Comments to the

U.S. Department of Health and Human Services

Regarding the Reauthorization

of the

Child Care and Development Fund (CCDF)

by Mark Greenberg, Jennifer Mezey,
and Rachel Schumacher
on Behalf of
the Center for Law and Social Policy

November 30, 2001

Center for Law and Social Policy

CLASP

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Thank you for providing this opportunity for the public to submit comments to the Administration regarding the reauthorization of the Temporary Assistance for Needy Families (TANF) block grant and related programs. The Center for Law and Social Policy (CLASP) will be submitting separate comments on TANF reauthorization. The comments below contain discussion and recommendations concerning the reauthorization of the Child Care and Development Fund (CCDF) and the use of TANF funds for child care.

In 1996, at the same time Congress enacted TANF in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), Congress also recognized that addressing the accessibility, affordability, and quality of child care was a critical piece of national policies to encourage and support workforce participation. In addition to supporting a parent's ability to work, a stable supply of quality child care is also essential to promoting the success of her children in school. As a result, the 1996 welfare law not only made dramatic changes to the nation's welfare system, it also altered the funding and policy structure of the major federal funding sources for child care. PRWORA consolidated several pre-existing low-income child care subsidy programs into the CCDF and allowed states to use TANF funds for child care. Thus, just as child care policy and funding issues were an important component in the passage of PRWORA in 1996, these issues continue to be central to the discussion of improving the well-being of low-income children and families during the reauthorization process in 2002.

Over the last five years, states have used increased amounts of CCDF and TANF funds to provide child care assistance to low-income children and families and to make many positive policy changes and system improvements. However, due in large part to limited resources, many eligible families remain unserved and important quality and equity concerns have not been adequately addressed. Also, the national context has shifted in critical ways. There has been an historic increase in the number of low-income and single parents working and potentially in need of child care, with roughly one million more single mothers in the labor force than there were in 1996.[1] While the number of children receiving CCDF subsidies has almost doubled,[2] many children potentially eligible

[1] U.S. Census Bureau, *Statistical Abstract of the United States: 2000,* 120th edition, Table No 653 (Washington, DC: U.S. Census Bureau, 2000) [hereinafter *2000 Statistical Abstract*].
[2] U.S. Department of Health and Human Services, Administration for Children and Families, press release, *New Statistics Show Only a Small Percentage of Eligible Families Receive Child Care Help* (Washington, DC: U.S. Department of Health and Human Services, December 2000), http://www.acf.dhhs.gov/new/ccstudy2.htm.

under federal law do not receive subsidies. Of particular concern for welfare reform efforts is the fact that only about a third of working welfare leavers report receiving child care subsidies.[3]

This unmet need is principally due to the limited resources in state child care systems. The lack of sufficient resources is manifested in state policies governing income eligibility levels, copayment requirements, and provider payment rates.[4] These policies may be preventing families from accessing the system, or from being able to use their subsidies to pay for quality care for their children. In addition, research suggests that the supply of child care and qualified teachers is not keeping up with the needs of working low-income parents and children, raising concerns about how vulnerable children may be affected.[5]

Therefore, although child care spending has increased since 1996, so has the need for child care assistance and for a stable supply of quality child care. Now, with growing economic instability and many states facing budget crises, it is important to increase federal funding to meet the child care needs of families and to improve the quality of early learning experiences for low-income children.

In light of the nation's experience since 1996, CLASP urges the Administration to address the following five key child care and early education issues during CCDF and TANF reauthorization:

A. Increase child care funds so that states can serve more eligible children;
B. Improve the quality of child care for all children, particularly those in low-income families;
C. Remove administrative barriers that make it difficult for families to access and maintain subsidies;
D. Promote parents' ability to choose and have equal access to a wide array of early care and education options for children receiving subsidies; and
E. Enhance data collection and research capacity to increase understanding of the subsidy system and its impacts on children, parents, and providers.

A. Increase child care funds so that states can serve more eligible children.

We urge the Administration to seek a significant increase in child care funding through CCDF, in order to increase the share of eligible families who can receive CCDF assistance and to provide states with additional resources to strengthen child care quality. At the same time, TANF funding should be sustained to prevent reductions in resources available for child care.

Since the passage of PRWORA, there has been dramatic growth in the number of children and families who could potentially benefit from child care assistance. First, the welfare caseload dropped by more than 50 percent since 1996, and studies consistently find that the majority of leavers are

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[3] Rachel Schumacher and Mark Greenberg, *Child Care after Leaving Welfare: Early Evidence from State Studies* (Washington, DC: Center for Law and Social Policy, October 1999).
[4] Karen Schulman, Helen Blank, and Danielle Ewen, *A Fragile Foundation: State Child Care Assistance Policies* (Washington, DC: Children's Defense Fund, November 2001) [hereinafter CDF, *Fragile Foundation*].
[5] J. Lee Kreader, Jessica Brickman Piecyk, and Ann Collins, *Scant Increases After Welfare Reform: Regulated Child Care Supply in Illinois and Maryland, 1996-1998* (New York, NY: National Center for Children in Poverty, June 2000); and Rachel Gordon & P. Lindsay Chase-Lansdale, *Availability of Child Care in the United States: A Description and Analysis of Available Data Sources*, *Demography*, Volume 38-Number Two, at pp. 299-316 (May 2001).

employed, though often in low-wage employment.[6] Second, there were still 2.1 million families receiving TANF assistance as of March 2001, and states have increasingly sought to ensure that the adults in such families are working or engaging in work-related activities.[7] Third, there has been a large increase in labor force participation by low-income single parents, which may include families not previously connected to the welfare system. Labor force participation by single mothers under 200 percent of the federal poverty level with children under six grew from 44 percent in 1996 to 55 percent in 1999 (the growth is even more striking when compared to the 1992 level of 35 percent).[8] Since 1996, roughly 1 million more single mothers of all incomes have become employed; in 1996, 1.8 million single mothers with children any age were working, as compared to 2.7 million employed single mothers in 1999.[9] Thus, the number of families potentially needing child care assistance was growing rapidly during this period.

The number of children receiving child care subsidies also increased during this time period, growing from approximately one million children in an average month in 1996 to 1.8 million in 1999.[10] However, even with this increase, HHS estimated that only 12 percent of children potentially eligible under the maximum allowable federal income guidelines (85 percent of State Median Income — SMI) and 15 percent of the children eligible under state income guidelines (which can, and in many cases are, lower) received CCDF assistance in 1999.[11] Some of the children not receiving CCDF assistance may have been assisted with other federal or state funding sources (e.g., TANF direct spending, state funding outside the CCDF structure), and some may have been participating in Head Start or state pre-kindergarten programs for at least part of the day. Ideally, in estimating need, one would want a more comprehensive picture of children's settings and circumstances. However, since funds expended in CCDF were the principal source of child care funding, and since Head Start and pre-K programs only serve a limited share of CCDF-eligible children, it seems clear that even if we had a more comprehensive picture, it would indicate that most CCDF-eligible children were not

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[6] Pamela Loprest, *How Are Families that Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers*, Series B, No. B-36 (Washington, DC: The Urban Institute, April 2001).

[7] U.S. Department of Health and Human Services, Administration for Children and Families, *U.S. Welfare Caseload Information, Temporary Assistance for Needy Families, Total Number of Families, September 2000 – March 2001* (Washington, DC: U.S. Department of Health and Human Services, 2001), http://www.acf.dhhs.gov/news/tables.htm.

[8] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research and Evaluation, *Temporary Assistance for Needy Families (TANF) Program: Third Annual Report to Congress* (Washington, DC: U.S. Department of Health and Human Services, August 2000) (citing Current Population Survey (CPS) data).

[9] *2000 Statistical Abstract*, Table No 653.

[10] U.S. Department of Health and Human Services, Administration for Children and Families, fact sheet, *State Spending Under the Child Care Block Grant* (Washington, DC: U.S. Department of Health and Human Services, November 12, 1998).

[11] U.S. Department of Health and Human Services, Administration for Children and Families, press release, *New Statistics Show Only a Small Percentage of Eligible Families Receive Child Care Help* (Washington, DC: U.S. Department of Health and Human Services, December 2000), http://www.acf.dhhs.gov/new/ccstudy2.htm. The CCDF numbers do not take into account children served through other federal or state early education programs, or children served through direct TANF expenditures. For example, the federal Head Start program enrolled approximately 826,000 children in FFY 99, U.S. Department of Health and Human Services, Administration for Children and Families, Head Start Bureau, *2000 Head Start Fact Sheet* (Washington DC: U.S. Department of Health and Human Services, 2000), http://www2.acf.dhhs.gov/programs/hsb/research/00_hsfs.htm; and state pre-kindergarten programs enrolled over 724,000 children in the 1998-1999 year, Karen Schulman, Helen Blank, and Danielle Ewen, *Seeds of Success*, (Washington DC: Children's Defense Fund, 1999).

receiving any child care assistance.[12] Based on this evidence combined with the DHHS figures, we strongly believe that although the actual number of children served is surely more than the 12 percent figure, it is likely to be much lower than the universe of children that are currently being served under federal CCDF income guidelines.

One might not expect all potentially eligible families to need or want child care assistance, but it seems clear that many unserved families could benefit from assistance. Some parents may prefer to use unpaid relatives and friends as caretakers. However, there are many low-income families who are paying for child care and may not be receiving help with these payments. Forty percent of low-income families (under 200 percent of poverty) pay for child care as opposed to 53 percent of families above 200 percent of poverty.[13] However, while fewer low-income than higher income families pay for child care, the low-income families who pay must commit a much larger share of their earnings to child care costs than higher income families. Families under 200 percent of poverty pay an average of 16 percent ($217/month) of their earnings toward child care compared to 6 percent ($317/month) among higher-income families.[14] Census data indicate an even more dramatic difference for families below the poverty level; those who pay for child care spend an average of 35 percent of their income for child care while those above poverty pay an average of 7 percent of their income for child care.[15]

Surely low-income families who are paying for child care could benefit economically from assistance in shouldering these costs. Furthermore, the fact that families with additional resources are more likely to purchase child care suggests that many low-income parents who are relying on unpaid arrangements might choose to enter the subsidy system if they knew that their children could get a quality early education opportunity, without cost or at an affordable cost. For instance, Georgia's universal pre-kindergarten program is available free to all four-year-old children, regardless of family income, and has a take-up rate of 70 percent of eligible four-year-olds.[16]

There is evidence that parents who are eligible for and wish to enter the subsidy system cannot do so. At least 17 states have wait lists for child care assistance.[17] However, one should not infer that wait lists fully reflect the extent of need. Families might leave the wait list or not even put their names on the list if they don't think they will ultimately receive a subsidy. Some families might not even make it on to the wait list because of state and local policies that make them ineligible for

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[12] Ann Collins, National Center for Children in Poverty, Jean Layzer, Abt Associates, *et al*., *National Study of Child Care for Low-Income Families, State and Community Substudy Interim Report*, at pp. 38-39 (Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families, November 2, 2000) [hereinafter *Low-Income Child Care Study*]. A review of 17 states by Abt Associates and the National Center for Children in Poverty found that no state served more than 25 percent of federally eligible children in 1999. The number of children served figure only appears to include children receiving federally or state funded subsidies and does not include Head Start or pre-kindergarten programs.
[13] Linda Giannarelli & James Barsimantov, *Child Care Expenses of America's Families,* at p. 7 (Washington, DC: The Urban Institute, 2000).
[14] Ibid.
[15] Kristen Smith, *Who's Minding the Kids? Child Care Arrangements, Fall 1995* Current Population Reports, P70-70, at p. 26, Table 14 (Washington DC: U.S. Census Bureau, October 2000).
[16] Rachel Schumacher, Mark Greenberg & Joan Lombardi, *State Initiatives to Promote Early Learning: Next Steps in Coordinating Subsidized Child Care, Head Start, and State Pre-kindergarten – Georgia's Experience,* at p. 14 (Washington, DC: Center for Law and Social Policy, 2001). Counting all four-year-old children served in Georgia Pre-K and Head Start, 70 percent are served.
[17] CDF, *Fragile Foundation,* at p. 63.

child care assistance. Forty-seven states set their income eligibility limits at levels below the federal maximum of 85 percent of SMI for the year 2000.[18] Second, as will be discussed in the next section, many states impose excessive copayments on families that can keep them from entering the subsidy system, force them to give up their subsidy, or lower their earnings dramatically.[19] Low income eligibility limits and high copayments are likely to continue without increased fiscal resources for states.

Current funding levels are therefore inadequate to address the unmet need for quality care. The significant funding increases that will be necessary to meet this need should come from CCDF because states will probably not be able to rely on increasing use of TANF funds and may not be able to rely on the availability of increased state funds to maintain or improve their child care systems.

Most of the growth in child care funding since 1996 has come from use of TANF funds. Total federal and state child care spending grew from about $4 billion to $9 billion between fiscal years 1997 and 2000.[20] While we cannot quantify the precise amount of the $9 billion attributable to TANF, states committed $3.9 billion in TANF funds to child care in FY 2000, an amount representing about 25 percent of all TANF funds used that year.[21] State redirection of TANF funds to child care occurred despite the existence of TANF rules that sometimes make it complex and confusing to use TANF funds for child care.[22] Nevertheless, over this period, child care spending was able to grow because the continuing declines in welfare caseloads resulted in additional TANF funding being available each year. However, as the welfare caseload decline slows or possibly stops, TANF will no longer be a source of increasing child care funding, although the maintenance of TANF funding levels will be crucial to avoid cuts in child care funding.

We are also concerned that, at least under current economic circumstances, states will be less able than in previous years to contribute new matching funds for child care. It appears that overall state child care spending grew since 1997, although the federal share grew more rapidly, increasing from about two-thirds to three-quarters of total spending.[23] However, in a time of recession, with falling state revenues and increased needs in an array of competing areas, it will surely be more difficult for states to access additional federal funds if the funds are only available with a significant state match requirement.

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[18] CDF, *Fragile Foundation*, at p. 24.

[19] Wellseley Child Care Research Partnership, *Major Findings*, (April 2001) http://www.wellesley.edu/Economics/partner/.

[20] Calculated by CLASP based on CCDF figures from U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *FY 2000 CCDF State Expenditures*, http://www.acf.dhhs.gov/programs/ccb/research/00acf696/overview.htm; TANF figures from U.S. Department of Health and Human Services, Administration for Children and Families, Office of Administration, Office of Financial Services, *TANF Program Expenditures in FY 2000 through the 4th Quarter: TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) Fiscal Year 2000 - 4th Quarter Expenditure Data*, http://www.acf.dhhs.gov/programs/ofs/data/q400/index.htm In addition, 43 states also used about $396 million or 12 percent of the Social Services Block Grant for child care in fiscal year 1999, which is the most recent year for which data are available. U.S. Department of Health and 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).

[21] Rachel Schumacher, Mark Greenberg, & Janellen Duffy, *The Impact of TANF Funding on State Child Care Subsidy Programs*, (Washington, DC: Center for Law and Social Policy, 2001) [hereinafter CLASP, *The Impact of TANF Funding on State Child Care Subsidy Programs*].

[22] Ibid.

[23] Ibid.

CLASP makes the following reauthorization recommendations to address these issues:

- **Increase significantly the Child Care and Development Fund's mandatory funding with the goal of eventually being able to serve all eligible children.** The increase should come in the form of mandatory rather than discretionary funding so that states can rely on the funding and plan their budgets accordingly. We would recommend that most or all of the mandatory funding increase not require a state match because we are concerned that many states are facing budget shortfalls and will not be able to put up additional state match.

- **Maintain current state access to TANF funding for child care.** TANF funding has become a crucial source of child care funding for states, who have used these funds in diverse and important ways. In fact, the amount of TANF redirected to child care in fiscal year 2000 exceeded the federal portion of the CCDF allocation in that year.[24] State administrators appreciate the current flexibility of the spending rules. Therefore, in reauthorization, we recommend that federal law continue to permit states to transfer TANF to CCDF and/or spend TANF directly on child care.

- **Eliminate federal rules that restrict use of TANF for child care.**[25] Specifically, the current distinction in federal regulation between "assistance" and "nonassistance" child care should be changed to make all TANF child care expenditures categorically "nonassistance." If all child care were treated as nonassistance, it would greatly simplify the ability of states to use TANF for child care without drawing complex distinctions among categories of care. In addition, states should be allowed to spend prior-year unobligated TANF funds for nonassistance, and to transfer prior-year TANF funds to CCDF to the extent that the state had not reached its maximum transfer amount. This recommendation would reduce the complications and accounting barriers states face when seeking to use TANF to address child care needs.

B. Improve the quality of child care for all children, particularly those in low-income families.

We urge the Administration to support an increase in the availability of funding to states to enhance the supply of quality child care, with a particular focus on improving the stability of the supply of high-quality teachers.

Since 1996, the body of research linking high quality early education to improved child outcomes, especially for disadvantaged children, has grown. Two studies have found a connection between the quality of early education experiences and later outcomes, including cognitive measures and educational attainment.[26] Furthermore, the National Academy of Sciences (NAS) conducted a

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[24] Ibid.

[25] For a more fully developed discussion of this issue, see CLASP, *The Impact of TANF Funding on State Child Care Subsidy Programs*.

[26] 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*

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.[27]

Researchers are also learning how certain features of early education programs promote early learning. Lower child to staff ratios, higher levels of caregiver education, a stable workforce with low turnover, and adequate compensation have each been linked to better quality early learning environments.[28] In addition, the NAS report found that the child care policy context matters, especially in relation to the variation in state health and safety regulations. Currently, states determine health and safety licensing parameters, as well as the extent to which child care providers are monitored. There is great state variation in both what is required of providers and monitoring frequency. Although most states conduct background checks on center and family child care teachers, states vary considerably on allowing certain types of providers to be exempt from regulation. In addition, only 11 states report that their licensing staff have caseloads at 75 provider facilities or below, which is the recommended level articulated in the National Health and Safety Performance Standards. Seventeen states reported caseloads at 150 provider facilities or more.[29]

High staff turnover rates and low wages are also key barriers to maintaining or expanding child care supply. A longitudinal study of child care centers in California found that 76 percent of 1996 teaching staff were no longer employed at that same facility in 2000.[30] Child care teachers continue to earn low wages which made it difficult to retain staff during the economic expansion of recent years. In 1999, family child care providers earned an average of $4.82 per hour, and child care workers, as opposed to pre-school teachers, earned an average of $7.42 per hour.[31]

State policymakers and advocates have become increasingly interested in promoting the quality of the early childhood workforce. At least 20 states now have a program called TEACH, which provides financial incentives to early childhood teachers to attain higher levels of training and remain with the same child care program classroom. A handful of states have also started compensation and benefit initiatives that provide salary bonuses and/or benefits to early childhood teachers. Early evidence suggests that these initiatives may begin to slow turnover. According to the group that operates the TEACH program in North Carolina, teachers participating in TEACH left their child care centers at a rate of less than 10 percent per year, significantly less than the statewide

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Abecedarian Study (Chapel Hill, NC: Frank Porter Graham Child Development Center, University of North Carolina at Chapel Hill, 2000).

[27] 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) [hereinafter *From Neurons to Neighborhoods*].

[28] National Institutes of Health Early Child Care Research Network, *Child Outcomes When Child Care Center Classes Meet Recommended Standards of Quality, American Journal of Public Health*, Vol.89, No.7, at pp. 1072-1077; *From Neurons to Neighborhoods.*

[29] US General Accounting Office, *Child Care: State Efforts to Enforce Safety and Health Requirements* (Washington, DC: Government Printing Office, 2000).

[30] Marci Whitebrook, *et al*., *Then & Now: Changes in Child Care Staffing, 1994-2000, Technical Report* (Berkeley, CA: Joint project of the Center for the Child Care Workforce and the Institute of Industrial Relations, University of California, Berkeley, 2001).

[31] Center for the Child Care Workforce, *Current Data on Child Care Salaries and Benefits in the United States*, at p. 4 (Washington, DC: Center for the Child Care Workforce, March 2001).

turnover rate of 31 percent.[32] Despite this promising data, few states have the resources to expand these programs statewide, and many other states have not been able to dedicate the resources to even begin pilot programs.

During the child care debates of 1996, some thought that the increased demand for child care as more low-income parents went to work would naturally prod the free market to create more supply of child care. Unfortunately, since many of the new workers earn low incomes, they usually cannot afford the full cost of high quality programs in their communities. This is particularly true for parents that need more costly types of child care, such as care for infants or children with special needs. Furthermore, if subsidy reimbursement rates are not high enough, providers will not have a financial incentive or ability to move into a low-income community. Early evidence suggests that the growth in the supply of high quality care is failing to keep pace with the growing demand for this care in low-income communities. A study of child care supply in Illinois and Maryland found that those communities with the highest concentration of low-income families were actually least likely to increase supply of regulated child care services between 1996 and 1998.[33] Another study, a review of Census Bureau data, found indications that poor communities in non-metropolitan areas are especially likely to experience an inadequate supply of center child care.[34] The ability of the free market to maintain stable supplies of child care may be particularly difficult in this time of economic upheaval and job instability.

Since 1996, many states have increased funding for efforts to address some of these concerns and improve child care quality. In PRWORA, Congress required that every state spend a minimum of 4 percent of CCDF mandatory, matching, and discretionary funds on activities to improve the quality and availability of child care in the state, giving states broad range to define those activities. (This provision also includes TANF funds transferred into the CCDF — $2.4 billion in fiscal year 2000.) States appear to not only be meeting this 4 percent quality set-aside requirement, but on average exceeding it by spending 6.1 percent of these funds[35] on activities they have identified as quality improvements, including monitoring, consumer education, training, and professional development opportunities.[36] Many states have piloted new strategies to improve the supply of quality child care, including: providing higher payments to providers meeting higher quality standards, creating financial incentives for teachers to attain more training and education or to continue in the child care field, making funds available to cover start-up or improvement costs, and strengthening licensing and/or monitoring standards. However, because funding levels are not sufficient to allow states to enact and implement systematic statewide initiatives, states are more likely to take on numerous smaller scope initiatives befitting the amount of funds available. While these smaller initiatives are helpful, they are not able to have an impact on all children and providers in the child care system, regardless of their subsidy receipt.

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[32] Child Care Services Association, *The T.E.A.C.H Early Childhood Project*, [www.childcareservices.org/TEACH/T.E.A.C.H.%20Project.htm], (2001); Child Care Services Association, *The Child Care Wages Project*, (2001), http://www.childcareservices.org/WAGE$/CCWAGE$2.html.

[33] J. Lee Kreader, Jessica Brickman Piecyk, and Ann Collins, *Scant Increases After Welfare Reform: Regulated Child Care Supply in Illinois and Maryland, 1996-1998* (NY, New York: National Center for Children in Poverty, June 2000).

[34] Rachel Gordon & P. Lindsay Chase-Lansdale, *Availability of Child Care in the United States: A Description and Analysis of Available Data Sources*, *Demography*, Volume 38-Number Two, at pp. 299-316 (May 2001).

[35] Calculations by CLASP based on U.S. Department of Health and Human Services, Child Care Bureau, *FY2000 CCDF Expenditures*, Tables 4, 5, and 6, http://www.acf.dhhs.gov/programs/ccb/research/00acf696/summary.htm

[36] *Low-Income Child Care Study*, at pp. 91-95.

CLASP makes the following recommendations to address these issues:

- **Increase the percentage set-aside to improve the quality and availability of child care as total CCDF funding increases.** Researchers have begun to pinpoint aspects of care that could improve child outcomes for children, particularly those of disadvantaged backgrounds. Although states have made many positive efforts, more resources are necessary for system-wide improvements and improved monitoring of participating programs. This funding will also help states address child care supply needs for target populations, such as children in low-income communities, children with special needs, children whose parents work non-traditional hours, and infants and toddlers. However, given the growing demand for child care assistance, increased resources through the set-aside for quality improvements and supply-building should not reduce the current amount of funding available for child care slots.

- **Provide additional funding to encourage states to undertake compensation and training initiatives for child care providers, increases in provider rates based on the quality of care provided (for example, tiered reimbursement policies that increase reimbursement rates to provide higher compensation for providers who have made quality improvements), and other efforts to improve the quality of existing child care settings.** Whether or not the amount of the quality set-aside is increased, the Administration should recommend that Congress authorize additional funds to create incentives for states to undertake targeted quality investments in these specific quality-building initiatives. Better child outcomes rely on the quality and supply of teachers and providers. However, the instability and nature of the economic market for child care has not assured these factors. Thus, federal leadership in providing incentives for state and local action to improve quality is needed.

C. Remove administrative barriers that make it difficult for families to access and maintain subsidies.

We urge the Administration to recommend changes to CCDF rules that would encourage states to reduce administrative barriers to receiving child care assistance. In recent years, states and researchers have begun examining practices that may impede access to work supports. This research has brought to light the fact that a number of policies and practices involved in the administration of the child care subsidy systems have had the effect of restricting access to subsidy assistance. Often, these policies and practices are not required by federal law. However, a set of federal law improvements could do much to reduce these access barriers.

One important barrier, which is in part attributable to states' lack of resources, is insufficient (or in some cases a complete lack) of outreach to inform parents about the availability of child care subsidies and their eligibility for these subsidies. There is growing evidence that families are having difficulty navigating a system that is not designed to encourage participation. This is particularly a problem for low-income working families who do not receive TANF and therefore might not interact with other public benefits systems from which they can get information about their eligibility for child care assistance. However, even families who have these interactions might not get this information.

A second important barrier can occur when excessive copayments are imposed on low-income families. A family facing a high copayment may look instead for low-cost or no-cost care outside the subsidy system, and such care may be less stable or of lower quality. Under current law, states are generally required to charge copayments for all families, though states may exempt families with income under the federal poverty level. Recognizing that poor families pay, on average, a larger percentage of their family income on child care costs than non-poor families, DHHS has recommended that states not charge families copayments that exceed 10 percent of their family income.[37] Almost all states met this standard for a family of three at 100 percent of the federal poverty level in 2000.[38] However, seven states exceed the standard for a family of three at 150 percent of the federal poverty level, and, in seven other states, such families are ineligible for subsidies, which could make their payments for child care much higher than 10 percent.[39] Moreover, even a 10 percent copayment could be onerous for very low-income families, but, as of March 2000, only five states exempted all families at or below the poverty level from fees.[40]

There are other barriers, however, that states need to address. These include complicated and/or lengthy applications, in-person interview requirements for application or recertification, and short recertification periods. Additionally, in some states, when parents move from different eligibility statuses (i.e., TANF, transitioning off of TANF, working poor), they might have to provide additional information to different agencies who may or may not coordinate their efforts with each other.[41] These barriers can make it difficult for parents to maintain their subsidies or employment because recertification policies can require parents to take time off of work or increases the opportunities for paperwork to be lost and mistakes to be made in processing.

Many of these barriers could be addressed immediately by states without a change in the CCDF or TANF statutes because of the flexibility contained in these statutes.[42] We urge DHHS to provide technical assistance and guidance to states about the importance of lowering administrative barriers and about how states can do so under current federal law. In addition, the Administration should explore during the reauthorization process possible ways to lower barriers, with some potential proposals including:

- **Require states to describe in their State Plan (as well as in a supplement to fourth quarter data reporting) the state's efforts to enhance accessibility, affordability, and continuity of care**. States would report to the Secretary any activities they had undertaken to:

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[37] 63 Fed. Reg. 39935, 39960 (July 24, 1998).
[38] CDF, *Fragile Foundation*, at p. 84.
[39] Ibid, at pp. 88-89.
[40] Ibid, at p. 84.
[41] Gina Adams, *et al*., presentation by Gina Adams of the Urban Institute at the Brookings Institution, *Preliminary Findings on the Adequacy of Child Care Funding from the Assessing the New Federalism (ANF) Child Care Case Studies* (June 2001); The Southern Regional Task Force on Child Care Report and Action Plan for the South, *Sound Investments: Financial Support for Child Care Builds Workforce Capacity and Promotes School Readiness* (December 2000), http://www.kidsouth.org/images/SRICC2000Report.pdf.
[42] For an analysis of ways in which states can remove administrative barriers under current law, see Mark Greenberg, Rachel Schumacher and Jennifer Mezey, *The Southern Regional Task Force on Child Care Action Plan to Improve Access to Child Care Assistance for Low-Income Families in the South: An Analysis of Legal Issues* (prepared for the Southern Institute on Children and Families) (August 2001).

- Provide outreach to eligible families;
- Coordinate with the state agencies administering the Food Stamp, Medicaid, and S-CHIP programs to inform applicants for and recipients of these benefits who have earnings and children in their household about the availability of and eligibility rules for child care subsidies;
- Simplify the state's child care application form and requirements;
- Make copayments affordable for families, particularly families below poverty;
- Simplify periodic reporting and recertification requirements; and
- Provide for continuity of care when a family's employment or employment-related activity has been temporarily disrupted.

These reports could then be publicized by the Secretary of DHHS in order to alert other states to best practices and innovative approaches.

- **Require states to continue to provide child care subsidies to income-eligible families for a reasonable period of time after job loss and while the family is engaged in job search.** In some states, once a family is no longer employed or engaged in education or training, the family loses child care subsidy eligibility. The loss of the child care subsidy could make the cost of care so prohibitively high that parents will be forced to remove their children from child care providers with whom their children have bonded. Continuity of care is extremely important to young children. This policy will help to ensure that this continuity can be maintained for a reasonable period of time while a parent is seeking new employment.

- **Allow states to provide six months of child care assistance to families who are leaving welfare without any additional application or recertification requirements. Eligibility for the subsidy and the amount of family copayment will be calculated based on the family's circumstances during the last month that the family receives welfare except if a family experiences and reports a change in circumstances during the six months that would lower copayments.** This provision parallels the provisions in S. 1628, the Agriculture, Conservation and Rural Enhancement Act, and H.R. 2646, the Farm Security Act, which expand the current law state option to provide transitional Food Stamp benefits to families leaving welfare. This child care provision would help parents who are transitioning from welfare to work by ensuring that they will receive a child care benefit for at least six months during this sometimes difficult transition period. Furthermore, the process for receiving this benefit will be simplified, and they will not have to take time off of work to apply or recertify their eligibility for benefits at multiple agencies.

D. Promote low-income parents' ability to choose and have equal access to a wide array of early care and education options for children receiving subsidies.

We urge the Administration to propose policies that will allow parents who receive subsidies to have as wide a range of choices of quality child care and early education opportunities for their children as those parents whose income is too high to receive child care subsidies.

Too often, low-income parents have difficulty accessing safe and healthy child care, much less high quality early learning opportunities for their children. Lower income children are less likely to participate in a center or pre-kindergarten program than their higher income counterparts, according to an Urban Institute study.[43] A CCDF subsidy can make the difference for low-income families who seek access to a high quality early education program, but cannot afford the full cost on their own. In all states, the average cost of full-day, full-year child care in a center-based child care program for a four-year-old is higher than the cost of state university tuition.[44] However, even if a family qualifies for a CCDF subsidy, the family may have difficulty using that subsidy to access the full array of child care and early education choices that wealthier families have. The CCDF statute and regulations require that parents who receive subsidies have equal access to child care services as parents who do not receive child care subsidies because their income is above 85 percent of SMI.[45] States are also required to promote parental choice of providers by allowing them to choose a child care arrangement that is best for them and their children.[46] Under current rules and at current funding levels, however, many families using CCDF subsidies are finding their choices restricted.

A key policy that can limit the practical value of the child care subsidy is the level at which the state decides to pay providers willing to participate in the CCDF system. Rates that are too low discourage providers from accepting low-income subsidized children. Current CCDF regulations require states to report to DHHS that their payment rates are adequate to ensure equal access to care based on a market rate survey conducted no earlier than two years prior to the effective date of the CCDF state plan.[47] Also, DHHS guidance instructs states that market rates set at least at the 75th percentile of the regional or state provider market will be considered adequate to meet the equal access provisions of the CCDF statute.[48] (Payment rates at the 75th percentile would be sufficient to pay for three-quarters of the available care in a regional or state child care market.) However, only 27 states reported in 2000 that they were paying providers at the 75th percentile based on a market rate survey that was completed in at least 1998.[49] Given this fact, it is likely that a number of families receiving CCDF subsidies cannot access a sufficient array of local providers to truly exercise parental choice or access child care services equally to non-subsidized parents as required by CCDF law.

Primarily, more resources would allow states to implement policies that do not restrict access to child care services with a subsidy, although there are some other policy changes that would also help. CLASP makes the following recommendations for the Administration to address these issues:

- **Require that states base child care payments rates on a current market rate survey and set rates that are sufficient to purchase a broad range of high quality care in the local market, with enhanced rates as needed to ensure access for children with special needs, infants and toddlers, and non-traditional hour care.** The current CCDF equal access provisions have not been sufficient to assure equal access to quality care, and they should be strengthened. States should be required to base their payment rates on a current

[43] Kathryn Tout, *et al.*, *Early Care and Education: Work Support for Families and Developmental Opportunity for Young Children*, Occasional Paper No. 51 (Washington, DC: The Urban Institute, September 2001).
[44] Children's Defense Fund, *Child Care Challenges* (Washington, DC: Children's Defense Fund, 1998).
[45] 42 U.S.C. § 658E(4)(A); 45 C.F.R. §98.15(b)(7) (2001); 45 C.F.R. §98.43(a).
[46] 42 U.S.C. § 658E(c)(2); 45 C.F.R. §98.15(a).
[47] 45 C.F.R. § 98.43(c)(2). State Plans must be resubmitted every two years.
[48] 63 Fed. Reg. at 39959.
[49] CDF, *Fragile Foundation*, at p. 95.

market rate survey. Even if the survey is conducted every two years, payment rates should be adjusted at least for inflation to keep them reasonably current with market conditions. Also, given the supply problems for children with special needs, infants and toddlers, and children whose parents work non-traditional hours, as well as the general supply of quality child care, states must provide meaningfully enhanced reimbursement rates to allow the parents of children in need of such care to purchase it and to encourage providers to offer this care.

- **Add language to the CCDF parental choice provisions that will require states to demonstrate in their State Plans that they are giving parents the choice of a high quality, early education program.** To fulfill this requirement, states would be required to examine the adequacy of their payment rates and other practices that might interfere with parental choice and equal access to benefits for subsidized children. This process would give states an opportunity to consider how their child care systems can function both as a work support for parents and an opportunity to promote child development and school readiness by addressing issues of quality.

- **Require states to submit their market rate surveys and payment rates with their State Plans**. Currently states are not required to submit these surveys or the actual provider rates with their State Plans. By requiring states to submit them to the Secretary along with their State Plans, the Secretary and the public could better determine how rates compare across states, and states could better learn from each other about the best way to conduct market rate surveys.

E. Enhance data collection and research capacity to increase understanding of the subsidy system, and its impacts on children, parents, and providers.

We urge the Administration to improve child care data collection requirements and seek additional resources for research on the number and characteristics of children served by the child care subsidy system, the quality of the early learning experiences funded by CCDF, and the impact of CCDF subsidies on child well-being, as well as impacts on parents and providers. Child care needs and CCDF spending have grown significantly since 1996, making it more important to increase the capacity to research the impact of the subsidy system on children, parents, and providers.

At the most basic level, it would be helpful to improve the ability to count the number of children currently served by subsidies, which is somewhat complicated by the various funding streams that may contribute to a state's system. To this end, Congress and the Administration could reexamine the data collection requirements for TANF- and CCDF-funded child care. When child care is funded directly with TANF dollars and does not constitute TANF assistance, states are not required to collect data on the number of and characteristics of children served with these funds. As a result, there is a significant gap in our knowledge of how many children are receiving child care subsidies, making it more difficult to assess accurately unmet need and determine the extent of needed additional resources.

More importantly, there is a need to understand better the nature and quality of the early learning experiences purchased with CCDF subsidies. Although research has begun to pinpoint child care policies that can lead to better learning environments and outcomes for children, there are still holes in our knowledge about how effective the CCDF system is at providing these opportunities for low-income children. For instance, it would be very useful to be able to track the outcomes of subsidized children in various settings through various points in time with a representative study of CCDF-funded child care examining the cost and quality of the programs and their long-term impacts on these children. This research could help inform future decisions about how best to target resources to improve child outcomes.

CLASP makes the following recommendations to address these research and data concerns:

- **Subject TANF funds used for child care to simplified and improved CCDF data collection requirements.** Given the large number of children who receive TANF-funded child care, it is very difficult to have an accurate count of the numbers of families and children receiving subsidy assistance or consistent description of the characteristics of the families, children, and providers served without common data collection provisions across TANF and CCDF. However, the CCDF data requirements should be reviewed to assure that they secure only the most policy relevant data and do not overly burden states.

- **Provide funding for the Secretary to give grants for research to describe the quality of early learning experiences funded by CCDF and the impact of participating in CCDF-funded child care on child well-being from birth through school age.** This information would give direction to future policy-makers who wish to improve the quality of the child care services provided to children using CCDF funding to promote specific child outcomes.

- **Make funding available to states to survey parents who are participating in the subsidy system and those who are currently not receiving subsidies to determine the barriers they face to accessing the subsidy system and quality child care.** In these surveys, all parents could be asked about the child care arrangement they would prefer to use and the arrangement they are currently using. If there is a difference between these two answers, parents could be asked the reason for the difference. Parents who are not currently receiving subsidies could be asked about their reasons for not receiving subsidies, including personal preference, barriers to entrance, etc. Given the importance of parental choice in the child care system, having this information is vital for states who are attempting to design policies that meet the work support needs of parents and the child development needs of their children.

- **Make funding available to states to conduct surveys of child care providers (both those who are participating and not participating in the subsidy system) in order to identify means of improving access, provider participation, affordability and quality of care.** Providers who are in the subsidy system could be asked about what they would need from the state in order to serve more subsidized children and provide high quality care. Providers who are not in the subsidy system could be asked to identify barriers they face to participation.

We thank you again for this opportunity to submit comments regarding the reauthorization of the CCDF block grant in 2002. CLASP would be happy to discuss with you further any of the ideas or recommendations that appear in this paper.