they are not going to find one 9:00 to 5:00.

What are your proposals to deal with off-hour child care and infant care, which I think are going to be necessary for a lot of the children we have got to deal with?

Dr. HORN. Right. You raise a very important issue. Not every job that is available is a 9:00 to 5:00 job, and child care facilities tend to be 9:00 to 5:00 arrangements.

One of the things that the 1996 law did, is it put a severe cap on technical assistance funds that the Office of Financial Family Assistance had available to them in terms of providing technical assistance to the States.

One of the things that we do, is we lift that cap and, in fact, put a significant amount of additional money into technical assistance so that the U.S. Department of Health and Human Services can, in fact, go out and work with States around these very important issue. How do we generate more child care in off hours to meet the needs of those who are working non-traditional hours?

Right now, we are severely constrained in terms of the ability for us to provide any technical assistance to States. There may have been good reasons for that in 1996 in the law. We think that those good reasons no longer apply.

So, again, what I want to emphasize, is that this is not a proposal which says to States, do it this way and only this way. In fact, we think we have increased a lot of flexibility to the States,

and there are lots of details to this proposal that do not make the headlines.

But what we want to do, is generate a partnership with the States so that we can, together, find creative mixes of work, education, and training so that we can move more people towards self-sufficiency, which is, I think, the goal that all of us share. I know that that is a goal that you share.

Senator MURRAY. Well, Mr. Secretary, I appreciate the rhetoric. I think we share the rhetoric. The problem is, States do not need technical assistance. There is a lot of good technical assistance out in the States. What they do not have, is the money for child care.

This is a Federal requirement that your administration would impose, that these people have to be out of the house for 40 hours a week with no additional dollars for child care assistance. That, to me, means kids who are not in care or kids who are not getting good care, and we will pay the price of that.

Dr. HORN. Well, again, in the first year we are talking about 5 percent of the TANF population being under the more challenging 40-hour simulated work week.

Senator MURRAY. I am sorry. Can you say that again? Five percent of the population?

Dr. HORN. Yes. In other words, because of the case load reduction credit, and we keep 100 percent of that credit in place, if States get to reduce percentage for percentage point from their work participation rates a function of the reduction in the overall case load—so if you reduced your case load by 50 percent since 1995, in the first year of this proposal your work participation rate will be zero. That is, there will be zero families that will be required under the proposal to actually be in this work experience.

In the second year, you get half the credit.

Senator MURRAY. I do not understand how that works.

Dr. HORN. It was put into the 1996 law as an incentive for States to reduce case loads, so they would give credit towards the work participation rate.

Right now, we have a case load reduction credit right now. In fact, the effective work participation rate, the target, national average across the United States, is only 5 percent right now.

So, it is not so that the first year of this proposal, 50 percent of the case load must be in a 40-hour simulated work week.

Senator MURRAY. Well, I would just say, Mr. Secretary, it is very difficult to understand that. I do not know. Maybe we need paper-work reduction if we pass this thing, because I do not know how States are going to figure this out.

I see my time is up, Mr. Chairman, but I have a lot of concerns.

Senator BREAUX. Thank you very much, Senator Murray.

Senator Graham, do you have any questions?

Senator GRAHAM. No, Mr. Chairman.

Senator BREAUX. I just had one follow-up, Secretary Horn, that I did not get in earlier.

In my State of Louisiana, in an effort to get people back to work, a lot of it is in the entertainment business, riverboats, gambling, and everything else. Obviously, there are very unusual hours. It is 24 hours a day, 7 days a week. Someone may go to work at midnight. It is very difficult to find child care.

You have the fact that it does not apply for children over 13. There are an awful lot of 14-, 15-, 16-year-old girls that are getting pregnant, a lot of 14-, 15-, 16-year old boys that are going to jail because of what they do in the absence of child care. That is a huge problem.

Dr. HORN. Right.

Senator BREAU. I know that if you look at testimony from the police chiefs, they will tell you that additional child care reduces crime and ultimately saves us a lot of money. I would rather pay for someone to sit with that 14-year-old than to have them in prison and incarcerated in some institution somewhere at \$20,000, \$30,000 a year.

The President mentions in the proposal a youth development proposal aimed at addressing these children who are adolescents. But the only thing I find in the President's proposal is a requirement that the States mention it in their TANF plan, that there really is no money for it and it is not really a program.

Can you tell me anything about this youth program that does not seem to be?

Dr. HORN. Well, first of all, by adding as an over-arching purpose of TANF improving the well-being of children, we emphasize that each of the other purposes is really a strategy for attaining that.

We believe strongly that case load reduction is an important measure of success. But it is just one measure of success. As a child clinical psychologist, I believe strongly, and the administration believes strongly, that we ought to also be focusing on what is happening in terms of the kids.

Fortunately, the results so far seem to be reasonably good for the younger kids, not so good perhaps for the older kids. So one of the things that we have initiated in the U.S. Department of Health and Human Services, is an over-arching positive youth development strategy.

One of our first pieces of concrete activities is, in June, a National Youth Summit. It will be our first-ever National Youth Summit, sponsored by the U.S. Department of Health and Human Services.

Senator BREAU. That is going to tell us what the problem is?

Dr. HORN. Also, the strategies for addressing them. By putting the over-arching goal of improving child well-being in the TANF law, it gives the States a hook to fund, if they so choose, out of their block grant where they still have 100 percent flexibility, after-school programs for youth and other kinds of positive youth development experiences.

In addition, in the Department of Education, we have the 21st century learning centers, which are meant for places for kids to go after school, the sort of fill-in-the-gap hours, where they can have a good educational experience.

Senator BREAU. But all of this is an unfunded suggestion.

Dr. HORN. Not the 21st century schools or community centers, no. Those are not unfunded. They are part of the No Child Left Behind Education Act.

Senator BREAU. All right. Thank you very much, Secretary Horn.

Senator DODD. If I could, Mr. Chairman.

Senator BREAU. Sure.

Senator DODD. Again, I wonder if you might, Mr. Secretary. I would love to get the numbers that back up these statistics that you have put out in these charts here today so I know what the facts are that draw into those particular numbers. If you could get that for me, I would appreciate it.

Number two, just to make the point that Senator Murray made, if you take the national numbers, I think the numbers indicate that States are running about \$40 billion worth of deficits right now. I think that is the number, collectively, in all 50 States.

The pressures on States are going to be significant. To the extent we are going to be relying on the gap to be made at the State level, is maybe asking a tremendous amount given the reality.

Many of these State have State-constituted prohibitions against deficit financing, so they are going to have to make significant cuts, in programs or significant increases in taxes just to make ends meet.

Last, I want to underscore the point the Chairman just made. I think that we talk about this. Obviously, there is a critical need. We talk about infants and young children under the age of 6.

But in many ways, some of the most needy children in terms of care are in that pre-adolescent/adolescent period. We talk a lot about the infants, and so forth, for obvious reasons. We do an awful lot in higher education and so forth.

That gap, or that preadolescent and adolescent population, and neglect—the 21st century schools, I wish it were more. I do not know what your numbers are in the budget, but you and I both know that is a pittance of support for an after-school program for these kids.

So, I think the chairman makes a very good point in talking about it. They are not the most attractive. These are the adolescent ones who will drive you crazy, I am told. I need to get prepared for this. I have a few years to wait before Grace reaches that age, but I am told to brace myself for it by all who have been through it.

Senator BREAU. Brace yourself.

Senator DODD. But the 21st century is a frozen number this year in your budget. Is that not true?

Dr. HORN. I believe that is accurate.

Senator DODD. Yes. So we are freezing there and these other places. Yet, the demands, as Senator Breau has pointed out, are getting high.

I just feel there has been this sort of resistance to the notion of child care, having been involved in it now for almost 20 years here when Orrin Hatch and I wrote the first Child Care and Development Block Grant back in the early to mid-1980's.

Mrs. Bush testified the other day before the HELP Committee on the early reading and the pre-literacy programs and so forth. I commend her for that. I think the fact that she is focusing on that as a real need in the country is something for which she deserves a great deal of credit.

When you have got as many kids, 6 million infants, 14 million children, every day in some form of child care environment, then it seems to me the natural place to weave in those early learning,

pre-literacy, literacy programs are in this environment where children are.

Unfortunately, in the eyes of many, of course, they ideally should be home with a parent. But, as you pointed out and as I have stated over and over again, the realities are that they are in a different setting, less than ideal in some cases, to put it mildly.

But if we are going to sort of neglect these children at that point or lead parents up to a very patchwork kind of situation where they are lurching these kids from day to day, week to week, in different places, begging people to watch them under certain circumstances where they have little or no ability to do so. The obvious effects, as we now know, are going to be felt very, very quickly in our society.

This is an absolute critical investment in the well-being of this country. This is truly a national security issue, in my view. When you look at what we now know, if a person in the third grade, fourth grade, is way behind in their reading skills, they are now telling us with a high degree of certainty that that child will end up in the criminal justice system. So, the investments here, I know they are expensive, but, boy, the cost of not doing something is much higher.

So, we look forward to continuing dialogue and working with you on this.

Dr. HORN. Senator, as Secretary Thompson mentioned in his testimony before the Senate Finance Committee and also Ways and Means, he is quite serious in wanting to work with members of these committees from both sides of the aisle. He would like to hear your ideas and discuss with you ways that we could improve the proposals.

Senator DODD. I do not know if he is watching this or not, but I hope you will give him a call when you get back. [Laughter.]

Senator BREAUX. Well, Secretary Horn, thank you very much. While you did not get the impression that we are glad you are there, we are glad you are there, and look forward to working with you very much in the future. Thank you very much.

We would like to welcome up our next group of witnesses which will sit as a panel. We would welcome Assistant Secretary Ann Williamson, who is with the Office of Family Services in my State of Louisiana.

I would note that Dana Reicher, who is the TANF director from the State of Louisiana, is also here in the audience and we thank Dana for her contributions.

Mr. Mark Greenberg, who is senior staff attorney for the Center for Law and Social Policy here in Washington; and a witness from Florida, who I would ask Senator Graham if he would maybe like to introduce her at this time.

Senator GRAHAM. Thank you very much, Senator Breaux. It is my pleasure to introduce a fellow Floridian, Ms. Vicki Flamand.

Ms. Flamand is from Ft. Walton Beach, Florida. She is the proud mother of a beautiful 2-year-old daughter. She works extremely hard to provide a nurturing environment for her family.

Ms. Flamand is a former TANF recipient who worked her way into independence. She now works 30 hours per week as a legal as-

sistant in a law firm. She earns about \$13,500, which includes food stamps.

Ms. Flamand has an associate degree and plans to take up paralegal courses at Okaloosa Walton Community College beginning this May.

Her daughter attends a licensed family day care home in Ft. Walton Beach. I have been told, however, that her child care arrangement is now in jeopardy. The story that Ms. Flamand will tell is, sadly, not unusual.

Ms. Flamand has received transitional child care assistance for 2 years, which is the limit under the Florida law. Today she can apply for regular child care assistance. Problem? The waiting list in our State is long. There are over 46,000 children waiting ahead of Ms. Flamand's daughter to get that regular child care assistance.

Ms. Flamand is one of the great success stories. She has made the transition from welfare to work. I am concerned that lack of affordable child care may keep her from furthering her great accomplishments.

Ms. Flamand, I thank you very much for having made the long trip from Ft. Walton to be with us today. It is very important that we hear from people like yourself who have actually experienced, and continue to experience, the reality of making this move towards independence and employment, while at the same time meeting your responsibilities to your daughter.

Ms. FLAMAND. Thank you.

Senator GRAHAM. We look forward to hearing from you.

Senator BREAUX. Thank you, Senator Graham.

Let us start with Secretary Williamson. Ann, if you would go ahead and start.

**STATEMENT OF ANN S. WILLIAMSON, ASSISTANT SECRETARY,  
OFFICE OF FAMILY SERVICES, LOUISIANA DEPARTMENT OF  
SOCIAL SERVICES, BATON ROUGE, LA**

Ms. WILLIAMSON. Certainly. Good afternoon, committee members. Ann Williamson, assistant secretary to Louisiana's Department of Social Services.

Thank you for inviting me to speak with you this afternoon on behalf of the State of Louisiana, and as the State administrator of the Child Assistance program.

Louisiana has targeted our welfare efforts on anti-poverty and strategies to assist families in maintaining their independence. Programming in Louisiana is focused on preparing families for work and enabling them to advance in their employment once they have a job.

Next year, Louisiana has proposed to spend over \$140 million on non-assistance activities, including doubling the 4-year-old pre-K initiative to \$32 million, investing in child literacy, and continuing employment upgrades.

We are currently most fortunate to have an administration that has taken full advantage of the flexible programming afforded to States through the TANF block grant. Furthermore, our Governor has served as a leading proponent of innovative investments in prevention efforts to help families stay off of welfare and avoid any cycle of dependence.

As the poorest State in the Nation, with high drop-out rates and low literacy levels, Louisiana's commitment to work is evidenced in our 24-month time limit for receiving cash assistance.

Louisiana's focus on work and strengthening families is also emphasized through revised child care policies and procedures that were implemented on March 1.

Our State has increased eligibility from 60 percent to 75 percent of the State Median Income, and has increased co-payments made by the State to 100 percent for the poorest recipients.

While we are proud of these achievements, there are many needs surrounding the child care assistance program that require attention. Prior to the policy change outlined above, Louisiana served approximately 38,000 children and spent \$7.7 million per month for families receiving child care assistance, and those who transitioned off of welfare as well as receiving cash assistance.

Within our sliding fee scale, a family of three with a monthly income of \$1,219 qualifies for child care assistance requiring no co-payment. A family of three with an income above \$2,596 exceeds eligibility.

If Louisiana increased our eligibility to 85 percent of the State Median Income, that would mean approximately \$8.4 million more funding would be required annually.

We are currently meeting Federal work participation rates with a majority of participants involved in unsubsidized employment, and increasing expectations will necessitate increased costs, which will mean reduced funding for low-income families in the workforce.

Only 25 percent of families who have left the cash assistance case loads are enrolled in the child care assistance program.

There is a shortage of providers, particularly in rural Louisiana. We are unable to aggressively recruit and retain providers due to such low reimbursement rates.

At the national level, attention is turned to rethinking child care and early education not only because the support enables parents to work, but also due to the fact that we know how early brain development influences learning.

Evidence abounds regarding the importance of child care, yet we have not realized all of the solutions to problems in this system of caring for our youngest citizens.

According to the Southern Governors Association's brief on TANF reauthorization, child care costs represent the third-largest expense for most families and for those with incomes that are less than \$14,000 a year.

As parents transition into employment, child care assistance can be the difference between maintaining employment or returning back to the cash assistance case loads.

In States with shorter time limits, such as Louisiana, parents who have exhausted their 24 months do not necessarily have the option of returning to cash assistance. This policy reinforces the importance of personal responsibility and the critical role of supportive services.

The most critical needs surrounding child care involve implementation and maintenance of quality programming, funding issues, as well as availability and accessibility of care for working parents.

Each of these components, at times, are involved in competition against one another. Constant choices are having to be made between increased quality and more affordable care for a broadened constituency.

Accountability investments in the K-12 system could realize an even greater return, with increased attention given to quality child care programming. In light of the fact that children are being held to higher expectations in traditional school settings, quality child care is necessary to ensure their readiness.

Effective training and continuing education for providers, as well as competitive compensation, prevent turnover, which is essential to quality child care, and the recruitment and retention of quality providers is costly. Instructors are seeking smaller class sizes and lower student-teacher ratios for the benefit of the children.

Engaging parents in the efforts to develop quality child care is just as essential as engaging providers. The most progressive States, such as North Carolina, Georgia, and Montana, to mention a few, have programs that teach parents to become knowledgeable shoppers for quality care.

Parents are offered assistance in selecting their providers because parental choice is valued in the State of Louisiana. Across the Nation, current funds in child care have been able to afford just over 10 percent of families eligible the care that they need.

As state directors work to administer these programs with the highest level of integrity, we are charged to balance our efforts between aggressive service delivery and fiscal responsibility.

Families must be able to access and pay for quality child care if States are to succeed in developing a workforce that will foster a strengthened economy.

Louisiana and our fellow States are anxious to continue our welfare reform efforts with child care assistance programs that enable families to work to attain true self-sufficiency, while adequately preparing children to develop appropriately for the K-12 system.

We believe that true success in the child care program can only be realized once all stakeholders are actively involved. Louisiana is committed to serving working parents and their children, with particular emphasis on poverty prevention through education for our children. It is their success that will illustrate the true achievement of our current welfare reform efforts.

Thank you very much.

Senator BREAUX. Thank you, Ms. Williamson.

[The prepared statement of Ms. Williamson appears in the appendix.]

Senator BREAUX. Ms. Flamand, we are glad you are with us. Thank you very much for being here.

**STATEMENT OF VICKI FLAMAND, PARENT, FT. WALTON  
BEACH, FL**

Ms. FLAMAND. Good afternoon, Mr. Chairman and distinguished members of the committee.

My name is Vicki Flamand. I am a 30-year-old single mother of a beautiful 2-year-old girl. I live in Ft. Walton Beach, Florida. I am a hard worker and I have always prided myself on my ability to be self-sufficient. I maintain a small, two-bedroom apartment for



my daughter and myself and I drive a 10-year-old vehicle because I cannot afford a newer one.

I work very hard to provide a safe and stable environment for myself and my child, while struggling to work and go to college. I strongly believe in the importance of consistency within my daughter's environment in order to provide her with a sense of security and love.

To this end, I have struggled to keep my child with the same child care provider for the majority of her short life. The obstacles to fulfilling this goal include, but are not limited to, changing jobs in order to meet my provider's new hours.

Now I am confronted with a new obstacle for which there seems to be no way around. You see, as a single mother, I make only enough to pay my bills and live a very modest lifestyle. My annual income is \$13,500 per year, and that includes my food stamp benefit.

As I have said, I am a hard worker and I go to work every day. Until recently, I received transitional child care assistance through Okaloosa Walton Child Care Services, which helped pay my child care fees.

However, my transitional child care benefit ended on March 1 of this year. My income still places me well within Florida's eligibility level for child care assistance and I still qualify for help paying for my child care expenses.

However, due to a lack of funds in Florida this year, my daughter and I have been placed on a waiting list for child care help, along with 358 other families in Okaloosa and Walton Counties, and over 46,000 other families in the State.

Now I am left with the dilemma of no help with my child care costs. I cannot afford to pay full child care fees so that I can work, as my weekly child care expenses total over 42 percent of my weekly take-home pay. I could, of course, quit working and return to welfare, but I choose to work hard so that I can teach my child the importance of self-sufficiency.

I am not asking to be supported by the government. But is the concept of the transitional child care program and others like it not to promote self-sufficiency for working parents who are willing and able to go to work, but even with doing so, remain below the poverty line?

I have been told by many agencies that the only way I can obtain assistance with my child care expenses is to quit my job and apply for cash assistance. Please tell me what message our government is sending to parents like me, when the only way I can support myself and my child is to quit.

I know that I am not the only parent with this dilemma. According to Okaloosa Walton Child Care services, there are dozens of other families in these counties alone who are in my very same situation, and more working parents are being turned away every day.

As a productive citizen and a taxpayer, I think it is my responsibility and right to be heard. Please step forward for parents like me. Show us that we are not wrong for wanting to work and teach our children the importance of self-sufficiency.

Help us by approving significant new funding for the Child Care Development Block Grant so that we do not have to choose between quality care for our children and our jobs. Thank you.

[The prepared statement of Ms. Flamand appears in the appendix.]

Senator BREAU. Ms. Flamand, thank you very much. I know that Senator Graham has to chair another committee. Senator Graham, do you have any questions you would like to ask before you have to depart?

Senator GRAHAM. You mentioned, Ms. Flamand, the long waiting list in Okaloosa and Walton County, as well as in the State, for subsidized child care. Are there any other alternatives available to you other than quitting your job and therefore making yourself eligible, or paying 42 percent of your income in child care?

Ms. FLAMAND. Well, sir, I have spent about 20 working hours since this happened to me researching other alternatives for possible child care funding. There are no other programs in my area that fund child care other than programs that fund for you while you go to school.

But, during my work hours, Okaloosa Walton Child Care Services is the only funding available, and now it is not available any more. I pay approximately \$90 a week for child care now. I used to pay \$8.

Senator GRAHAM. If I could ask one other question. Are you continuing to be a student at Okaloosa Walton Community College?

Ms. FLAMAND. Yes, sir, I am. As a matter of fact, I am proud to say that, through this letter, I have been offered a scholarship to help me pay for my funds and books while I go to school. Unfortunately, that does not resolve my current situation for day care.

Senator GRAHAM. There is no child care available through the community college?

Ms. FLAMAND. No. There is a program called Mom's House, but they only cover the time while you are in classes.

Senator GRAHAM. If you continue your education, to what degree are you aspiring now?

Ms. FLAMAND. I am working on my paralegal degree at this point, and I hope that that will take me above the poverty line and allow me to support my child without any further assistance.

Senator GRAHAM. So you are in lots of dilemmas.

Ms. FLAMAND. I am.

Senator GRAHAM. What do with your child, you want to continue your education, and if you do, that may be the key to moving out of poverty.

Ms. FLAMAND. Exactly.

Senator GRAHAM. So this one issue, the absence of child care, is about to cause your very thoughtful plan and your demonstrated commitment to realize that goal to be shattered.

Ms. FLAMAND. That is correct. It has literally put me into a situation of possible homelessness. I have to choose between paying my day care expenses and paying my bills.

Senator GRAHAM. Thank you, Mr. Chairman.

Senator BREAU. Thank you very much, Senator Graham.

Mr. Greenberg, we will receive your testimony.

Senator DODD. Incidentally, on Mark, just to give him a proper send-off here——

Senator BREAU. He is not leaving yet. [Laughter.]

Senator DODD. No. But this man knows more about this subject, and I mean this. Over the years, we have benefitted tremendously.

A lot of people get public credit for making us aware of what the realities are out there, but Mark, over the years, has just provided an incredible amount of information, reliable data, and understands the very complicated subject matter when you get down to various funding streams and the like.

So, Mark, we are very, very grateful to you for your continued service on this issue over the years.

Mr. GREENBERG. Thank you very much, Senator Dodd.

Senator DODD. Before Bob Graham leaves, let me tell you something, if anyone is watching on C-SPAN, Vicki, if some law firm does not hire you tomorrow, they are crazy. You are smart. [Laughter.]

Ms. FLAMAND. Thank you.

Senator BREAU. Mr. Greenberg?

**STATEMENT OF MARK GREENBERG, SENIOR STAFF ATTORNEY, CENTER FOR LAW AND SOCIAL POLICY, WASHINGTON, DC**

Mr. GREENBERG. Thank you.

Senator Dodd, Senator Breau, members of the subcommittee, I very much appreciate having the opportunity to be here.

I think, in listening to Ms. Flamand's testimony, we are all struck by how powerfully it exemplifies the problems that parents face in situations where they need child care help and it is unavailable, the terrible dilemmas it presents for them, the horrible choices.

It is a situation which, for some families, has been addressed by some of the improvements in recent years, but I think her story helps underscore what still needs to be addressed.

Let me say in starting out, I have, since enactment of the 1996 welfare law, spent a lot of time looking at both the child care and the welfare parts of the law in following implementation across the country.

Certainly, an important part of the story is that, since 1996, there really has been an extraordinary expansion in employment among low-income families. The employment rate for single mothers is now at an historic high, 73 percent in the year 2000. An array of studies tell us that most of the families who have left assistance are working.

At the same time, the studies very consistently tell us that families who have left assistance are working in low-wage jobs. They start in low-wage jobs. There is evidence of some improvement over time. It is not dramatic. So, by the end of a year or two, they are often still in low-wage jobs. It underscores the crucial importance of child care for them.

At the same time, other research tells us that low-income families that have not had a recent connection to the welfare system are also in low-wage jobs, sometimes even lower wage jobs.

The story of trying to provide child care assistance is not just about families receiving or leaving welfare. A broader group of low-income families need help.

Part of what Ms. Flamand's story exemplifies, is that no State would want to have a structure where they say to families, the best way to get access to child care is to come into the welfare system.

That is not the direction States want to go. A lot of what they have tried to do over the last 5 years is to create a structure where families do not need to come into welfare in order to get child care.

So, as you face reauthorization, certainly one part of the discussion is how to address the child care costs of whatever new work requirements are considered.

At the same time, I would urge that your focus not be limited to just child care needed to meet the welfare-to-work requirements, that there are enormous unmet needs for other low-income families and a central part of State strategies is trying to ensure that the needs of those families are met, also since 1996, States have been able to increase child care spending and part of the reason has been the increased funding under the Child Care Development Block Grant.

The other crucial part of the story has been the ability of States to use TANF funds. As welfare case loads declined, it freed up money. By the year 2000, only about 43 percent of funds were being used for cash assistance.

States were able to use the funds freed up as caseloads tell for an array of activities, but the single biggest redirection of funds has been to child care, because States recognized the importance of child care as integral to their overall strategies.

By the year 2000, 33 States were spending more money on child care than on basic assistance. This reflects an extraordinary transformation in a very short period of time.

And, it underscores the basic reorientation in State efforts. Part of the child care spending involves helping families when they receive or leave assistance, but a major reason why case loads have fallen is probably because child care help is now more broadly available for families outside the welfare system.

In terms of the numbers that Assistant Secretary Horn suggested, I think it is probably the case that the share of eligible families who are getting child care help is greater than 12 percent.

As I discussed in my written testimony if we could look at all available funding sources, and at the increased funding from 1999 to 2001, participation is probably higher than 12 percent, but that does not change the basic story.

The basic story, is that most families who are eligible under Federal law are not getting child care help. We see it in a lot of ways. We see it in waiting lists in a number of States. But in those States that do not have waiting lists, what one will often hear is that the State does not do active outreach.

The reason that the State does not do active outreach, is because the State understands that there is no point in doing active outreach if you cannot respond to the needs. It would be pointless to generate a lot of interest and many people coming in if you know that you cannot help those families.

So part of the way that the limited resources do get reflected, is in setting eligibility levels lower than allowed under federal law. Part of the way is by having waiting lists. Part of the way is to not do outreach. And, part of the way is by setting payment rates for providers that are below local market rates and, which often prevent families from having access to a broad range of care.

As the committees look ahead to the administration's plan, there are going to be controversies about many aspects of the plan. But the thing that seems clearest, is that shifting the nature of the work requirements to involve many more people and to move from 20- and 30-hour obligations to 40-hour obligations has to involve additional child care costs.

It is important to try to determine what they might be. In my view, it would be important to assure that any legislation adequately addresses them, and at the same time to also address the needs of other working families.

The final point that I want to emphasize, is that as we look at the experience of the last 5 years, there has been significant progress in States in providing child care assistance. The fact that there are significant unmet needs should not diminish our recognition of progress that has been made.

At the same time, the principal engine that has allowed States to expand child care assistance has been TANF funding. For a lot of reasons, that engine is not going to be there over the next 5 years. TANF funds are not increasing. States are already spending in excess of their annual TANF block grants.

The majority of States are now facing case load increases. So, the basic approach that worked for the last 5 years won't work for the next 5, and it underscores the crucial need to address overall child care funding if we hope for States to make continued progress in the next 5 years. Thank you.

[The prepared statement of Mr. Greenberg appears in the appendix.]

Senator DODD. That is great testimony.

Senator BREAUX. Thank you very much. Everybody had a good story to tell us, and valuable information.

Secretary Williamson, I think you all have made great progress. I think, really, if you look back at where we started in this process to where we are, welfare reform—there were predictions that the sky was going to fall and terrible things were going to happen.

We are a long ways from what we can say is an unqualified success, but real progress has been made. The numbers are about the number of people who are no longer on cash assistance, who are making progress, who have jobs because of the changes. I think that is a real significant accomplishment as a Nation.

But the administration is recommending some new concepts, some new ideas about what we need to be doing in terms of work requirements, et cetera. Secretary Williamson, as the state director in Louisiana or the person that is working on this program, what do you find to be a problem with the recommendations from the administration, as we know what they are recommending?

I know we have Mike Foster, a Republican Governor, but you are running the program every day and he has got a great deal of faith

in you all. What do you think are problem recommendations for changes that the administration has made?

Ms. WILLIAMSON. Louisiana is absolutely committed to work. Louisiana is absolutely committed to ensuring that families become employed and stay employed, get beyond that cycle of dependence.

Therefore, to ensure ongoing employment, support services have got to be as solid, and consistent, and available to rise to the increased expectations we are going to have of cash load assistance recipients, as well as those who have transitioned beyond cash dependence.

Senator BREAU. So what specifically are they recommending that causes you problems, if in fact that is our goal?

Ms. WILLIAMSON. We recognize that the majority of Louisiana's funding, over 60 percent, is for those families who have gone beyond cash dependence. If we have increased expectations that we need to meet for that smaller percentage of families who do receive cash assistance, it will cause us to have to shift our resources, our energies, our staff time toward a smaller population, and therefore neglect the very critical needs of those working poor. That is a concern, because Louisiana is absolutely committed to ensuring that we get people beyond welfare dependence.

Senator BREAU. So what would you recommend that we in Congress do with regard to reauthorizing the legislation?

Ms. WILLIAMSON. It is critical that if the work activity expectations are so stringent and specific, that we address those with the appropriate increase of supported service funding and ensure that flexibility is maintained so that States do not have to prescribe to such a specific prescriptive way of engaging participants in countable work activities. We need to open up what is accountable work activity.

Senator BREAU. So if you have greater work requirements and all that encompasses those work-related requirements, you would be spending more TANF dollars for that, which would mean you would have less for child care.

Ms. WILLIAMSON. And preventive efforts. Exactly.

Senator BREAU. All right. Yes. Thank you.

Ms. Flamand, we were talking, Senator Dodd and I. I mean, you are to be congratulated. You serve as an example to an awful lot of other single moms out there that are really trying to do better.

If you looked at it from a bottom line perspective, maybe you would just quit. You would be eligible for Medicaid. You would get health care assistance. You would probably get more cash assistance. But that is really not what you want. That is not what you are all about. That is what we are trying to encourage. What you are doing is what we are trying to encourage everybody to participate in.

You have health care assistance where you work, insurance?

Ms. FLAMAND. I do not, with my job, because of my hours. Because of my day care provider's hours, I am only allowed to work up to a certain point during the day, which limits me from working a 40-hour week.

Senator BREAU. So you do not have health insurance.

Ms. FLAMAND. So I do not have health insurance. My daughter has Medicaid, but I make too much money and I have to pay a large co-payment on her Medicaid. I have no insurance for myself.

Senator BREAUX. So you do not have health insurance yourself.

Ms. FLAMAND. No.

Senator BREAUX. May I ask where you are working? What type of job do you have?

Ms. FLAMAND. I work for an attorney's office in Ft. Walton Beach.

Senator BREAUX. All right. Well, you are to be congratulated. You are a great example.

Ms. FLAMAND. Thank you.

Senator BREAUX. Keep up the good work.

Mr. Greenberg, specifically, we have got to look at the recommendations of the administration and Mr. Horn, and we have got to either accept it like it is or make some changes.

If you agree that changes need to be made, what specifically do you recommend we do?

Mr. GREENBERG. I should begin by saying that like many people, I was frankly puzzled when I first saw the administration's plan, because the thing that has been clearest in recent years is that States have been tremendously focused on getting families engaged in work.

One of the strongest themes in reauthorization discussions, both from States and advocates has been the need for more flexibility in responding to the families who are still receiving assistance.

There is a recognition that many of those families often have multiple serious barriers to employment: health issues, mental health issues, domestic violence issues, substance abuse, English as a second language, a set of circumstances that all counsel for having a more flexible, individualized approach.

And, there has been a recognition that, while many people have entered employment, the jobs are often very low wage. There has been a lot of interest efforts to improve job quality and to broaden access to education and training programs.

So, one of the things that is puzzling, is that the proposal seems to be restricting the ability of States to have more flexible responses in addressing the situations of families with multiple barriers and families needing access who could benefit from the access to training.

Frankly, one of the other things that is puzzling is moving to a structure of 40-hour requirements, when, up until now, there had really not been conversations in which people were saying the existing requirements of 20 and 30 hours of engagement under current law were a problem.

The focus for States has largely been on saying, what are the things we need to do to help someone get a job? It hasn't been, how do we fill up their day or their week with 40 hours of activity?

So, I really think there are questions about the basic approach that the administration is putting forward. It does not reflect the approach to designing programs that States have chosen when they have had flexibility under the law to implement what they think is best.

Having said all that, it does seem crucial that, if something like this is going to occur, that there be a genuine determination of the best estimates of what the child care costs are likely to be for doing it.

One of the things for which I had some concern in listening to Assistant Secretary Horn, is that clearly the public impression is that this is about a 40-hour simulated work week. Assistant Secretary Horn was indicating that apparently some parts of the 40-hour requirement could be doing various activities with one's child.

But, as a practical matter, if the world hears that this is about a 40-hour requirement, they are going to think it means a 40-hour requirement. That is what State legislatures are going to think, and that is the way they are going to write their programs.

So, I think if what is written into the law says 40 hours, it would be really be hazardous to not put in place the child care funding needed to meet such requirements.

Senator BREAUX. Thank you. It is sort of ironic. This administration is pushing less flexibility to the States. The whole trend has been in the opposite direction.

Senator Dodd?

Senator DODD. Well, is it your recommendation then, Mark, on the last point here, that the existing levels are really working pretty well and that we would be well-advised just to leave that alone?

Mr. GREENBERG. There are a couple of areas where I think there is need for a change. One of them that Assistant Secretary Horn talked about was this thing called the case load reduction credit, which has given enormous incentives to cut welfare case loads, frankly, whether or not it translated to employment.

In my view, it does make sense to get rid of the case load reduction credit. At the same time, it would make sense to say States should be able to count people who leave for work; that that is a good outcome and that that ought to get reflected.

So I would recommend that kind of change around the participation requirements. And, I would recommend broadening what is accountable activity. That is the jargon that is used to talk about the ability to work with people with multiple barriers and to do what makes sense for them, to allow access to education and training.

The one other thing that I would say, which I understand is sometimes difficult in the politics of all of this, is that what many States would say is that the participation rates in the law are not the thing that have most helped them have work-focused programs, that often times they actually get in their way.

What States want to do is focus on outcomes, and participation rates often push them to focus on process. How many people for how many hours? The higher the rates become and the more hours that people must be engaged, the more they will have to focus on, what are the things we have to manage to meet those rates, rather than, how can we help people get into jobs?

Senator DODD. Yes. The outcome results.

If we were to take those suggestions you have made so we would not get into this "40 hour" thing, would you still find yourself arguing that we need to do more in the child care area, even under that set of facts?



Mr. GREENBERG. I would. The reason is, as I suggested at the end of my testimony, the principal way States have been able to expand child care funding in recent years has been by drawing on TANF funds as their welfare case loads went down.

At this point, the case loads have stopped going down. In most of the country, they have actually begun to go up. So, the notion of relying on TANF funds as a strategy for how to increase child care funding for the future will not work.

The other consideration, is we spent a lot of time talking with State child care administrators last year. One of the things we often heard, was that, on the one hand, they greatly appreciated having access to TANF money.

At the same time, there was a real vulnerability and uncertainty in trying to have a child care budget when you never knew what you were going to have next year because it depended upon what was happening on the TANF side.

Senator DODD. Yes. Well, I was going to ask—heard your name, sitting in the chair in the row behind.

Ms. REICHER. Dana Reicher.

Senator DODD. Why do you not pull up your chair? I want to ask you some questions. You run the TANF program in Louisiana, do you not?

Ms. REICHER. That is correct.

Senator DODD. Is that right?

Ms. REICHER. Yes.

Senator DODD. Talk to us in real terms here. I understand what Mr. Greenberg has said, but as a practical matter, describe for us what is happening here. We use these names like TANF, and so forth. I suspect that a lot of people wonder what we are talking about.

But tell me why what Mark Greenberg has just said—I saw you nodding your head in agreement. So tell me, as a practical matter, what is happening in your State or what you see happening in your State.

Ms. REICHER. Sure. Again, for the record, my name is Dana Reicher. I am the TANF director for the State of Louisiana.

What Mr. Greenberg described is the fact that, right now, States are very much focused on process. We are very much focused on work, time limits, and personal responsibility.

But in order to not be penalized by our Federal folks, we have to ensure that a certain percentage of all of our families, 50 percent, are engaged in countable work activities.

There are certain things that are countable for an initial 20 hours. In the State of Louisiana, the majority of our folks are focused on unsubsidized employment. They have a regular job, but they are still on cash assistance rolls.

So we thought that was the directive that the administration here in Washington gave us. We did that. We implemented it. We were successful at it. We think that a paycheck is much better than doing some of these other activities just to do process.

However, we also have very low literacy rates in Louisiana, where some folks cannot read in order to fill out a job application. We are not going to send those folks to employers. They are going to send them right back to us and say, you did not educate them.

They do not have a GED. They cannot read. What are you sending them to me for?

We want to have the flexibility to say, you know what? For that person, we need to get them a GED so they can fill out the job application. We cannot count that right now. We want the flexibility that will allow us to count the range of things that we do to prepare our folks for the world of work.

We also want the flexibility to be able to provide the types of wage advancement opportunities that we currently are able to provide, in addition to the prevention strategies that we are doing so folks do not have to grow up thinking about welfare offices as the alternative solution.

Senator DODD. Yes. Now, tell me about the TANF funds in your State and what Mark Greenberg said about that, the concern that that TANF dollar is going to start to disappear for child care.

Ms. REICHER. For child care. What happens is, because States are investing more money from their TANF block grant into child care because they had reduced case loads, well now they are spending about what they were and case loads are remaining static. So, there is no extra cushion from not having to pay cash assistance welfare checks. So the money that we have been able to depend on in past years will no longer be there for many States.

It is also the case that a majority of States have actually utilized a lot of their carry-over money, so you heard Secretary Horn mention that they are spending more amounts of their block grant. Those amounts of money are becoming less and less. Is that the question?

Senator DODD. Yes. So that dollar amount, if you take the mandate, the CCDBG, and the TANF dollar, that \$4 billion out of the \$16 billion, about a quarter of TANF money was being used for child care. That \$4 billion number is going to start to really decline. The ability to have access to that \$4 billion is disappearing.

So then you are still having a static population in some cases, hopefully, but yet the demands are not going to go down, and the resources to make up for the loss of the \$4 billion are not there, even if you presently accept the work requirements. Add work requirements, reduce TANF, and you have just compounded the problem significantly.

Ms. REICHER. Exactly.

Senator DODD. Is that saying it pretty well?

Ms. REICHER. Yes.

Senator DODD. All right.

Senator BREAUX. Let me ask a question of Dana. You are saying that in Louisiana, I think, only about 30 percent of the TANF money is used for cash assistance.

Ms. REICHER. That is correct. In our current budget, we have allocated 30 percent of the money for cash assistance payments. The majority of our money is focused on poverty prevention and wage advancement.

For example, you heard the woman from Florida. We pay for child care for someone who is participating in a community college. We pay for that. We pay for transportation. We have got a significant investment in making sure people get access to advanced skills.

We think that is a good idea. We think it is a productive thing to do. We do not want to stop doing that to just mess around in the cash assistance case load.

Senator DODD. Yes. Well, that is great. Mr. Chairman, thanks. Again, Vicki, we thank you. It takes a lot to come into a public hearing and to talk about your personal circumstances. That takes a special courage. I want you to know that all of us really appreciate your coming here to reveal the details of your life in front of a national audience, in effect, here.

But there are literally millions of people like you in similar circumstances, so you are really speaking on their behalf. They cannot say so, but I will promise you, an awful lot of people out there are grateful to you for coming forward and talking about your circumstances.

What we are going to try and do, is see if we cannot make it easier for you to make that transition, so you end up with not only maybe being a legal assistant there, but I think you would make a pretty good lawyer, based on the arguments you have made here today on your own behalf.

Ms. FLAMAND. Thank you.

Senator DODD. So, thank you. And Mark, thank you as well.

Senator BREAUX. Well, your story is really an inspiration and we are very proud that you were here. Thank you all from Louisiana. Mark, thank you very much.

I will conclude this joint hearing of our two committees, and we will stand adjourned.

[Whereupon, at 4:30 p.m. the hearing was concluded.]



## APPENDIX

### ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

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#### PREPARED STATEMENT OF HON. MARK DEWINE

Thank you for holding this joint hearing today on the issue of the workforce and child care an issue of great importance for both committees and more importantly to American families. All of us here today know that our children are the most vulnerable members of our population and yet our most valuable resources. As the parents of eight and grandparents of six, soon to be seven, my wife, Fran and I know the responsibility, time and dedication it takes to ensure that children—especially very young children—receive the proper care.

The first five years of a child's life are a time of momentous change. Research shows that a child's brain size doubles between birth and age three. I remember my own children during this time, and it seemed like everyday they were learning and doing something for the first time—walking, crawling, learning another new word. Kids are like sponges, particularly at this early stage of life. And, with 75% of children less than five years of age in some kind of regular child care arrangement, the quality of child care is an import part of our children and families' lives, from the day children are born. No one can replace a mother but, parents need to feel confident that the people caring for their children are giving them the same type of love and support that they would provide.

Since the implementation of Ohio Works First, Ohio's welfare program,  $\frac{2}{3}$  of those leaving the welfare roles report that they are working. Many of these newly employed works have children under the age of 5, and the average child care caseload in the State has increased by  $\frac{1}{3}$ .

Nationally, close to 6 million infants and toddlers are regularly cared for by someone else while their mothers work, many as early as three months of age. The use of centers as a source of care for children under the age of three has tripled since the 70's. Centers are here to stay, so we must make sure that the care these children are receiving is quality.

The quality of care and interactions that children experience during their first years of life play a pivotal role in preparing our children for kindergarten more importantly for life. Kindergarten teachers could tell you on day one, which students received quality pre-primary education and which ones hadn't gone to a quality program or had never been in an structured setting before at all.

Research shows that children who attend quality childcare programs when they were three or four years-old scored better on math, language, and social skills in early elementary school than children who attended poor quality childcare programs. High quality early childhood programs have several factors in common: low teacher ratio, well-trained and paid teachers, and low staff turnover.

I am eager to hear from the panel as to how they view the relationship between child care and the workforce. These are all very complex issues. We need to find a balance between quality child care programs and ensuring that we reach as many children as possible. Again, I thank both Chairmen for holding this hearing, and I look forward to working with my colleagues on these vital issues.

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#### PREPARED STATEMENT OF VICKY FLAMAND

Good morning Mr. Chairman and distinguished members of the Committee. My name is Vicky Flamand. I am a 30 year old single mother of a beautiful two year old girl. I live in Fort Walton Beach, Florida. I am a hard worker and have always prided myself on my ability to be self-sufficient. I maintain a small two-bedroom

apartment for my daughter and myself and I drive a ten-year-old car because I cannot afford a newer one. I work very hard to provide a safe and stable environment for myself and my child while struggling to work and go to college.

I strongly believe in the importance of consistency within my daughter's environment in order to provide her with a sense of security and love. To this end, I have struggled to keep my child with the same child care provider for the majority of her short life. The obstacles to fulfilling this goal include, but are not limited to, changing jobs in order to meet my provider's new hours.

Now I am confronted with a new obstacle for which there seems to be no way around. You see, as a single mother, I make only enough to pay my bills and live a very modest lifestyle. My annual income is \$13,500 per year, and that includes my Food Stamp benefit. As I said, I am a hard worker and I go to work every day. Until recently, I received Transitional Child Care assistance through Okaloosa-Walton Child Care Services, which helped pay my child care fees. However, my Transitional Child Care benefit ended on March 1 of this year. My income still places me well within Florida's eligibility level for child care assistance and I still qualify for help paying for my child care expenses.

However, due to a lack of funds in Florida this year, my daughter and I have been placed on a waiting list for child care help, along with 358 other families in Okaloosa and Walton counties, and over 37,000 other families in the state.

Now I am left with the dilemma of no help with my child care costs. I cannot afford to pay full child care fees so that I can work, as my weekly child care expenses total over 42% of my weekly take-home pay. I could, of course, quit working and return to welfare, but I choose to work hard so that I can teach my child the importance of self-sufficiency. I am not asking to be supported by the government, but isn't the concept of the Transitional Child Care program and others like it to promote self-sufficiency for working parents who are willing and able to work, but even with doing so remain below the poverty line? I have been told by many agencies that the only way I can obtain assistance with my child care expenses is to quit my job and apply for cash assistance. Please tell me what message our government is sending to parents like me when the only way I can support my self and my child is to quit my job.

I know that I am not the only parent with this dilemma. According to Okaloosa-Walton Child Care Services, there are dozens of other families in these counties alone who are in my very same situation, and more working parents are being turned away every day. As a productive citizen and taxpayer, I think it is my responsibility and right to be heard much more clearly. Please step forward for parents like me. Show us that we are not wrong for wanting to work and teach our children the importance of self-sufficiency. Help us by approving significant new funding for the Child Care and Development Block Grant so that we don't have to choose between quality care for our children and our jobs.

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#### PREPARED STATEMENT OF MARK H. GREENBERG

Mr. Chairmen and Members of the Subcommittees:

Thank you for inviting me to testify. I am a Senior Staff Attorney at the Center for Law and Social Policy (CLASP). CLASP is a nonprofit organization engaged in research, analysis, technical assistance and advocacy on a range of issues affecting low-income families. Since 1996, we have closely followed research and data relating to implementation of the child care provisions of the Personal Responsibility and Work Opportunity Reconciliation Act.<sup>1</sup>

Today's hearing focuses on the role of child care in helping families enter and sustain employment, on the experience of States in operating child care subsidy programs in recent years, and on issues and challenges as Congress faces reauthorization of the Child Care and Development Block Grant and the Temporary Assistance for Needy Families Block Grant. In my testimony, I make the following principal points:

- Child care plays a crucial role in helping families enter and maintain employment and be more productive by ensuring the safety and well-being of children while parents work. At the same time, child care is often the principal early education program for young children.
- For low-income families, there are two principal sources of federal child care assistance: the Child Care and Development Block Grant (CCDBG) and the Temporary Assistance for Needy Families Block Grant (TANF). Since 1996, combined federal and state funding for child care under CCDBG and TANF has more than doubled. Most of the growth in spending has been attributable to federal funds, and the majority of those funds became available through TANF as

state welfare caseloads fell. However, for a number of reasons, TANF is not likely to be a growing source of child care funding in the next five years.

- Increased funding since 1996 made it possible for many States to increase numbers of children served, raise eligibility levels, reduce parental copayment requirements, raise provider rates, and expand initiatives to improve the quality of care. While these developments are notable, States still must make difficult trade-offs, mostly due to limited resources. Most eligible children do not receive child care subsidy assistance, most States set eligibility well below the allowable limits of federal law, copayments are often higher than desirable, and rates are often insufficient to ensure access to a broad range of care. Efforts to promote early learning in child care environments are often not statewide in scale. Moreover, the economic downturn has meant that a number of States are facing budget shortfalls that jeopardize some of the progress that has been made.
- The Administration's recently proposed welfare plan would substantially increase welfare work-related requirements, but provides for no additional TANF or CCDBG funding. As Congress reviews the plan, it will be important to ensure that adequate child care resources are provided to address the increased needs associated with increased work requirements. At the same time, the focus in reauthorization should not be limited to providing the child care needed to meet welfare work requirements. A critical part of state progress in recent years has involved extending child care to low-income working families outside the welfare system, and reauthorization should also seek to address the significant unmet needs of low-earning working families.

*Background: The importance of child care in promoting work and child development*

Child care plays a number of related and important roles in helping families, children, and the nation's economy.

Child care helps parents at all income levels enter and maintain employment. The increased availability of child care has been linked to an increased likelihood that single mothers will be employed.<sup>2</sup> When members of the Welfare to Work Partnership were asked in a poll about what they would do the most to improve job retention among welfare recipients, child care was at the top of the list. According to the Welfare to Work Partnership, the provision of child care benefits by employers increases retention, decreases absenteeism and improves productivity.<sup>3</sup>

Child care has become particularly important in light of the dramatic increase in employment among low-income single mothers in recent years. In announcing its welfare reform proposal, the Administration reported that after a decade in which the annual employment rate for single mothers hovered around 58%, the rate had increased every year through 2000, and reached over 73% of mothers heading families in 2000. Moreover, employment rates for never-married mothers increased from under 46% in 1995 to nearly 66% in 2000, an increase of over 40% in just five years. The Administration observed: "These employment increases by single mothers and former welfare mothers are unprecedented. By 2000, the percentage of single mothers with a job reached an all-time high."<sup>4</sup>

While employment for low-income parents has surged, much of that employment has been in low-wage jobs. According to data from the National Survey of America's Families (NSAF), median wages for recent welfare leavers in 1999 were \$7.15 an hour.<sup>5</sup> State studies typically report wages in that range. A CLASP review of more than 30 recent leavers studies found that median wages ranged from \$6.00 to \$8.47 an hour, with most States showing median quarterly earnings of \$2,000 to \$2,500.<sup>6</sup> At the same time, earlier analysis of NSAF data found that median wages of welfare leavers were actually somewhat higher than those of other low-income mothers who did not have a recent connection to the welfare system,<sup>7</sup> which suggests the importance of child care to low-income families who are not current or recent welfare recipients.

Child care subsidies can make a substantial contribution to a family's financial wellbeing. Child care costs can be high for all families, but represent a larger share of income for low-income working families. The Census Bureau reports that in 1995, families with employed mothers and children under 5 had child care costs averaging \$85 per week, which would translate to \$4,420 per year.<sup>8</sup> Costs are usually higher for families living in urban areas, or those with infants or toddlers; one survey found that the annual costs of center-based infant care in urban areas ranged from about \$3,600 to just under \$13,000 in 2000.<sup>9</sup> Research based on the NSAF found that families earning less than 200% of the federal poverty level with child care costs were paying an average of 16% of earnings for child care, compared with 6% for higher-earning families with child care costs.<sup>10</sup>

Child care can also promote better child outcomes. Since 1996, the body of research linking high quality early education to improved child outcomes, especially

for disadvantaged children, has grown. Studies have found a connection between the quality of early education experiences and later outcomes, including cognitive measures and educational attainment.<sup>11</sup> Furthermore, the National Academy of Sciences (NAS) conducted a review of the literature and concluded that findings consistently point to the role of high quality interventions and early educational experiences in improving early learning, language skills, and achievement in school, as well as improved social and emotional development.<sup>12</sup>

At a time of increased national concern about how to promote school readiness, the role of child care is particularly important, because most preschool children spend a significant number of hours each week in nonparental arrangements. NSAF researchers found that in 1997, 76% of preschool children with employed mothers were cared for in non-parental arrangements. About 41% of preschool children of employed mothers were in full-time care (defined as 35 hours or more), and the proportion increased to 52% among those children with mothers employed full-time. Very young children spend significant amounts of time in full-time care as well: 39% of children under three according to NSAF.<sup>13</sup> Higher-income families are more likely to place their children in center-based, formal child care arrangements. Data from 2000 released by the Census Bureau indicate that 61% of three- and four-year-old children in families with incomes of \$40,000 and above were in center-based arrangements (Head Start, child care centers, nursery schools), compared to only 46% of children in lower income families.<sup>14</sup>

The need for child care does not cease when children attend school, especially for working families. Among school-age children, NSAF data for 1997 found that 55% of six to nine year olds with employed mothers had a supervised setting (including center and family care) as their primary child care arrangement in addition to school, although 10% of this age group spent some time in self-care while their parents worked. Among ten to twelve year old children, 24% do not spend much time in formal settings, and instead care for themselves as their primary arrangement. This is of some concern, given that children in better quality, supervised arrangements may be less likely to engage in risky behaviors, and more likely to have improved academic and social outcomes.<sup>15</sup>

*Child Care Funding: The role of the Child Care and Development Block Grant and the Temporary Assistance for Needy Families Block Grant*

While various federal programs provide limited amounts of child care funding, most federal low-income child care funding comes from two sources: the Child Care and Development Block Grant (CCDBG) and the Temporary Assistance for Needy Families Block Grant (TANF).<sup>16</sup> In FY 2000, approximately \$9 billion in federal and state child care funding came from these two sources.<sup>17</sup>

CCDBG provides States with funds through several different funding streams. Generally, each state qualifies each year for a specified amount of discretionary funds and an additional amount of mandatory funds (sometimes referred to as guaranteed funds). In addition, if a state meets a maintenance of effort requirement (essentially reflecting the level of state spending under a set of child care programs that existed before the 1996 welfare law), the state can receive additional federal matching funds, subject to state match. Overall, in FY 2002, the federal government made available to States \$2.1 billion in discretionary funds and \$2.7 billion in mandatory and matching funds. States, in turn, needed to spend \$888 million to meet CCDBG maintenance of effort requirements, and would have needed to spend \$1.1 to draw down all available matching funds.

States use their CCDBG funds to provide child care services for low-income families and for quality initiatives that may benefit all families. The federal income eligibility limit is 85% of State Median Income (SMI), but States are free to set lower eligibility limits. States must spend at least 4% of their CCDBG funds for quality initiatives, but have broad discretion in determining how to use those funds. The federal government requires that States establish minimum health and safety standards for use of CCDBG funds. The federal law requires that state CCDBG programs ensure that families receiving subsidies have "equal access" to care comparable to that available to families with incomes above the CCDBG eligibility levels. Otherwise, however, States have broad discretion in determining payment rates to eligible providers, copayment requirements for families, licensing and regulatory standards, consumer education requirements, and other dimensions of state systems.

The other principal source of child care funding has emerged from the TANF structure. In 1996, Congress provided States with TANF block grants, set to remain essentially constant through 2002, at a level approximately reflecting federal welfare spending levels from the early 1990s. TANF block grant levels for the nation were set at \$16.5 billion. In return for receiving a TANF block grant, each state is



required to meet an annual “maintenance of effort” level, requiring state spending for low income benefits and services to be preserved at a level approximately reflecting 75%–80% of what the state was spending for welfare-related programs in 1994.

States can use TANF federal funds for child care in two principal ways. First, States may transfer up to 30% of their TANF funds to CCDBG each year. Second States may use TANF funds in any way “reasonably calculated” to accomplish the purposes of the law, including “direct” spending for child care. In addition, States may transfer TANF funds to the Social Services Block Grant (SSBG) or Title XX, subject to certain limits on transferability, and some States use SSBG funds to pay for child care costs. And, a state may count certain state expenditures for child care toward meeting the state’s TANF maintenance of effort requirement.

Since 1996, there has been a historically unprecedented decline in welfare case-loads, and with that decline, States were able to redirect TANF block grant funds to benefits and services other than cash assistance. By FY 2000, only 43% of TANF and MOE funds were being used for cash assistance.<sup>18</sup> States used freed-up TANF funds for a broad range of work and family supports, but the single biggest redirection of TANF funds was to child care. The commitment of TANF funds to child care grew from \$189 million in 1997 to \$3.9 billion in 2000. In 2000, States transferred \$2.4 billion in TANF funds to CCDBG, and directly spent an additional \$1.5 billion in TANF funds for child care. This additional funding allowed States to increase numbers of families helped, raise eligibility levels, lower copayments, raise provider payment rates, and enhance collaboration and coordination with other early care and education initiatives. Although state CCDBG administrators appreciate the flexibility to use TANF funds, some also express concerns that state decision-makers’ redirection of TANF to child care may vary year-to-year, making it difficult to conduct long-run state child care policy planning.<sup>19</sup>

Overall, the combination of increased CCDBG funds and redirected TANF funds has allowed States to make a remarkable transformation in their approaches to helping low-income families and supporting low-earning working families. In 1994, the nation spent \$22.8 billion for cash assistance (under the Aid to Families with Dependent Children Program) and about \$2.7 billion for child care. By 2000, spending for cash assistance had fallen to \$11.6 billion, while spending for child care from CCDBG and TANF grew to \$9.4 billion. Even this somewhat understates the magnitude of the shift: by 2000, spending for child care exceeded spending for cash assistance in thirty-three States. See Appendix to this testimony for state-by-state data.

On one hand, the decline in cash assistance spending made it possible for States to increase child care spending. However, the increased availability of child care played a critical role in making it possible for families to get and keep jobs, so that they could leave welfare or never need to enter the welfare system. The TANF case-load decline is a function of both families leaving welfare and families never entering the welfare system. The fact that states were able to broaden the availability of child care for low-income working families played a crucial role in helping to increase employment and reduce the need for welfare.

In looking at this expanded structure of supports, it is important to appreciate two key facts: first, at least 70% of the spending growth since 1996 is attributable to federal funds;<sup>20</sup> second, the single biggest factor in accounting for the growth since 1996 was the availability of TANF funds as welfare caseloads declined; as discussed subsequently, states are not likely to be able to rely on steadily increasing freed-up TANF funds in coming years.

#### *The experience since 1996: Progress, but significant unmet needs*

What has the additional funding since 1996 meant for families? Increased federal funding made it possible for states to increase numbers of children served, and for many states to reduce parental copayment requirements, raise provider rates, and expand initiatives to address child care quality. While these developments are notable, it remains true that most eligible children do not receive child care subsidy assistance, copayments are often higher than desirable, rates are often insufficient to ensure access to a broad range of care, and quality initiatives often only reach a small share of providers and families.

CLASP has recently worked with organizations in five states—Illinois, Iowa, Maine, Texas, and Washington—to gain additional insight into the experiences of families and child care systems in those states. The findings are contained in five state reports and an overview and synthesis written by CLASP.<sup>21</sup> The discussion in this section draws from both national data and the experiences of the five states.

For the nation, between 1996 and 1999, the average monthly number of children receiving CCDBG-funded child care subsidies grew from 1 million to 1.8 million.<sup>22</sup> In many respects, this reflects a dramatic expansion in the number of families and

children receiving help. However, the number of federally-eligible families also grew over this period, for a number of reasons. First, the welfare caseload dropped by 1.8 million families from 1996 to 1999, and studies consistently find that the majority of leavers are employed, typically in low-wage jobs.<sup>23</sup> Second, the share of families working or participating in work-related activities while receiving TANF assistance also grew significantly; by FY 1999, nearly 900,000 adults receiving assistance were employed or engaged in work-related activities. Third, there was a large increase in labor force participation by low-income single parents, which may include families not previously connected to the welfare system; between 1996 and 1999, the number of employed single mothers grew from 1.8 million to 2.7 million.<sup>24</sup>

Unfortunately, available federal data does not indicate the share of subsidy recipients who are TANF recipients, so it is not currently possible to tell how much of the growth in participation involved low-earning families outside the welfare system. A seventeen state study by Abt Associates and the National Center for Children in Poverty is suggestive: it found that in 1997, TANF children represented 41% or more of those receiving subsidy assistance in 5 of 13 states; by 1999, TANF children represented 41 % or more of those receiving subsidy assistance in 3 of 15 states. In 1997, TANF children represented 20% or less of those receiving subsidies in only one of 13 states; by 1999, TANF children represented 20% or less of those receiving subsidies in 4 of 15 states.<sup>25</sup> This strongly suggests that much of the growth in subsidy participation involved families who had left or had no connection with the TANF system.

Despite the progress in increasing the numbers of families receiving help, most potentially eligible families do not receive child care assistance. HHS has estimated that in FY 1999, there were 14.75 million children meeting federal CCDBG eligibility guidelines. Thus, the 1.8 million children receiving CCDBG-funded subsidies constituted only 12% of potentially eligible children in FY 1999. Note that the 12% figure does not include families receiving subsidy help from other funding sources, though it seems clear that the vast majority of subsidy assistance did occur through CCDBG (including TANF transfers).<sup>26</sup> In light of further funding increases since that time, the share of eligible children receiving subsidy assistance is probably somewhat higher today,<sup>27</sup> but not enough to change the basic conclusion that most eligible families are not receiving subsidy assistance. Based on current data from four of the five states studied in CLASP's report, we estimate that the percentage of federally eligible children served in four states in 2001, from all funding sources, ranged from 8% (in Iowa and Texas) to 28% (in Illinois). Washington State was at 26% and data was not available for Maine.<sup>28</sup>

Most states have raised child care income eligibility levels since 1995, but in 2000, only three states set their income eligibility statewide at 85% of State Median Income.<sup>29</sup> The median state's income eligibility threshold for a family of three in 2000 was \$25,680, up from \$20,436 in 1995. These figures represent an increase from 162% to 181% of the federal poverty level of 1995 and 2000. However, the 1995 and 2000 dollar figures represent a slight decline as compared to SMI, from 58% to 57% respectively.<sup>30</sup>

Setting lower eligibility limits can help states target resources and reach more families. However, one consequence of setting low eligibility limits is "the cliff effect" when a family reaches the eligibility limit through a small increase in earnings, but does not have sufficient wages to afford the full cost of care without a subsidy. Families must then choose whether to continue their child care arrangement, potentially bearing large out-of-pocket expenditures, or move their child into less expensive care. One Illinois parent told her story to the Day Care Action Council of Illinois:

*I got an increase in pay of \$20 a week and (went) from \$250 a month in child care to \$800 a month for child care. It put me over the limit. The income part was not enough to match the child care part and it was like "sorry, you make too much money." I went to my employer and said I don't want a raise. I need my pay reduced. He was like, "are you nuts?"<sup>31</sup>*

Similarly, the study of Iowa's child care system found that when an Iowa family of two is receiving a child care subsidy and the family's income increases from \$15,000 to \$20,000, the family's disposable income only increases by \$34, principally because the family loses eligibility for the subsidy.<sup>32</sup>

States may also allocate limited resources by establishing waiting lists. The Children's Defense Fund reports that as of December 2001, over one-third of states either operate with waiting lists or have frozen child care intake. Among the five states we reviewed, Texas currently has a waiting list of approximately 38,000 children; Maine's waiting list is approximately 2,000 families.

The fact that a state does not have a waiting list does not mean that need is being fully met. Often, states do little or no outreach in administering their child care subsidy programs, because they recognize that it would be counterproductive to engage

in outreach when they would be unable to respond to additional need. None of the five states profiled in the CLASP et al., study were doing systematic outreach to inform low-income families that they are eligible for child care services.

States also allocate limited resources through their copayment policies, i.e., the share of child care costs that participating families are required to pay. HHS has recommended that child care copayments should not exceed 10% of family income. (Non-poor families pay, on average, 7% of their income for child care.<sup>33</sup>) In 2000, almost all states met the 10% standard for a family of three with income at the federal poverty level, but at 150% of poverty, families of three were ineligible for subsidy assistance in seven states, and copayments in excess of 10% were assessed in an additional seven states.<sup>34</sup> Moreover, states with low copayments for lowest-income families may rapidly escalate copayments as family income increases. For example, in Washington State, if a family's pre-tax income increases from \$17,500 to \$20,500 per year, the family's annual copayment increases by approximately \$1,320 (or 44% of the pre-tax pay increase).<sup>35</sup>

Another key dimension of state child care subsidy systems is the payment rate structure: Does the state set payment rates to providers at levels sufficient to purchase a broad range of care in the local market? HHS has recommended that states set payment rates sufficient to allow families to purchase care at the 75th percentile of the local market, i.e., a rate sufficient to purchase care from 75% of local providers. A Children's Defense Fund analysis found that in 2000, twenty-four states did not meet the federally recommended standard, and that it was not clear whether states were closer to meeting the standard in 2000 than in 1995.<sup>36</sup> In our review of five states, four did not meet the recommended standard: most notably, in Chicago, providers of center-based care for preschoolers were being paid at a rate reflecting the 18th percentile, i.e., lower than the ordinary charges of 82% of providers.<sup>37</sup>

Finally, there is little available information about the quality of care for families receiving federally-subsidized care. Federal data indicate that in 1999, 56% of children receiving subsidies were in child care centers (with 31 % in family homes, 10% in the child's own home, and 3% in group home settings), and that 71% of children were in settings that were licensed or regulated under state law.<sup>38</sup> However, this information, in itself, provides little insight as to the quality of care for families.

Increased child care funding since 1996 has provided additional resources for state quality initiatives, although current efforts are limited in scope.<sup>39</sup> States are required to spend at least 4% of CCDBG funds for quality initiatives, and transferred TANF funds also became part of the funds to which the 4% requirement applied. States have devoted resources to quality initiatives, and have begun many promising initiatives to improve the quality of child care. All five of the states profiled in CLASP's five state study have invested in strategies designed to better pay, educate, train, and support child care providers; protect the health of children; and support early education opportunities. These initiatives include:

- Collaboration between Head Start and prekindergarten programs and the child care subsidy system;
- Provision of funding for child care resource and referral agencies to help parents find and evaluate child care settings to determine if these settings meet their needs and those of their children and to provide technical assistance and supports to providers to enhance their service quality;
- Scholarship and wage enhancement programs, such as T.E.A.C.H. (Teacher Education and Compensation Helps) Early Childhood®, which provides scholarships for college or travel to child care teachers who, if they stay with their child care providers for a year after using the scholarship, receive a wage increase or bonus;
- Provider training initiatives; and
- The creation of linkages with the health care system to provide health consultations for providers and link children with health insurance programs.

Despite promising programs, state quality initiatives to date are often small in scale, typically only reaching a portion of children and child care providers.<sup>40</sup>

Notwithstanding the limits in state subsidy programs, provision of a subsidy can make a major difference in the lives and well-being of parents and children. In a 2000 survey, Maine parents were asked to describe the effects of receiving a child care subsidy:<sup>41</sup>

- *"[This voucher] allowed me to come off welfare. I want to work but could not afford child care."*
- *"I can now afford quality child care and not worry about my child being put in jeopardy."*
- *"[Now] my child only has to go to one provider. I'm not always looking for someone to watch him."*

- “I don’t have to leave my children alone after school now.”
- “My 13 year-old does not have to be responsible for watching his brother and sister.”
- “I feel my children are safer now that they are cared for in licensed child care.”

#### *Impact of Recent Economic Downturn*

While this testimony has emphasized the growth in child care funding since 1996, child care investments in many states could be threatened by deteriorating economic conditions and TANF caseload increases. In January, 2002, according to a National Conference of State Legislatures survey, 45 states and the District of Columbia reported that their revenues were below levels forecast at the beginning of the fiscal year, while 28 states and the District reported that spending was above forecasted levels.<sup>42</sup> And between March 2001 and September 2001, TANF caseloads increased in 32 states. (The overall national caseload remained flat over that period, but in a block grant structure, the fact that caseloads were continuing to fall in California does not provide fiscal relief to other states with rising caseloads).

The economic downturn has potentially significant impacts for state child care programs. A dramatic example is provided by Illinois, a state that has made historic investments in child care in order to guarantee services to all income eligible families (those with income less than \$24,243). In response to a shortage in state revenues, Governor Ryan has proposed, in his FY 2003 budget, to raise copayments, decrease income eligibility levels and cut investments in early childhood programs.<sup>43</sup> And, in Washington State, Governor Locke, in light of state budget pressures and increasing TANF caseloads, has shifted TANF funds from child care to cash assistance, which will result in lower income eligibility levels, higher copayments and decreased supply and quality investments.<sup>44</sup>

#### *Potential Child Care Implications of the Administration’s Welfare Proposal*

The Administration’s recently-announced welfare reauthorization proposal would significantly revise work and participation requirements for families receiving TANF assistance, while providing no additional funding for TANF or CCDBG. In FY 2000, states report having attained participation rates (for the share of TANF families engaged in a set of specified activities for a specified number of hours a week) averaging 34%. Under the Administration’s plan, the required participation rate would be calculated differently from current law in a number of ways, but would rise to 70% by 2007. Among the changes, hourly requirements to count toward participation rates would be substantially increased. Under current law, single parents with children under age 6, who comprise half or more of TANF families, count toward participation rates by being engaged in activities for 20 hours a week, and other families count by meeting a 30-hour requirement. Under the Administration’s proposal, individuals would be required to be engaged in activities for at least 40 hours a week in order to fully count toward participation rates. Thus, many families currently counting toward participation rates would fall short of meeting the 40-hour requirement, and the additional families needed to meet participation rates would need to meet the 40-hour requirement to fully count.

While there may be much discussion about the pros and cons of many aspects of the Administration’s proposal,<sup>45</sup> it does seem clear that the proposal would have significant child care implications. In part, this would happen because more families would need to be engaged in activities to count toward participation rates. But, also, the increased hourly requirements would increase the likelihood that participating families would need care,<sup>46</sup> and increase the likelihood that those needing care would need full-time care. In FY 2000, adults with any hours of reported activity averaged 29 hours of participation per week. So, for example, for parents with school-age children, a 40-hour requirement would mean that parents would either need child care or need to leave school-aged children alone for significant numbers of hours each week.

It is difficult to estimate the magnitude of the likely child care costs of the proposal because it is hard to determine how many additional families would need to be engaged in activities for 40 hours a week, or what the additional child care costs would be for families currently engaged in activities for less than 40 hours. However, national data indicate that 52% of employed single parent families at all income levels and with children under age 13 pay for child care; 52% of families with children under age 13 and working full-time pay for child care (compared to 38% of parents who work part-time); and 50% of employed single parents with incomes under 200% of poverty pay for child care.<sup>47</sup> These figures all suggest that the need for paid child care would be substantial for the additional participants under the Administration’s plan.

The fact that a proposal has cost implications is not, in itself, an argument against the proposal, and it will be important to focus on the merits of the proposal itself. However, it will also be important to make a fair assessment of likely costs, and ensure that they are adequately addressed in any Congressional action.

In particular, it has been suggested that there would not be a need for additional funding because there is “enough” available funding between current-level TANF and CCDBG grants. This seems wrong. By 2001, annual state TANF spending was already exceeding the levels of state block grants by \$2 billion—as states spent TANF reserves, total state spending in FY 2001 was \$18.6 billion, compared to basic block grant levels of \$16.5 billion. To date, no one has suggested that states are improperly spending these funds and that there are obvious areas in which states should be cutting current spending. Thus, the only way to increase TANF child care spending would be by cutting current spending for other programs and activities. States were able to redirect TANF funds to child care while TANF assistance caseloads were falling, but caseloads are now rising in most states, and there would be no basis for assuming that with caseloads far below 1996 levels, states could be expected to generate large and rapid additional caseload declines. Moreover, the only way in which states could redirect CCDBG funds to meet new TANF work requirements would be by cutting existing levels of assistance for low-income working families outside of the welfare system. States and many observers would view such an approach as extraordinarily counter-productive. The essence of state strategies in recent years has been to build a structure of supports for low-income working families outside of the welfare system so that families could work and meet basic needs without needing welfare. It would be a significant step backward to curtail or dismantle that structure of supports in order to fund the costs of meeting new TANF work requirements.

#### *Conclusion*

As Congress looks to reauthorization of CCDBG and TANF, it is important to keep in mind three key considerations:

- Increased funding since 1996 has made a real difference in helping families work, in helping parents ensure that their children are safe and cared for while parents are working, and in taking steps to promote school readiness; the fact that much remains to be done should not obscure the fact that progress has been made;
- Most of the growth in child care funding since 1996 has been attributable to federal funding, and without increasing federal funding, states will be unable to maintain current levels of service, let alone expanding the availability of care to the large numbers of families who are federally eligible but unable to attain help at existing funding levels;
- TANF funds were the principal engine driving child care expansion in the last five years, but they are an unstable resource, and will not likely be able to play that role in the future, both because these funds are now fully committed by states, and because caseloads are not likely to continue falling at the rates at which they fell in the initial years of TANF implementation.

There are a range of other child care issues that should be addressed in TANF and CCDBG reauthorization: better coordination, improved data collection, simplified administration, reducing administrative complexity, better information about quality initiatives, stronger technical assistance, and others.<sup>48</sup> But, at root, it will be impossible for states to make significant progress, or even maintain current levels of assistance to families, if reauthorization does not provide adequate child care funding.

**Appendix**  
**State Spending for Child Care and TANF Basic Assistance, FY 2000**

	<b>Child Care Spending (CCDBG, TANF, State Match and Maintenance of Effort)</b>	<b>Basic Assistance Spending (TANF and State Maintenance of Effort)</b>
Alabama	\$105,524,000	\$36,523,872
Alaska	\$34,596,000	\$55,365,359
Arizona	\$132,885,000	\$110,401,865
Arkansas	\$52,959,000	\$31,232,801
California	\$1,647,254,000	\$4,021,250,946
Colorado	\$54,251,000	\$47,808,184
Connecticut	\$179,658,000	\$166,109,891
Delaware	\$34,104,000	\$19,713,828
District of Columbia	\$68,953,000	\$72,151,694
Florida	\$460,118,000	\$234,307,415
Georgia	\$178,900,000	\$134,633,467
Hawaii	\$25,200,000	\$140,970,944
Idaho	\$28,362,000	\$3,289,730
Illinois	\$593,199,000	\$269,391,206
Indiana	\$257,808,000	\$86,561,515
Iowa	\$86,210,000	\$78,811,516
Kansas	\$61,100,000	\$42,532,412
Kentucky	\$86,158,000	\$104,350,890
Louisiana	\$134,000,000	\$70,360,533
Maine	\$29,301,000	\$72,805,886
Maryland	\$176,807,000	\$195,936,929
Massachusetts	\$351,435,000	\$237,062,237
Michigan	\$460,869,000	\$334,244,920
Minnesota	\$169,255,000	\$192,910,265
Mississippi	\$71,401,000	\$20,676,865
Missouri	\$175,053,000	\$138,956,361
Montana	\$20,200,000	\$20,966,625
Nebraska	\$60,900,000	\$41,225,565
Nevada	\$22,667,000	\$17,529,631
New Hampshire	\$24,400,000	\$31,988,732
New Jersey	\$218,000,000	\$221,595,922
New Mexico	\$52,800,000	\$112,792,121
New York	\$634,449,000	\$1,831,793,210
North Carolina	\$292,877,000	\$140,129,420
North Dakota	\$10,079,000	\$11,754,347

	<b>Child Care Spending</b> (CCDBG, TANF, State Match and Maintenance of Effort)	<b>Basic Assistance Spending</b> (TANF and State Maintenance of Effort)
Ohio	\$396,008,000	\$368,213,004
Oklahoma	\$113,778,000	\$65,494,905
Oregon	\$83,737,000	\$76,166,237
Pennsylvania	\$311,233,000	\$485,266,977
Rhode Island	\$52,700,000	\$100,065,678
South Carolina	\$59,700,000	\$26,836,181
South Dakota	\$13,200,000	\$10,081,986
Tennessee	\$178,682,000	\$136,791,264
Texas	\$421,400,000	\$263,940,219
Utah	\$45,669,000	\$39,521,641
Vermont	\$23,995,000	\$36,000,443
Virginia	\$134,005,000	\$100,485,478
Washington	\$284,660,000	\$310,923,756
West Virginia	\$50,920,000	\$49,223,685
Wisconsin	\$237,069,000	\$60,278,402
Wyoming	\$7,800,000	\$3,671,240
<b>Totals</b>	<b>\$9,406,288,000</b>	<b>\$11,481,098,200</b>

**Source:** Congressional Research Service, *Child Care: Funding and Spending Under Federal Block Grants* (Feb. 11, 2002); TANF Fiscal Data posted at <http://www.acf.dhhs.gov/programs/ofs/data/q400/TableF.htm>; CLASP analysis

## Endnotes

<sup>1</sup> This testimony reflects ongoing collaborative work with CLASP colleagues, including Jennifer Mezey, Rachel Schumacher, Kate Irish, and Tanya Rakpaja, and Joan Lombardi of the Children's Project.

<sup>2</sup> Robert J. Lemke, Robert Witt, and Ann Dryden Witte. March 13, 2001. *Child Care and the Welfare to Work Transition*. Wellesley College Working Paper 2001-02. Wellesley, MA: Wellesley College Department of Economics; Christine Ross and Diane Paulsell. December. 31, 1998. *Sustaining Employment Among Low-Income Parents: The Role of Quality in Child Care*. Princeton, NJ: Mathematica Policy Research, Inc.; Marica K. Meyers, Theresa Heintze, and Douglas A. Wolf. August 1999. *Child Care Subsidies and the Employment of Welfare Recipients*. Working Paper #15. Berkeley, CA: University of California.

<sup>3</sup> The Welfare to Work Partnership, *Smart Solutions: Helping your New Workers Meet their Child Care Needs* (Washington DC: The Welfare to Work Partnership, April 2000).

<sup>4</sup> Working Toward Independence: The President's Plan to Strengthen Welfare Reform, February 2002.

<sup>5</sup> Pamela Loprest, *How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers*, (Washington, DC: The Urban Institute, April 2001), [http://newfederalism.urban.org/pdf/anf\\_b36.pdf](http://newfederalism.urban.org/pdf/anf_b36.pdf)

<sup>6</sup> Elise Richer, Steve Savner, and Mark Greenberg, *Frequently Asked Questions about Working Welfare Leavers*, (Washington, DC: Center for Law and Social Policy, November 2001) [hereinafter CLASP, *Frequently Asked Questions about Working Welfare Leavers*].

<sup>7</sup> Pamela Loprest, *Families Who Left Welfare: Who Are They and How Are They Doing?*, Assessing the New Federalism Discussion Paper 99-02, <http://www.urban.org/UploadedPDF/discussion99-02.pdf>

<sup>8</sup> Kristin Smith, *Who's Minding the Kids? Child Care Arrangements: Fall 1995*. Current Population Reports, P70-70. (Washington, DC: U.S. Census Bureau, 2000), <http://www.census.gov/prod/2000pubs/p70-70.pdf> [hereinafter *Who's Minding the Kids?*].

<sup>9</sup> Karen Schulman, *The High Cost of Child Care Puts Quality Care Out of Reach for Many Families* (Washington, DC: The Children's Defense Fund, 2000).

<sup>10</sup> Linda Giannarelli & James Barsimantov, *Child Care Expenses of America's Families* (Washington, DC: The Urban Institute, 2000) [hereinafter *Child Care Expenses of America's Families*]. Lower income families were less likely to incur child care costs (40%, versus 53% for higher income families), but when costs were incurred, they represented a much higher share of family income.

<sup>11</sup> Cost, Quality, and Outcomes Study Team, *Cost, Quality, and Outcomes Study Go to School* (Chapel Hill, NC: University of North Carolina at Chapel Hill, 1999); The Abecedarian Project Team, *Early Learning, Later Success: The Abecedarian Study* (Chapel Hill, NC: Frank Porter Graham Child Development Center, University of North Carolina at Chapel Hill, 2000); Arthur J. Reynolds, et al., "Long-term Effects of an Early Childhood Intervention on Educational Attainment and Juvenile: A 15-year Follow up of Low-Income Children in Public Schools," in *Journal of the American Medical Association*, vol. 285, no. 18 (May 9, 2001).

<sup>12</sup> Jack P. Shonkoff and Deborah Phillips, Editors; Committee on Integrating the Science of Early Childhood Development, Board on Children, Youth, and Families, *From Neurons to Neighborhoods: The Science of Early Childhood Development* (Washington, DC: National Academy of Sciences, 2000).

<sup>13</sup> Jeffery Capizzano and Gina Adams, *The Hours that Children under Five spend in Child Care: Variation Across the States* (Washington, DC: Urban Institute, 2000) and Jeffery Capizzano and Gina Adams, *Child Care Arrangements for Children under Five: Variation Across the States* (Washington, DC: Urban Institute, 2000).

<sup>14</sup> U.S. Census Bureau, *Population Profile of the United States: 2000, Scholars of All Ages: School Enrollment* (Washington, DC: U.S. Census Bureau, 2000).

<sup>15</sup> Jeffery Capizzano, Kathryn Tout, and Gina Adams. *Child Care Patterns of School-Age Children with Employed Mothers*, Occasional paper number 41 (Washington, DC: Urban Institute, 2000); Jennifer L. Brooks, Elizabeth C. Hair, and Martha J. Zaslow, *Welfare Reform's Impact on Adolescents: Early Warning Signs* (Child Trends Research Brief) (Washington, DC: Child Trends, July 2001).

<sup>16</sup> In addition, 43 states also used about \$396 million or 12% of SSBG funds for child care in fiscal year 1999 (the most recent for which we have data). U.S. Department of Human Services, Administration for Children and Families, Office of Community Services *Social Services Block Grant Program: Annual*



*Report on Expenditures and Recipients for 1999* (Washington, DC: U.S. Government Printing Office, 2001).

<sup>17</sup> In its welfare reform proposal, the Administration states that government is approaching \$17 billion per year commitment if one also includes \$6.7 billion in Head Start funding in the calculation. If one is seeking to total the combined amount spent on child care and early education programs, it would surely be appropriate to include Head Start in the calculation. However, in many ways, it obscures the analysis if Head Start is treated as if it were part of child care funding. Head Start provides comprehensive health, education, and social services for poor families with participating children. However, the typical Head Start program is not full-day or year-round, and is available without regard to parental work status. Moreover, even if the program is full-day, it may not correspond to a parent's work schedule or need for child care. Thus, the existence of Head Start – like the existence of K-12 education – surely reduces the need for child care, but just as one wouldn't count expenditures for 1<sup>st</sup> grade as part of the nation's child care expenditures, neither does it seem appropriate to include Head Start funding in the calculation.

<sup>18</sup> For more detail, see Mark Greenberg, *How are TANF Funds Being Used? The Story in FY 2000*, (Washington, DC: Center for Law and Social Policy, October 2001), <http://www.clasp.org/pubs/TANF/FY00/How%20Are%20TANF%20Funds%20Being%20Used%20The%20Story%20in%20FY%202000.htm>.

<sup>19</sup> For an overview of states' usage of TANF funds for child care, see Rachel Schumacher, Mark Greenberg, and Janellen Duffy, *The Impact of TANF Funding on State Child Care Subsidy Programs*, (Washington, DC: Center for Law and Social Policy, September 2001), <http://www.clasp.org/pubs/childcare/TANFChildCareFullReport.pdf> [hereinafter CLASP, *The Impact of TANF Funding on State Child Care Subsidy Programs*].

<sup>20</sup> CLASP analysis from data reported in Congressional Research Service, *Child Care: Funding and Spending under Federal Block Grants* (updated, Feb. 11, 2002). In calculating combined federal-state spending, the Congressional Research Service includes state child care expenditures claimed toward satisfying TANF MOE requirements to the extent that such spending exceeds the amount of spending reported toward CCDBG MOE requirements. (For example, if a state reported \$20 million in CCDBG MOE spending, and also reported \$30 million in child care spending for purposes of TANF MOE, the Congressional Research Service would count the difference -- \$10 million -- as additional state child care spending. While this additional reported spending may actually represent new state child care spending, there is no ready way to be sure, since it might also just represent preexisting state spending that the state is now reporting as a way to satisfy its TANF MOE requirements.)

<sup>21</sup> Jennifer Mezey, Rachel Schumacher, Mark Greenberg, John Hutchins, and Joan Lombardi, *Unfinished Agenda: Child Care for Low-Income Families Since 1996 – Implications for Federal and State Policy* (Washington, DC: CLASP, March, 2002), <http://www.clasp.org> [hereinafter CLASP, *Unfinished Agenda*].

<sup>22</sup> Note that this comparison is between CCDBG-funded assistance in FY 1999 and assistance under the predecessor programs (the CCDBG and IV-A child care funding streams) in FY 1996. U.S. Department of Health and Human Services, Administration for Children and Families, *State Spending Under the Child Care Block Grant* (fact sheet) (Washington, DC: U.S. Department of Health and Human Services, November 12, 1998); U.S. Department of Health and Human Services, Administration for Children and Families, *New Statistics Show Only a Small Percentage of Eligible Families Receive Child Care Help* (press release) (Washington, DC: U.S. Department of Health and Human Services, December, 2000, <http://www.acf.dhhs.gov/news/press/2000/ccstudy.htm>).

<sup>23</sup> CLASP, *Frequently Asked Questions About Working Welfare Leavers*.

<sup>24</sup> 2000 Statistical Abstract, Table No 653.

<sup>25</sup> Ann Collins, Lean Layzer, J. Lee Kreader, Alan Werner, and Fred Glantz, *National Study of Child Care for Low-Income Families, State and Community Substudy Interim Report*, Abt Associates, Inc., prepared for U.S. Department of Health and Human Services, November 2000 [hereinafter *Low-Income Child Care Study*].

<sup>26</sup> We estimate that in FY 99, approximately \$7.5 billion in subsidy assistance was provided through CCDBG. State direct expenditure of TANF funds was in the range of \$.75 billion, and additional state expenditures reported toward maintenance of effort in excess of CCDBG maintenance of effort were about \$.5 billion. See CLASP, *The Impact of TANF Funding on State Child Care Subsidy Programs*.

- <sup>27</sup> HHS budget documents project that 2.2 million children will be receiving CCDBG subsidies in FY 2003. <http://www.hhs.gov/budget/pdf/hhs2003bib.pdf>.
- <sup>28</sup> CLASP, *Unfinished Agenda*. Except for Iowa, this data includes all subsidized children.
- <sup>29</sup> Analysis of eligibility provisions is drawn from data reported in Karen Schulman, Helen Blank, Danielle Ewen, *A Fragile Foundation: State Child Care Assistance Policies* (Children's Defense Fund, November 2001) [hereinafter CDF, *A Fragile Foundation*]. Texas allows its local workforce development boards, the entities who administer child care programs, to set their income eligibility limits at 85% of SMI but only four of the 28 local boards do so. Jason Sabo, Patrick Bresette and Eva de Luna Castro, *The Texas Child Care Experience Since 1996: Implications for Federal and State Policy* (Austin, TX: Center for Public Policy Priorities, February, 2002).
- <sup>30</sup> Analysis based on CDF, *A Fragile Foundation*. This analysis included 47 of the states, leaving out the three states that do not have statewide income eligibility guidelines, Colorado, Texas, and Virginia.
- <sup>31</sup> Kathy Stohr, Susie Lee and Sessy Nyman, *The Illinois Child Care Experience Since 1996: Implications for Federal and State Policy* (Chicago, IL: Day Care Action Council of Illinois, January, 2002) [hereinafter *Illinois Child Care Experience*]; CLASP, *Unfinished Agenda*, supra.
- <sup>32</sup> CLASP, *Unfinished Agenda*, at p. 36 (citing Charles Bruner, Elizabeth Marmaras and Abby Copeman, *The Iowa Child Care Experience Since 1996: Implications for Federal and State Policy* (Des Moines, IA: Child and Family Policy Center, January 2002)).
- <sup>33</sup> Smith, *Who's Minding the Kids?*.
- <sup>34</sup> CDF, *A Fragile Foundation*.
- <sup>35</sup> CLASP, *Unfinished Agenda*.
- <sup>36</sup> CDF, *A Fragile Foundation*.
- <sup>37</sup> CLASP, *Unfinished Agenda*; *Illinois Child Care Experience*.
- <sup>38</sup> See FFY 1999 CCDF Data Tables and Charts, <http://www.acf.dhhs.gov/programs/ccb/research/99acf800/cover.htm>
- <sup>39</sup> *Low-Income Child Care Study*.
- <sup>40</sup> CLASP, *Unfinished Agenda*.
- <sup>41</sup> CLASP, *Unfinished Agenda* (quoting William Hager, Allyson Dean & Judy Reidt-Parker, *Child Care, Money and Maine* (Sanford, ME: Child Care Services of York County, January, 2002)).
- <sup>42</sup> National Conference of State Legislatures, *State Fiscal outlook for FY 2002 – January Update* (February 6, 2002), <http://www.ncsl.org/programs/fiscal/sfo2002.htm>.
- <sup>43</sup> *Illinois Child Care Experience*; Day Care Action Council of Illinois Urges State Lawmakers to Avert Child Care Crisis in Illinois (Press Release, March 12, 2002), <http://www.daycareaction.org/pr31202.htm>.
- <sup>44</sup> Elizabeth Bonbright-Thompson, *The Washington State Child Care Experience Since 1996: Implications for Federal and State Policy* (Tacoma, WA: Washington State Child Care Resource and Referral Network, January, 2002); CLASP, *Unfinished Agenda*.
- <sup>45</sup> For a more detailed discussion of the work provisions of the proposal, see Greenberg, Testimony before the Human Resources Subcommittee, House Ways and Means Committee, March 7, 2002, at [http://www.house.gov/ways\\_means/humres/107cong/3-7-02/3-7gree.htm](http://www.house.gov/ways_means/humres/107cong/3-7-02/3-7gree.htm)
- <sup>46</sup> *Child Care Expenses of America's Families*.
- <sup>47</sup> Ibid.
- <sup>48</sup> For a discussion of other CLASP reauthorization recommendations, see *Unfinished Agenda*; see also CLASP Comments to the U.S. Department of Health and Human Services Regarding the Reauthorization of the Child Care and Development Fund (November 30, 2001), <http://www.clasp.org/pubs/childcare/CCDFcomments1101.pdf>.

PREPARED STATEMENT OF WADE F. HORN

Chairman Breaux, Chairman Dodd, and members of the Committee, I am pleased to appear before you today to talk about child care and its role in advancing our welfare reform agenda. Promoting child well-being and parents' ability to work, particularly in the context of welfare reform, are two essential priorities for this Administration and child care plays a key role in both. Parents need access to affordable and safe child care in order to succeed in the workplace. And children need quality care that promotes their healthy development and literacy skills so that they can succeed in school and later life. Secretary Thompson recognized these fundamental links during his experience as Governor when designing the innovative Wisconsin welfare program and his commitment to child care remains clear.

The President's budget seeks to continue funding child care at its current historically high level within the existing flexible framework of the discretionary Child Care and Development Block Grant and the mandatory Child Care funding as well as other critical funding sources such as Head Start. The Administration is committed to preserving the key aspects of the discretionary and entitlement child care programs: support for work and job training; healthy development and school readi-

ness for children in care; parental choice; and administrative flexibility for States and Tribes. The major restructuring of the Federally-funded child care programs under PRWORA provides a statutory foundation that remains an efficient method for distributing child care funds to States, and an effective mechanism for making these resources available to parents.

I would like to spend my time today sharing information on each of these key aspects of the program and the solid support they provide for entering the next phase of welfare reform. I'd like to begin by briefly discussing our commitment to a high level of child care funding.

#### *Child Care Funding Commitment*

The President's FY 2003 budget includes \$2.1 billion for the Child Care and Development Block Grant and \$2.7 billion for the mandatory Child Care funding—a total of \$4.8 billion for what is referred to as the Child Care and Development Fund or CCDF. This continues the significant funding commitment these programs have witnessed in the last several years. In fact, the amount appropriated for the discretionary Child Care and Development Block Grant is more than double the amount currently provided for in the authorizing statute. Over the last decade, Federal funding specifically appropriated for child care has tripled—from \$1.6 billion in 1992 to \$4.8 billion this year.

But these funds are only part of the picture. Funding for child care is also available through the Temporary Assistance for Needy Families program, or TANF block grant, the Social Services Block Grant, or SSBG, and other sources. Looking at recently available historical data on State and Federal dollars associated with CCDF, TANF and SSBG, we estimate that about \$11 billion dollars will be invested in child care through these three block grants alone. The Head Start program, which I will speak to in greater detail later, provides another \$6.5 billion for early childhood education in FY 2002.

TANF is now a major source of child care funding. In 2000, States transferred \$2.3 billion from TANF to CCDF and directly spent \$1.4 billion of TANF funds for child care—almost equaling the amount of Federal dollars available through CCDF that year. Under our welfare reform proposal, States continue to have flexibility to transfer up to 30 percent of TANF funds to CCDF and to spend additional TANF dollars directly for child care.

The SSBG, a \$1.7 billion program which funds a broad range of social services, is another significant Federal funding source for child care. In 2000, 43 States reported spending \$165 million in SSBG funds for child care, accounting for 9.3 percent of the total \$1.775 billion SSBG expenditures that year.

Funding available through CCDF and TANF transfers alone will provide child care assistance to an estimated average 2.2 million per month children this year. This is a significant increase over the number served just a few years ago (in 1998 about 1.5 million children received subsidized care) and does not take into account additional children that will be served by the Social Services Block Grant and TANF direct spending for child care.

In addition to these Federal funds, States contribute significant resources to child care. A study of 17 States found a median increase of 78 percent in State child care spending between 1997 and 1999. In order to access the total Federal CCDF and TANF funds available, States must provide maintenance of effort (MOE) expenditures and matching funds. In fact, State spending accounts for about a quarter of total State and Federal child care expenditures under the CCDF. In 2000, States reported spending almost \$2 billion in State funds under the CCDF, exceeding the amount required to draw down Federal funds. States spent at least an additional \$774 million dollars in State TANF funds for child care in 2000. It is clear from these significant Federal and State funding commitments that we all recognize the importance of child care.

I'd like to turn now to the key aspects of CCDF that form the framework of the Administration's child care program: supporting work and job training; promoting child development and literacy; promoting parental choice and State flexibility.

#### *Supporting Work and Job Training*

Our child care reauthorization proposal complements the expectation under the TANF reauthorization that an increasing number of families will be engaged in work and other meaningful activities by ensuring that resources are available to support safe, affordable child care when necessary. Child care is a critical support for working families and studies in several communities and States show that receipt of child care subsidies substantially increases the likelihood of employment. Eighty-three percent of all families who received child care subsidies in 1999 did

so because the parents were employed (with most of the other parents receiving subsidies while in training or education).

#### *Promoting Child Development*

In addition to supporting working parents, quality child care promotes early childhood development and literacy skills to help prepare children for school and life. To improve quality and support the child development component of child care, States engage in a range of strategies and we manage a broad portfolio of training and technical assistance activities to support these State efforts.

According to the latest plans submitted by States, the most common approaches include: grants and loans to providers for specific quality improvements; training and technical assistance for providers and staff; monitoring of compliance with State regulatory requirements; improving retention and compensation of child care providers; and a special focus on improving the quality of care for infants and toddlers. One recent trend is for States to provide higher reimbursement rates to providers that meet quality benchmarks, such as accreditation standards. One study showed that in States that provided greater financial incentives, this approach was successful in encouraging providers to seek accreditation.

The President's budget maintains funding for quality child care. A minimum of four percent of the CCDF must be spent on activities to promote quality. States often invest in child care quality in amounts that go beyond that requirement. Overall, States spent \$275 million to improve the quality of child care services in FY 2000. At 6.1 percent, that is approximately 50 percent more than is required by the statute. In addition, the statute provides set-asides for infant and toddler care, school-age care and resource and referral services; additional quality expenditures; and ongoing research to identify and promote effective child care practices. Also, we are providing technical assistance to equip States to make the best use of their quality funds, including activities that promote literacy.

#### *Parental Choice*

Our Nation's child care system is built on the foundation of parental choice—recognition that parents, not government agencies, should decide what is best for their children. In CCDF, we support parental choice through vouchers and access to a wide range of child care providers—including relatives, neighbors, child care centers, faith-based programs, and after-school programs. In FY 2000, over 78 percent of CCDF subsidy payments were made using certificates or vouchers. Using these vouchers and other child care payments, 56 percent of children were cared for in a child care center, while 31 percent were in family child care homes, four percent were in group homes, and nine percent were cared for in the child's own home.

It is important to recognize that we also support parental choice by equipping parents with the information and tools they need to make well-informed choices for their children. States are required to provide consumer education under the Child Care and Development Fund. In 1999, States reported that they provided consumer education to over 9.8 million families through a variety of means, including materials, information on child care licensing, knowledge of the State's parental complaint and monitoring processes, and resource and referral agencies.

Resource and referral agencies are a key component of efforts around the country to provide child care consumer education. In recent years, Congress has earmarked a portion of the CCDBG, \$19.1 million, for school-age services and resource and referral services. Funded with a combination of both public and private dollars, there now is a network of over 800 resource and referral agencies around the country. The local resource and referral agencies focus on helping parents meet their child care needs, but they also provide general parenting information through newsletters, web sites, phone consultations, and other outreach mechanisms.

For the past two years, Congress has provided a national gateway for child care consumer education by earmarking money for *Child Care Aware*, a national hotline and web site, operated by the National Association for Child Care Resource and Referral Agencies. Child Care Aware links parents to their local resource and referral agency that can identify specific child care providers in the family's local community and provide informal counseling on choosing child care that meets the family's needs. The Administration is committed to supporting parental choice through consumer education and will fund both the resource and referral set-aside and funding for *Child Care Aware* in the FY 2003 budget request.

The parental choice component in the child care subsidy program allows parents to choose any provider—including a faith based program. In communities across the country, faith-based programs provide preschool and other child care programs. Of the children from birth to age five who are cared for in center-based programs, 28 percent are cared for in a church, synagogue, mosque or other religious institution.

### *Allowing for State and Tribal Flexibility*

The CCDF is administered by all 50 States, five Territories, the District of Columbia, and 262 Tribal Grantees (representing approximately 500 Indian Tribes). These grantees have significant flexibility to decide how child care funds will be used and what will be emphasized in achieving the overall goals of improving the accessibility and quality of care. Within basic Federal requirements, States determine eligibility criteria and co-payments for families as well as provider reimbursement rates. States also determine the amount of TANF funds that will be transferred or directly spent for child care. Several States have taken advantage of this State flexibility to create a single integrated system with affordable co-payments that serves low-income families, regardless of welfare status.

The statute reserves “not less than one percent and no more than two percent” of the aggregate Child Care and Development Fund for Indian Tribes and we have elected to reserve the full two percent set-aside. In FY 2002, 262 tribal grantees, representing approximately 500 federally recognized Indian Tribes and Alaska Native Villages were awarded over \$96 million in CCDF funds. Tribes receive CCDF funding either directly or through consortium arrangements. With few exceptions, tribal CCDF grantees are located in rural, economically challenged areas. In tribal communities, CCDF plays a critical role in offering affordable, accessible and quality child care options to parents as they move toward economic self-sufficiency. There is a strong emphasis on traditional culture and language in tribal child care settings, which is usually reflected in a Tribe’s overall program activities.

It is for these reasons that the Administration believes the current framework for child care is the right strategy for the future. Now I would like to highlight other important early childhood strategies supported by the Administration.

### *Looking Beyond CCDF in Meeting the Needs of Parents*

Looking beyond State and Federal spending under the block grants, other resources also support child care in the context of early childhood strategies—including Head Start, State-funded pre-kindergarten programs, and 21st Century Community Learning Centers. Head Start, a \$6.5 billion dollar program, provides comprehensive developmental services for low-income preschool children and social services for their families. Early Head Start serves low-income families with children under three, and pregnant women. While originally designed as a part-day program, a growing number of Head Start programs have expanded to provide full-day services—which further helps meet the child care needs of working families. Head Start served 905,000 children in 2001, many of them in full-day, full-year programs. Much of the expansion to full-day, full-year programs has been accomplished through collaboration with child care. And many States supplement Federal funds to serve additional children through Head Start.

State-funded pre-kindergarten, or pre-K, programs are another key investment in early childhood education. About 40 States fund pre-K programs for at least some of their preschool-aged children, an increase from about 10 States in 1980. According to *Education Week*, State spending for pre-K programs now exceeds \$1.9 billion annually and serves over 760,000 children in a school year. Most of these programs provide part-day services for a subgroup of preschool children, usually those from low-income families or with other risk factors. Nevertheless, they are an important support for working families and for promoting child development—and can be a key partner to other early childhood providers.

Recognizing the similar goals of these programs, the Administration is promoting collaboration across the different programs in the early childhood and education field—including child care, Head Start and pre-kindergarten programs. Programs in communities across the country have led the way by working together to share facilities, professional development activities and other resources. For example, Massachusetts’ pre-K initiative provides services through local partnership councils that include public schools, Head Start agencies, and private child care providers. When collaboration works, as it should, families receive comprehensive, quality services on a full-day, full-year basis that meets the needs of working parents. At the Federal level, we are providing technical assistance to publicize and share collaborative models with communities across the country.

One excellent example of our collaborative efforts is the focus on promoting early literacy efforts across early childhood programs. Last summer, the First Lady hosted a White House Summit on Early Childhood Cognitive Development. At the summit, we learned that effective early language and cognitive development strategies are available that can be used at home and in child care settings to ensure that children, even those at-risk of failure, can enter their first classroom ready to read and ready to learn. Risk factors that presage academic failure can be trumped by the efforts of child care providers armed with solid information about how best to en-

gage children in the use of language and the joy of reading, and how to do it systematically. Many States and private organizations already are taking creative steps to incorporate early literacy into their programs. We will be seeking additional way to strengthen cognitive development components of learning in early childhood and child care programs. And many of you played a major role in enacting the President's No Child Left Behind Act, which authorized a new \$75 million Department of Education program called Early Reading First, which supports early literacy efforts for preschool-aged children.

Finally, as we prepare younger children to read, we cannot forget about older children or youth. Some studies show troublesome outcomes for adolescents when their parents are in welfare-to-work programs, including increased behavioral problems and lower academic achievement. The Administration's response includes our positive youth development initiative, an approach toward all youth that builds on their assets and potential and helps counter the problems that may affect them. Many public and private organizations, such as after-school programs, are already engaged in a wide array of positive activities to help young people acquire the competencies, character, and protection they need to seize the opportunities that lie ahead. For example, Head Start agencies are supporting youth apprenticeship models that allow older siblings to share in and benefit from the family's Head Start experience.

Further, quality after-school programs provide a safe haven and enriching activities that promote academic performance, social adjustment, self-esteem and appropriate conduct in school. Thirty-seven percent of the children receiving CCDF subsidies are school-aged children under age 13. Some States are using TANF funds for after-school programs for older children. The No Child Left Behind Act authorizes new flexibility for after-school programs through the Department of Education's 21st Century Community Learning Centers. These Centers are focused on providing academic enrichment opportunities during non-school hours; but they also offer an array of additional activities such as youth development, drug and violence prevention, counseling, art, music, recreation, technology education and character education. This program currently funds about 6,800 Centers in 1,600 communities, providing services for 1.2 million children and 400,000 adults. These numbers are sure to increase, since funding has increased by 18 percent, to \$1 billion this year.

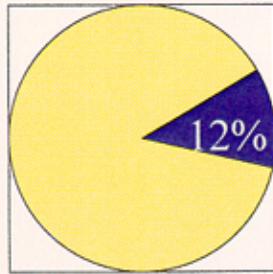
#### *Conclusion*

In closing, the Administration clearly recognizes that a strong commitment to child care is fundamental to our self-sufficiency strategy for low-income families. As I have highlighted, our commitment is founded on a multi-faceted approach that includes a high level of Federal resources and collaboration through child care, child development, youth development, and educational opportunities at the State and local levels.

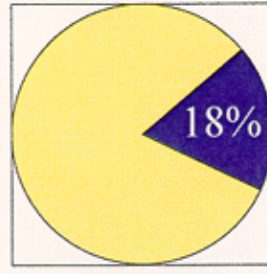
Within this context, our proposal for reauthorizing child care is straightforward—maintain the current high level of Federal support for working families this Administration is providing and the flexible approach that supports maximum parental choice, healthy development and school readiness for children, and State and tribal flexibility.

I would be pleased to answer your questions.

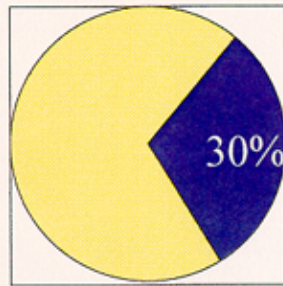
## Child Care Enrollment



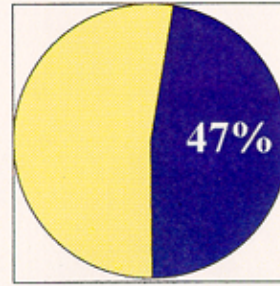
1999 Federal Maximum Rules



1999 Actual State Rules

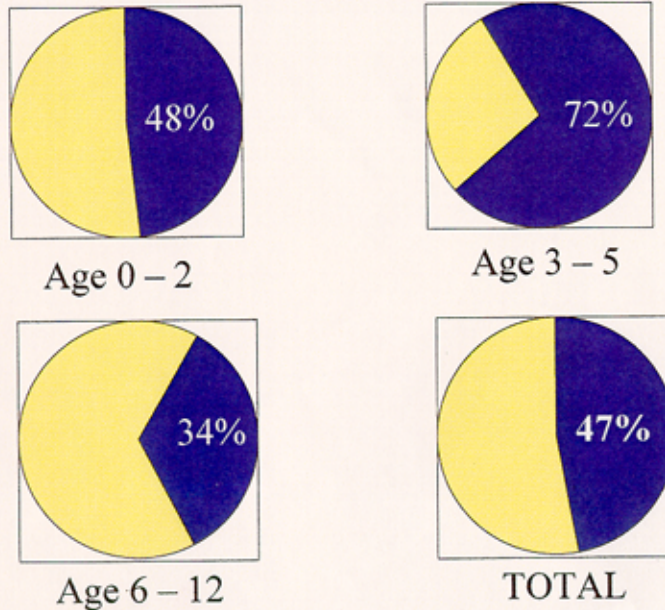


2003 CCDF, TANF, SSBG



2003 Below Poverty

## Children in Families Below Poverty 2003 by Age Group



### PREPARED STATEMENT OF HON. TOM HARKIN

I would like to thank the Finance Subcommittee on Family Policy and the HELP Subcommittee on Children and Families for holding this very important hearing on the critical role that child care plays as a support for working families.

Back in 1996, Congress passed a tough welfare reform bill. I supported that. It said that if you're on welfare and you can work, you must work. Our reform has had some substantial successes. Case loads are down by more than half. But if we're going to truly help people become independent over the long term we have to make sure they have access to quality, affordable child care. When both parents work, or a single mother is supporting her children, we have a responsibility to provide those families with access to affordable, high quality child care. If we don't, the children are the ones who suffer most.

We've made progress in recent years, but we still have work to do. Too many working families are still struggling to find quality care, especially in Iowa.

79 percent of children under the age of six in Iowa come from households where both parents work. That's the second highest in the nation. Yet there is a 55% gap in the availability of child care for children 5 and younger. More than 162,000 children under five are in need of child care. There is also a shortage of child care for odd-hours, infants, rural communities and for children with special needs. 45% of mothers with an infant with a disability did not return to work because they were unable to locate appropriate child care.

Even when a family can find child care, it's often too expensive. Low-income working families can spend 16% of their paychecks on child care. Meanwhile, higher income families spend only 6 percent.

And regardless of income, parents worry about the quality of child care. In Iowa the majority of growth has been in non-registered, unregulated care as opposed to registered family day care homes and licensed centers. The zero to three years are a critical time for child development. And research shows that high quality care im-



proves school readiness. Yet we're not supporting our child care providers. In fact, we're paying them less than bus drivers, barbers and janitors. I think it's time that changed.

Child care must become more of a priority. I am proud as Chairman of the Labor-HHS Appropriations Subcommittee that we have been able to double funding for the Child Care Development Block Grant over the past several years. We've also doubled the funding for infants and toddlers in recognition of the extreme shortage and high cost of infant care. Yet we're really just beginning.

Child care subsidies are serving approximately 15,000 children in Iowa, a 7,800 increase since 1996. Nationally, only 12 percent of eligible children who need help are getting any assistance. Thousands of families have moved off TANF and into the workforce but they continue to need access to child care. That is why I have great concerns with the administration budget proposal that flat-lines spending for both the mandatory and discretionary portions of the Child Care Block Grant while requiring more welfare recipients to work for longer hours, increasing the demand for child care. It is my hope that the administration will work with the Congress in making the needed investments in child care. The future of child care is the future of America. And if we want that future to be a bright one, we must make the necessary investments in early childhood development now.

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PREPARED STATEMENT OF HON. OLYMPIA J. SNOWE

Chairman Breaux, Chairman Dodd, thank you for convening this hearing today on "Child Care: Supporting Working Families." Clearly, one of the most pressing issues central to helping families make a successful and permanent transition from welfare to work is child care assistance. After all how can we expect a parent to work without being confident that their child is in a secure, high quality child care situation?

This issue takes on added importance as Congress looks at reauthorizing the Personal Responsibility and Work Opportunity Reconciliation Act of 1996—the landmark welfare reform act which is set to expire this September. I applaud the joint effort of Senator Breaux and Senator Dodd in calling this hearing, as the reauthorization of TANF is within the jurisdiction of the Finance Committee, and the mandatory funding for the CCDBG, the reauthorization of which is within the jurisdiction of the Senate HELP Committee.

As we reauthorize the 1996 welfare reform law, it is imperative that we have a sound understanding of what contributed to the continued reduction in welfare case-loads. The strength of the nation's economy in the late 1990's, and the philosophical shift from welfare as a way of life to a temporary assistance program designed to give people a hand up and not a hand-out, played key roles.

Beyond these two factors, one of the fundamental keys to welfare reform's success is the system of work supports which provide assistance to working parents to help them make ends meet in low paying jobs and to sustain the family's effort to transition out of welfare successfully. Perhaps the work support of the utmost importance is child care. Not having access to quality child care, a parent is left with two choices: leave their child in a unsafe, and often unsupervised situation, or to not work—in either case, a lose-lose situation.

Considering that the goal of welfare reform was to move people off the welfare rolls and onto payrolls, helping with child care is one way to ensure that parents can work. Child care is expensive and often times difficult to find especially when addressing needs like infant care, odd hour care, or care for children with special needs.

In recognizing the importance of child care assistance in getting parents working and keeping them employed, states have invested significant dollars in child care assistance. As more parents went to work, less and less TANF dollars were being spent on cash assistance. In fact, by Fiscal Year 2000, only 43 percent of TANF and maintenance of effort (MOE) dollars were being spent on cash assistance. And, of all the uses of the unspent TANF and MOE dollars, child care assistance received the bulk of the redirected money. In 2000, states transferred \$2.4 billion in TANF dollars to the Child Care and Development Block Grant and spent an additional \$1.5 billion in direct TANF dollars for child care. Why? Because child care assistance keeps parents working, and work is, after all, the key to self sufficiency.

The correlation between increased employment and increased child care assistance is critical as we look to reauthorize both the Personal Responsibility Work Opportunity Reconciliation Act of 1996 and the Child Care and Development Block Grant. And to that end, Congress must ensure that the needs of working parents are met in order to not only get them into the workforce, but to keep them there.

Six years after its enactment, the 1996 welfare reform has been, on the whole, a success story. As of September of 2001, the number of families receiving assistance, which represents the welfare caseload, was just over 2.1 million, and the number of individuals receiving assistance as 5.34 million. This means the welfare caseload and the number of individuals receiving cash assistance declined 52 percent and 56 percent, respectively, since the enactment of TANF.

However, as we look at reauthorization, we must take the time to consider carefully what we can do to build on this success and its key component—access to child care. Central to access to quality child care are the issues of affordability, accountability, availability and improving child care quality.

Almost 13 million children under age six are regularly in child care today. Clearly this number is reflective of the large number of low-income parents who have entered the workforce since the enactment of welfare reform. Among families receiving welfare cash assistance, the proportion participating in paid employment or work activities tripled between 1996 and 1999. These employment gains are critical to helping families move from welfare to work and are an important part of the effort to move people successfully and permanently off the welfare rolls.

However, since an overwhelming number of parents who are now working are employed in minimum wage jobs, the ability to place their children in quality child care often stretches the families' budget to the limit. For instance, last week, a woman from Maine testified before Senator Dodd's Subcommittee that the cost of her son's child care absorbs 48 percent of her weekly income—leaving her to provide for her family's basic needs with only half of her \$18,000 a year earnings. Sadly, her situation is not unique.

We must not ignore the need to increase child care funding to meet the needs of parents who must comply with the work requirements under TANF, or ignore the inseparable connection between work and child care needs.

To that end, I have been working with Senator Dodd to write legislation to reauthorize the CCDBG. Our legislation will emphasize the importance of accessing, affordable, quality child care and does so in a manner that would ensure that child care programs address the needs of parents under the welfare reauthorization. Additionally, our legislation would encourage states to expand their assistance programs to include working families.

To make such a connection between the two programs is critical and responsible. I look forward to working with my colleagues on the Finance Committee and those on the Health, Education, Labor and Pensions Committee to reauthorize these two programs which are so inherently critical to the success of working families.

Thank you, Mr. Chairman.

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#### PREPARED STATEMENT OF HON. PAUL D. WELLSTONE

I would like to begin this afternoon by thanking Senators Dodd and Breaux for holding this hearing. This is such an important topic, and one that deserves both our time and attention. I would also like to extend my thanks to each of the witnesses who are here today. Your knowledge on the subject of today's hearing—the important role that child care plays in the lives of working parents and their children—is quite exceptional, and your expertise is most valuable to this Committee. Again, I thank each of you in advance for your appearance before this committee today.

This subject, one that is always important to working families and their children, takes on a special significance this year as we begin to consider reauthorizing CCDBG and TANF. Particularly in light of the President's proposal to require that 70 percent of the TANF caseload be working 40 hours per week, I think now even more than ever we must ask one critical question: Who is caring for the children of working parents, and how are those parents expected to pay for that care?

The need for child care has become a fact of life for the majority of families in this country. Nearly 60 percent of mothers of children younger than 1-year of age work for pay, and almost 80 percent of mothers with children younger than 13 are in the paid labor force. At 70 percent, my own state of Minnesota has the highest rate of female labor force participation of all the fifty states. These women work because they have to, with the majority bringing home at least one-half of their family's earnings.

More than 3 out of 5 Minnesota preschoolers spend at least part of their day in child care, and more than half a million Minnesota children twelve years of age or younger have working parents. Yet if a mother with two young children were to call the Greater Minneapolis Day Care Association today to ask for child care assistance, she would be told she has to wait 12 to 18 months before a subsidy will be available.

In the meantime, it isn't as though her need for child care simply disappears. This mother will have to either figure out a way to cover the \$900 a month she can expect to spend on care, she can piece together a patchwork of unlicensed and unregulated care, or she can quit her job. Unfortunately, none of these is an acceptable answer for her.

It is a truism that working mothers in this country are a vital part of the paid labor force, making significant contributions to both the national economy and their families' well-being. And as more and more women have entered the paid labor force, either pulled into the market by labor shortages and rising wages or else pushed into the market by changes in the welfare laws, more and more young children are in child care. Yet it isn't at all clear that they are in high-quality, developmental care—in fact, much of the evidence suggests that they are far more likely to be in some sort of custodial care, left to sit alone watching hour after hour of television perhaps.

Of course, it should come as no surprise to anyone to learn that many of our children are receiving poor quality, if not actually dangerous, child care. Professional, quality child care is inevitably hard to find in a marketplace where child care teachers don't even earn as much as funeral attendants or garbage collectors. Child care workers earn an average of only \$15,430 per year—about \$2500 **below** the poverty line for a family of four. And to that the fact that child care workers typically don't receive any benefits or paid leave, and it's no wonder that the industry sees about a 30 percent turnover every year. How can we possibly even pretend that we expect our children to receive quality, developmental child care when we refuse to make the investments that would allow child care workers to at least earn a living wage?

We know that high quality early education and child care is vital to the future well-being of children, and that it is a key component of school readiness. Yet the earliest years of a child's life is the only time when her education is almost entirely unsubsidized. We have created a child care delivery system in this country that is almost entirely dependent on the marketplace, with parents responsible for almost 60 percent of the cost of care. Is there anyone—anyone—who doesn't understand that the kind of highly skilled, labor intensive child care that truly prepares our youngest children for a lifetime of learning costs far, far more than parents can possibly afford on their own? It's ridiculous that we have created a situation in which parents can't afford to pay any more and workers can't afford to earn any less. This is a system that is simply collapsing under its own weight.

Tuition for full-day child care in the U.S. can easily cost more than college tuition, and many parents accrue significant debt—often on their credit cards at outrageously high interest rates—trying to pay for the cost of care. More than one in four families with young children earn less than \$25,000 a year, and \$4,000 or \$6,000 or \$10,000 a year for child care is just more than these families can afford. In Minnesota, the average cost for center-based infant care is \$6,344 per year—59 percent of the “take home” pay for a parent earning minimum wage, or 17 percent of the state median wage. There is simply no way a family can afford to spend more than half of its income on child care, but not all families in Minnesota can get the assistance they need. As of January 1, 2001, we had nearly 5,000 children on a waiting list for child care assistance. It's overwhelmingly clear to me, and should be to every one of my colleagues—we simply must increase the federal investment in child care.

The current system of child care delivery in the U.S. is not working. Families often cannot find the quality care that they need, and when they can find it, they can't afford it. All too often we find that families are forced to rely on a patchwork of childcare—pleading with family members, trading with neighbors, or sometimes, in desperation, even leaving children unattended. This should not be a partisan issue: we know that the earliest years of our children's lives are among the most critical for their intellectual and emotional development. We know that this development is helped by high quality child care and hindered by poor quality care. We know that parents often cannot find the kind of high quality care they want for their children, and that even when they can find it, they often can't afford it. We know that the current level of federal investment services barely 12 percent of children eligible for assistance. And we know that our children are never going to come to kindergarten “ready-to-learn” if they don't receive high-quality child care when they are very young.

I have to ask, what it is that's so confusing for people? Making a substantial national investment in child care is not only good for our children, it's good for our country. We want our children to come to school ready to learn, to study math and science in high school and college, to be competitive in the world market as adults. Well when do you propose we intervene to ensure that all of this happens? How can

children come to school “ready to read” if we fail to give them the tools and resources they need before they get to school?

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PREPARED STATEMENT OF ANN S. WILLIAMSON

Good afternoon, Committee members. Thank you for inviting me to speak with you on behalf of the state of Louisiana and as the state administrator of the Child Care Assistance Program.

OVERVIEW

Louisiana has targeted our welfare reform efforts on anti-poverty and welfare prevention initiatives. In the current year, our state has invested over \$120 million in strategies such as skills upgrades, employment training and after school enrichment to reduce poverty and assist families in maintaining their independence. Programming in Louisiana is focused on preparing families for work and enabling them to advance in their employment once they have a job. Next year, Louisiana has proposed to spend over \$140 million on non-assistance activities including doubling the 4-year-old pre-K initiative to \$32 million, investing in child literacy and continuing employment upgrades. We are currently most fortunate to have an administration that has taken full advantage of the flexible programming afforded to states through the TANF block grant. Furthermore, our Governor has served as a leading proponent of innovative investments in prevention efforts to help keep families off of welfare and avoid any cycle of dependence. As the poorest state in the nation, with high school drop out rates in the double digits and low literacy levels, Louisiana's commitment to work is evidenced in our 24 month time limit for receiving cash assistance.

Louisiana's commitment to promoting work and strengthening families is also emphasized through revised Child Care policies and procedures that were implemented on March 1. Our state has increased the eligibility to from 60% to 75% of the state median income and has increased the co-payments made by the state to 100% for the poorest recipients. Also, Louisiana recognizes the value that local communities and stakeholders can bring to the process of developing effective child care programming. Consequently, we have facilitated collaborative efforts among Head Starts, private and public child care providers throughout the state.

While we are proud of these achievements, there are many needs surrounding the child care assistance program that require attention.

STATE FACTS

- Prior to the policy changes outlined above, Louisiana served 38,000 children and spending approximately \$7.7 million per month for families receiving cash assistance and those who have transitioned off.
- Within our sliding fee scale, a family of 3 with a monthly income of \$1,219 qualifies for child care assistance requiring no co-payment; a family of 3 with a monthly income above \$2,596 exceeds eligibility for assistance.
- We pay licensed providers \$15 per child per day for care which is \$10 less than the market rate of \$25. We are asking providers to receive less money while caring for more vulnerable children.
- Only 25% of families who have left the cash assistance caseloads are enrolled in the Child Care Assistance Program.
- If Louisiana increased the eligibility to 85% State Median Income, that would mean approximately \$8.4 million more funding would be required annually.
- The average parent with a child in care works a little over twenty hours a week; if required to work 40 hours a week, costs will almost double.
- There is a shortage of providers in the rural Louisiana; we are unable to aggressively recruit and retain providers due to such low reimbursement rates.

NATIONAL FACTS

At the national level, attention has turned to rethinking child care and early education not only because of the importance of this support to enable parents to work but also due to the fact that we know how early brain development influences learning. Evidence abounds regarding the importance of child care, yet we have not realized all of the solutions to problems in this system of caring for our youngest citizens.

- In the South, it is more expensive to send a four-year-old child to daycare for one year than to send a student to one year of college at a public university.
- The average staff turnover in child care is over 30%

- Many states still struggle to reach the national maximum eligibility target of 85% state median income.
- Unfortunately many parents who are unable to find regular employment end up working at temporary or part time jobs that are often at odd hours and require unusual child care arrangements that offer little overall stability. Child Care policies do not support unique working situations of parents such as shift work and alternating hours.

According to the Southern Governors Association's brief on TANF Reauthorization, child care costs represent the third largest expense for most families and for those with incomes that are less than \$14,400 per year, which is about \$291 a week, it can consume up to 25 percent of their income. Furthermore, a family receiving \$7 per hour for 35 hours per week has a take home pay of about \$245. For this family, paying below market prices for child care would consume as much as 30% of their income.

As parents transition into employment, child care can be the difference between maintaining employment or returning back to the cash assistance caseloads. In states with shorter time limits, such as Louisiana, parents who have exhausted their 24 consecutive months do not necessarily have the option of returning to cash assistance. This policy reinforces the importance of personal responsibility and the critical role of supportive services.

#### CHALLENGES AND OPPORTUNITIES

The most critical needs surrounding child care involve: implementation and maintenance of quality programming, funding issues, as well as the availability and accessibility of care for working parents. Each of these components are at times involved in competition against one another. Constant choices are being made between increased quality and more affordable care for a broadened constituency.

#### QUALITY SERVICE

Accountability investments in K-12 system could realize even greater return with increased attention given to quality child care programming. In light of the fact that children are being held to higher expectations in traditional school settings, quality child care is necessary to ensure the readiness of children.

Effective training and continuing education for providers as well as competitive compensation to prevent rapid staff turnover are two critical components of developing quality child care. The recruitment and retention of quality providers is costly. Instructors are seeking smaller class sizes and lower student teacher ratios for the benefit of the children.

Engaging parents in the efforts to develop quality child care is just as essential as engaging providers. The most progressive states such as North Carolina, Georgia and Montana to mention a few have programs such as teaching low income working parents how to become informed "shoppers" for quality child care. Parents must be equipped with a working knowledge of the components that indicate quality so that they may make the wisest decisions regarding the environment in which their child will be cared for, nurtured and intellectually challenged. Local social service case managers or analysts that administer the child care assistance program play a vital role in quality child care as well.

In Louisiana, parish office staff, who would be referred to as county office staff in other states; are held accountable for making the child care application, delivery and payment process as efficient and effective as possible. Parents are able to apply for assistance without having to physically visit our offices. An application form that can be mailed from and back to our offices was developed to avoid parents having to miss work or travel outside of their daily routines to receive services. Furthermore, when a parent transitions off of cash assistance in Louisiana, they are automatically entered into a system of care for low income working parents without interruption in service for the child.

Parents are offered assistance in selecting their child's provider through the services of community resource and referral agencies. Parental choice is promoted to empower working parents to make their own decisions regarding the care that best suits their family needs.

In Louisiana parents have the options of selecting a licensed, Class A facility or a family child day care home provider, such as a neighbor or relative. Regardless of the type of care, parents desire that their children are cared for in a quality setting.

Multiple needs children also deserve quality child care with appropriately individualized assistance. States are grappling with the need to pay enhanced rates to providers that demonstrate a willingness and capacity to serve these infants and tod-

dlers. Furthermore, specific provider training is required to see that supportive environments are created and maintained for such children.

#### FUNDING

Across the nation, current funds for child care and development only provided assistance to 10 percent of families who are eligible based on the federal criteria. Without adequate resources, States are hesitant to engage in aggressive outreach due to uncertainty of the demand exceeding resource capacity. There seems to be a constant struggle between the scenarios of having a waiting list for child care assistance which implies that States are not adequately responding to the needs of families or not having a waiting list which implies that States' eligibility criteria is too stringent. Currently, most States are operating child care assistance programs with a lower income eligibility than that encouraged by federal criteria. The need to provide child care assistance to a broader range of low income working parents and to a greater number of children remains.

As State directors work to administer these programs with the highest level of integrity, we are charged to balance our efforts between aggressive service delivery and fiscal responsibility.

Decisions in such matters are best made when based upon proven best practices, scientific research, recent data and outcomes-focused evaluation results. It is costly to engage in such research and develop evaluation tools; so these efforts also factor into the balancing equation.

#### ACCESSIBILITY

Families must be able to access and pay for quality child care if states are to succeed in developing a work force that will foster a strengthened economy. Without dependable, valuable child care assistance, low income working parents are challenged to be dependable, valuable employees themselves and often struggle to balance these demands.

To various degrees across the nation, the business sector is involved in the child care assistance program. All states should commit to actively engaging the business sector in this area. Communities could benefit greatly by further educating employers about the importance of child care access, availability and quality. Effective child care programs benefit employers due to increased dependability from their staff and reduced staff turnover due to the availability of this support service.

Access to quality child care is an even greater challenge in rural communities. In St. Joseph, Louisiana, a town of 1700 residents with approximately 500 children; there are only two Class A licensed child care assistance providers and seven family child day care homes. Parents in rural areas such as this face the hurdles of less employment opportunities; less competitive pay for work; less coordinated transportation assistance, and less convenience to ensure that their child or children are safely and appropriately cared for during the work day. Consequently parents often rely on less structured facilities to enable them to maintain employment.

Low income working families in the urban settings also face challenges such as the need for night time child care to accommodate shift work. Families seek higher co-payment rates from the state to accommodate the low wages that they earn. These parents experience multiple crises such as homelessness, substance abuse, domestic violence and community violence that keeps child care low on their list of priorities. These issues require a continuum of responses to allow children access to quality child care.

We must assess the functionality of our policies and procedures that govern the Child Care Assistance Program. Such guidelines should enable low income working parents in rural and urban settings to free themselves of ongoing dependence upon government supports.

#### BLOCK GRANTS

Complementing one another, the TANF block grant and Child Care and Development block grant together, create vital links to employment for low income parents. TANF work requirements mandate that support services such as childcare, transportation and family assistance adequately enable parents to become employed. Louisiana embraces this concept.

As a performance based budgeting state, Louisiana holds its state departments accountable through performance indicators. To illustrate an ongoing commitment to welfare reform, Louisiana recently revised our performance indicators for Louisiana's TANF program with an emphasis on outcomes. The percentage of cash assistance clients that access child care assistance upon gaining employment is included

as a key indicator. It is incumbent upon state programs to ensure that services are not only available, but are delivered to families working toward independence.

A critical component of the TANF block grant is the 30 percent allowable transfer of TANF funds into the CCDF for child care assistance. Many states such as Louisiana take advantage of this allowable transfer because we recognize the connection between childcare and success in the workplace. For the continued success of TANF, transfer authority by States must be maintained in addition to allowing TANF funds to be spent directly on child care.

In a recent survey issued to Louisiana's social service analysts, most staff highlighted child care needs as an ongoing barrier to self sufficiency. They specifically identified the challenges of access and licensing standards for centers.

#### MOVING FORWARD

Louisiana and our fellow states are anxious to continue our welfare reform efforts with a child care assistance program that enables more working parents to attain true self-sufficiency while adequately preparing children to develop appropriately for the K-12 system. We also remain focused on the additional needs of providers and employers.

True success in the child care assistance program can only be realized once all stakeholders are active participants. It is the responsibility of States Administrators to garner the appropriate resources and facilitate that success. With increasing expectations placed upon TANF clients; states must be prepared to respond to equally increased needs for supportive services such as child care.

As our TANF investments illustrate, Louisiana is committed to serving working parents and their children. With particular emphasis on poverty prevention through early childhood care, education and development, we have confidence that the future for our youngest citizens will be filled with opportunities for them to succeed. It is their success that will illustrate the true achievement of our current welfare reform efforts.

Thank you.

