WR - Child Care

WELFARE REFORM AND CHILD CARE QUALITY

Background

As child care is discussed in the context of welfare reform, one issue continues to surface: How can we insure that infants, toddlers, and preschool and school-age children receive quality child care? There are three primary reasons why we need a strategy to improve the quality of child care as part of the welfare reform activity:

1. Because the quality of child care is often poor and we do care about its impact on children and their parents;

2. The success in training and education programs is, in part, a function of stable, quality child care arrangements; and

3. Because the issue of time-limits will be linked not only to concern about the effect on children of any loss of benefits; it will also be linked to concern about the effect on children of forcing them into child care without a focus on is quality.

Clearly, the most effective way to improve quality in child care would be to increase reimbursement rates. Higher rates would increase provider salaries therefore drawing more qualified individuals into the field and decreasing turnover. However, any proposed strategy for improving quality must be realistic, recognizing severely limited funding both at the Federal and State levels and the priority which must be given to increasing supply. Therefore, we propose below a number of actions which can meaningfully address quality and make our concerns clear, but which can also can be undertaken without significant new child care funding.

Addressing Quality

1. Educating Parents and Encouraging Parental Involvement

Research has shown that parental involvement is an element of quality for children's services. We can prepare materials, including videos, to educate parents about child care and the need to find good child care for their children. Similar materials including PSA's were developed by ACYF in the 1970's; at that time, PSA's were also developed and marketed to television stations. Materials have also been developed by States as a result of the child care licensing and improvement grants authorized in the Family Support Act and the CCDBG quality set-aside. In addition, R&Rs and other organizations are good sources for materials on quality and parent education. Topics would include: what we know about quality; that parents should visit providers before selecting one; that parents should become

involved with their child's program; and that they should continually note certain things like staff-child interactions. Parents are the best monitors of child care and can provide on-going assurance of quality; government monitoring seldom or never occurs (a recent IG study looked at monitoring).

2. Head Start Funding and Partnerships

We must advocate for Head Start funding to provide care for more eligible children, to increase full-day Head Start, and to make it much easier for child care and Head Start to work together, including encouraging joint funding efforts. However, we should not penalize non-AFDC families who are Head Start eligible by targeting Head Start on AFDC families; all poor families are eligible families. To facilitate integration of child care and Head Start services, we could provide joint Federal guidance for both Head Start and child care program, as well as encourage the collaboration between child care and Head Start program offices at the Regional Office level. We should also consider targeting some Head Start expansion money to add comprehensive services and training to child care programs, including both centers and family day care providers, which agree to meet the Head Start performance standards. By investing training in family day care providers, we better meet the needs of those infants and toddlers who, because of their parents' nontraditional work schedules, require care either at nights or on weekends. As much as possible, we should also encourage that Head Start grantee training activities be open to child care staff in communities.

3. Targeting Some Portion of the Quality Funding on Training

Because of the direct link between the level of provider training and the quality of care, we should ensure that some portion of quality funding is spent on training. To encourage States to focus on training, we might even provide a one-time grant for planning and coordination of training. Direct training funds could also be awarded to States, Resource and Referral Agencies, colleges and universities, or other organizations that provide training. Any training program and/or system should also be designed to include and accommodate AFDC recipients who chose to become child care providers. This training should include child development theory, early childhood education, developmentally appropriate curriculum (for children from birth to age 13), multicultural issues, self-esteem building, literacy and communication skills, business skills, parenting, field experiences, and mentoring. Trainees should also receive assistance for their child care, transportation, health care costs, and other social services.

4. Chapter 1 Funding and Partnerships

The Administration's Reauthorization proposal for the Chapter 1 program would encourage States to spend more of their Chapter 1 funding on programs that extend learning time, such as before and after school and summer programs. The proposal would also change current targeting provisions so that more funds would be concentrated on the higher poverty schools which would result in more AFDC children being served. Because of the quality aspects of Chapter 1 programs, AFDC children could benefit from this increased emphasis. In Chapter One programs, teachers must be certified, and children receive compensatory education and other enrichment activities. The Department of Education is also considering a proposal to allow states to use compensatory education funds as matching funds for child care which could expand States' ability to pay for care for school-aged children. These funds could only be used as a match when they were spent on programs outside of the regular school day.

5. Joint Planning

We should encourage joint planning efforts by child care and Head Start programs at the local level. Assessments of community needs are required of individual Head Start programs and at the State level for CCDBG. We could work with States and Head Start grantees to bring these efforts together. The more the early childhood programs plan together and interact, the more good practices are likely to spread. Currently, child care providers are extremely isolated.

6. Accreditation and Variable Reimbursement

We can support (including providing some funding) efforts for voluntary accreditation programs like that of NAEYC and the Children's Foundation as well as increasing awareness of State and community efforts like that of the 4 C's of Orlando, Florida to set different reimbursement levels for different levels of quality. To make this effort meaningful, we must provide more flexibility for the States to set reimbursement rates under both IV-A Child Care and CCDBG (this action is already planned by ACF).

7. Making Funding Available for Quality Improvements

In any child care program we establish (including a combined IV-A program), we should include quality improvement funds such as those available in the CCDBG. Current quality set-asides in Head Start and the CCDBG support salary increases, training and technical assistance, and facilities improvement. The CCDBG is also uses quality funds to improve monitoring and licensing. In addition, we might eliminate the ceiling on funding quality improvements in the CCDBG.

8. Technical Assistance

We could seek additional funding for Resource and Referral agencies targeted toward having them provide technical assistance to child care providers. We might also work with the Child Care Action Campaign's effort to provide technical assistance through audio and teleconferences and workshops. Funds could also be given to the Child and Adult Care Food Program sponsors of family day care providers for this purpose. We can also consider adding funds to Head Start technical assistance providers so that they become Head Start and Child Care technical assistance providers or we could set up a separate child care technical assistance network/center. ACYF could produce, as it did in the 1970's, or disseminate already existing technical assistance materials; this would enhance the vision of a Federal leadership role. In addition to local providers and State administrators, caseworkers should also receive TA so that they would know the importance of the quality and continuity of care.

9. Increasing Appropriate Immunization/Encouraging Minimum Health and Safety Standards

We can consider very minimal regulatory requirements--primarily requirements that all children whose child care is Federally funded must be immunized following the CDC guidelines. State requirements for immunizations currently vary. Most States mandate immunizations for children in centers, but fewer mandate it for children in family day care. In addition, many State immunization requirements are out of date. A federal immunization requirement would recognize that all children should receive the same immunizations for public health reasons; it would affect large numbers of very young children, who are the population we are not currently reaching; it would improve health conditions in group child care settings; and it would be extremely low-cost since the vaccines are already available. If there is no immunization requirement, HHS (PHS and ACF) should work aggressively with States to encourage them to improve their own requirements.

We might also encourage a broader focus on health and safety standards. We could make available various models for health and safety standards including the very comprehensive standards developed by the American Public Health Association and the American Academy of Pediatrics. We could promote the adoption and adherence to such standards in both child care centers and family day care homes.

Welfare Reform - child care

$4.4B of TANF on c. care → How much is CCDBG?

I. INTRODUCTION AND EXECUTIVE SUMMARY

On August 22, 1996, President Clinton signed the bipartisan welfare reform plan that is dramatically changing the nation's welfare system. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 replaced the old welfare system (AFDC) with Temporary Assistance for Needy Families (TANF), to focus on work and responsibility and to provide States with flexibility to create the best approaches for their individual circumstances. Even before the Personal Responsibility Act became law, many States were well on their way to changing their welfare programs into jobs programs. By granting Federal waivers, the Clinton Administration allowed 43 States – more than all previous Administrations combined – to require work, time limit assistance, make work pay, improve child support enforcement, and encourage parental responsibility.

These strategies of requiring work and responsibility and rewarding families who have gone to work are paying off. Since welfare reform there has been a dramatic increase in work participation (including employment, community service, and work experience) among welfare recipients. The percentage of recipients who were working reached an all-time high, 33 percent, compared to less than 7 percent in 1992 and 11 percent in 1996.

This report compiles emerging data about welfare caseloads, family employment and earnings, marriage and two-parent families, out-of-wedlock births, and State policy choices, to give a picture of these first four years of welfare reform. Below are some more extensive highlights describing the information available to date as well as the research underway to learn more.

EMPLOYMENT AND EARNINGS OF NEEDY FAMILIES

There has been a dramatic increase in employment of current welfare recipients. A key measure of the success of welfare reform is its effect on employment. Analysis of all available sources of information shows that the employment rate of current and former TANF recipients has increased significantly.

The percentage of working recipients reached an all-time high in FY99 at 33 percent, compared to less than 7 percent in 1992 and 11 percent in 1996. Thus, over one in three recipients was working in a typical month, the highest level ever recorded and nearly a fivefold increase since 1992. The vast majority of recipients who were working were in paid employment (28% of the total or 85 percent of those working); others were engaged in work experience and community service.

All States met the all-families participation rate standard in FY99, as did the District of Columbia and Puerto Rico. The national participation rate for all families increased to 38.3 percent for FY 1999 from 35.3 percent in FY 1998, even while caseloads continued to decline by 18 percent over the same period.

Of the thirty-six States, the District of Columbia, and Guam that had two-parent family programs subject to a work participation rate, twenty-eight met the FY 1999 two-parent participation standard. The national rate for two-parent families increased to 54.7 percent in FY 1999 up from 42.4 percent in FY 1998.

TANF administrative data just for welfare recipients who remain on the rolls indicate that the average monthly earnings of those employed increased. Earnings increased from about $466 per month in FY 1996 to $533 in 1998 and $598 in FY 1999, increases of 19 and 28 percent respectively.

Although welfare reform is having a positive effect, early data tell an earnings story somewhat more complicated than the employment story. Studies of welfare reform in Connecticut and Minnesota suggest that those programs achieved annual earnings gains in the range of $700-$800 for long-term recipients. However, both programs had no effect on the earnings of recent applicants who were likely to earn more than long-term recipients. The Urban Institute has found the average earnings of those who have left welfare are well above minimum wage – with studies showing hourly wages of $6.60 - $6.80.

MAKING WORK PAY

New research illustrates that a strong commitment to augmenting programs that strongly push parents to work with well-implemented approaches to making work pay can succeed in producing a broad range of improved outcomes for families and children. In general, research on the impacts of welfare reform on family income, food security and hunger, health insurance status, child outcomes, and other family experiences is not providing a definitive picture at this point. However, preliminary reports are promising. The first systematic and rigorous findings on these issues have just been released in an evaluation of a pilot program, the Minnesota Family Investment Plan (MFIP), on which the State's TANF program is based. MFIP produced increased income across a broad range of families. It also produced other consistently positive effects, especially for families headed by long-term recipients, including a reduction in children's behavior problems, and an increase in children's attachment to, and performance in, school. In addition, it dramatically reduced the incidence of domestic violence, a finding that has never been observed in any other rigorously evaluated welfare program. It also increased families' access to child care and health insurance. Finally, it significantly increased the proportion of children living in two-parent families.

TRENDS IN EXPENDITURES AND CASELOADS

States are making significant new investments in the TANF program. The total TANF expenditures (combined Federal funds and State MOE funds) for FY 1999 were $22.6 billion, the same as last year. This level spending seems to indicate that States are making significant new investments in work supports for TANF recipients, since welfare caseloads were declining over the same period and the associated spending on cash assistance was also going down. In FY 1999 the total spending on cash assistance was $13.4 billion compared to $14.6 billion in FY 1998. Total spending on work activities increased 17 % over the $1.5 billion spent in FY 1998.

In FY 1998 States spent $1.259 billion of Federal and State funds on child care. In FY 1999 they spent $1.98 billion. By the end of FY 1999 States have expended, transferred or obligated 95% of their TANF funds for fiscal years 1997 – 1999.

There continue to be dramatic declines in welfare caseloads. Overall, the welfare caseload has fallen by 7.8 million recipients, from 14.1 million recipients in January 1993 to 6.3 million in December 1999, a drop of 56 percent since President Clinton took office. This is the largest welfare caseload decline in history and the lowest percentage of the population on welfare since 1965. Caseloads have fallen 49 percent since the enactment of the welfare reform law – 73.2 percent of the entire decline has occurred since August 1996. The percentage of the population on welfare has fallen by nearly half since 1993, dropping from 5.5 percent in FY1993 to 2.3 percent in December 1999. An August 1999 report by the Council of Economic Advisers (CEA) found that the implementation of welfare reform is the single most important factor contributing to the widespread and continuous caseload declines from 1996 to 1998. CEA estimates that the program changes implemented as a result of welfare reform account for approximately one-third of the caseload reduction from 1996 to 1998. The strong economy has also played an important role, accounting for approximately 10 percent of the decline between 1996 and 1998.

Fiscal years	*Estimated U.S. Population (000's)*	*AFDC/TANF Recipients*	*Percent of U.S. Population*
1992	254,462	13,625,342	5.4
1993	257,379	14,142,710	5.5
1994	259,935	14,225,651	5.5
1995	262,392	13,660,192	5.2
1996	264,827	12,644,915	4.8
1997	267,346	10,823,002	4.0
1998	269,845	8,778,815	3.3
1999	272,286	7,187,753	2.6
December 1999	274,076	6,274,555	2.3

HIGH PERFORMANCE BONUS

Twenty-seven States were awarded the FY 1999 high performance bonuses. The overall national results were very impressive. Based on the data from the 46 States that competed for the bonus, more than 1.3 million adults on welfare went to work between October 1, 1997, and September 30, 1998. Retention rates were also promising: 80 percent of those who had jobs were still working in the subsequent three month period. The States also reported an average earnings increase of 23 percent for current and former welfare recipients from $2,088 in the first quarter of employment to $2,571 in the third quarter.

FORMATION OF TWO-PARENT FAMILIES

The recently released final report on the Minnesota Family Investment Plan (MFIP) evaluation has produced the first clear evidence of how a welfare reform strategy can have substantial positive effects on the maintenance and formation of two-parent families. MFIP, which combined strong work requirements for long-term recipients plus generous financial work incentives, increased both the formation and maintenance of two-parent families. Three years after entering the program, almost 11 percent of single parents who were long-term recipients were married compared to 7 percent of a control group who received AFDC. Even more dramatically, 67 percent of two-parent families who entered MFIP were married at the end of three years compared to 49 percent of the AFDC control group, a 38-percent increase.

OUT-OF-WEDLOCK BIRTHS

Five States were awarded bonuses to reward reduction in out-of-wedlock births. On September 13, 1999, DHHS Secretary Shalala announced the award of $100 million in new bonuses to five awardees for achieving the nation's largest decreases in out-of-wedlock births between 1994 and 1997. The awardees were Alabama, California, the District of Columbia, Massachusetts, and Michigan. Each jurisdiction received $20 million.

During the 1991-1998 period, teenage birth rates fell in all States and the District of Columbia and the Virgin Islands. Nationally, teen birth rates continued an eight year decline, falling 20 percent from 1991 to 1999 to the lowest levels on record. Declines in the teen birth rate are seen among younger and older teens, married and unmarried teens, all States and all racial and ethnic groups.

The Office of Child Support Enforcement has a preliminary total of 1.5 million paternities established and acknowledged for fiscal year 1999. This is triple the number in 1992 and reflects the same total as reported in fiscal year 1998. The numbers may appear stable due to the new reporting requirements.

INCOME AND CHILD POVERTY

Child poverty has declined from 22.7 percent in 1993 to 18.9 percent in 1998 -- the biggest five-year drop in nearly 30 years. The poverty rate for female-headed families with children has declined from 41.5 percent in 1995 to 38.7 percent in 1998, the most recent year available. This is an all-time low. And the overall poverty rate has also fallen from 15.1 percent in 1993 to 12.7 percent in 1998 -- that's the lowest poverty rate since 1979 and the largest five-year drop in poverty in nearly 30 years.

DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS OF FAMILIES RECEIVING ASSISTANCE

Examining demographic trends over the decade suggests that certain aspects of the caseload have been changing and that most of these changes were larger since 1996. The caseload is now made up of a greater proportion of minorities (most of this mirrors the growing proportion of the overall population that is Hispanic), somewhat older parents with somewhat older

children, and a substantially higher proportion of cases where no adult receives assistance. A new report by the Brookings Institution tracks welfare caseloads in the 89 counties that contain the 100 largest U.S.cities. It finds that, over the last five years, welfare caseloads have become predominantly urban. In 1994, when national welfare rolls hit a historic high, 48 percent of welfare recipients lived in the 89 counties. By contrast, in 1999, these counties were home to 58 percent of the nation's welfare recipients.

The average number of persons in TANF families was 2.8 persons. The TANF families averaged 2 recipient children, which remained unchanged. Forty percent of TANF families had only one child. Ten percent had more than three children.

About 29 percent of TANF families had no adult recipients, up about 6 percentage points for the 49 States that reported child-only cases for the October 1997 – September 1998 period. Two-thirds of TANF families had only one adult recipient, and five percent included two or more adult recipients. Fifteen States did not include two-parent family cases in the TANF data reporting system because they placed two-parent families in separate State programs. Between FY 1998 and FY 1999 the number of child-only cases increased, the first such increase since FY 1996.

Ninety eight percent of TANF families received cash and cash equivalents assistance with a monthly average amount of $357 under the State TANF program. Of such TANF families, 81 percent received Food Stamp assistance, which is consistent with previous levels. Also, almost every TANF family was enrolled in medical assistance under an approved State Medicaid plan.

STATE POLICY CHOICES

States are promoting work in their TANF programs through a combination of requirements, incentives, and other policy changes. Under the TANF program, parents or caretakers receiving assistance must engage in work (as defined by the State) within 24 months or less at the State's option. Twenty-eight States require families to begin participating immediately, and 9 other States require participation within 6 months of receipt of cash assistance. Twenty-two States have either no exemption for parents with infants or an exemption that is substantially shorter than the one-year period provided for under Federal law (i.e., 3, 4, or 6 months). In addition, every State has adopted the option to develop Individual Responsibility Plans for recipients.

States have also made a number of policy changes that help to make work pay. The majority of States have changed their policies on the treatment of recipient earnings, by expanding the amount of earnings recipients can keep and/or the period for which earnings disregards are available. Also, the majority of States (33) have removed the additional categorical eligibility requirements that applied to two-parent families under prior law; these changes make it easier for two-parent families to retain benefits when they go to work. Here, we note that many States have focused their benefit expansions on working families; few States have substantially raised their maximum benefit levels (i.e., the amount paid to families with no countable income).

Every State has raised its vehicle asset limit, making it easier for families to own a car that is

reliable and can get them to work. In addition, most States have raised their general resource limits. For example, 21 States raised the general resource limit for both applicants and recipients to $2000. More generally, 40 States raised the general resource limit for both applicants and recipients, 4 States raised the resource limit for recipients only, and Ohio no longer has a specified resource limit. Thirty-one States took the option to expand categorical eligibility for food stamps, allowing them to apply more generous TANF asset limits to the Food Stamps program as well. In addition, 30 States have implemented Individual Development Account programs that enable individuals to accrue assets for specified purposes such as purchasing a house or post-secondary education. Several States also allow these accounts to be used to save for a car.

State policies to limit the time that families may receive TANF assistance vary. Currently, 38 States apply a 60-month lifetime time limit; 4 States have a 24-month or shorter lifetime limit (1 of which continues benefits to the children), 3 States have a general 36-month or 48-month lifetime limit. Three States are continuing waivers and do not currently apply a lifetime limit and a few non-waiver States also indicate that they intend to provide benefits beyond 60 months (e.g., by using State funds).

Thirteen States have "intermittent" time limits that deny (or reduce) benefits for a period of time for families that have accrued a certain number of months of assistance. These policies take one of two forms. Some States restrict the number of months a family can accrue during a fixed period of time (e.g., 24 months in a 60-month period). Others make the family ineligible for a fixed number of months once it has accrued a certain number of months of assistance (e.g., a family is ineligible for 12 months once it has accrued 24 months).

Most States provide exemptions to their State time limits that "stop the clock" for categories of families that are not exempt under the Federal statute. The most common State exemptions include: families that have adults or children with disabilities; victims of domestic violence, families with an elderly head of household; and families in which the adult is caring for a small child.

Among the families that most typically receive extensions of their time limits under State policies are: victims of domestic violence, families with adults or children with disabilities, and families that have made a good faith effort to become self-sufficient.

Most State TANF programs have implemented office procedures to assess or screen individuals for barriers to employment such as domestic violence, learning disabilities, physical disabilities, alcohol dependence, drug dependence, depression, and other mental health issues. Thirty-seven States assess or screen for at least four of these barriers. Twenty-four States offer intensive services targeted to meet at least four of these barriers. One State leaves both matters to county discretion.

Most States are offering up-front payments or services to divert families from entering the welfare rolls. To date, 34 States have opted to offer diversion payments or services to families applying for TANF benefits. Most of these States provide lump-sum payments designed to

address emergencies and keep families from coming on assistance. States typically restrict such payments to families who agree not to seek additional assistance for a specified period of time. In other States, the diversion program includes job search and related services designed to help the family go directly to work.

The majority of States have certified that they have adopted the "Family Violence Option" to screen and identify victims of domestic violence, refer them to counseling and supportive services, and provide appropriate waivers of program requirements. To date, 38 States have certified that they adopted this provision to assist victims of domestic violence. All other States are providing related services for victims of domestic violence, but have not yet adopted the Family Violence Option.

A number of States have taken steps to devolve program responsibilities to the counties. However, most State programs are still State-administered, and most States have uniform Statewide provisions on matters such as eligibility standards, benefit amounts, and available services.

States are engaging in forums to share information and lessons learned. The Department has sponsored a variety of forums to support these efforts. For example, the Welfare Peer Technical Assistance Network Project gives States an opportunity to link up and share information, as well as to cross-train each other on emerging best practices. Activities sponsored in 1999 covered subject areas such as culture change, diversion, transportation, one-stop centers, service integration, substance abuse, rural partnership building and economic development, and job retention.

CHILD SUPPORT

In 1999, nearly 16 billion was collected for children by the child support enforcement program, an increase of 10 percent from 1998, and double the amount collected in 1992; the federal government collected a record $1.3 billion in overdue child support from federal tax refunds alone. A new program to match delinquent parents with financial records found nearly 900,000 accounts since August 1999 with a total value of about $3 billion. Nearly 1.5 million men acknowledged paternity in 1998, an increase of 12 percent in one year alone and three times as many as in 1992. The Passport Denial Program has collected more than $4 million in lump sum child support payments, and is currently denying 30 to 40 passports to delinquent parents per day in an effort to collect financial support for their children.

Of the $3 billion authorized under the Department of Labor's WtW program, about $350 million has been invested in projects to help unemployed or underemployed non-custodial parents find and keep jobs and increase their earnings. In addition, some States, including California and Idaho, use TANF funds for services to this population. The Clinton-Gore Administration's FY 2001 budget proposes $255 million for the first year of a new "Fathers Work/Families Win" initiative to promote responsible fatherhood and support working families, critical next steps in reforming welfare and reducing child poverty. These competitive grants will help at least 40,000 low-income fathers and 40,000 low-income working families work and

support their children.

TRIBAL TANF

By September 1999, Tribal TANF programs were serving approximately four thousand families per month. About 40,000 American Indian families were also served by State governments in Fiscal Year 1999. Some Tribes also operate Native Employment Works (NEW) programs either independently or in conjunction with their TANF programs. Currently, there are 24 approved Tribal TANF plans, with some of them from multi-Tribe consortia.

CHILD CARE

In FY 1999, States transferred a total of $2.43 billion of Federal funds from the TANF program to the Child Care Development Fund (CCDF), which is nearly triple the $914 million transferred in all of FY 1998. In addition, direct State spending through the TANF program on child care services totaled $1.98 billion. The combined amount from transfers and direct TANF program spending on child care was $4.41 billion. Eleven percent of FY 1999 TANF funds were transferred to the child care block grant.

Despite our investments in child care (including an additional $4 billion over 6 years for child care in the welfare reform law), there is still a large unmet need. Recent data show that States across the country are serving only a small percentage of eligible families and report extensive waiting lists and unmet need. *Access to Child Care for Low-Income Working Families,* a study issued by HHS in October 1999, indicates that in an average month in FY 1998, only 10% of the 14.8 million children eligible for child care subsidies under Federal regulations received such assistance through the Child Care Development Fund. One analysis, *Child Care After Leaving Welfare: Early Evidence from State Studies,* finds that 50 to 70% of families who have left welfare are now working, but that only about 30% are receiving assistance in paying for child care.

RESEARCH AGENDA

HHS is committed to ensuring that the nation has the answers to major questions regarding welfare reform. These questions can only be answered through rigorous and systematic studies. HHS's welfare reform research agenda has two broad goals: to increase the probability of success of welfare reform by providing timely, reliable data to inform policy and program design, especially at the State and local level where decision making has devolved; and to inform the nation of policies chosen and their effects on children, families, communities and social well-being.

WR-childcare

A Resurgent Michigan Leads Newly Flush States

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By PETER T. KILBORN

LANSING, Mich., April 8 — Lawmakers here and in many other states, now in the throes of writing their budgets for the 2001 fiscal year, are witnessing the biggest of six consecutive years of rising revenues, inspiring inventive new ways to spend money and wave upon wave of tax reductions.

States are collecting revenues from the taxes on surging industries, fully employed work forces, stock market gains and this year, for the first time, from a two-decade-long, $246 billion windfall from the settlement of their suit against the tobacco industry.

"The states are overflowing with money and spending a lot of money," said Stephen Moore, an economist at the conservative Cato Institute in Washington. "You are starting to see — among Republican governors, by the way — budget increases of 6, 7, 8 percent a year. States are continuing to cut taxes, too. But the money is coming in so fast they haven't kept pace."

Gary S. Olson, director of Michigan's nonpartisan Senate Fiscal Agency, which tracks the state's finances, said: "This is sort of an ideal situation. Michigan had never been able to reduce taxes and raise spending at the same time. I've worked in the Legislature since 1978, and clearly, these are the best times I've ever seen."

Because of the peculiarities of their taxation systems or their economies, a few states, like Wyoming, Iowa, Kansas, Tennessee and New Hampshire, are not reaping much of this harvest. But most are. New York, California, Texas, Maryland, Minnesota, Indiana, Washington, Pennsylvania and Michigan have been amassing annual surpluses exceeding $1 billion, typically representing hundreds of idle tax dollars collected from each of their citizens.

The surpluses have led to new spending plans and an array of tax cuts. In Maine, Gov. Angus King, an independent, would give a laptop computer to every seventh grader. Gov. Parris N. Glendening of Maryland, a Democrat, would buy textbooks for students in the state's 500 private schools. In the fall, Gov. Tom Ridge of Pennsylvania, a Republican, will send the state's 3.3 million homeowners a tax rebate check of $100.

Some states are cutting sales taxes on food and clothes and property taxes on automobiles. Gov. Jesse Ventura of Minnesota, an independent, has handed taxpayers $1.3 billion in sales tax rebates. In January, Gov. Bob Taft of Ohio, a Republican, put into effect tax breaks for adoptions and college tuition. In New York, Gov. George E. Pataki's top priority is lopping $1.25 billion from the state's debt, saving taxpayers the cost of carrying it but incurring the wrath of Democratic legislators and many Republicans who want more tax cuts and spending.

In his new budget, Gov. John Engler of Michigan is dipping into the state's tobacco settlement money for $83 million to give $2,500 college scholarships to students who pass a state achievement test. He proposes awarding $1,000 bonuses to the staff members of high-performing schools, from principals to janitors. He is creating a virtual high school for students to take advanced courses unavailable in rural areas through the Internet. And he plans to give all 80,000 public school teachers laptop computers.

Lawmakers are beginning to call their surpluses "structural," prosperity's antithesis to the structural deficits of much of the 1900's. By law, states, unlike the federal government, must erase one year's deficit the next year with spending cuts or tax increases. The serial surpluses of the 1990's and 2000 let them build reserves to tide them over in a moderate recession without touching programs and taxes.

But in choosing where to dispense prosperity's bounty, Democratic leaders in the states, most of which have Republican governors, say the big beneficiaries are businesses and the rich. "There is a percentage of our citizenry," said State Senator Alma Wheeler, Democrat of Ann Arbor, Mich., "that is not having its boat floated by this economy."

State Representative Hubert Price, a Democrat from Pontiac, Mich., calculates that a family of three with Michigan's median income of $40,000 will save $1.20 a week from a recent cut in the income tax rate to 4.2 percent from 4.4 percent. "I haven't had any constituents walk up to me in the grocery store and say, 'Thank you,' " Mr. Price said.

And public policy analysts say the prudence that states showed in the mid-1990's in setting aside rainy day funds to weather recessions has begun to wane. "Until now, it's been a series of happy surprises," said Iris Lav, an economist and expert on state finance at the Center for Budget and Policy Priorities in Washington. "Every year, revenues come in higher than forecast."

Rising revenues allow states to cut taxes and raise spending.

But she said three and four years of lowered tax rates and rising spending were consuming a larger part of the rising revenues, reducing the surpluses and resources set aside for recessions. The National Conference of State Legislatures in Denver reports that reserves have dropped to $30 billion this year from $37.5 billion last year.

Some of the tax cuts, especially the rebates, are one-time events, said Mandy Rafool, a senior policy analyst at the conference. "They're trying to give the money back but play it safe," she said. And to avoid the one-year jolt of sharp tax-rate reductions, many legislatures favor small, phased reductions like Michigan's 23-year elimination of a tax on business. In that way, she said, they avoid the political repercussions of raising taxes to cope with recessions.

No state has gained more from prosperity and surpluses than Michigan, where the cities of Flint, Pontiac, Benton Harbor and Detroit formed the downtrodden core of a region that economists called the rust belt. For decades, Michigan and West Virginia shared the nation's highest unemployment rates, often exceeding 10 percent.

In February, however, Michigan's unemployment rate was a mere 2.7 percent, one of the nation's lowest, the state's lowest in at least 30 years and well below the national rate of 4.1 percent. Automobile workers are working overtime and earning an average of $60,000 a year. On top of that, they are collecting $8,000 and $10,000 annual bonuses — all taxable income that feeds the surplus.

Such unanticipated tides of revenue are pouring into the state treasury at a rate of $2 million more a day than the governor's economists predicted just a year ago and hundreds of thousands of dollars a day above their predictions as recently as January, when Governor Engler submitted his budget.

The governor was first elected 10 years ago as a tightfisted, tax-cutting crime-fighter, and has cracked down on parole and young offenders. Crime is down, as it is in the rest of the country, but prison terms have stretched, and the prison population has doubled during his tenure, to 40,000.

By the end of next year, Governor

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The New York Times

MONDAY, APRIL 10, 2000

PERU VOTERS GIVE PRESIDENT A SHOCK; A RUNOFF IS LIKELY

THE RACE IS VERY CLOSE

Challenger Is Aided by Reports of Fraud and Unhappiness Over Nation's Economy

By CLIFFORD KRAUSS

LIMA, Peru, April 9 — President Alberto K. Fujimori appeared to fall short of a first-round re-election victory today in a vote hotly contested by Alejandro Toledo, a business school professor from humble roots who immediately charged that the government was trying to steal the election.

Standing united with all six of the other opposition candidates who vowed to fight any attempt at fraud, Mr. Toledo said, "I can assure you, if someone tries to block the will of the people, I guarantee that I will be in the streets in two minutes."

Dressed in faded jeans and a green work shirt with a red bandana around his head, he added, "I'm an Indian rebel with a cause."

Mr. Toledo made his charges as tens of thousands of his supporters gathered in downtown Lima and after a campaign riddled by irregularities, dirty tricks and smear tactics that crippled Mr. Fujimori's other opponents.

The President had been almost uniformly viewed as a sure winner, but a popular and international outcry over what appeared to be a growing and systematic attempt to steal the vote peeled support from the president at an accelerating rate in the final 10 days of the race, pollsters said.

Mr. Fujimori is seeking an unprecedented third term after a tumultuous decade in which he defeated two terrorist insurrections and ended years of hyperinflation in this Andean country of 26 million people. But Mr. Toledo managed to capitalize on the disaffection the campaign had created, as well as unhappiness over the economy and the appeal of his own personal story as a one-time shoeshine boy who rose from poverty in a family of 16 children.

A complete count will not be announced for at least 48 hours. But surveys of voters leaving the polls showed 45.2 percent for Mr. Toledo to 43.6 percent for Mr. Fujimori, with a margin of error of up to five percent. A candidate needs to win more than 50 percent of the vote to avoid a runoff, which must be held by the first week of June.

But in what some international election monitors considered a worrisome indication of possible fraud, samples of vote tally sheets monitored by private polling groups gave Mr. Fujimori a lead of up to six points, but still not enough to avoid a runoff.

There were reports of other demonstrations around the country in opposition to reports of fraud, and the crowds gathered in Lima tonight chanted, "Democracy si, authoritarianism no!"

Mr. Fujimori had no immediate public comments. As the night progressed, several television networks whose owners are allied with the president strangely switched off their election coverage and began airing movies and light entertainment shows.

The chance of a runoff was privately viewed by the Clinton administration and the Organization of American States as the best possible outcome to assure the political standing and economic stability of a country that has been a key American ally in combating the drug trade in Latin America.

Fears of a fraudulent victory by Mr. Fujimori, foreign diplomats here said this week, opened the possibility that the Organization of American States would rule that the election had not met international standards and would withdraw recognition of the Lima government.

"We are very concerned right now," said Eduardo Stein, a former Guatemalan foreign minister who is head of the Organization of American States observation team. "There is an unexplainable delay in the moving of the voting sheet tabulations to the computer centers," where they are counted.

There were reports of electoral computer glitches and at least sporadic vote fraud from across the country throughout the day, including instances of convicts voting, ballots filled in before they were given to voters and people voting with false documentation, presumably to cast their ballots more than once.

Most common were reports of ballots distributed with the name of Mr. Toledo, the leading opposition candidate, cut from voting sheets.

"There is outrageous fraud being committed," Mr. Toledo declared on a national radio network when he voted at midday. He said electoral authorities were confiscating and hiding evidence of fraudulent ballots after complaints had been filed, adding, "I plead that they stop dirtying this process."

A centrist, Mr. Toledo campaigned promising to strengthen local government, make the court system independent of presidential influence and use tax incentives to bolster agricultural industries as a way to increase exports and create jobs.

With his strong Indian facial features, Mr. Toledo was able to tap into the large urban population of mestizos, as people of mixed Indian-Spanish race are known, and offer himself as an example of what a poor son of a bricklayer and fish saleswoman can do with an education.

Several television networks broadcast the results, as well as exit polls showing that Mr. Fujimori had lost control of Congress. Mr. Fujimori's coalition, Peru 2000, won the largest block of congressional votes, but two-thirds of the seats will be divided among several opposition groups.

Polls indicated that President Fujimori was able to cling to most of his rural Indian voter base with a campaign that promised to continue tough policies that would prevent future terrorism and a broadening of milk and cereal handouts to ease hunger in Andean villages.

He had also promised to extend lunch programs and computer classes to schools across the country and build more roads connecting the provincial hinterlands, while he handed out hundreds of thousands of land titles to landless peasants.

Mr. Fujimori sometimes appeared to be a reluctant candidate who was pushed into the race by eager aides — especially his intelligence chief, Vladimiro Montesinos — who are concerned about losing their jobs or future prosecution for corruption. He campaigned in earnest with only two weeks left before the vote, and often appeared to be going through the motions.

In the last days of the campaign, however, Mr. Fujimori appeared to be animated again. He donned Indian costumes and danced on platforms across the country. The pace of his rallies — held some days at desert cities along the coast and high altitude provincial capitals within hours — amazed even his supporters.

He also began airing an effective barrage of television and radio commercials arguing that now that he had defeated terrorism and hyperinflation and made peace with neighboring Ecuador, he was ready to roll up his sleeves and attack the problem of unemployment.

But Mr. Fujimori was dogged by a scandal amply documented by the newspaper El Comercio involving campaign workers who forged one million signatures to get him on the ballot. The mounting evidence forced several election officials and congressional candidates allied with Mr. Fujimori to resign, and gave the impression that the president had lost control over what was once thought to be a well-oiled political machine.

He was also hurt by steady criticism that he had replaced judges and manipulated the Congress in order to run for an unprecedented third five-year term despite a constitutional ban.

In the final days of the campaign, the Organization of American States observer team released a report expressing concerns that systematic campaign irregularities had "impeded the citizenry from having the confidence that sufficient conditions exist for the exercise of effective democracy."

Mr. Toledo, a former World Bank official with a Stanford doctorate and a Belgian-born naturalized American wife, was the surprise of the election. After running a poor third in the 1995 presidential election, he was not expected to be a threat this year.

But Mr. Toledo surged dramatically in the last five weeks of the campaign after the candidacies of two other candidates were destroyed by a series of vicious personal attack campaigns appearing in the leading television networks and tabloid newspapers that were believed to be directed by Mr. Fujimori's intelligence service.

In the last two weeks of the campaign, the smears were directed at Mr. Toledo, but pollsters said they did not seem to have the same impact. "The demolition machine just ran out of steam," said Santiago Pedraglio, a political columnist for the daily Gestion.

The New York Times

MONDAY, APRIL 10, 2000

In Man-Rich Silicon Valley, It Seems Like Strikeout.com

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By EVELYN NIEVES

PALO ALTO, Calif., April 6 — It was getting too late to meet a geek.

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"What are we doing here alone?" said Ms. Giacomo, a 31-year-old third-grade teacher in nearby Hayward, surveying the remaining, idling men. "We're young. We're cute. We're available. So what are we doing here alone?"

A good question. This, after all, is the heart of the heart of man country, one of the few places in the Western Hemisphere where men outnumber women.

Palo Alto, arguably the center of the Silicon Valley universe, has a whopping 36 percent more men than women. Sometimes, the troops of men strolling around downtown make it seem as if a Boy Scout reunion is in town. And since this is also the land of the best educated, highest paid workers in the world, minting 64 new millionaires a day, single women in search of smart, successful men should be having a ball.

But the valley is a weird world, unto itself. In this sphere, techies take their dogs, birds and pajamas to work, and being too busy for anything but becoming the next MOP (millionaire on paper) is as crucial to fitting in as Palm organizers and T-shirts.

Matchmakers say the dating scene is probably worse than anywhere. On Friday nights, Fry's Electronics, the techie haven here, is more packed with single men than the trendy bars, which tend to fill with Stanford University students. So while the geek glut has spawned an industry of matchmakers and image consultants — those who teach men things like how long their pants should be and how to say hello — finding romance is harder than finding a house here for under half a million dollars. "It's pretty brutal," said Julie Paiva, president of Table for Six Total Adventures and Entertainment, a meeting service and social club that began in San Francisco in 1997 and branched out to Silicon Valley's Mountain View last fall.

"A lot of people don't have a lot of time," Ms. Paiva said. "There's a lot of stress on their lives. It's very, very competitive. Everyone is worried that the other guy is moving faster. I've never seen such competitive people in my life."

No one, if the anecdotal evidence gathered from single men and women in bars and on the street can be trusted, is happy. Everyone complains. The men complain that the women are too few and too hard to get; the women, that the men don't bother with them or even know how to try.

"Wherever you go, the ratio is five to one, men to women," said Jim Aronson, a 30-year-old sales representative for a semiconductor company in San Jose, as he crankily surveyed the scene in Nola's the other night. Actually, the ratio looked more like 60-40, but all he could see, he said, were "guys, and more guys."

"The girls know they have the pick of the litter," Mr. Aronson said. "And there's a lot of gold diggers out there. They come around just to play 'Who Wants to Meet a Millionaire.'"

Indeed, an urban legend is growing in Silicon Valley about women flocking here in search of geek gods with all the right assets, at least on paper. But like Big Foot, such tales, told by disgruntled single men, are hard to prove. At Nola's, the women come from only as far as other parts of Silicon Valley, same as the men. Danette Austin, a 33-year-old kindergarten teacher in Campbell, next door to San Jose, was not even sure the hype about a guy glut was true.

"They say that the ratio is so good here," Ms. Austin said. "But the good guys that are available don't come out of their cubicles."

Of course, she said, a bar has never been the ideal way to meet a mate, or even a date. "I had one good relationship come out of meeting someone at a bar," she said. "But I don't know where to meet anyone any more. I work really hard, really long hours, and I'm really busy. I've gone years without seeing someone or having a date. It's crazy."

It is not as if opportunities to meet The One, or The One in the Meantime, are lacking. It is hard to read a newspaper without coming across advertisements for yet another dating service. Consultants like Jama Clark in San Francisco, who offers a six-week course on "The Art of Meeting Women," are busier than some stock-optioned C.E.O.'s. (One of her tips: "The first gatekeeper to sexual attraction is the way you look.")

And then there are the parties. Lots and lots of parties. It is becoming a tradition for every new start-up to hold a party in San Francisco, usually with an open bar and open door. Indeed, one Web site, www.sfgirl.com, which lists every techie party in town, often lists two or three on the same night.

The dot camaraderie is as thick as the sweaty, crushed crowds at these events. But the action at such parties is all about networking, not dating, the regulars say. Dates, when made, tend to be lavish: at the most expensive restaurants, or on yachts, across borders on private planes, even across the ocean. But dates seem to be the exception.

Larry Gioffree, a 31-year-old sales representative for computer hardware and software to dentists said neither he nor his friends had ever met women they might date. "The ratio is not good," Mr. Gioffree said. "I travel a lot and wherever I go, it's quite different. Plus the women are quite stuck-up here."

If dating is bad for most singles here, it is even worse for those who happen not to fit the prevailing demographics — white and young, between 22 and 35. Maxeau Mercier, a 30-year-old systems engineer from Montreal, who is black, had h[redacted] very dry dating spell since moving [redacted] Sunnyvale three years ago.

"I work 50 to 70 hours a week anyway," Mr. Mercier said, watching three women semisurrounded by a dozen men at Q's, another popular gathering spot in downtown Palo Alto. There are few women in his company, he said, and so the corporate gym and the corporate cafeteria and the corporate water cooler are out. And so are clubs, he said.

"I don't ever see a girl here that I'm attracted to," he said. "So I think, 'What's the point?' When you meet them, and you tell them what you do, they assume right away that you make a lot of money."

In another world, say, the Upper West Side of Manhattan, which is heavy with single women, Craig Newmark, a 47-year-old self-described "George Costanza, formerly classic nerd type," would be a catch.

Mr. Newmark, founder and chief executive of a popular community service Web site in San Francisco, www.craigslist.com, is witty (asked the contents of his refrigerator, he says, "Don't ask, don't tell"), civic-minded (his Web site is partly nonprofit) and utterly available ("I'm open to all possibilities").

Though listed on the Web site www.women.com as one of Silicon Valley's 10 most eligible bachelors, Mr. Newmark has had little action in the date department. The only eligible bachelor on the site who is over 40, and overweight, he has received about two dozen e-mail messages over several weeks and has answered every one. But only one turned into a date — a first and last date.

"Online chemistry, even voice," he said, "often does not translate into physical chemistry."

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"I think it's kind of unfair what they're saying about the men — that they're geeks who don't have social graces," she said. "I think the ideal man is still the Harrison Ford-Indiana Jones type. The women will say, 'I don't want to meet anyone who is bald.' Well, that bald man might be their soul mate."

She added: "I've been a relationship coach 10 years and I've never seen things so bad. The misunderstanding between the sexes is tremendous. The women are very tough on the men. They're constantly finding reasons to not like them. And the men, who are some of the nicest guys in the world, think that women just don't want nice guys."

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WR - Child Care

Access to Child Care for Low-Income Working Families

U.S. Department of Health and Human Services
Administration for Children and Families

October 19, 1999

PHOTOCOPY -- PRESERVATION

Access to Child Care for Low-Income Working Families

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Executive Summary

Out of necessity or choice, mothers are working outside the home in greater numbers than ever before. In 1996, three out of four mothers with children between 6 and 17 were in the labor force, compared to one in four in 1965. Two-thirds of mothers with children under six now work. Reliable, high-quality child care is critical to these mothers' productivity at work, as well as to their children's health and intellectual development.

With the unemployment rate at 4.2 percent, a 30-year low, many employers are having difficulty finding the workers they need. Women are expected to make up over 60 percent of new entrants to the labor force between 1994 and 2005. Welfare reform makes it likely that the demand for quality child care will be even greater in the future. Unfortunately, the cost of child care is often beyond the means of low and moderate-income working families, including those that have never been on welfare.

The Child Care and Development Fund (CCDF) is the major source of Federal child care assistance for low and moderate-income families. The program provides funding to states for subsidizing care of the parent's choice, whether in a family child care home, with a relative, or in a child care center.

This report provides new information on the number of children receiving subsidies through the CCDF in fiscal year 1998 and on the number of children eligible for assistance, by state. Nationally, in an average month in 1998, only 1.5 million of the 9.9 million low and moderate-income children eligible for CCDF assistance actually received help through the program – just 15 percent of eligible children.

The gap between eligibility and receipt of services would be greater if states had chosen to define the eligible population to include all of the low and moderate-income working families that are potentially eligible under Federal law. If all states set eligibility limits at the maximum levels allowed under Federal law – 85 percent of state median income – an estimated 14.7 million children would have been eligible for subsidies in fiscal year 1998, of whom only 10 percent were served.

The percentage of children eligible under state limits who are served with CCDF funds varies across states. About one-fifth (9) of all states are serving less than 10 percent of the eligible children, three-fifths (31 states) are serving between 10 and 25 percent of eligible children, and one-fifth (11 states) are serving 25 percent or more of the eligible population. Differences in state definitions of the eligible population explain some of this variation, which is also caused by differences in funding amounts, local child care costs, reimbursement rates, co-payment policies, and the number of low and moderate-income working parents in each state. If all states expanded eligibility to the Federal maximum limits, over half the states (27 states) would be serving less than 10 percent of eligible children, with the remaining half (24 states) serving between 10 and 25 percent of eligible children.

The CCDF Program. The Child Care and Development Fund (CCDF) is a Federal-state program which enables states to subsidize the child care expenses of low and moderate-income families. The Personal Responsibility and Work Opportunity Reconciliation Act (P.L. 104-193) consolidated most Federal child care funding, thereby allowing states to serve families through a

single integrated child care system. States have tremendous flexibility to design policies and define eligibility guidelines, service priorities, provider payment rates, and family co-payment amounts, in conformance with broad parameters specified under Federal law.

NOTE: The Child Care and Development Block Grant (CCDBG) Act provides discretionary funding for child care assistance. PRWORA consolidated mandatory child care funding under the Social Security Act and applied the CCDBG Act rules to these mandatory dollars. The term "CCDF" refers to the combination of the CCDBG discretionary funds and the Social Security Act mandatory funds, both of which are subject to the provisions of the CCDBG Act.

Large numbers of children remain unserved despite the fact that states drew down all available Federal mandatory CCDF funding in 1998 and transferred $636 million in Federal TANF dollars to CCDF programs.

In all, states in FY 1998 spent $3.5 billion in Federal mandatory and discretionary funds (including dollars transferred from TANF) and $1.6 billion of their own funds on child care assistance through CCDF. As a result of these investments, 250,000 more children were served through CCDF in an average month in 1998 as compared with 1997.

NOTE: Some states provide child care assistance through programs separate from CCDF, but there is no source of consistent and reliable information on the number of children served through such programs. In most states, the bulk of child care subsidies are funded with CCDF dollars.

Affordability. Regular child care arrangements are often beyond the reach of working poor families if they do not have access to subsidies. In fact, child care expenses are often the second or third largest item in a low-income working family's household budget. In 1993, for example, child care expenses averaged 18 percent of family income, or $215 per month, for poor working families paying for care for one or more preschool children. For families with income of less than $14,400 ($1,200 per month) the average share of income devoted to child care was even higher – 25 percent, or one-fourth of family income.

Two recent studies suggest that increased funding for child care subsidies increases employment rates and earnings for low and moderate-income parents, while other studies find that families on waiting lists for child care assistance cut back their work hours and are more likely to receive public assistance or go into debt (including declaring bankruptcy).

Quality. When families cannot get help in paying for child care, it is harder for them to find quality care that helps prepare their children for success in school. Although this report does not provide new information about child care quality, it does include a very brief summary of quality research and references. As this summary indicates, new research on preschoolers finds that quality child care programs make a difference in children's cognitive performance, language development, social adjustment, and overall child behavior, with differences found as many as four years after program participation. Existing child care arrangements, however, vary in quality, and too many children are exposed to poor conditions in care. Studies of investments in quality have found that state-wide quality initiatives, such as those undertaken in Florida and North Carolina, have resulted in improved quality of child care programs and enhanced child development.

Information Sources. The new information reported here comes from two sources. The average monthly estimate of children receiving CCDF subsidies – 1.5 million in 1998 – is a preliminary estimate based on state administrative data reported to HHS for the months of April – September

1998. These administrative data reflect children served (at least in part) through CCDF programs, not those served by other Federal, state, or local programs.

The eligibility estimates were generated from the Urban Institute's TRIM3 microsimulation model, based on three years' worth of Current Population Survey (CPS) data. The estimate of 9.9 million children eligible under state-set limits includes all children under age 13 (or older disabled children in certain states) who are living in families where the family head (and spouse if present) work or are in education and training programs and family income is below the states' income guidelines for assistance under the CCDF October 1997 state plans.

Access to Child Care for Low-Income Working Families

I. Introduction: Child Care and Development Fund under Federal and State Law

The Child Care and Development Fund (CCDF) is a Federal-state program which enables states to help subsidize the child care expenses of low and moderate-income families so they can work or attend education or training programs. The Personal Responsibility and Work Opportunity Reconciliation Act (P.L. 104-193) consolidated most Federal child care funding, thereby allowing states to serve families through a single, integrated child care system. States have tremendous flexibility to design policies and define eligibility guidelines, service priorities, provider payment rates, and family co-payment amounts, in conformance with broad parameters specified under Federal law.

NOTE: The Child Care and Development Block Grant (CCDBG) Act provides discretionary funding for child care assistance. PRWORA consolidated mandatory child care funding under the Social Security Act and applied the CCDBG Act rules to these mandatory dollars. The term "CCDF" refers to the combination of the CCDBG discretionary funds and the Social Security Act mandatory funds, both of which are subject to the provisions of the CCDBG Act.

Child care assistance under CCDF is generally limited by Federal law to families with children under age 13, although states may assist families with children up to age 19 who have special needs or are receiving protective services. In addition, both parents (or one parent in a single-parent family) must be in a work-related activity and family income cannot exceed 85 percent of state median income (SMI). Priority for services must be given to children in families with very low incomes and children with special needs. Within those parameters, states may set their own income eligibility limits and define other priority rules.

A comparison of state eligibility guidelines shows that state income limits vary considerably. As of October 1997, state limits for a family of 3 ranged from less than $16,000 in Wyoming to over $39,000 in Connecticut. As a result, in some states, families earning as little as $18,000 are not eligible for any help with child care costs – costs that generally run between $3,000 and $10,000 annually if purchased at market prices. Only 9 states set the limit for a family of 3 at the maximum level of 85 percent of SMI, as allowed under Federal law.

Subsidized child care services are generally available to eligible families through certificates or vouchers that allow families to purchase care from a provider of their choice. States set the payment, or "reimbursement," rates that providers receive to serve children through CCDF. In addition, states establish sliding fee scales, based on family income and family size, which are used to determine each family's "co-payment," or contribution to the cost of care. Under Federal law, states are required to set aside a minimum of 4 percent of CCDF funds to improve the quality of child care and other services to parents. States must also have health and safety requirements that apply to all providers receiving CCDF subsidies.

II. The Child Care Subsidy Gap: Estimates of Need and Services

To date, estimates of need for CCDF child care services have been limited by the lack of simulation models incorporating the CCDF eligibility criteria that, as explained above, vary across states. To correct this information gap, the Department of Health and Human Services

contracted with the Urban Institute to enhance the existing Transfer Income Model (TRIM3) to produce estimates of the potential need for child care subsidies on a national and state-by-state basis. Initial results from this model are reported below, along with information on the number of children served according to administrative data reported to HHS.

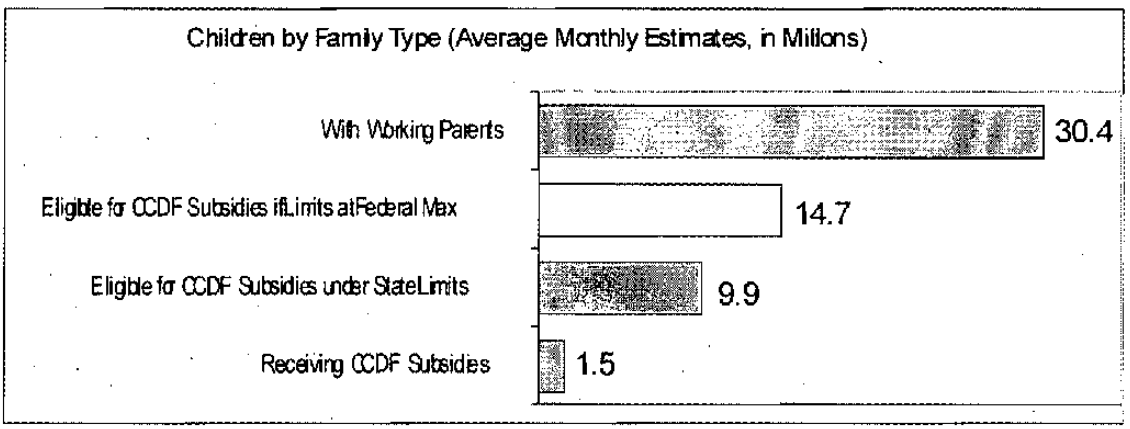
National Estimates. According to the Urban Institute model, there are 30.4 million children with working parents (regardless of income), of which 9.9 million are estimated to meet the states' CCDF income eligibility guidelines in place at the beginning of fiscal year 1998.

Only 1.5 million children actually received child care subsidies funded by CCDF in an average month in 1998. This estimate of children served, based on state administrative data from April to September 1998, suggests that only 15 percent of the eligible population were served, leaving a large gap between child care need and services, as shown in Figure 1. NOTE: The 1.5 million figure is preliminary and subject to revision.

The gap would be even greater if states had chosen to define the eligible population to include all of the low and moderate-income working families that are potentially eligible under Federal law. In fact, if all states set eligibility limits at the maximum levels allowed under Federal law – 85 percent of state median income – an estimated 14.7 million children would have been eligible for subsidies in an average month in fiscal year 1998. Only 10 percent of this larger eligibility pool were actually served.

NOTE: Some states provide child care assistance through programs separate from CCDF, but there is no source of information on the number of children served through such programs that is either uniform across states or verified. In most states, the bulk of child care subsidies are funded with CCDF dollars.

Figure 1. Child Care and Development Fund (CCDF) Eligibility and Receipt in the U. S.



Note: The 1.5 million estimate is preliminary and subject to revision.
Sources: Urban Institute simulations and state administrative data reported to the Child Care Bureau.

The model also provides information on the characteristics of children eligible for child care subsidies. Most children (8.8 of the 9.9 million) are under age 13 with working parents; the remaining children have parents in education/training programs or are disabled youth age 13 or older. About 14 percent of eligible children live in families that report receiving welfare. A substantial proportion (42 percent) has income below the Federal poverty threshold.

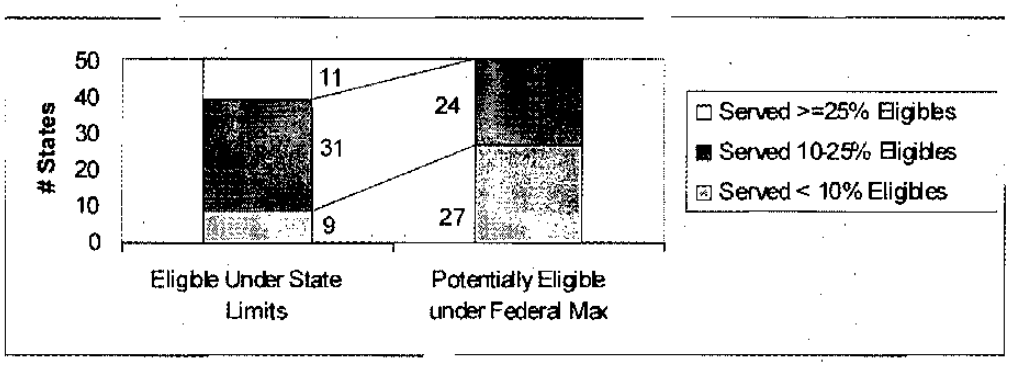
State Estimates. State-by-state estimates of children eligible for and receiving CCDF assistance are shown in Table 1. The total pool of children with working parents, regardless of income, is shown in the first column, followed by estimates of potential eligibility under the Federal maximum of 85 percent of state median income (SMI) and actual eligibility under state income guidelines. The fourth and fifth columns show the number of children receiving CCDF subsidies and the number served as a percentage of those eligible under the Federal maximum, based on administrative data reported by the state to HHS.

In Pennsylvania, for example, there are 1.2 million children with working parents (regardless of income), of which 443,300 are estimated to meet the state's October 1997 income eligibility guidelines. The eligible population would be larger – 533,900 children– if the state's income guidelines were raised from the current state-set level (74 percent of SMI) to the maximum allowable level of 85 percent of SMI. State administrative data indicate that 72,700 children received subsidies in an average month in fiscal year 1998 – only 16 percent of the eligible population under state limits and 14 percent of the potentially eligible population under the Federal maximum.

Some states served a higher percentage of eligible children in 1998 than the 15 percent national average. Michigan, for example, served a monthly average of 92,060 children, or one-fourth (25 percent) of the 375,000 children who were eligible according to state income criteria and 17 percent of the 545,000 children potentially eligible under Federal law. On the other hand, some states served a lower percentage than the national average. The 79,000 monthly average reported by Texas represents only 8 percent of the over 1 million children eligible under Texas income limits as of October 1997 and 7 percent of 1.16 million children potentially eligible if the income ceiling were increased to the Federal maximum.

In general, one-fifth (9) of all states are serving 10 percent or less of the children who are eligible under state limits, three-fifths (31 states) are serving between 10 and 25 percent of eligible children, and one-fifth (11 states) are serving 25 percent or more of the eligible children, as shown in the first bar of Figure 2. Differences in state definitions of the eligible population explain some of this variation. That is, states that define the eligible population as families with income below 85 percent of State Median Income, the maximum limit set in Federal law, may find it harder to serve 25 percent of eligible children than states that use lower income eligibility criteria.

Figure 2. Number of States Serving 10 to 25 Percent of Eligible Population, by Alternative Definitions of Eligible Population



Source: Urban Institute simulations and state administrative data reported to Child Care Bureau.

Table 1. Estimates of Child Care and Development Fund (CCDF) Eligibility and Receipt

State	Children (Average Monthly Estimates)				
	(1) Parents Working or in Education & Training (no income limit)	(2) Eligible for CCDF (if state limits raised to Federal maximum)	(3) Eligible for CCDF (under state rules in effect Oct. 1997)	(4) Receiving CCDF Subsidies (April-Sept 1998)	(5) Served as % of Potential Eligibles (Col. 4./Col. 2)
Alabama	494,700	233,300	103,500	20,530	9%
Alaska	99,400	46,700	43,800	5,080	11%
Arizona	516,700	283,800	154,400	33,060	12%
Arkansas	348,100	180,600	100,200	9,240	5%
California	3,481,700	1,732,500	1,381,900	100,640	6%
Colorado	486,600	226,300	139,100	20,170	9%
Connecticut	397,900	187,700	103,300	11,910	6%
Delaware	89,300	50,700	22,100	6,140	12%
District of Columbia	51,100	31,500	31,500	3,850	12%
Florida	1,434,200	705,300	421,900	46,640	7%
Georgia	913,200	485,200	331,200	47,210	10%
Hawaii	134,500	81,200	70,900	6,670	8%
Idaho	139,000	68,200	40,200	6,550	10%
Illinois	1,408,100	676,000	326,300	88,330	13%
Indiana	713,000	299,800	197,200	12,670	4%
Iowa	415,600	199,200	102,100	11,810	6%
Kansas	348,400	172,800	126,500	10,240	6%
Kentucky	427,100	170,200	90,800	25,010	15%
Louisiana	450,800	219,700	219,700	35,180	16%
Maine	128,800	60,900	60,900	**	**
Maryland	610,000	259,900	91,300	21,380	8%
Massachusetts	632,100	301,700	146,900	46,010	15%
Michigan	1,136,900	545,100	374,600	92,060	17%
Minnesota	637,500	297,400	251,600	25,530	9%
Mississippi	364,600	185,500	160,000	7,870	4%
Missouri	654,000	305,600	129,400	42,600	14%
Montana	108,500	60,800	49,200	5,530	9%
Nebraska	234,500	115,000	73,400	9,350	8%
Nevada	193,900	97,000	84,000	4,830	5%
New Hampshire	146,100	71,600	27,000	6,390	9%
New Jersey	798,900	350,500	176,900	32,500	9%
New Mexico	235,000	126,900	112,600	14,980	12%
New York	1,733,000	880,900	631,600	158,610	18%
North Carolina	819,600	411,400	343,100	74,250	18%
North Dakota	91,000	37,700	34,700	4,160	11%
Ohio	1,257,100	577,300	249,900	59,360	10%
Oklahoma	374,500	191,100	178,800	39,930	21%
Oregon	371,300	188,500	188,500	15,210	8%
Pennsylvania	1,232,300	533,900	443,300	72,680	14%
Rhode Island	105,900	42,500	24,100	6,330	15%
South Carolina	466,400	231,000	115,200	21,730	9%
South Dakota	98,800	46,200	26,900	3,530	8%
Tennessee	671,000	346,000	183,600	54,820	16%
Texas	2,309,600	1,161,700	1,013,400	78,960	7%
Utah	271,000	130,400	52,800	12,550	10%
Vermont	74,400	33,400	21,300	4,740	14%
Virginia	685,200	348,100	216,300	23,880	7%
Washington	667,100	310,500	167,100	41,850	13%
West Virginia	117,400	52,700	28,200	12,900	24%
Wisconsin	758,500	365,800	175,400	23,870	7%
Wyoming	59,700	31,600	12,500	3,200	10%
Puerto Rico, Terr.	---	---	---	7,980	NA
Total	30,393,900	14,749,500	9,851,000	1,530,500	10%

Notes: First four columns of estimates were generated from the Urban Institute's TRIM3 model.

(1) Children <13 (or disabled and below state age limit for disabled) with both parents working or in education/training programs. No income limit.

(2) Children from (1), if family income below 85 percent of State Median Income, the maximum limit allowed under Federal law.

(3) Children from (1), if family income below eligibility limits set by each state (based on limits in effect as of October 1997).

(4) Estimated children receiving CCDF child care subsidies, April – Sept 1998. State administrative data reported to Child Care Bureau and adjusted to reflect CCDF subsidies only. Estimates are preliminary and subject to revision.

** Data not yet received.

10/15/99

For this reason, it is important to examine the number of children served as a proportion of those who would be eligible if all states used the income guidelines set in Federal law. Over half the states (27 states) are serving less than 10 percent of potentially eligible children under the Federal maximum guidelines, as shown in the second bar in Figure 2. The remaining half (24 states) are serving between 10 and 25 percent of the potentially eligible population. Differences in the proportion of children served are caused by differences in funding amounts, local child care costs, state reimbursement rates, co-payment policies, and the number of low and moderate-income working parents in each state.

Notes on National and State Estimates. The eligibility estimates were generated from the Urban Institute's TRIM3 microsimulation model, based on Current Population Survey (CPS) data. To increase the reliability of the estimates, the numbers in this report were based on three years worth of CPS data – income and labor force participation data for calendar years 1995, 1996, and 1997. Eligibility under state income eligibility limits was based on the limits reported in the October 1997 state plans. The alternate eligibility under the Federal maximum of 85 percent of state median used the state median incomes for calendar year 1995 – the latest year for which medians were available as of the October 1997 submission of the CCDF plans.

Note that the model cannot capture all the complexities of the CCDF program. For example, the estimate does not include foster families that may be eligible for subsidies regardless of family income. Nor does it capture the potential effect of behavioral changes. If, as some studies indicate, the availability of child care subsidies enables more low-income parents to work, that would increase the need for child care and the size of the gap beyond the estimates shown here. Another limitation is that the CPS data from 1995-1997, although adjusted for inflation, may not fully capture the economic and demographic conditions of families in fiscal year 1998. Eligibility may be overestimated because of rising real incomes or underestimated because of increases in female labor force participation, declines in the welfare caseload and overall population increases. In addition, the state estimates should be viewed with some caution, particularly those from small states, because of the small size of the samples drawn for the CPS interviews.

Finally, note that the numbers of children served in 1998 are monthly averages (preliminary and subject to revision) based on administrative data for April-September 1998. These administrative data reflect children served (at least in part) through CCDF programs, not, as noted above, those served by other Federal, state, or local programs.

III. State Spending on CCDF in 1998

Recent data show that states are fully utilizing Federal resources and often invest more than required state spending levels, but the problem of unmet need remains critical.

The CCDF consists of three funding streams – discretionary funds, mandatory dollars that do not require a state match and mandatory funds that must be matched.

In 1998, states obligated all the available Federal mandatory child care funding, including Federal matching funds. States invested additional state dollars to serve 1.5 million children through CCDF – 10 percent of those potentially eligible for the program.

Of the Federal mandatory amount, close to half required a state match at the Federal Medical Assistance Percentage (FMAP) – the state match varied from 23 percent to 50 percent (the maximum). A state with a 50 percent match was required to contribute a dollar of state funds for

every dollar of Federal matching funds, while a state with a 23 percent match had to put up about one dollar of state funds for every three Federal dollars.

States not only met the CCDF maintenance of effort (MOE) requirement and contributed the additional matching funds needed to draw down their full Federal allotments, but also invested at least $144 million in state dollars that were not matched. While some of these state-only funds were used to serve children through the CCDF, some may have been used to provide child care assistance through other, state-only programs.

States also transferred $636 million in FY 1998 TANF funds to CCDF in that fiscal year. By comparison, they transferred $510 million in FY 1999 TANF dollars to CCDF in the first two quarters of FY 1999 alone.

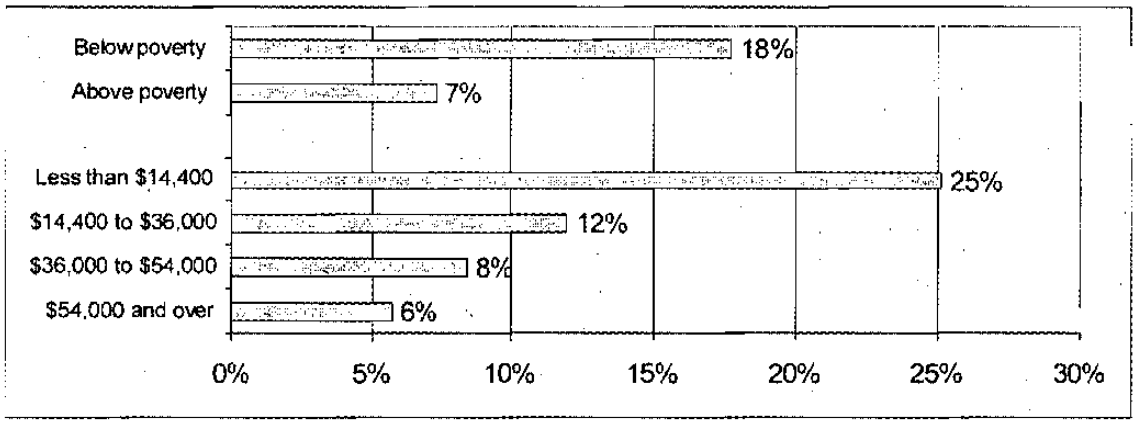
In all, in FY 1998 states spent $3.5 billion in Federal mandatory and discretionary funds (including dollars transferred from TANF) and $1.6 billion of their own funds on child care through CCDF. States also spent $259 million in Federal funds on child care provided directly through the TANF program.

IV. Affordability of Child Care

Regular child care arrangements are often beyond the reach of working poor families if they do not have access to subsidies. Below are national survey data on how much families spend for child care, as well as new information, recently collected by Urban Institute researchers, on the price of child care in selected states and cities.

The national survey data show that child care expenses are often the second or third largest item in a low-income working family's household budget. In 1993, for example, child care expenses averaged 18 percent of family income, or $215 per month, for poor working families paying for the care of one or more preschool children (see Figure 3). This average includes all types of care – full-time and part-time, full-price and partially subsidized, center-based and in-home, infant and preschool. Average monthly costs for non-poor families with employed mothers and preschoolers were higher in absolute terms – $329 per month – but lower as a percentage of the household budget – 7 percent. For families with income of less than $14,400, ($1,200 per month), the average share of income devoted to child care was even higher – 25 percent, or one-fourth of family income. [1]

Figure 3. Percent of Family Income Spent on Child Care, by Poverty Status and Income



Source: Census Bureau, P70-52 (SIPP, fall 1993). Limited to families with preschool children.

Prices for child care vary considerably, by such factors as geographic area, type of provider, and age of child. Average prices for preschool center care, for example, range from $565 in Connecticut to $303 in New Orleans, Louisiana, according to a comparison of average prices in several states and cities in summer 1999 (see Figure 4). Though not shown in the figure, center care for infants tends to be more expensive (e.g., $719 in Connecticut and $506 in Salt Lake County, Utah) than center care for preschoolers. Rates for family child care homes tend to be lower (e.g., $217 in New Orleans, Louisiana and $353 in Delaware) than for center-based care – this is true for both infant and preschool care.

Child care is more affordable for families who receive child care subsidies and contribute to the cost of care through "co-payments" that are much lower than the full price of care. Examples of co-payments in selected states and cities are shown in Figure 4, for a family with $15,000 in income and one pre-school child.

Figure 4. Child Care Prices and Co-Payments for a Hypothetical Family Earning $15,000 with one Preschool Child in Full Time Center Care

	WITHOUT SUBSIDY		WITH SUBSIDY	
	Average Monthly Prices	**% of Income**	**Monthly Co-Payments***	**% of Income***
Connecticut	$565	45.2%	$50	4.0%
Michigan	$487	39.0%	$12-$25	1.5-2.0%
Delaware	$390	31.2%	$81	6.5%
Florida	$325	26.0%	$70	5.6%
Pittsburgh, Pennsylvania	$490	39.2%	$25	2.0%
Salt Lake County, Utah	$392	31.4%	$10	0.8%
New Orleans, Louisiana	$303	24.2%	$29	2.3%

* State policy allows providers to charge parents additional amounts, above the co-payment, if the provider's rates exceed the state reimbursement level.

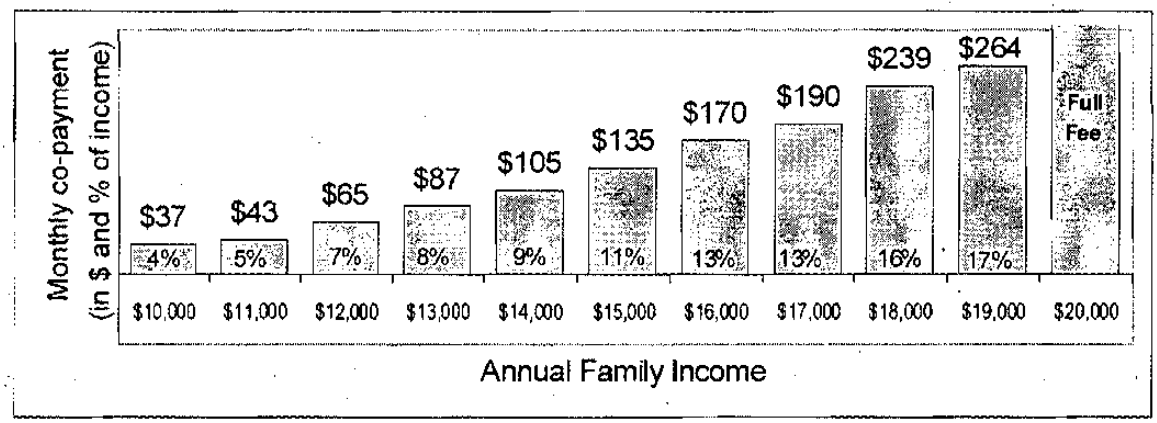
Source: Data collected by the Urban Institute from state and local resource and referral agencies, summer 1999.

Co-payments are established according to sliding fee scales; the co-payments vary across states and by family income, family size, and, in some states, cost of care. For example, a two-person family (mother and child) with $10,000 in income and a CCDF subsidy for full-time center based care would be charged a co-payment of less than $37 per month (4 percent of income) in half the states. This median co-payment increases from $37 for a family with $10,000 in income to full market rate for a family with $20,000 in income, as shown in Figure 5.[2]

Even families receiving child care subsidies, however, may still find it difficult to afford child care. In 24 states, providers are allowed to charge parents additional amounts, above the co-payment, if the provider's rates exceed the state reimbursement level. For example, if a state's maximum reimbursement rate is $300 per month for preschool care, and such care costs $380 in ABC Center, the family may have to pay the $80 difference, in addition to the official co-payment. These additional costs can deter even families receiving child care assistance from choosing higher quality care, which can be more expensive.

Though not shown in Figure 5, there is substantial variation in co-payment fee schedules across states. A two-person family with an income of $15,000, for example, would be charged a co-payment of less than $50 per month in 7 states, $50 to $100 in 7 states, $100 to $150 in 15 states, $151 to $200 in 10 states, more than $200 but less than full market price for care in 1 state, and full market price in 11 states.

Figure 5. Median State Co-payment Charged to Single Parent with Preschool Child in Center-based Care, by Family Income



Source: Congressional Research Service, from state plans on file with HHS as of August 1998.

V. Impact of Child Care Subsidies on Employment and Earnings

Two recent studies suggest that enhanced funding for child care subsidies increases employment rates and earnings for low and moderate-income parents. A study of the relationship between child care funding, employment and earnings in Miami-Dade County, Florida found that boosting child care funding increases the probability that current and former welfare recipients will find paid employment. An increase of $145 in subsidy spending per child increased the likelihood of employment from 59 to 71 percent for current and former recipients with few barriers to employment. According to the study, augmenting child care subsidy funding increases not only employment rates but also the earnings of current and former welfare recipients who are already working. The $145 increase in subsidy funding per child was associated with a 3.9 percent

increase in earnings for those with few barriers to employment and a 7.2 percent increase for current and former recipients with moderate to severe barriers to employment.
NOTE: These findings are for the period after the legislature established a separate pool of child care subsidy funds for current and former welfare recipients.

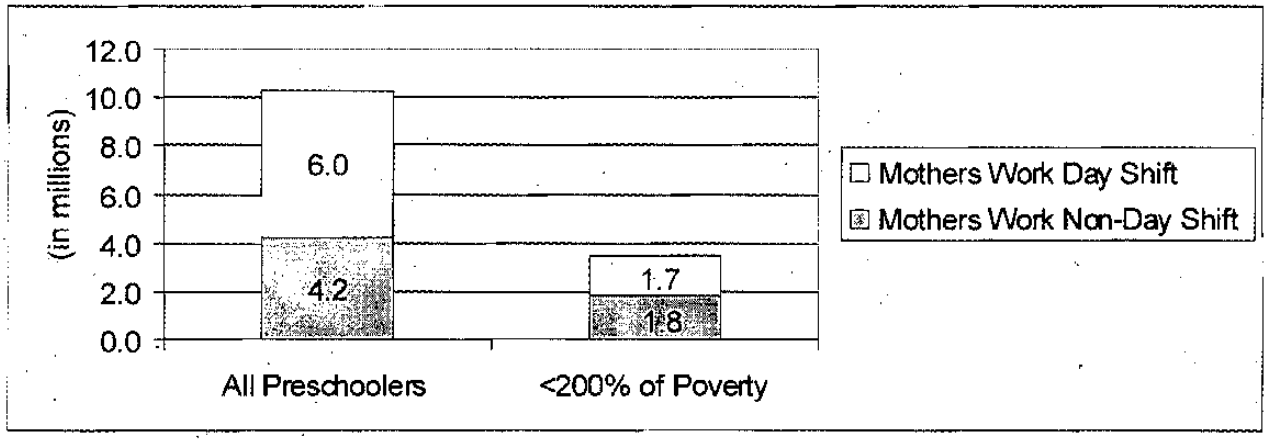
Similarly, a Massachusetts study found that greater investment in child care subsidies results in higher employment rates for current and former TANF recipients.

Conversely, other studies of eligible families on waiting lists for child care subsidies find that these families often reduce their work hours or do not work at all, are more likely to receive public assistance, go into debt, lose their health insurance and declare bankruptcy.

A North Carolina study found that unemployed parents waiting for a child care subsidy were seven times as likely to use three or more types of public assistance as were employed parents with a subsidy. A Texas research effort comparing families receiving subsidies to eligible families without subsidies found that employed families with subsidies earned $260 more per quarter than families without subsidies. A study of families on the waiting list for child care subsidies in Santa Clara, California found that 29 percent were unable to work because they could not find affordable child care, 32 percent reduced their work hours, and two-thirds changed their child care arrangements while on the list. According to a Seattle study, 57 percent of wait-listed families used up savings to pay for child care, while 13 percent dropped their health insurance. Parents receiving subsidies, on the other hand, were much less likely to be late for or miss work completely due to breakdowns in child care arrangements.

Access for low-income working families is made more complicated by the likelihood that these mothers will work non-day shifts -- that is, evenings, weekends, or rotating shifts. While there is little research that specifically addresses the question of whether it is easier for families to find after-hours care if they have a subsidy, it seems likely that the challenge of finding care during non-day shifts is accentuated if parents are seeking care with extremely limited financial resources. There are 4.2 million preschool children with mothers who work non-day shifts -- this represents 4 out of 10 preschoolers with employed mothers, as shown in Figure 6. The proportion of preschoolers from families with incomes below 200 percent of poverty that have employed mothers working non-day shifts is even higher – 52 percent.[3] Some mothers choose to work non-traditional hours, so that they can split child care responsibilities with the child's father. For mothers who cannot rely on care by the child's father, however, it is hard to find child care during odd hours.

Figure 6. Preschoolers by Mother's Work Shift



Source: SIPP, fall 1994.

VI. The Quality of Child Care

When families cannot get help in paying for child care, it is harder for them to find quality care that helps prepare their children for school success.

The overwhelming majority of children today are in child care before entering school. In 1995, nearly 13 million of the 21 million children under 6 were in child care. Only 14 percent of children spend all of their first three years at home with their mothers.

Quality in each type of child care setting – centers, family child care homes, etc. – varies from very poor to very good. As a result, too many children receive low-quality care. A 1994 HHS Inspector General Study, *Nationwide Review of Health and Safety Standards at Child Care Facilities*, found more than 1,000 violations in 169 child care facilities in five states. Among the hazards were fire code violations, toxic chemicals, playground hazards, and unsanitary conditions. According to other research, almost half of the infants and toddlers in child care centers are in rooms rated at less than minimal quality. This means that the care did not have basic sanitary conditions for diapering and feeding; safety problems existed in the room; warm, supportive relationships with adults were missing; and the rooms did not contain books and toys important for physical and intellectual growth.

Findings from recent studies reinforce the results of earlier research – children in higher quality child care programs develop stronger language, reading and math skills and fewer behavior problems than children in mediocre or poor quality programs. The better the child care program, the more likely the child is to enter school ready to learn.

The latest report from the Cost, Quality and Child Outcomes Study found that the quality of child care programs attended by preschool children had a lasting impact on their school performance. Children in better programs had higher language and math test scores and fewer behavior problems in the second grade than children attending weaker programs (the children have only been followed through the end of second grade so far). Children at risk of not doing well in school (due to economic and other factors) benefit more from high-quality child care, and are hurt more by low-quality care, than their better situated peers are.[4]

According to the ongoing NICHD Study of Early Care, children who attend child care centers meeting standards set by pediatricians or public health professionals score higher on school readiness and language tests and have fewer social problems than children in centers not meeting such standards.[5]

Moreover, evidence suggests that interventions to improve child care quality can make a major difference. Research on Florida's state-wide investment in quality -- lowering staff-to-child ratios and increasing educational qualifications of staff – found positive impacts on the cognitive and social development of children in care.[6] Longer-term results suggest that enforcement of enhanced standards is important to maintain such gains. North Carolina's Smart Start initiative funds multiple quality enhancements to child care programs, as well as efforts to help families access child care. Enhancements include improved training, curricula and equipment, and incentives for programs to become accredited. Evaluation results indicate that more children are receiving care, the quality of care has improved, and children have higher levels of skills at kindergarten entry.[7]

In addition to the recent research, hundreds of studies of demonstration and large-scale early intervention programs (many of which are also child care programs) have generated a wealth of evidence that quality child care programs have positive short and long-term effects on school success and social adjustment.[8]

Due to the tremendous need for child care subsidies to help families pay for the cost of care, states in 1998 were able to devote only 5 percent of their CCDF funds to quality improvements.

VII. Conclusion

While the child care picture varies from state to state, it is clear that there is a large unmet need for child care assistance throughout the country. States are fully utilizing CCDF funding, the primary source of Federal child care assistance for low and moderate-income families, and are using TANF transfers and state-only funds to address the need. Despite these efforts, just 15 percent of children eligible under state income limits and only 10 percent of those potentially eligible under Federal guidelines, are actually being served through the CCDF. As a result, child care consumes a major portion of many low or moderate-income families' budgets, parents are unable to work productively or take better paying jobs, and children's health and development suffer when parents must make do with makeshift arrangements.

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[1] Census Bureau, P70-52 (SIPP, Fall 1993).

[2] Congressional Research Service, "Child Care Subsidies: Federal Grants and Tax Benefits for Working Families," Table A-5, March 15, 1999. Co-payment estimates based on CCDF plans on file at HHS on August 14, 1998, assuming cost of care is at the CCDF payment rate for the state.

[3] Census Bureau, "Who's Minding Our Preschoolers? Fall 1994 (Update) (PPL81)." Detailed tables and documentation for P70-62. Internet release: U.S. Bureau of the Census, 1998. Note that day shift is defined as a work schedule where at least one-half of the hours worked daily were between 8 a.m. and 4 p.m. All other schedules (i.e., those in which the majority of hours are worked outside 8 a.m. to 4 p.m., and those with irregular or rating hours) are defined as non-day work shifts.

[4] National Center for Early Development and Learning. "The Children of the Cost, Quality, and Outcomes Study Go to School," 1999.

[5] "Child Care Outcomes When Center Classes Meet Recommended Standards for Quality," *American Journal of Public Health*, 1999..

[6] Howes, Smith, and Galinsky, *The Florida Child Care Quality Improvement Study: Interim Report*, 1995.

[7] Smart Start Evaluation Team, University of North Carolina, "The Effects of Smart Start on the Quality of Preschool Child Care," 1997; "The Effects of Smart Start Child Care on Kindergarten Entry Skills," 1998; "North Carolina's Smart Start Initiative," 1999.
[8] Reynolds, Mann, Meidel, and Smokowski, "The State of Early Childhood Intervention," *Focus*, 1997.

WR - c. care
(also file under Rose memos)

THE WHITE HOUSE

WASHINGTON

October 20, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
MELANNE VERVEER

CC: THE FIRST LADY

RE: WHITE HOUSE CONFERENCE ON CHILD CARE

On October 23, you and the First Lady will host the White House Conference on Child Care in the East Room. This memorandum outlines the purpose and structure of the conference, the policy initiatives that we recommend you announce at the conference, and the process and direction of our work on a child care proposal to unveil this winter.

Purpose and Structure of the Conference

The White House Conference on Child Care has two purposes. First, it will call national attention to an issue that political leaders and policy makers historically have ignored, notwithstanding its enormous importance to working families. Second, it will provide a basis from which to launch a child care initiative in the State of the Union. (As noted later in this memo, we will provide you with policy options for this initiative -- including a range of price tags -- as part of your normal budget process.)

The conference will address three critical child care challenges -- availability, affordability, and safety and quality. Many parents choose to stay at home and care for their children themselves. Yet millions of Americans, by choice or necessity, rely on child care and after-school programs to care for their children for part of each day. The conference will explore how the public and private sectors can respond to the need that Americans struggling to be both good parents and good workers have for safe, affordable child care.

Morning Session. The morning session will begin with remarks by you and the First Lady and will include a video of children, parents, caregivers and others talking about child care. We believe your remarks should address the importance of child care for America's working families, note past Administration accomplishments on this issue, and announce several new policy initiatives as well as a commitment to unveil a broader child care proposal this winter.

You and the First Lady will then moderate a panel with two parts. The first three panelists will discuss why child care matters -- both to our children's development and to the nation's economy. The second four panelists will examine how well we are doing in meeting the challenge of assuring that good child care is available to working families. The first three panelists are:

- Ellen Galinsky, President, Families and Work Institute, who will discuss the relationship between quality child care and children's healthy development, particularly in the earliest years of life;
- Michelle Seligson, Founder and Director, National Institute on Out-Of-School Time, Wellesley College Center for Research on Women, who will discuss the importance of good after-school programs for youth;
- Secretary Rubin, who will discuss the need to address child care given dramatic changes in the workforce and economy.

The second four panelists are:

- Secretary Shalala, who will discuss the strengths and weaknesses of child care across the country;
- Governor James Hunt of North Carolina, who will discuss how states are doing in meeting the challenge of assuring that working families have access to safe, affordable child care;
- Dr. Valora Washington, Program Director, W.K. Kellogg Foundation, who will discuss community efforts to meet this challenge;
- Patty Siegel, Executive Director, California Resource and Referral, who will share the experiences of parents.

Afternoon Session. The afternoon session will begin with remarks by the Vice President and Secretary Riley. The afternoon panel will consider the roles that states, business and labor leaders, the faith community, health care professionals, and others can play in addressing this challenge. The panelists include: Major General John G. Meyer, Jr., Chief of Public Affairs United States Army; Dr. Susan Aronson, Member, American Academy of Pediatrics; Jane Maroney, State Legislator, Delaware; Bishop Joseph Sullivan, Vicar of Human Services, Brooklyn, New York; and Doug Price, President, FirstBank of Colorado.

Agency and Satellite Sites. An additional 300 people will view the conference at three Federal agencies, and Secretaries Shalala, Riley, Glickman and Herman will host working sessions at these agency sites during the luncheon at the White House. In addition, the entire conference will be transmitted to satellite sites in at least 48 states. The Administration's

regional administrators have helped to organize these satellite conferences, and Cabinet Affairs has encouraged subcabinet officials to participate in them.

Policy Announcements to be Made at the Conference

We recommend that you indicate at the conference that you will propose a child care initiative in your State of the Union address and your fiscal year 1999 budget. We also recommend that you announce three policy proposals at the conference.

1. Child Care Working Group. You can name Secretary Rubin as chair of a working group on child care primarily made up of business leaders, with representation from labor and other community leaders. The Child Care Working Group would report to you within 45 days on efforts that business leaders should undertake to help working families overcome the challenge of managing child care and work responsibilities.

2. Scholarships for Child Care Workers and Background Checks on Child Care Workers. Experts link the quality of child care to the quality of the caregiver. Yet child care providers often receive little training, and occasionally have unsuitable backgrounds for the profession. You can announce steps to support caregivers by ensuring that they are able to afford adequate training. At the same time, you can urge Congress to pass and states to ratify the "National Crime Prevention and Privacy Compact" to protect children from child care workers who have committed crimes.

Scholarships. To help child care workers afford training, you can instruct the Department of Education to develop an outreach plan to inform students and institutions of the potential availability of Pell Grants. You also can announce a new scholarship program for child care workers. Even with Pell and other education programs that you have put in place, many child care workers cannot afford training. The new program would provide assistance to full- or part-time students working toward a Child Development Associate Credential or other degree in child development who agree to remain in the child care field for at least one year.

Background Checks. You can also announce steps to make background checks on child care workers more effective. Today, many states prohibit the release of criminal history records for purposes other than ongoing criminal investigations. The Department of Justice is prepared to transmit to Congress on October 23 the "National Crime Prevention and Privacy Compact." The compact, which must be passed by Congress and ratified by the states, will enable states to share criminal history information for limited other purposes, including background checks on child care workers.

3. Service and School-Age Care. You can launch the "To Learn and Grow Partnership," a

partnership of public and private organizations that will work together to expand access to and improve the quality of after-school programs through service activities. The partnership will encourage national service participants and community volunteers to teach in child care programs, and will engage children in service as part of after-school programs. You also can release the "How-To Manual," describing how to integrate service and school-age care, identifying opportunities for children to learn through service, and highlighting programs that are currently using service to enrich out-of-school time.

Child Care Initiative To Be Announced After the Conference

For the past several months, the Domestic Policy Council and the First Lady's Office have been leading a policy process on child care. The National Economic Council, the Office of Management and Budget, and the Departments of Health and Human Services, Treasury, Education, Labor, Defense, Justice, and Agriculture have participated.

We have identified three key areas: affordability; availability; and safety and quality. In the weeks after the conference, we will prepare a memorandum for you outlining policy options, of several different shapes and sizes, in these areas. We are also exploring ways to support parents who want to stay at home to care for their children.

Affordability. Increasing numbers of working families cannot afford decent child care, which can cost at least $4,000 a year for one child, and even more for infants and toddlers. While the average family pays about 7 percent of its income for child care, low-income families spend about a quarter of their income.

The Federal government spent $2.9 billion in direct child care subsidies in fiscal year 1997 through the Child Care and Development Block Grant (CCDBG), which provides payments for about one million children. HHS estimates, however, that we are currently providing child care subsidies to less than a quarter of the families eligible for them. In addition, the Dependent Care Tax Credit provides more than $2 billion annually in tax relief for child care expenses. We are analyzing whether to expand either of these mechanisms.

Availability.. Access to child care is a problem for low-income and middle-income families alike. We are looking at two areas of particular concern -- helping businesses expand on-site care for their employees, and helping states and communities increase their supply of school-age care. We are exploring whether to provide tax credits for businesses that build and operate child care centers for their employees (the Rubin-Weill working group may make additional suggestions). We also are looking at a variety of ways -- including simplifying Federal requirements and funding streams -- to help states and communities create an adequate supply of after-school programs.

Safety and Quality. The quality of child care in this country is too often mediocre or poor. A recent four state study of child care centers found that one in eight centers expose children to unsafe or unsanitary conditions. Infants and toddlers are at the greatest risk, with 40 percent in care that poses a threat to their health and well-being. Only 14 percent of centers provide high quality care -- care that actually enhances growth and development. A study of child care in family-based settings found equally disturbing patterns. Over one-third of programs are rated inadequate, meaning that quality is low enough to harm children's development, and only 9 percent offer high-quality care.

States are currently required to spend 4% of the funds they receive through the CCDBG on quality improvement. We are looking at ways to help states improve quality by providing additional funding to states that agree, for example, to improve and enforce health and safety standards, invest in training for caregivers, or create networks to support family day care providers. We are also developing a consumer information campaign to arm parents with the information they need to chose high quality care for their children.

Elena –
CEA child care memo to POTUS, as discussed.
Nicole

cc Jon + Nicole
Child care file

WR – child care
9-8-97

'97 SEP 5 AM9:03

Bruce –
FYI.
Pretty profound.
E.

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

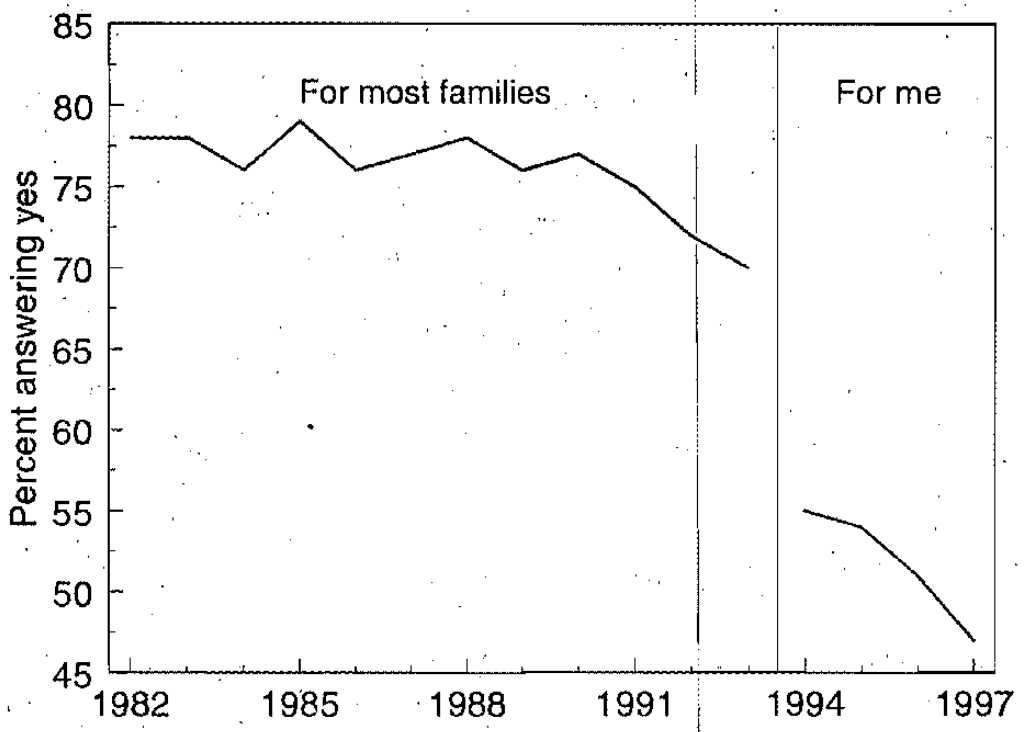
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

September 5, 1997

copied to:
COS
HRC pages 4-
Yellen

CHART OF THE WEEK

Survey Question: Is the Stock Market Too Risky?



During the 1990s, and especially in the past few years, a declining proportion of Americans has thought the stock market is too risky a place to put its money. More than three-quarters of the married men surveyed thought the stock market was too risky for most families through most of the 1980s, but that proportion fell to 70 percent by 1993. The survey question was changed in 1994, but the number of married men responding that the stock market is too risky for them has continued to fall. Responses for women show a similar pattern.

9-8-97

CC: HRS

SPECIAL ANALYSIS

Welfare Reform and the Market for Child Care

As more mothers move off welfare into work, the demand for child care services will increase. Although the supply of child care services is likely to expand to meet this demand without much of a price increase, the cost of child care, even at current prices, represents a large burden for low-income families.

The supply response. Two strands of evidence suggest that increased demand can be met without a substantial increase in the price of child care. First, over the past 20 years, the number of children in paid child care has approximately doubled while the real price of care has not changed. Second, a recent study indicates that changes in the price of child care induce large supply responses. Of course, an initial surge in demand could produce some short-run upward pressure on prices. The cost of entering the child care provider market is relatively low, however, and supply should respond relatively quickly.

The burden of current prices. The current cost of child care can be a significant burden for those without access to subsidized care and may discourage some mothers from working. Among families who pay for child care, poor families with employed mothers spend about 20 percent of their income on child care, while non-poor families spend only 7 percent. Estimates from several studies suggest that a 10 percent reduction in the price of child care increases the probability that a mother will work by 2 to 8 percent. Given that the mother has a job, however, the price of child care does not appear to influence the number of hours worked.

What kind of care? About half of working mothers rely primarily on non-market child care provided by a relative. Studies show that a reduction in the price of child care is associated with an increase in the probability that a working mother will purchase paid care. This may be because those mothers who choose to work when the price of care decreases are more likely to use paid care; also, those already working may choose to substitute paid care for non-market care. Once the decision is made to use paid child care, however, reductions in the price of care or in the price of higher quality care do not appear to induce parents to purchase higher quality care.

Implications. Increased demand for child care will most likely be met by commensurate increases in supply at roughly current prices. However, if they must pay the market price for child care, many low-income parents find child care costs a barrier to employment and a substantial financial burden if they do take a job. Policies that decrease the price of care reduce this burden and encourage more mothers to work; they may also lead working mothers to switch from unsubsidized to subsidized care.

PPI
PROGRESSIVE POLICY INSTITUTE

WR — child care

July 21, 1997

Dear Policy Maker,

As we approach the one-year anniversary of President Clinton's signing of historic welfare legislation, the Progressive Policy Institute is releasing a report and survey assessing the impact on child care for welfare recipients and working poor families as states implement the law. This is the first report reviewing state budget and policy decisions since states filed child care plans with the Department of Health and Human Services on July 1, 1997.

PPI surveyed the 10 states with the largest welfare populations, which include two-thirds of all welfare recipients. The report summarizes findings indicating that many states are focusing child care funds on welfare recipients in work activities to the detriment of working poor families trying to stay off welfare rolls. In addition, this paper provides background information about the new law and its impact on state services, and makes five recommendations to states creating a new child care system.

This report is part of PPI's continuing effort to monitor how states are implementing the federal law to determine if states are truly replacing welfare with an employment system. If you have any questions about this report, or about other aspects of welfare reform, please contact me at (202) 547-0001.

Sincerely,

Margy Waller
Senior Analyst for Social Policy

Encl.

518 C Street, NE • Washington, DC 20002 • 202.547.0001 • FAX 202.544.5014 • E-mail ppiinfo@dlcppi.org • WWW http://www.dlcppi.org/

PPI
PROGRESSIVE POLICY INSTITUTE

Policy Briefing
July 18, 1997

Welfare-To-Work And Child Care

A Survey Of The Ten Big States

Margy Waller

Less than a year after Washington launched an historic experiment in welfare reform, state decisions about child care benefits are undermining one of the key principles of reform: that work must pay more than welfare. A PPI survey of the states with the 10 largest caseloads, completed in early July, shows that some states are diverting child care funds from the working poor to welfare recipients, jeopardizing the ability of the working poor to stay off welfare rolls. This trend, if sustained, would represent a perverse twist to welfare reform by penalizing the very families who are working hard to stay off welfare.

A sound welfare policy should not only require work, but should also "make work pay." To reward work over welfare, states must offer supports, including child care, health care, and transportation subsidies, to enable the working poor to remain in the job market. The risk for low-wage workers who lack child care for their children is obvious: without someone to watch the children, a parent can't go to work.

That is why the success of welfare reform depends on the existence of accessible, affordable, quality child care for all low wage workers: those on welfare, those moving from welfare to work, and those who were never on welfare. The best way to achieve this is to create a system that does not make distinctions between workers based on their connections to the welfare system. But just the opposite is occurring in states like Georgia and Ohio, which are focusing on services to welfare recipients at the expense of other low-wage workers.

Christine Ferguson's story is illustrative. Ferguson, a Wal-Mart cashier earning $6.80 an hour in Union Township, Ohio, lost her child care subsidy when her county welfare department ran out of state funds for the program and eliminated eligibility for assistance to 110 families like hers, whose earnings are higher than 125 percent of federal poverty guidelines. Like other states, Ohio has saved money as its welfare caseload has fallen. But Ohio has refused to reallocate these savings for child care to the working poor and has reduced overall state funding for child care this year, even as it has passed some of those savings on as tax cuts.

Meanwhile, Ferguson's child care costs have increased from $65 a month (her copayment with the subsidy), to $400 a month. "I'm really glad [President] Clinton wants to do this welfare reform—I think it's time. But you're going to send someone back to welfare if you take their child care," she said.[1] Ironically, if one of Christine's co-workers is a recent welfare recipient, she would be entitled to child care—even if her income is identical to Christine's.

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Lacking a federal model for work-based welfare reform, states are experimenting—and the results are decidedly mixed. A few states have moved a long way in the direction of creating a universal system of child care for all low-wage workers; Illinois has the best model. Two states, and possibly a third, will reduce state funding for child care this year, while others have made a significant new state investment as they attempt to reach more families. Many states prioritize child care support to families currently receiving welfare or transitioning from welfare to work. Most states have created incentives to child care providers who fill gaps in delivery to infants and workers with a nontraditional schedule.

This report is a part of PPI's continuing effort to monitor those experiments—and to determine if states are truly replacing welfare with a system that supports people who work. It is critical for states to make that investment now, while caseloads are dropping, the economy is strong, and states have new resources for investment in the bridge to work.

It is all the more critical because as work requirements for welfare recipients increase under the new federal law, the demand for child care assistance to working welfare recipients will too. If states meet the work requirements and provide child care to those working families, it should not come at the expense of reducing or eliminating funding for working poor families. It would be unfortunate if states use the flexibility provided by the new law to maintain the inequities of the old system when they have the opportunity to design a seamless employment system for all entry-level workers.

This paper examines the decisions about child care that have, or are, being made in the 10 states with the largest welfare populations. It begins with a review of the circumstances that states find themselves in under the new welfare law and the need for child care as an integral part of the employment system for all low-wage workers. Then it reviews some of the major findings of the survey. Finally, the paper makes five recommendations for developing a child care system for all low-wage workers.

The Background

New Welfare Law Requires Work. Last year, historic legislation eliminated the guaranteed system of cash assistance to poor families and replaced it with block grants to states. These block grants are based on a formula that requires the federal government to send states the amount of money they received at a time when caseloads were at an all-time high. Although states are permitted to reduce state spending, a House Ways and Means Committee report found that the states now have 34 percent more federal resources per welfare family than they would have had under the old program.[2]

States need to use these new resources to move a steadily increasing number of welfare recipients into "work activities" to meet new federal guidelines. In 1997, 25 percent of the welfare caseload must be working; 50 percent of the caseload must be working by 2002. Caseload reduction can help states meet the goals. For example, if a state's caseload this year is 10 percent less than it was in 1995, the state can meet the work participation rate by having just 15 percent of the current caseload in work activities.

Four Child Care Programs Become One Flexible Block Grant. The new law combined four child care programs, targeted to different populations, into one flexible block grant. Each of these separate and categorical funding streams was added to the existing Child Care and Development Block Grant, now called the Child Care and Development Fund (CCDF). The block grant provides states with $4 billion more in federal child care funds per year than has ever been spent before. However, the Congressional Budget Office (CBO) estimates that if states continue to spend the same amount on the working poor, there will be a $1.4 billion funding shortfall for children of welfare recipients.

Because of increased federal requirements for welfare recipients, states feel pressure to target new child care funds toward working welfare recipients, in order to meet increasing work participation rates. Over time, such a decision has great potential to increase welfare rolls as working poor families lose jobs for lack of child care.

Infant Care and Child Care for Third Shift, Part-Time, and Weekend Workers does not Meet Demand, and Demand is Increasing. Communities are generally not meeting current demand for infant care. A report from the United States General Accounting Office (GAO) on the supply of infant care found that the percentage of current demand that is met by the known supply (excluding informal options) ranges from 16 to 67 percent. The report notes that the gap is greatest in poor communities.[3] The new federal law eliminates the exemption from work requirements for parents with children under age three, and creates an option for states to exempt parents of children under age one. Since the old rule accounted for as much as 75 percent of the exempt population, the new law increases the need for infant care.

Most child care providers are available only during traditional work hours, while poor working mothers in entry level positions often need odd-hours child care because their new jobs do not have 9-to-5 work day hours. A recent GAO survey of child care providers in four communities found that the percentage of providers offering care during nontraditional hours ranged from 12 percent to 35 percent.[4] Most sites offering odd-hours care are providers who operate child care homes (private homes with few slots), not child care centers which have a higher capacity.[5]

The Child Care Crunch

Many studies cite the importance of accessible and affordable quality child care for workplace success. A GAO report found that if welfare recipients received child care subsidies, work participation rates would increase from 29 percent to 44 percent, at a time when there were no time limits and more flexible work requirements.[6] Researchers report that a primary barrier to work participation among welfare recipients is lack of child care access.[7] A GAO study of participants in welfare-to-work programs in 38 states found 60 percent of respondents reported that a lack of child care is a barrier to work.[8]

Welfare recipients who leave welfare for low-wage positions need the support of child care assistance to retain the new jobs. A GAO report on the impact of welfare reform on child care needs says that a former welfare recipient may be unable to keep a job and

earn enough to support her family without assistance, if her child care subsidy ends before she has moved up the career ladder to self-sufficiency.[9] Two earlier reports for state welfare departments found that at least twenty percent of mothers in transition from welfare to work who lost child care assistance returned to welfare.[10]

The cost of care is a significant factor limiting access for low-wage workers. Family child care costs can be hard to estimate because they vary depending upon type and quality of care, geographic location, and number of children in care. A survey of the Wisconsin welfare caseload found that for over two-thirds of the caseload, the market cost for child care would be more than half of minimum wage earnings.[11] A U.S. Census report showed that child care costs take an average of 18 percent of household income for families below the federal poverty level, while non-poor families used only 7 percent of household income for care.[12] The same report says that the average cost is $3,856 per year.[13]

Mothers who want but cannot afford center or home-based care must turn to family or friends and sometimes older children as care givers. Fifty-five percent of poor parents use informal care arrangements, while only 21 percent of nonpoor families do so.[14] These options can be less reliable and stable than center-based care. Finally, new work requirements may decrease the availability of informal care arrangements when family members who were able to provide care have work requirements themselves.[15]

Employers say child care problems make employees unreliable when parents are forced to stay home, or take work time, to deal with care problems. The National Conference of State Legislatures reports that 80 percent of employers surveyed found child care problems force parents to use work time.[16] A report from the Colorado Business Commission on Child Care Financing concludes that lost work time and reduction in productivity due to child care problems results in a $3 billion annual loss nationwide.[17]

Making work pay requires a comprehensive employment system with many components: child care, health care, transportation, earned income tax credits, etc. This survey reviewed only the child care aspect of the employment systems states are developing.

The PPI Survey: States Have Not Taken Full Advantage of New Block Grant Flexibility

The Progressive Policy Institute (PPI) conducted this survey in May, June, and July of 1997 to gather information about the decisions made in the 10 states with the largest welfare caseloads (California, Florida, Georgia, Illinois, Michigan, New York, Ohio, Pennsylvania, Texas, and Washington). These states include almost two-thirds (65 percent) of the national caseload.[18] In late May, PPI sent a written survey to each state. A large group of key informants from state administrations, state legislatures, and child care policy organizations participated in follow-up telephone interviews as state legislatures debated the passage of welfare reform use laws. While the survey results provide information available through the first week of July, several states had not finished work, and others anticipate changes or have left some issues to the state agency. Before passage of the new federal law, many states urged that federal funding for child care permit creation of

seamless systems so that one set of rules—for eligibility and application—would apply to all child care applicants. State administrators were frustrated by gaps in service and artificial distinctions created by narrowly targeted and categorical funding.[19] In fact, the expressed intent of Congress in passing the law was to treat all working families the same. A welfare reform guide for members of Congress on welfare reform notes that the purpose of the law is to "eliminate gaps, disruptions, and paperwork caused by the old child care system that established separate child care programs for each of these groups of parents."[20]

It seemed likely that given more flexibility, states would eliminate artificial distinctions and finally create a system basing eligibility on income. All poor families would be eligible for services, *if they are working*—whether in an unsubsidized, low wage job, a community service job or workfare position. Unfortunately, only a few states in the PPI survey have done what was expected. PPI found that states so far have largely declined to take advantage of the flexibility in the new law, and are focusing resources on working welfare recipients to the detriment of other low-wage workers.

Ohio plans to significantly decrease state funding in the face of gaps in service to working poor; Illinois plans to increase state funding by 80 percent. Two states have reduced state spending on child care assistance overall: Ohio and Pennsylvania. Governor George Pataki of New York proposes to decrease spending by 5.4 percent, but the legislature proposes an increase of 13.6 percent. In Pennsylvania, the decrease is relatively small, only 1 percent. The decrease in Ohio amounts to nearly 11 percent of state funding for child care. Every state surveyed plans to provide state matching funds for all available federal dollars, thereby increasing overall child care spending. However, at a time when there is an influx of new federal resources relative to welfare caseloads, it is difficult to understand why any state would reduce its general revenue funding for working families.

Two states plan to increase state funding by only 1 percent: Georgia and Washington. Other states have recognized the value of an increased investment in child care. California and Michigan plan to increase state spending on child care by 12 and 13 percent, respectively. Texas plans a 24 percent increase next year. President Clinton recently recognized Florida for its significant new state investment in child care—40 percent overall. Illinois is the big leader here, increasing state funding by 80 percent over last year.

Half of the states prioritize available funding to families connected to the welfare system; three states guarantee funds for welfare families and provide services to other low-wage workers only if funding permits. Five of the 10 states surveyed intend to provide assistance to welfare recipients and those in transition to work *before* assisting other low-wage working families. This is surprising, given the number of state administrators, governors, and others who have said that such a system is inherently inequitable given the relative similarities between these families, and the incentive it creates to enter the welfare system to ensure eligibility for child care assistance.

PPI's survey asked whether states intend to guarantee assistance for child care to any groups. PPI defined a guarantee as a promise to all who met eligibility criteria that child care assistance would be available, no matter how many families apply during the year. (We did not ask whether the guarantee is an entitlement by state law.) Two states,

Ohio and Georgia, plan to guarantee child care to welfare recipients and those in transition to work, while making assistance available to other working poor, "if funding permits." Texas will guarantee assistance only to families in transition from welfare to work.

Three states say they will "guarantee" funding for transitional assistance for one year after leaving welfare for work; four other states say transitional families are eligible for assistance if funding permits within budget limits. The Georgia, Ohio, and Texas child care plans "guarantee" transitional child care support for one year after welfare recipients leave welfare for work. However, if these former welfare recipients exceed newly created income ceilings, they will lose assistance before the end of the year.

Four states will provide such transitional assistance to as many families as possible within state funding limits: California, Florida, New York, and Pennsylvania. In New York, Governor Pataki and the legislature have competing proposals; the Governor would allow local welfare administrators to set an income ceiling for eligibility (up to the state maximum), but would not require a time limit. The legislature would limit transitional child care support to one year, with an income ceiling. Florida proposes a two-year time limit for transitioning welfare recipients. California has two transitional programs: one has a two-year time limit and no income ceiling, the other program limits assistance based on income, but not time.

Michigan, Illinois, and Washington (beginning this fall) cover recipients in transition to work as part of their income-based programs. Transitional workers are treated just like other low-wage workers—they are eligible until they reach the income ceiling.

Only three states have moved to create a seamless system of child care support for all low-wage workers; seven of the largest states have so far chosen to keep the old system. Only three states surveyed by PPI have moved to develop a child care system with eligibility based on income: Illinois, Michigan and Washington. Households with income below 50, 60, and 52 percent, respectively, of the state median income (SMI) in these states are eligible for child care services. In Michigan, working welfare recipients will get priority, but the state does not anticipate a funding shortfall. There is no time limit on assistance in any of these states.

Some states create expectations of services for working poor, but may not be able to meet them. In order to compare the income levels that states use to determine eligibility for child care support, PPI converted the varying state standards to a percentage of state median income. Some states choose to use SMI as their yardstick for eligibility, others base eligibility on a percentage of federal poverty guidelines. PPI uses SMI to adjust for wide cost of living differences, allowing for a more accurate cross-state comparison of eligibility.

Federal law limits the use of the child care block grant to households with incomes below 85 percent of state median income. Nevertheless, the PPI survey found income ceilings ranging from a high of 100 percent of SMI in one California program (using some state funding) to a low of 50 percent of SMI in Illinois.

However, when it comes to child care for the working poor (as in other categories where support is not guaranteed), it is critical to distinguish between eligibility for, and

access to, services. States with a high income ceiling may not provide services to many of the families below the ceiling. In the past, states often were forced to close intake for services, and many states maintained long waiting lists. One state administrator commented that children would be in college before they reached the top of a waiting list.

Michigan (60 percent of SMI), Illinois (50 percent of SMI), and Washington (52 percent of SMI) have set eligibility relatively low compared to other surveyed states—but, the state legislatures in those states have allocated funding that they believe will cover all eligible families likely to apply. Illinois has increased state funding by a whopping 80 percent since last year. These states have moved closest to creating a seamless child care program with universal access for eligible families, determining eligibility by income rather than making artificial distinctions based on a recent connection to the welfare system.

Most states have created incentives for filling gaps in services to parents of infants and workers with nontraditional hours. Six of the 10 states surveyed offer, or are considering, an incentive for child care providers who supply odd-hours care or infant care. Usually the incentive is a higher rate of payment (recognizing the higher costs of such care). In California, providers with nontraditional hours get contractual priority. Six states will provide incentives for infant care: California, Florida, Michigan, New York, Ohio, and Washington. Three states will provide incentives for odd-hours care: California, Florida, and Ohio. Illinois is considering various incentives and three states are not currently planning to provide incentives targeted to creation of infant or odd-hours care: Georgia, Pennsylvania, and Texas. Pennsylvania will ask for local input on whether to use new funds for infant care or nontraditional care.

States are also providing incentives to alleviate other shortages, such as care for special needs and school-age children (before and after school hours). Finally, some states are encouraging collaborative approaches for child care and Head Start centers. (While there are also many issues related to provider payment rates and licensing that will affect quality and availability of care, the PPI survey did not address these issues, beyond enhanced rates paid as an incentive to create care for targeted populations.)

Three states require parents to return to work when their infant is three months old; nine states fail to take full advantage of the federal option to exempt parents of children under age one. All states surveyed have a newborn work exemption. Illinois provides up to one year for each newborn—the federal maximum. Georgia, Ohio, Pennsylvania, and Washington all create a twelve-month lifetime exemption. Governor Pataki's proposal guarantees a three month exemption for the birth of each child, subject to twelve month lifetime limit for the parent; local welfare administrators would have discretion to extend the three month exemption.

Florida and the New York legislature provide a three-month exemption for each child, with no lifetime limit. Michigan requires parents to work when an infant is thirteen weeks old. In contrast, Texas will retain its current provision, permitting an exemption for parents of children under age six, until September 1997, when the exemption will be only for parents of children under age five. At this writing, the debate over this issue is raging in California. While the Democratic proposal creates a one year exemption for new

parents, California Governor Pete Wilson has proposed a twelve-week exemption.

States have developed confusing family copayment requirements. All states require some families to pay part of the cost of their child care; California, Georgia and Washington have complicated formulas for calculating family child care copayments. Washington uses a complex set of rules that require a family earning less than 74 percent of the federal poverty level to pay $10.00 a week. But once the household income exceeds 74 percent of federal poverty, the weekly copayment will be the greater of $20.00 or 47 percent of the household income over 100 percent of the federal poverty level. Georgia's formula has three separate categories for eligibility and two different copayments. From the worker's perspective, it may not be easy to figure out which of the three categories applies, or which sources of income the state will count. In California, the copayment may vary depending on the original source of funds (federal or state), a fact the worker is not likely to know.

States have set reasonable copayments for families at the poverty level. Copayment rates are important to an assessment of access to care because if the family share of the cost of child care is too high (as a percentage of household income), the family will not be able to get care even if they are eligible according to the state eligibility rules. The Child Care Bureau at the federal Department of Health and Human Services recommends a copayment of no more than 10 percent of the household income.

The state copayment formulas are complicated and difficult to evaluate for their impact on families. The best way to compare what the family will be required to contribute is to ask each state about the cost of care for the same hypothetical family; we asked about a family with one parent and two children in child care with income at 100 percent of the federal poverty guidelines, $13,330. (PPI's survey did not ask about copayments for other income levels or household sizes and makes no finding on the appropriateness of copayment levels for these other family circumstances.) Only one state reported a copayment above the recommended level: Texas has a copayment formula that requires the family to pay 11 percent of household income. All other states surveyed have set copayments for PPI's hypothetical family of three below the recommended level.

PPI's Five Action Steps for States

This survey highlights a problem that we hope will be addressed quickly by a determined effort of national and state leaders. It is a vital principle of PPI that welfare reform should not disadvantage the working poor. Many state legislatures are still in session or will be meeting again in the coming months; state legislators and governors should re-examine the state child care plans and eliminate any artificial distinctions that have been made between working poor families. Success in these 10 large states would lead the way for smaller states and is critically important because the big states represent nearly two-thirds of the national welfare caseload. Still it is important to note that some smaller states have created systems of child care basing eligibility on household income.

1) Create a seamless system of child care. As families move from welfare, to workfare, to low-wage, unsubsidized positions—they should not have to change child care providers, worry about reapplying, or deal with a new set of rules for assistance. A seamless system lets families cross the bridge from welfare to work without disruption in child care services. Employers urge decision-makers to invest in child care because they know an employee with child care difficulties will miss work. Children should be able to count on seeing the same care-giver and friends; parents should focus on successfully making the transition.

Child care assistance systems should be fair and easy to understand. In Illinois there will be one set of rules for all low-wage workers receiving child care assistance. But, California proposes the kind of system that all states should avoid: depending upon the source of the funds, and the state department administering the program—parents may have different eligibility criteria, income ceilings, time limits, and copayments. The state will have to treat families in identical situations differently, and it will be difficult for parents to anticipate the impact of program regulations.

2) Base eligibility for child care on income, not on current or recent receipt of welfare. All low wage workers need the certainty of affordable, accessible child care. Again, Illinois has the right idea. Creating a system of care that bases eligibility on income level ensures that working welfare parents get assistance, but not at the expense of other low-wage workers—especially those who have long managed to avoid asking for welfare. Those families transitioning from welfare to work will get child care—until their income reaches the ceiling set by the state. Careful monitoring to evaluate the impact of the loss of child care assistance when families hit the "cliff" of the income cap will be critical. If states find that the level is set too low or too high, they can adjust it. Michigan and Washington propose a system that bases eligibility for child care on household income, although Michigan's plan has a priority for service to welfare recipients. Decision-makers in these three states believe the allocated funding will be sufficient to assist all families below the income ceiling.

A system that determines eligibility based on current or previous receipt of welfare ignores the reality that low-wage workers are likely to return when informal child care arrangements fail. In the first years of block grants, pressure on available funds will be less, because work requirements will be at the lowest levels. In the current economy, many families who would otherwise be forced to rely on welfare are working in low wage jobs. Helping these families now may enable them to stabilize and move up the career ladder so that they do not fall back into the system when the economy falters.

3) Make copayments affordable and understandable. All families should have the responsibility of contributing to the cost of care. But, eligibility for child care that is not affordable is deceptive. It is an empty promise to say that all low-wage working families will be *eligible*, if the copayment is set so high that families cannot afford to access the child care. The Child Care Bureau at the Department of Health and Human Services recommends a copayment of no more than 10 percent of household income. The national average payment is 7.5 percent of household income for all families.[21]

Families should be able to understand the copayment formula and easily budget for child care expenses. Entry level workers often have fluctuating schedules and paychecks, so families may have to calculate their share of the cost with some frequency.

4) Limit gaps in service by offering incentives to providers and taking advantage of the federal option to exempt parents of children under age one. States can enhance the capacity of the child care system to meet the needs of parents of infants, as well as third-shift, weekend and part-time workers by providing incentives to providers.

Communities are generally not meeting current demand for infant care. Demand for infant care will also increase, as the exemption for parents of young children is narrowed significantly in most states. Another way to limit demand for infant care, reduce costs and support families, is to take advantage of the work exemption for parents of children under age one. Since the national average subsidy rate for infant care is almost $2,200 more per year than the subsidy for toddler care, offering a work exemption for parents of infants is a fiscally prudent step to take in a time of limited resources.[22] More importantly, it is consistent with recent findings in the research on child development. At a congressional hearing on July 10, 1997, Dr. Edward Zigler, Sterling Professor of Psychology at Yale University and Director of the Bush Center in Child Development and Social Policy, stated, "Parents and their new babies need time together to establish the rhythms of life, to reach a level of sensitive attunement and to become securely attached."

5) Use block grant funds and savings from caseload reductions to build the child care system for all low-wage workers. In a weekly radio address, President Clinton noted that all states have ended the old welfare program, and that caseloads represent the lowest percentage of our population on welfare since 1970. President Clinton urged states to invest the resources available from caseload reduction in a system that will enable welfare recipients to get and keep work--specifically by providing child care.

The PPI survey asked states about their plans to increase overall funding for child care. All of the states indicated an intention to use the total available federal matching dollars. Some states are transferring funds from the Temporary Assistance for Needy Families (TANF) block grant to the Child Care and Development Fund. As caseloads continue to drop and while the work participation rates are relatively low, states can afford to make transfers from the TANF block grant. States can transfer up to 30 percent of the TANF block grant, and assistance provided by the transferred dollars is not subject to the federal five year lifetime limit.

Most states are increasing state funding (PPI's definition of state funds does not include transfers from federal block grants) for child care. The only exceptions are Ohio and Pennsylvania which will probably experience a decrease from the prior year's state spending. In Ohio, the state chose not to continue spending $10 million from caseload reduction savings that was incorporated into the state's budget for the prior year when counties began to run out of funds for the working poor. Given Ohio's "guarantee" of assistance to families with a recent connection to the welfare system, working poor families will experience a reduction in available child care slots. In New York, Governor Pataki proposes a 5.4 percent decrease, while the legislature proposes a 13.6 percent increase.

Pennsylvania's reduction is less than 1 percent of state funding.

Conclusion

The PPI survey on child care shows a trend for states to overlook the flexibility available to them and retain a child care system with gaps and inequities as if the federal government were still insisting on this flawed program design. Unfortunately, this tendency will punish the working poor generally by failing to invest new resources in their access to child care. Every new law has potential for unintended consequences; hurting low-wage workers would be an unfortunate outcome of the historic legislation passed last year. States have the resources to follow the lead provided by Illinois: create a seamless child care system for entry-level workers and fund it adequately to ensure universal access for all eligible families. Welfare reform requires many difficult decisions, and it has only been eight months since the federal law passed. Although states have filed their first child care plan and many states have completed a legislative debate on this issue, legislators and governors have an ongoing opportunity and responsibility to improve the state employment system. We think they will. In the meantime, Congress should carefully monitor state actions and make changes in the federal law when necessary.

Margy Waller is senior analyst for social policy for the Progressive Policy Institute.

The author would like to thank PPI president Will Marshall, executive director Chuck Alston, social policy research analyst Abbe Milstein and many other staff members for their thoughtful comments and editing. Abbe Milstein conducted the interviews.

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13. U.S. Bureau of the Census. 1995. *What Does it Cost to Mind Our Preschoolers?* Prepared by Lynne M. Casper, Bureau of the Census. Washington, D.C., Series P70-52, Table 3. "Weekly Child Care Costs Paid for Preschoolers by Families with Employed Mother, Fall 1993." This figure was calculated by multiplying $74.15 (the average weekly cost for families making child care payments for any child under 5 years old) by 52 (weeks in the year) for a total of $3,855.80 per year.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

WR Child Care

July 10, 1997

ADMINISTRATOR
OFFICE OF
INFORMATION AND
REGULATORY AFFAIRS

MEMORANDUM FOR ERSKINE BOWLES

THROUGH: Jack Lew

FROM: Sally Katzen

SUBJECT: Heads-Up on HHS' Child Care Proposed Rule

We are about to conclude review of HHS' proposed Child Care and Development Fund proposed rule that implements key welfare reform provisions. The rule, as mandated by the welfare reform legislation, combines four previously separate Federal child care programs into one Child Care and Development Fund with $2.6 billion in mandatory and discretionary outlays in FY97. The rule will greatly simplify the administration of child care programs at the State level by replacing four sets of reporting and paperwork requirements with one unified set of requirements; it will also give States greater flexibility and autonomy to administer their programs.

One of the most significant aspects of the rule is a requirement that all children participating in the subsidized child care program be immunized. Although this will impose new administrative requirements on States, they will have the flexibility to determine how to best implement the immunization provisions.

The child care provisions in welfare reform have been generally viewed as a success story and we expect that this rule will be well-received.

cc: Maria Echaveste
Rahm Emanuel
John Hilley
Ann Lewis
Thurgood Marshall, Jr.
Sylvia Mathews
Bruce Reed
Victoria Radd
Barry Toiv
Michael Waldman
Josh Gotbaum
Larry Haas

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release April 17, 1997

April 17, 1997

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Using Lessons Learned from the Military Child Development Programs to Improve the Quality of Child Care in the United States

We now know that children's earliest experiences, including those in child care, have significant effects on learning and development. I believe we all have a role to play in making sure that all of our children have a strong and healthy start in life.

The Military Child Development Programs have attained a reputation for an abiding commitment to quality in the delivery of child care. The Department of Defense's dedication to adequate funding, strict oversight, improved training and wage packages, strong family child care networks, and commitment to meeting national accreditation standards is laudatory. I believe that the military has important lessons to share with the rest of the Nation on how to improve the quality of child care for all of our Nation's children.

I therefore direct you, consistent with existing statutory authority, to share the expertise and lessons learned from the Military Child Development Programs with Federal, State, tribal, and local agencies, as well as with private and nonprofit entities, that are responsible for providing child care for our Nation's children. I further direct you, in doing so, to consult with the Secretary of Health and Human Services, the Administrator of General Services, and the heads of other Federal departments or agencies with statutory authority over child care programs. I ask that you provide me with a preliminary report within 6 months, and with a final report within 1 year on actions taken and further recommendations, including recommendations on any needed or appropriate legislation. I urge you to consider the following:

I. In consultation with States, encourage military installation child development facilities in the United States to partner with civilian child care programs in their local communities to improve the quality of service offered. The Department of Defense staff could provide assistance with local accreditation efforts, offer training as available, assist with State and local child development credentialing processes, and provide models of effective child development practices.

more

(OVER)

PHOTOCOPY -- PRESERVATION

Cynthia — Did we ever get a new estimate? — BR

POLICY MAKERS' CHECK LIST FOR ASSESSING THE ABILITY OF CHILD CARE LEGISLATION TO HELP FAMILIES RESPOND TO WELFARE REFORM

There are several child care bills being offered in Congress that have the potential to promote the healthy development of children and help parents meet the work requirements established by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Consider the following points when determining the ability of child care legislation to meet the needs of families leaving welfare for work, families at risk of becoming welfare dependent, and low-income, working families.

INCREASE AVAILABILITY

- **Authorize at least $1.4 billion in additional child care funding.** The Congressional Budget Office estimates there is a $1.4 billion shortfall over a 6-year period in child care funding for families who meet the welfare reform law's work requirements. Therefore, *at minimum*, this additional amount is needed to meet the increased demand for child care generated by parents moving from welfare to work.

- **Provide before- and after-school care**. Children ages 6-12 need high quality child care for their healthy development, as do younger children. The issue of reducing juvenile crime cannot be fully addressed without the provision of before- and after-school care, which gives pre-teens the option of participating in constructive activities when they are not in school.

IMPROVE QUALITY

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) reduces the percentage of CCDBG (Child Care and Development Block Grant) funds for quality improvements from 25% to 4%. The law also requires all states to establish health and safety standards for prevention and control of infectious diseases, including immunizations, building and physical premises safety, and minimum health and safety training . However, the legislation "eliminates review of state licensing and regulatory requirements, notification of the [United States] Department of Health and Human Services when standards are reduced, and supplementation"(P.L. 104-193, PRWORA). The Administration for Children and Families (ACF) recently released proposed regulations for CCDBG, title VI of PRWORA. ACF proposes to strengthen health and safety in child care by requiring children receiving CCDBG services to be age-appropriately immunized. However, additional quality assurances are needed on the federal

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level to promote the healthy development of children.

- **Improve quality and enforcement of licensing standards**. Legislation should require states to specify requirements relating to licensing standards in areas such as child-to-staff ratios, group size, staff preparation and qualifications, ongoing staff training, health and safety, and linkages to parents and community services.

- **Provide training and education of caregivers**. Studies indicate that staff training and education are critical to the safety of children and to preparing them to enter school ready to learn.

- **Provide higher compensation for caregivers**. The child care field is among the lowest paid professions. Low salaries contribute to high turnover, which in turn, contributes to poor quality care. Consistency in relationships with caregivers is necessary for the healthy development of children. In addition, better salaries would attract more qualified people to the field.

- **Increase availability of resource and referral services**. Resource and referral agencies help educate parents on selecting high quality child care and can help train child care providers.

ENSURE PARENTAL CHOICE

- **Set reimbursement rates that take into account variations in the costs of providing child care in different settings, to children of different age groups and to children with special needs. Reimbursement rates should not be set at less than 75 percent of the market cost of care.** PRWORA eliminates the requirement that states set reimbursement rates that account for variations in the cost of care. However, the proposed ACF regulations for CCDBG would require states to illustrate how payment rates are adequately based on local market rate surveys.

- **Base co-payment rates on family income, not the cost of care. Set co-payment rates between 7 and 10 percent of family income**. ACF regulations propose that states must illustrate how family co-payments based on a sliding fee scale are affordable. ACF also proposes to prohibit establishment of payment rates based on a family's status, for example, having separate rates for families receiving TANF.

PROVIDE FAMILY SUPPORT SERVICES AND PARENTING TRAINING

- **Family support services**. Support services for families leaving welfare for work, families at risk of becoming welfare dependent, and low-income, working families are needed if welfare reform is to truly succeed. As families on welfare seek to meet the welfare reform

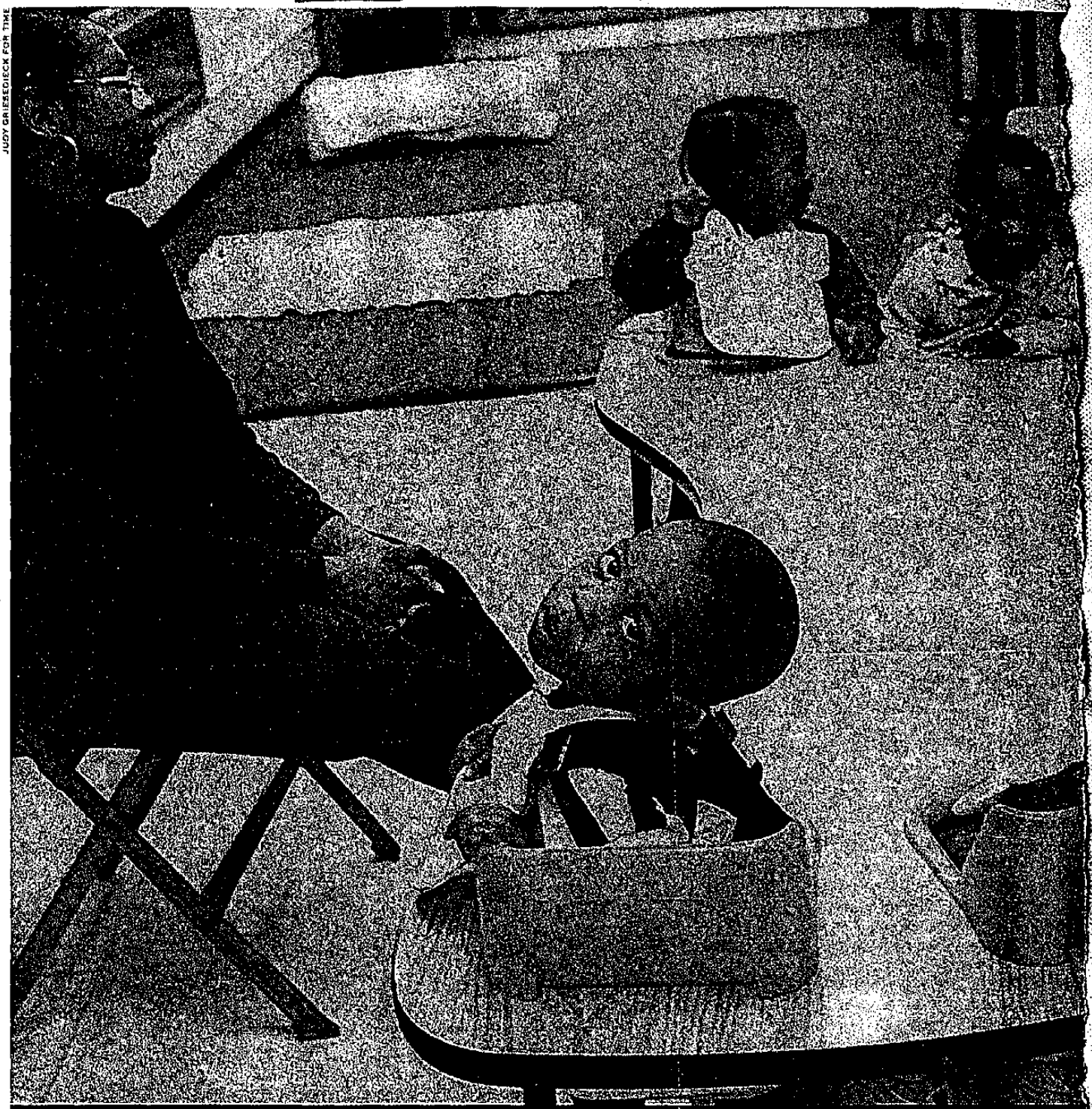
law's work requirements and respond to the legislation's other provisions that they are not familiar with, they will face new strains. It is expected that there will be an increase in the numbers of children that are abused and neglected as a result of welfare reform, creating a greater strain on the already overburdened child welfare system. Therefore, the provision of family support services, such as parenting education, drug treatment, and home visits, is critical to prevent a new crisis in the child welfare system and to help families achieve independence.

- **Parenting training**. Parents are their children's first teachers. In order to make a positive impact in the lives of children, significant resources and interventions must be directed to their parents. Parenting classes would help parents access the array of resources and services necessary to meet the needs of their children. Parenting classes would also help prepare children for school and parents for work. The program would focus on getting parents involved in the healthy development of their children and include teaching developmentally appropriate activities that stimulate children's learning. This would help prepare children for school. The training would also prepare parents for work by focusing on stress management, household management and budgeting, and choosing quality child care.

Bruce - fyi

THE PRESIDENT HAS SEEN
2-7-97

JUDY GRIESEDIECK FOR TIME



WORKFARE MEANS DA

Wisconsin, a welfare pioneer, struggles with the issue of quality care in

Note:
1) P has seen
2) welf - c. care
3) welf - Wisc.

A TABLE OF TODDLERS gets ready to eat at Milwaukee's Carter Development Center

AY CARE

the crucial early years

By JAMES COLLINS

BY 6:30 EACH MORNING, ALBERTA Early has arrived at the Carter Development Center on Milwaukee's near North Side. Along with Shirlene Devougas, Early cares for eight infants in one of the center's day-care programs, and three of their charges show up before 7, so Early has to be ready for them. By 8:30 all the babies are present, and Early and Devougas give them breakfast. "Everybody wants to be fed at the same time," says Early with a laugh. The room is clean and bright, painted in a pleasant combination of green and white. Some infants crawl around a blue carpet, where they play with blocks, stacking toys, a plastic mirror on wheels. On one recent afternoon, Early pushed the mirror toward 11-month-old Aubrey. "See that?" she said, "That's you!" The youngest babies are placed in infant seats, unless Early or Devougas has got them in her lap. "We sit and hold them," Early says, "play with their hands and feet and talk to them."

It sounds just about perfect, and it is. In the world of day care, the kinds of programs run at the Carter Center can be considered the ideal. They provide good food, a safe setting, plenty of mental and physical stimulus, and lots of attention and affection. Equally significant, they serve the children of low-income families, kids who may be at risk for poor development. Troy Harris used to be on welfare and now works at the Carter Center, where her two children are in day-care programs. "If I didn't work here, I would still want my children here," she says. "[Otherwise] your child could sit at home all day or at the neighbor's home watching TV. That would be my worry—that my child's not learning enough."

Millions of poor mothers are soon going to be faced with the same worry. Under the new federal welfare law, even recipients with very young children are required to find work (although states may exempt a single parent caring for a child under one year old). According to the Children's Defense Fund, there are now about 9.75 million children on welfare, about 4.5 million of them under five. That translates into an enormous new demand for day care and raises concerns about the quality of that care.

In Wisconsin, which has pioneered welfare reform and is often touted as a national model, the crunch is coming sooner than in other states. That is partly because the latest phase of Wisconsin's law, which is called Wisconsin Works, or W-2, goes into effect Jan. 6 and requires mothers to get into a job program and parenting classes just 12 weeks after giving birth. But it is also because the state already has fairly high standards for day care in place. The challenge has been how to maintain those standards while accommodating thousands of new kids—and the struggle so far has been both painful and instructive.

In 1996 Wisconsin subsidized care for 17,000 children at a cost of $52 million (about $3,000 per child). Under W-2, the number of children requiring subsidized care is expected to triple, to 60,000. Yet in its original W-2 legislation, Wisconsin did not triple the state funds earmarked for child care. In fact, it planned to increase its own spending only negligibly and use federal block grants to bring the amount of money available for day care next year to $160 million (roughly $2,600 per child).

DIRCK HALSTEAD FOR TIME

The welfare bill signed by President Clinton allots $22 billion for child-care subsidies over six years, but leaves an estimated $1.4 billion shortfall

So just as it faces a flood of younger, poorer, needier children into state-subsidized day care, Wisconsin planned to reduce the amount it spends for each child—with consequences that would be felt throughout the day-care system. For one thing, the state proposed channeling more of this money to welfare families by reducing day-care subsidies to the working poor through higher co-payments and eligibility standards. (Some low-income families would have been required to spend as much as 46% of their gross income on child care.) The state also proposed a sliding-scale co-pay structure for welfare recipients based on their income and the cost of the care they choose, and

STEVE LISS FOR TIME

GETTING A FULL START Early care is up-to-date in Kansas City, Missouri

THE STATES GRAPPLE WITH DAY CARE

MISSOURI
Kansas City's innovative Full Start program, left, targets pre-K kids, but the state lags in day-care spending

GEORGIA
Determined to offer a pre-K program to every four-year-old in the state, Georgia set aside $157 million of lottery revenues

MASSACHUSETTS
Revenues from special license plates will be earmarked for child-care training and materials

OHIO
Day-care spending rose 20% in 1996, and child-care programs are being linked to public schools

HAWAII
Despite budget cuts, the state launched a new initiative, Good Beginnings, which aims to involve businesses in child-care programs

FLORIDA
In six counties, residents voted to increase their property taxes to fund Child Service Councils, which work to improve the quality of child care

NORTH CAROLINA
A public-private partnership called Smart Start gives block grants to counties to care for children under the age of six. One county decided to subsidize new mothers to stay home

Source: *Working Mother*, and TIME reporting

created a new category called "provisional certified care." This care, to be provided by any adult who passes a criminal background check, in any home meeting basic health and safety requirements, would be exempt from most of the regulations aimed at ensuring quality in Wisconsin's licensed day-care centers—and so presumably would be much cheaper.

CHILDREN'S ADVOCATES IN WISconsin were quick to criticize this version of W-2. Mary Babula, head of Wisconsin's Early Childhood Association, charged that it would create "a push for parents with low disposable income to choose the cheapest care they can find." Linda Bosetti, who works for the Silver Spring Neighborhood Center in Milwaukee, was worried because subsidizing provisional certified care—while it might provide some cash to the grandmother who has been baby-sitting for free—could also put children at risk by parking them with untrained strangers. Indeed, this cheaper, second-class day care might begin to drive licensed centers out of business.

Jean Rogers, who directs W-2, countered that "in the real world, families make [child-care] decisions based on a number of qualities and situations." When she talked to welfare recipients while drafting W-2, she says, "the single most common response was that they thought child care should be made more flexible so that friends and relatives would be able to receive the subsidy."

Nevertheless, the outcry prompted Governor Tommy Thompson to appoint a special panel of child-care providers, elected officials and policymakers to reconsider the co-pay provisions. Last week, on its recommendation, Wisconsin revised the plan. Day-care co-payments will be calculated primarily according to income and number of children, not the cost of care. And a family's co-payment obligation will be capped at 16% of gross income. To help close the spending gap between this formula and the earlier one, Thompson will use an extra $25 million in federal money for 1997 that the state had earned from reductions in its welfare rolls during recent years. "We're leading the country. Nobody has tried to adopt a plan of our magnitude that both eliminates welfare and makes a commitment to quality child care," he says. "We don't have all the answers. But what we've done is attempt to level the speed bumps that we have anticipated so far."

There may be more bumps ahead. Because what is at stake in the coming day-care crunch is of far more consequence than whether little Janie watches too much *Rug Rats*. Without a good solution to the day-care dilemma, welfare reform has no hope of breaking the "cycle of dependency" and may in fact exacerbate it. For starters, a study by Marcia Meyers at Columbia University's School of Social Work has shown that good, reliable child care is a key factor in whether a welfare mother can perform well on the job and stick with it.

But more fundamentally, inadequate care in the pre-K years may affect a child's later ability to learn, limiting it in ways that cannot be offset by the uplifting sight of seeing Mom march off to work. Brain-development research indicates that in the first two years of life, virtually all our vital neural connections are being formed. Other studies show the crucial role that responsive, sensitive and stimulating care plays in forming those synapses. A bad day-care situation, where a child is under-stimulated for long stretches of time or moved among ever changing caregivers, may cause long-term harm to a child's cognitive and emotional development.

For that reason, the day-care part of workfare is both an enormous risk and an enormous opportunity. Few of Wisconsin's poor children will get the excellent care that Alberta Early provides at the Carter Center, which charges $8,476 a year for an infant (less for an older child). In fact, some mothers may have to take their children out of the center because their co-payment will rise. What happens to the 2,700 children of the working poor who lose their subsidies altogether is one of the many imponderables as Wisconsin enters the next phase of its welfare experiment. But what child advocates continue to remind the Governor of is that while the W-2 program is susceptible to endless tinkering and adjustments, its effects on young children may be permanent. —***Reported by Wendy Cole and Erik Gunn/Milwaukee, Melissa Ludtke/Boston and Ann Simmons/Washington***

WR-C. care

ment No.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 12-21 ACTION/CONCURRENCE/COMMENT DUE BY: 12-23

SUBJECT: Refundable Child Care Tax Credit

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	✓		McCURRY		
PANETTA	✓		McGINTY		
McLARTY			NASH		
ICKES			QUINN		
LIEBERMAN			RASCO		
RAINES	✓		REED	✓	
BAER			SOSNIK		
CURRY			STEPHANOPOULOS		
EMANUEL	✓		STIGLITZ		
GIBBONS			STREETT		
HALE			TYSON		
HERMAN			HAWLEY		
HIGGINS			WILLIAMS		
HILLEY	✓		BOWLES	✓	
KLAIN	✓		RADD	✓	
LAKE			Spealing	✓	
LINDSEY					

REMARKS: Please advise.

RESPONSE:

Staff Secretary
Ext. 6-2702

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

DEC 20 1996

MEMORANDUM FOR THE PRESIDENT

'96 DEC 20 PM7:14

SUBJECT: A Refundable Child Care Tax Credit

For the first time in American history, this country will have a seamless system for supporting child care expenses. By making the Child Care Tax Credit refundable, every working family in America will have access to some child care support.

Currently, the Child Care Tax Credit provides essential child care support for millions of working families with employment-related child care expenses. However, the credit is not available for working families who have no federal income tax liability. By making the credit refundable, the tax credit would be available for the first time to all working families with children. The new group consists of low wage earners who pay 20 percent of their income for child care, a disproportionate share of their income when compared to higher income families who pay only six percent of their income. By the year 2002, Treasury estimates that refundability would benefit over two million low wage working families who have little or no tax liability. Most of these working families have incomes below $30,000 and would receive an average benefit of $500-600 annually toward their child care expenses.

Using a tax mechanism to provide child care assistance is both good policy and good politics. The Child Care Tax Credit is enormously popular. Since families see the results on their income tax returns, it is one of the most positive benefits they know they are getting from the federal government. Ask any family that uses the credit, and almost inevitably they will be able to tell you how much help they received toward their child care expenses.

The Child Care Tax Credit has long enjoyed bipartisan support. In the last two decades, the U.S. Senate has voted to make the credit refundable several times. President Bush proposed making this credit refundable and child care organizations and women's groups strongly support it. Further it is anticipated that the Republicans will propose significant tax cuts for the wealthy. As a result, it will be difficult as a result for them to argue against an Administration tax proposal to help hard-working low income families with significant child care costs.

Making the tax credit refundable helps low income working families get child care assistance without going through the welfare line. While the welfare reform law (The Personal Responsibility and Work Opportunity Reconciliation Act) authorizes $20 billion in federal child care funding over six years, most of the funds will be needed to support welfare families moving to work, leaving little room for assisting working poor families. We expect that the credit will be used largely by working families who do not receive direct subsidies. Using the tax code to serve

these families is an equitable and nonstigmatizing approach that complements the Administration's initiatives -- Earned Income Tax Credit, minimum wage, health care portability and Family and Medical Leave -- for working families.

At a time when we are devoting significant attention and resources to families receiving welfare, this would be a visible source of help to working families who are not on welfare but are struggling to stay in the labor force. For the first time in history, all working families with child care expenses would receive some federal support.

Donna E. Shalala

HHS NEWS

WR — Child care

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOR IMMEDIATE RELEASE
Monday, Sept. 30, 1996

Contact: Michael Kharfen
(202) 401-9215

HHS RELEASES NEW CHILD CARE FUNDS TO STATES AND GRANTS TO IMPROVE CHILD CARE QUALITY

HHS Secretary Donna E. Shalala announced today that the increased child care funds available to states under the newly enacted welfare law will be released tomorrow. Secretary Shalala also announced new grants to help states improve the health and safety of child care programs.

The child care block grant funds for fiscal year 1997 that begin to be released tomorrow will provide up to $1.92 billion to states, a significant increase over the estimated FY 1996 level of $1.35 billion.

"President Clinton signed into law a welfare bill that met his principles of work, parental responsibility and protections for children," said Secretary Shalala. "I'm pleased that the department is moving quickly to help states provide the affordable, accessible and quality child care which is critical to help move families from welfare to work."

HHS estimates, that depending on states' decisions, this increase in funds will enable states to serve about 230,000 additional children, in full-year, part-time child care slots.

Under the new welfare law, several federal child care programs were consolidated into the Child Care and Development fund, a single block grant to the states. This consolidation of funds makes it

- More -

easier for states to plan for and access federal funds, reduce administrative burdens, increase the number of children who can be served and improve the quality of child care programs.

Later this year, approximately $1 billion in discretionary child care funds will also be released to the states.

HHS is also awarding $2.5 million in grants to 42 states, the District of Columbia, Puerto Rico and the Republic of Palau this week to support and encourage the development of statewide strategies and planning for healthy, safe child care programs. The grants build upon the Healthy Child Care America Campaign launched by Secretary Shalala last year. The award of these grants is the product of a collaborative effort between two agencies in HHS: the Health Resources and Services Administration's Maternal and Child Health Bureau, which will administer the grants, and the Administration for Children and Families' Child Care Bureau.

The activities of the projects include formation of statewide Healthy Child Care Campaigns, investments in systems and services to increase child care capacity, programs to address children with special needs and the training of child care providers in health and safety. The projects are funded for three years.

"Under the department's vision of a reinvented government that works better together to serve America's children and families, this important collaborative effort among HHS agencies identified the crucial priority of health and safety in child care," said Secretary Shalala. "These grants will serve as a catalyst for state efforts to ensure parents have the choice for quality child care programs."

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Note: HHS press releases are available on the World Wide Web at: http://www.dhhs.gov.

	FY1996	FY1997	Increase
Alabama	$16,340,975	$27,538,930	$11,197,955
Alaska	4,628,222	5,573,564	945,342
Arizona	24,802,279	32,654,444	7,852,165
Arkansas	5,216,653	11,928,191	6,711,538 ✓
California	81,595,011	189,109,830	107,514,819 ✓
Colorado	11,935,519	20,458,829	8,523,310 ✓
Connecticut	25,860,821	27,297,695	1,436,874
Delaware	5,544,948	7,097,533	1,534,585
D.C.	3,984,787	6,007,129	2,022,342
Florida	48,138,526	78,991,515	30,852,989
Georgia	48,944,950	56,725,095	7,780,145
Hawaii	6,246,320	8,544,528	2,298,208
Idaho	2,836,570	6,360,048	3,523,478 ✓
Illinois	83,741,735	92,635,041	8,893,306
Indiana	37,685,927	41,476,175	3,790,248
Iowa	6,476,450	16,176,667	9,700,217 ✓
Kansas	10,166,728	16,962,947	6,796,219
Kentucky	17,289,150	26,565,371	9,276,221
Louisiana	12,716,209	26,579,410	13,863,201 ✓
Maine	3,026,858	6,253,341	3,226,483 ✓
Maryland	23,045,304	36,968,426	13,923,122
Massachusetts	55,880,580	60,349,955	4,469,375
Michigan	41,192,695	58,298,700	17,106,005
Minnesota	26,728,107	36,230,664	9,502,557
Mississippi	9,599,538	14,049,912	4,450,374
Missouri	27,599,568	38,926,173	11,326,605
Montana	3,626,693	5,561,904	1,935,211
Nebraska	7,786,148	15,877,705	8,091,557 ✓
Nevada	3,499,702	6,878,492	3,378,790 ✓
New Hampshire	4,362,499	8,153,892	3,791,393
New Jersey	52,052,690	52,638,058	585,368
New Mexico	8,707,301	13,916,036	5,208,735
New York	117,110,636	153,480,403	36,369,767
N. Carolina	66,882,817	88,590,381	21,707,564
N. Dakota	1,708,379	4,226,635	2,518,256
Ohio	68,441,868	100,003,527	31,561,659
Oklahoma	30,998,199	33,904,916	2,906,717
Oregon	23,335,244	27,598,040	4,262,796
Pennsylvania	59,244,874	85,648,280	26,403,406
Rhode Island	7,119,676	9,159,194	2,039,518
S. Carolina	13,300,903	19,673,401	6,372,498
S. Dakota	1,932,447	3,805,883	1,873,436 ✓
Tennessee	47,643,844	51,258,743	3,614,899
Texas	73,324,512	116,877,750	43,553,238
Utah	12,181,102	19,428,168	7,247,066
Vermont	3,208,151	5,666,584	2,458,433
Virginia	21,880,669	38,380,459	16,499,790
Washington	38,002,711	56,766,466	18,763,755
West Virginia	9,726,862	12,973,006	3,246,144
Wisconsin	35,205,439	38,370,188	3,164,749
Wyoming	2,347,399	4,162,277	1,814,878
Total	**$1,354,855,195**	**$1,922,742,500**	**$567,887,305**

WR - Child care

Child Care and Development Block Grant Amendments of 1996

Funding

The Amendments authorize and appropriate a total of $13.9 billion in mandatory funding for FYs 1997-2002 and authorize $7 billion in discretionary funding for FYs 1996-2002. States would receive approximately $1.2 billion of the mandatory funds each year as a capped entitlement based on federal IV-A child care expenditures in each state in FY94, FY95 or the average from FY 92-94 (whichever is greater).

The remainder of the mandatory funds (after an allocation to tribes) would be available for state match (at the 1995 FMAP rate) based on the At-Risk allocation formula . In order to be eligible for these new matching funds, a state must maintain 100% (maintenance of effort) of FY94 or FY95 state child care expenditures (whichever is greater) AND exceed the state set-aside described above.

Total funding, including mandatory funds and $1 billion in discretionary funds for each year:

$ 2.967 billion for FY 1997
$ 3.067 billion for FY 1998
$ 3.167 billion for FY 1999
$ 3.367 billion for FY 2000
$ 3.567 billion for FY 2001
$ 3.717 billion for FY 2002

Once funds are transmitted to Grantees, all funding will be subject to the requirements of the Child Care and Development Block Grant Act, as amended.

Effective Date

The effective date of the Child Care and Development Block Grant Amendments is October 1, 1996. The authorization of appropriations for the discretionary funds takes effect on the date of enactment.

Eligibility

Changes family income limit from 75% of State Median Income to 85%.

Lead Agency

The Amendments retain CCDBG lead agency requirements, but allows the lead agency to administer the program through other "governmental or nongovernmental" agencies.

Application and Plan

Under the Amendments, the parental choice provisions (requiring that parents be given the option to enroll their children in grant or contract slots or to receive a certificate) will apply to the entire program.

The Amendments expand the current law requirement for a public hearing on the state plan to specify that the state must provide sufficient time and statewide distribution of notice of the hearing.

Administrative Costs

The Amendments limit administrative costs to 5% of the aggregate funding and specify that administrative costs shall not include the costs of providing direct services.

Report language clarifies that the Secretary should issue regulations that define and determine true administrative costs prior to the deadline for submission of State plans. Eligibility determination and re-determination, preparation and participation in judicial hearings, child care placement, the recruitment, licensing, inspection, reviews and supervision of child care placements, rate setting, resource and referral services, training, and the establishment and maintenance of computerized child care information should not be considered administrative costs.

Consumer Education

The Amendments replace the current law requirement that specific consumer education information be made available (concerning licensing and regulatory requirements, complaint procedures, and policies and practices relative to child care services within the State) with a general requirement that the state will collect and disseminate information that will "promote informed child care choices."

Quality

The Amendments set aside not less than 4% of total funds for activities that are "designed to provide comprehensive consumer education to parents and the public, activities that increase parental choice, and activities designed to improve the quality and availability of child care (such as resource and referral services.)" This provision replaces the current law description of activities to improve quality (r&r; grants or loans to meet state and local standards; monitoring of compliance with licensing and regulation; training; and compensation).

Compliance with State Licensing Requirements

The Amendments replace current law requirements that the State assure that all child care providers comply with state and local licensing or regulatory requirements, including registration, with a requirement that states have in effect licensing requirements and provide descriptions of the requirements and how they are enforced. The Amendments eliminate registration requirements.

Health and Safety

The Amendments retain current law CCDBG Health and Safety requirements and apply them to all of the child care funds.

Payment Rates

The Amendments add a requirement that states provide a summary of the facts used to determine that rates are sufficient to ensure equal access.

It also eliminates the requirement that payment rates take into account variations in the costs of providing care in different settings and to different age groups, and the additional costs of providing child care for children with special needs.

Tribes

Set-Aside: The Amendments require a minimum set-aside for Tribes of 1% of the aggregate funding and allows the Secretary to set aside up to 2%.

Minimum Standards: The Amendments add a requirement that the Secretary, in consultation with tribes and tribal organizations, shall develop minimum child care standards for tribes and tribal organizations.

Construction or Renovation of Facilities: The Amendments give the Secretary authority to allow Tribes or tribal organizations to use program funds for construction or renovation purposes as long as that will not result in a decrease in the level of child care services provided by the tribe or organization as compared to the level of services provided in the preceding fiscal year. The Secretary is directed to develop and implement uniform procedures for the solicitation and consideration of requests to use funds for this purpose.

Reallotment: The Amendments add a provision giving the Secretary authority to reallocate any portion of tribal set-aside grants to other tribes or organizations if she determines that the funds are not being used in a manner consistent with the statute and time period for which the grant or contract is made available.

Other Organizations: The Amendments add under the definition of tribal organizations, "Other organizations", which includes a Native Hawaiian Organization and a private nonprofit organization established for the purpose of serving youth who are Indians or Native Hawaiians.

Territories

The Amendments eliminate the Trust Territory of the Pacific Islands from the list of eligible Territories and Possessions. The Amendments do not include territories in the definition of States eligible for mandatory and matching funds.

Enforcement

The Amendments eliminate the authority of the Secretary to terminate payments for failure to comply with the state plan or any provision of the law and replaces it with disallowance authority for improperly expended funds.

Reports & Audits

The Amendments replace the current law annual reporting requirement with requirements that states collect a specific list of data on a monthly basis and submit it to the Secretary quarterly. It also requires biannual reports from the states (beginning 12/31/97 and every six months after) containing other aggregate data. The data elements are substantially broader than current law reporting requirements.

The Amendments also require the Secretary to submit biennial reports to Congress beginning in 1997.

While the Amendments maintain current law audit requirements, it requires only that the audit entity be independent of the State, replacing the requirement that it be independent of "any agency administering activities that receive assistance under this subchapter."

Other Definitions

Child Care Certificates: The Amendments add child care deposits as an allowable use of a child care certificate.

Eligible Child: Changes family income limit from 75% of State Median Income to 85%.

Eligible Child Care Provider: Adds great grandparents and non-resident siblings to list of eligible providers and eliminates the requirement that relative providers be registered.

Other Organizations: The Amendments add under the definition of tribal organizations, "Other organizations", which includes a Native Hawaiian Organization and a private

nonprofit organization established for the purpose of serving youth who are Indians or Native Hawaiians.

Miscellaneous Deletions

The Amendments eliminate the CCDBG sections regarding the rationale for reductions in standards, review of state licensing and regulatory requirements, and supplementation/supplantation.

Strikes current law language specifying issues that may be considered during consultation with local governments on development of the State plan.

The Amendments eliminate the requirement that states dedicate funds to early childhood development or before and after school child care programs.

Related Child Care Provisions in Temporary Assistance for Needy Families (TANF)

Repeals

Repeals Title IV-A Child Care programs, thus eliminating guaranteed child care for needy individuals.

Funds Transfer

The TANF block grant allows states to transfer up to 30% of the temporary assistance funds into the child care or social services block grants. No more than a third of this amount may be used for the Social Services Block Grant.

Failure to Provide Child Care

The TANF block grant prohibits states from sanctioning a single parent who fails to participate in work because she cannot access child care for a child under age 6. The Secretary can impose a penalty of up to 5% of the family assistance grant amount on states that fail to maintain assistance to adult single custodial parents who cannot obtain child care for a child under age 6. The amount of the penalty will be based on the severity of the failure.

Meeting Participation Rates/Work Requirements

Meeting Work Requirements

Single parents with a child under the age of 6 are deemed to be meeting work participation requirements if the parent is engaged in work for 20 hours/week.

The TANF block grant adds to the definition of work activities: "the provision of child care services to an individual who is participating in a community service program."

Sense of the Congress

The TANF block grant includes a Sense of the Congress that encourages each state to assign the highest priority to requiring adults in 2-parent families and adults in single parent families that include older preschool or school-aged children to be engaged in work activities.

Two-Parent Families

With the exception of a disabled parent or families with a severely disabled child under the parent's care, the TANF block grant requires that if child care is provided by the State, both spouses in a two-parent family must work, but the second parent must only work a minimum of 20 hours per week.

Optional Exemption

The TANF block grant includes a state option to exempt single parent families with a child under the age of 12 months from engaging in work. The state may disregard the parent in determining work participation rates for up to 12 months.

Title XX

The welfare reform bill reduces Title XX funding by 15% until FY 2002.

ESTIMATED FY 1997 STATE ALLOCATIONS FOR THE CHILD CARE AND DEVELOPMENT FUND

State	Mandatory Funds 1/	State Share Requirement (MOE) 2	Matching Funds 3/	State Share of Matching Funds 4/	Discretionary Funds 5/
Alabama	$ 16,441,707	$ 6,896,415	$ 11,097,223	$ 4,654,690	$ 20,236,065
Alaska	3,544,811	3,544,811	2,028,753	2,028,753	1,906,673
Arizona	19,890,997	10,065,324	12,763,447	6,458,612	18,512,030
Arkansas	5,300,283	1,886,541	6,627,908	2,359,086	11,896,059
California	92,945,658	92,945,659	96,164,172	96,164,172	120,466,746
Colorado	10,173,800	8,985,899	10,285,029	9,084,141	11,059,692
Connecticut	18,738,357	18,738,357	8,559,338	8,559,338	7,224,585
Delaware	5,179,351	5,179,351	1,900,182	1,900,182	2,111,607
District of Columbia	4,720,514	4,720,514	1,286,615	1,286,615	1,979,409
Florida	43,026,524	33,424,300	35,964,991	27,938,689	50,046,337
Georgia	36,522,787	22,167,213	20,202,308	12,261,629	32,157,871
Hawaii	5,220,634	5,220,634	3,323,894	3,323,894	3,662,385
Idaho	2,867,578	1,175,819	3,492,470	1,486,814	5,133,856
Illinois	59,609,473	59,609,473	33,025,568	33,025,568	37,705,575
Indiana	26,181,899	15,356,949	15,294,176	8,970,739	18,065,411
Iowa	8,877,745	5,299,427	7,298,922	4,356,974	9,229,278
Kansas	9,811,668	6,672,989	7,151,279	4,990,112	8,898,861
Kentucky	16,701,803	7,274,356	9,863,568	4,312,299	17,942,749
Louisiana	13,864,562	5,219,484	12,714,858	4,786,667	26,680,153
Maine	3,137,105	1,928,151	3,116,236	1,806,728	3,873,126
Maryland	23,301,407	23,301,407	13,667,019	13,667,019	13,203,338
Massachusetts	44,973,373	44,973,373	15,376,582	15,376,582	14,395,116
Michigan	32,081,922	24,360,587	26,216,778	19,907,040	29,217,891
Minnesota	23,367,543	19,590,395	12,863,121	10,838,963	13,483,420
Mississippi	6,293,116	1,715,431	7,756,796	2,114,413	17,359,322
Missouri	24,668,568	16,548,755	14,257,605	9,564,625	18,227,212
Montana	3,190,691	1,315,298	2,371,213	977,485	3,212,536
Nebraska	11,338,103	6,955,059	4,539,602	2,976,295	5,536,815
Nevada	2,580,422	2,580,422	4,298,070	4,298,070	4,133,817
New Hampshire	5,051,606	5,051,606	3,102,286	3,102,286	2,566,956
New Jersey	31,662,653	31,662,653	20,975,405	20,975,405	18,639,612
New Mexico	8,702,694	3,034,328	5,213,342	1,898,024	9,446,628
New York	104,893,534	104,893,534	48,586,869	48,586,869	57,492,936
North Carolina	69,639,228	37,978,185	18,951,153	10,335,129	28,149,318
North Dakota	2,506,022	1,017,135	1,720,613	782,825	2,344,978
Ohio	70,444,793	45,628,354	29,558,734	19,145,722	35,119,219
Oklahoma	24,909,979	10,650,305	8,994,937	3,845,801	15,232,903
Oregon	19,408,790	11,714,991	8,189,250	4,942,966	9,972,899
Pennsylvania	55,336,804	46,628,930	30,311,476	25,541,621	32,711,417
Puerto Rico	-	-	-	-	24,955,835
Rhode Island	6,633,774	5,321,126	2,525,420	2,025,706	2,720,600
South Carolina	9,867,439	4,087,361	9,805,962	4,061,896	18,120,663
South Dakota	1,710,869	802,897	2,095,014	983,173	3,155,183
Tennessee	37,702,045	18,975,714	13,556,698	6,823,185	20,848,597
Texas	59,844,129	34,681,426	57,033,621	33,052,654	92,920,868
Utah	12,591,564	4,474,925	6,836,604	2,467,430	9,395,745
Vermont	4,148,060	2,804,331	1,518,524	978,227	1,714,663
Virginia	21,328,766	21,328,766	17,051,693	17,051,693	19,258,060
Washington	41,948,341	38,768,113	14,818,125	13,694,719	15,904,935
West Virginia	8,840,727	2,971,393	4,132,279	1,406,969	7,719,175
Wisconsin	24,511,351	16,470,677	13,858,837	9,312,601	14,923,937
Wyoming	2,815,041	1,553,781	1,347,236	795,656	1,626,938
State Total	$ 1,199,050,700	$ 908,252,925	$ 723,691,800	$ 651,286,747	$ 972,500,000

NOTE: Mandatory, Matching and Discretionary funds have been reduced by one quarter of one percent for technical assistance, pursuant to 45 CFR 98.60(a)(1). Mandatory and Matching funds have been reduced by the tribal set-aside. Discretionary funds have been reduced by the tribal and territorial set-aside. Territories are not eligible for Mandatory or Matching funds.

1/ Mandatory Funds are allocated based on the Federal share of expenditures for IV-A child care in FY 1994, FY 1995, or the average of FY 1992-1994, whichever is greatest. Allocations are based on expenditure data as of Feb. 28 and April 28, 1995.

2/ Preliminary calculation based on available aggregate data; may need to be adjusted. In order to be eligible for Matching Funds, States are required to maintain the greater of FY 1994 or FY 1995 expenditures for IV-A child care.

3/ Matching Funds are allocated according to the proportion of children under age 13 using Census data as of July, 1995 (in accordance with the At-Risk Child Care program allocation formula). Each State's maximum allocation is shown; unused funds will be redistributed among States.

4/ State expenditures above the MOE level are matched based on the FY 1995 FMAP rate.

5/ Discretionary allocation is preliminary and based on the $1 billion in authorized funds. Final State allocations may change. For Discretionary Funds, Puerto Rico is included in the State allocation formula

23-Aug-96

FAX to Rich 2/23

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

22-Feb-1996 10:37am

TO: Bruce N. Reed
TO: Kenneth S. Apfel

FROM: Jeffrey A. Farkas
Office of Mgmt and Budget, HRD

CC: Barry White
CC: Keith J. Fontenot

SUBJECT: RE: Senate Child Care

We chatted with Ken on the policy. He agrees that the NGA proposal is better than the Senate, but he believes the higher MOE is definitely needed to make the policy work.

There is definitely more Federal money in the NGA proposal than in either the Conference or the Senate bills, and, from a State's standpoint, there is a much bigger Federal payoff on State dollars if a State only wanted to put up the minimum that it had to for child care.

At the minimum State MOE level, for example, the Federal match rate is effectively 75% under the NGA proposal as compared to 63% under the Senate and 65% under Conference. At the highest State funding level (100% MOE plus match), the total match rate is also much higher for NGA, at 66%, while the Senate and Conference are both at the current FMAP rate for child care, about 58%.

One way to look at the question seems to be how rich do you want the Federal match rates for child care to be. The budget analyst's instinct is to keep match rates reasonably balanced -- the current average FMAP is 55% for AFDC and 58% for child care. The arguments for more balanced match rates include the incentive on States to spend money prudently, the shared responsibility for the program, and keeping the pressure on Federal costs down.

Another important question is the pressure that increasing the Federal share of welfare reform costs could create to cut other programs.

An alternative could involve adding the NGA's $4 billion -- or some portion of the $4 billion -- to the amount that States must match directly. If all of the $4 billion were matched, as opposed to the current proposal, the total child care pool would be expanded by an additional $2.9 billion, and a lot more children in working families could be served. Similarly, if a match were in

place, the Federal share of an additional $4 billion total in child care would only be about $2.3 billion. Of course, because of the State spending requirements, the Statess would not be as warm to this proposal as they are to the NGA alternative.

FAX TRANSMISSION

U.S. Department of Health and Human Services
Office of the Secretary

To: Bruce Reed

Organization:

From: John Monahan
Intergovernmental Affairs

Date: 8/17/95

Intergovernmental Affairs
200 Independence Ave., SW
Room 630 F
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phone: (202)
fax: (202)690-5672

Recipient's Fax Number: 456-7028

Number of pages including this sheet: 19

Remarks:

→ What happens to CCDBG under Dole?
→ How much do Contingency options cost over 5/7?

Hypothetical Adjustments to an AFDC Block Grant Similar to the One in H.R. 4 Based on a Variety of Adjustment Factors

As passed by the House of Representatives, the Title One block grant contained in H.R. 4 would consolidate four AFDC related programs (AFDC benefits, administration, Emergency Assistance and JOBS) into one block grant of approximately $15.390 billion for each year, FY 1996 - FY 2000. The block grant would receive only a modest increase of $100 million per year, which would be allocated among states on the basis of population increases. If such a block grant had been implemented in FY 1990, states would have received approximately 32 percent less Federal funding in FY 1994 (Table 2).

Adjustments for Changes in Maximum Benefit, Children Receiving Food Stamps, and the CPI

The attached tables simulate the effects of various alternative adjustment factors to an AFDC block grant similar to the one in Title One of H.R. 4. The aggregate impact of each method are summarized in Table One.

The first method bases adjustments to state allocations on the change in a state's maximum AFDC benefit rate. The adjustment equals the change in maximum benefit multiplied by the product of state's Federal matching rate and the state's caseload. States which decreased their maximum benefit during FY 1990 and FY 1994 would not have been held harmless, rather they would have received a decrease in their allocation. As indicated in the attached table, this adjustment method would have fared worse than the one contained in H.R. 4.; states would have received approximately 33 percent less in Federal funding had the block grant used this adjustment factor.

The second method would adjust state allocations based on the national CPI-U. For every percent increase in the national CPI, each state would receive a similar increase in their allocation. While this adjustment would have been favorable to the population adjustment included in H.R. 4, states still would have faced a reduction in Federal funding of approximately 21.7 percent, since the increase in the CPI did not keep pace with the increase in AFDC related spending.

A third adjustment mechanism would have increased a state's allocation on the basis of child poverty (since the yearly estimates of child poverty included in the Current Population Survey contain enormously high sampling error, the number of child receiving food stamps in each state is used as a highly reliable proxy). As with the CPI adjustment, each state would receive an increase in their grant amount that equals the increase in the number of children receiving food stamps. Using this adjustment mechanism, the national block grant allocations would have closely mirrored actual spending in FY 1994. In aggregate, states would have received only .6 percent less in Federal funding.

The final two methods presented in this section of the table combine the previously described adjustment factors. Method five adjusts state allocations for both increases in child food stamp recipiency and changes in maximum benefit level. Since the change in maximum

benefit level itself produces very little difference from the H.R. 4 adjustment, this method yields a result very similar to adjusting solely on the basis of children receiving food stamps; states would have received an average reduction of .5 percent in Federal funding in FY 1994. The final method combines the CPI and the food stamp adjusters, and would have provided states with approximately 5.1 percent *more* Federal funding in FY 1994.

While the fourth and fifth models produce similar results in the aggregate, there is some variation among the states. Specifically, using the method that adjusts for both food stamp recipiency and maximum benefits payments will favor those states that increased their benefit levels between FY 1990 and FY 1994. For example, in the state of Alabama, adjusting for only the number of children in food stamps would yield a loss of Federal funding of $4 million in FY 1994. During this same time period, however, Alabama increased their maximum benefit by more than 35 percent. Adjusting for this change, as well as for the number of children receiving food stamps, Alabama would experience a smaller Federal funding loss in FY 1994 ($2.5 million).

Adjustments for Changes in Unemployment, Child Population, and the CPI

The first adjustment mechanism in this section would have increased a state's allocation by five percent for every one percent increase in the state's unemployment rate. As indicated in Table I, the overall impact would not have seriously modified the H.R. 4 block grant. States would have suffered a Federal AFDC funding loss of approximately $3.97 billion dollars in FY 1994. The second method would have combined the unemployment model with an adjuster for changes in child population. Once again, the marginal impact of this modifier is relatively small: states still would have suffered Federal funding losses of approximately $3.44 billion in FY 1994.

The last model adds an adjustment for increases in the Consumer Price Index. The impact of this factor is substantially greater than that of either unemployment or child population. States would have experienced a reduction in Federal AFDC funding of approximately $1.74 billion in FY 1994. While this would still have been an enormous funding loss for states, it is still highly favorable to the funding loss inherent in H.R. 4.

The final model in this section adjusts state shares based on the change in a state's unemployment and child poverty rates, as well as the change in the national Consumer Price Index (all items). Under this model, states which experienced a decrease in either their child population or their unemployment rate would have had their block grant decreased. While this method would have favored states that were exceptionally disadvantaged due to a recession, it still would not have kept pace with the increase in AFDC related spending between FY 1990 and FY 1994.

Table One

Hypothetical Adjustment to An AFDC Block Grant Similar to the One in H.R. 4 Based on a Variety of Adjustment Factors

Adjustment Method	Hypothetical Allocation FY 1994	Actual Expenditures FY 1994	Sum of Actual Difference FY 1994	Percentage Change FY 1994	Sum of Abs Value of Difference FY 1994	% Difference from H.R. 4 (abs. value)
H.R. 4 Population Adjuster	$10,105.3	$14,962.3	($4,857.0)	-32.5%	$4,939.0	—
Maximum Benefit, Food Stamps, CPI						
1. Change in a state's maximum benefit, multiplied by state caseload and FMAP.	$10,022.9	$14,962.3	($4,939.4)	-33.0%	$5,000.3	0.02%
2. State allocation increased by 1 percent for every 1 percent increase in the CPI (continuously adjusted).	$11,710.9	$14,962.3	($3,251.4)	-21.7%	$3,774.9	23.6%
3. State allocation increased by 1 percent for every 1 percent increase in the number of children receiving food stamps (continuously adjusted). States with no increase in child food stamp recipiency do not have their allocation reduced.	$14,867.9	$14,962.3	($94.4)	-0.6%	$1,811.7	63.3%
4. Adjustment for change in maximum benefit (no. 1); and adjustment for change in child food stamp recipiency (no. 2).	$14,884.6	$14,962.3	($77.7)	-0.5%	$1,765.5	64.3%
5. State allocation increased by .5 percent for every 1 percent increase in CPI; and adjustment for child food stamp recipiency (no. 2).	$15,719.7	$14,962.3	$757.4	5.1%	$2,107.8	57.3%
Unemployment, Child Population, & CPI						
1. State allocation changed by 5% for every 1% change in a state's unemployment rate (continuously adjusted).	$10,988.3	$14,962.3	($3,974.0)	-26.6%	$4,052.6	17.9%
2. State allocation changed by 5% for every 1% change in a state's unemployment rate (continuously adjusted), and by .1% for every change in a state's child population (also continuously adjusted).	$11,520.4	$14,962.3	($3,441.9)	-23.0%	$3,601.7	27.1%
3. State allocation changed by 5% for every 1% change in state unemployment, by .1% for every 1% change in child population, and .1% for every 1% change in the national CPI. All factors continuously adjusted.	$13,226.0	$14,962.3	($1,736.3)	-11.6%	$2,606.1	47.2%

State Imacts of Various Block Grant Adjustment Mechanisms

DRAFT

Percentage Reduction in FY 1994 if an AFDC Block Grant Had Been Implemented in FY 1990, under Eight Different Block Grant Adjusters

State	Block Grant with no Adjustment	H.R. 4 Population Adjuster/1	Changes in Maximum Benefit/2	CPI -U (1:1)	Children Receiving Food Stamps (CRFS), (1:1)	Maximum Benefit & CRFS (1:1)	CPI-U (.5:1) CRFS (1:1)	Unemployment (5:1)	Unemp. (5:1) Child Population (1:1)	Unemp. (5:1) Child Pop (1:1) CPI (1:1)
Alabama	-33.0%	-32.5%	-30.9%	-21.5%	-5.2%	-3.1%	0.5%	-31.3%	-33.2%	-21.7%
Alaska	-52.7%	-51.6%	-51.5%	-44.6%	-18.1%	-17.0%	-14.1%	-50.5%	-43.7%	-35.6%
Arizona	-67.6%	-65.9%	-66.4%	-62.1%	-39.0%	-37.8%	-36.2%	-66.0%	-63.1%	-57.6%
Arkansas	-15.2%	-15.1%	-15.2%	-0.7%	15.9%	15.9%	23.1%	-19.4%	-21.4%	-6.9%
California	-37.6%	-36.8%	-38.0%	-26.9%	6.8%	6.3%	12.1%	-24.8%	-17.6%	-7.0%
Colorado	-37.9%	-36.3%	-37.9%	-27.3%	-15.2%	-15.2%	-9.9%	-39.8%	-34.5%	-23.9%
Connecticut	-45.4%	-45.2%	-44.7%	-36.1%	2.2%	3.0%	6.9%	-38.6%	-37.5%	-28.2%
Delaware	-37.7%	-37.7%	-37.6%	-27.1%	23.9%	24.0%	29.2%	-26.8%	-37.6%	-27.0%
District of Col.	-44.4%	-44.1%	-44.2%	-35.0%	-10.2%	-10.0%	-5.5%	-39.4%	-37.1%	-27.7%
Florida	-60.3%	-58.1%	-59.9%	-53.6%	-2.0%	-1.5%	1.4%	-57.6%	-53.5%	-46.7%
Georgia	-38.3%	-36.9%	-38.0%	-27.8%	4.2%	4.4%	9.8%	-37.4%	-35.9%	-25.4%
Guam (1)	-73.4%	-73.4%	-72.7%	-68.9%	-73.4%	-72.7%	-71.2%	-73.0%	-72.0%	-67.5%
Hawaii	-51.1%	-50.3%	-49.7%	-42.6%	-38.9%	-37.5%	-34.8%	-47.2%	-45.3%	-37.0%
Idaho	-41.7%	-39.3%	-41.5%	-31.7%	-17.5%	-17.3%	-12.6%	-38.8%	-33.2%	-23.3%
Illinois	-12.7%	-12.7%	-12.2%	2.2%	11.2%	11.7%	18.6%	-6.6%	-4.0%	10.9%
Indiana	-40.3%	-39.7%	-40.3%	-30.1%	9.9%	9.9%	15.0%	-38.5%	-38.2%	-28.0%
Iowa	-13.4%	-13.4%	-12.8%	1.4%	3.8%	4.5%	11.2%	-14.7%	-11.5%	3.3%
Kansas	-39.4%	-39.1%	-39.8%	-29.1%	-7.5%	-7.5%	-2.3%	-36.4%	-34.1%	-23.8%
Kentucky	-30.9%	-30.7%	-30.5%	-19.1%	-12.7%	-12.3%	-6.8%	-30.9%	-30.3%	-18.8%
Louisiana	-3.4%	-3.4%	-3.4%	13.0%	11.2%	11.2%	19.4%	-5.8%	-8.1%	8.4%
Maine	-17.7%	-17.2%	-17.4%	-3.6%	32.9%	33.2%	39.9%	-2.0%	-1.5%	12.6%
Maryland	-33.1%	-31.7%	-33.5%	-21.7%	3.3%	2.9%	9.0%	-24.8%	-20.2%	-8.8%
Massachusetts	-27.6%	-27.3%	-27.6%	-15.3%	8.2%	8.2%	14.4%	-17.1%	-14.1%	-1.7%
Michigan	3.6%	3.9%	2.7%	21.3%	19.4%	18.4%	28.2%	3.1%	5.7%	23.4%
Minnesota	-23.8%	-23.1%	-23.8%	-10.8%	8.6%	8.6%	15.1%	-20.7%	-14.1%	-1.1%
Mississippi	-1.9%	-1.9%	-1.9%	14.8%	19.4%	19.4%	27.8%	-9.3%	-10.7%	6.0%
Missouri	-31.8%	-31.5%	-31.6%	-20.1%	3.4%	3.6%	9.2%	-28.7%	-25.7%	-14.1%
Montana	-25.9%	-25.4%	-25.3%	-13.3%	-5.5%	-4.8%	0.8%	-25.6%	-20.5%	-7.8%
Nebraska	-18.3%	-18.2%	-18.3%	-4.4%	10.5%	10.5%	17.5%	-20.4%	-17.5%	-3.5%
Nevada	-61.9%	-53.2%	-61.5%	-55.4%	7.2%	7.6%	10.5%	-57.7%	-47.4%	-40.9%
New Hampshire	-65.1%	-64.4%	-64.8%	-59.2%	9.8%	10.1%	12.8%	-59.7%	-59.2%	-53.3%
New Jersey	-24.4%	-24.1%	-24.4%	-11.5%	5.6%	5.6%	12.0%	-11.9%	-9.3%	3.6%
New Mexico	-62.7%	-62.1%	-61.6%	-56.6%	-35.0%	-33.9%	-31.9%	-61.2%	-59.0%	-52.7%
New York	-43.3%	-43.2%	-41.9%	-33.6%	-24.3%	-23.9%	-19.4%	-35.9%	-34.4%	-24.7%
North Carolina	-41.0%	-39.6%	-40.8%	-30.9%	-7.6%	-7.8%	-12.6%	-36.9%	-34.6%	-24.6%
North Dakota	-31.9%	-31.9%	-31.6%	-20.3%	-14.6%	-14.3%	-8.8%	-31.9%	-34.6%	-21.0%
Ohio	-25.8%	-25.6%	-25.4%	-13.2%	-7.9%	-7.5%	-1.6%	-22.1%	-21.1%	-8.4%
Oklahoma	-35.1%	-35.1%	-35.1%	-24.0%	-5.7%	-5.7%	-0.2%	-33.8%	-32.6%	-21.5%
Oregon	-37.7%	-36.2%	-37.0%	-27.0%	-5.7%	-5.0%	-0.4%	-33.6%	-23.4%	-14.5%
Pennsylvania	-15.7%	-15.7%	-15.3%	-1.3%	6.9%	6.6%	13.4%	-15.1%	-4.7%	10.2%

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State Impacts of Various Block Grant Adjustment Mechanisms

Percentage Reduction in FY 1994, Had AFDC Block Grant Had Been Implemented in FY 1990, under Eight Different Block Grant Adjusters

State	Block Grant** with no Adjustment	H.R.4 Population Adjuster/1	Changes in Maximum Benefit/2	CPI-U (1:1)	Children Receiving Food Stamps (CRFS), (1:1)	Maximum Benefit & CRFS (1:1)	CPI-U (.5:1) CRFS (1:1)	Unemployment (5:1)	Unemp. (5:1) Child Population (1:1)	Unemp. (5:1) Child Pop (1:1) CPI (1:1)
Puerto Rico (1)	-9.5%	-9.5%	-2.0%	5.9%	-9.5%	-2.9%	-1.8%	1.8%	3.4%	18.8%
Rhode Island	-43.0%	-42.8%	-42.5%	-33.3%	-4.8%	-4.3%	0.1%	-32.7%	-31.7%	-22.0%
South Carolina	-14.6%	-13.1%	-14.9%	-0.1%	32.7%	32.4%	39.9%	-2.7%	-3.0%	11.6%
South Dakota	-20.4%	-20.4%	-19.5%	-6.9%	-0.4%	0.6%	6.4%	-23.2%	-18.3%	-4.8%
Tennessee	-40.1%	-39.3%	-39.6%	-29.9%	-5.2%	-4.7%	-0.1%	-38.3%	-37.6%	-27.4%
Texas	-47.8%	-45.8%	-47.8%	-38.9%	-12.4%	-12.4%	-7.9%	-47.0%	-44.6%	-35.7%
Utah	-26.4%	-24.4%	-25.8%	-13.8%	4.3%	4.9%	10.6%	-28.9%	-25.0%	-12.4%
Vermont	-31.9%	-31.6%	-31.5%	-20.3%	20.4%	20.8%	26.2%	-26.1%	-24.7%	-13.0%
Virgin Islands (1)	-36.7%	-36.7%	-34.8%	-25.9%	-36.7%	-34.8%	-31.3%	-31.3%	-26.8%	-16.0%
Virginia	-25.7%	-23.1%	-25.7%	-13.0%	30.4%	30.4%	36.8%	-21.6%	-16.3%	-3.6%
Washington	-38.8%	-37.5%	-38.0%	-28.4%	-8.6%	-7.8%	-3.4%	-34.9%	-26.0%	-15.5%
West Virginia	-19.0%	-19.0%	-19.0%	-5.2%	51.5%	51.5%	58.4%	-10.1%	-15.2%	-1.4%
Wisconsin	3.8%	4.4%	3.8%	21.5%	7.3%	7.3%	16.1%	5.4%	12.6%	30.3%
Wyoming	-37.1%	-37.1%	-37.1%	-26.3%	-20.0%	-20.0%	-14.7%	-39.9%	-39.0%	-28.2%
National Totals	-33.1%	-32.5%	-33.0%	-21.7%	-0.6%	-0.5%	5.1%	-26.6%	-23.0%	-11.6%

** This tables illustrates the effects the state impacts in FY 1994, had an AFDC block grant similar to the ones in H.R. 4 and the Senate Republican Leadership Bill been implemented in FY 1990. Each column represents the percentage reduction in Federal AFDC related funds in FY 1994 under a different adjuster. For each scenario, the block grant does not include spending on JOBS or Child Care programs, since these programs did not exist before the Family Support Act of 1988. This avoids overstating the influence of the block grant.

** Expenditure data used in calculations provided by the Office of Financial Management, Administration for Children and Families.

1/ The H.R. 4 population adjuster would have allocated $100 million per year between FY 1991 and FY 1994 to states based on total population increases.

2/ Changes in maximum benefit. This adjustment is the product of the change in a state's maximum benefit, their FMAP, and total AFDC caseload. State allocations are allowed to decrease under this formula.

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Reduction in State Spending Under the Senate Republican Leadership Bill

(Millions of Dollars)

State	FY 1994 Federal Share/1	FY 1994 State Share/2	State Share as Percent of Total Spending	Block Grant Allocation FY 1996	Proposed Maintenance of Effort	State Share as Percent of Total Spending	Total Reduction in State Spending, FY96
ALABAMA	$107	$52	32.92%	$107	$39	26.91%	($13)
ALASKA	$66	$65	49.62%	$66	$49	42.49%	($16)
ARIZONA	$232	$133	36.44%	$230	$100	30.24%	($33)
ARKANSAS	$60	$26	30.14%	$60	$19	24.49%	($6)
CALIFORNIA	$3,706	$3,662	49.70%	$3,686	$2,747	42.70%	($916)
COLORADO	$130	$111	46.17%	$131	$83	38.95%	($28)
CONNECTICUT	$247	$244	49.74%	$247	$183	42.53%	($61)
DELAWARE	$30	$29	49.16%	$30	$22	42.04%	($7)
DISTRICT OF COL	$96	$94	49.59%	$96	$71	42.45%	($24)
FLORIDA	$582	$493	45.85%	$582	$370	38.86%	($123)
GEORGIA	$362	$240	39.88%	$359	$180	33.42%	($60)
GUAM	$10	$4	28.04%	$4	$3	41.66%	($1)
HAWAII	$95	$93	49.43%	$95	$70	42.32%	($23)
IDAHO	$34	$18	34.38%	$34	$13	28.21%	($4)
ILLINOIS	$583	$572	49.53%	$583	$429	42.40%	($143)
INDIANA	$227	$150	39.80%	$227	$113	33.19%	($38)
IOWA	$134	$82	38.05%	$134	$62	31.53%	($21)
KANSAS	$112	$83	42.58%	$112	$62	35.74%	($21)
KENTUCKY	$191	$88	31.41%	$188	$66	25.84%	($22)
LOUISIANA	$164	$65	28.41%	$164	$49	22.94%	($16)
MAINE	$76	$48	38.62%	$76	$36	32.06%	($12)
MARYLAND	$247	$238	49.04%	$247	$178	41.92%	($59)
MASSACHUSETTS	$486	$478	49.58%	$487	$359	42.39%	($120)
MICHIGAN	$807	$637	44.11%	$807	$477	37.18%	($159)
MINNESOTA	$287	$240	45.58%	$287	$180	38.58%	($60)
MISSISSIPPI	$87	$28	24.63%	$87	$21	19.69%	($7)
MISSOURI	$233	$160	40.73%	$233	$120	34.02%	($40)
MONTANA	$45	$21	31.65%	$45	$16	25.78%	($5)
NEBRASKA	$60	$38	38.45%	$60	$28	31.84%	($9)
NEVADA	$36	$34	48.69%	$36	$26	41.72%	($9)
NEW HAMPSHIRE	$43	$42	49.49%	$43	$31	42.36%	($10)
NEW JERSEY	$417	$406	49.34%	$417	$305	42.21%	($102)
NEW MEXICO	$130	$52	28.65%	$130	$39	23.12%	($13)
NEW YORK	$2,320	$2,287	49.64%	$2,308	$1,716	42.61%	($572)

Reduction in State Spending Under the Senate Republican Leadership Bill

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(Millions of Dollars)

State	FY 1994 Federal Share/1	FY 1994 State Share/2	State Share as Percent of Total Spending	Block Grant Allocation FY 1996	Proposed Maintenance of Effort	State Share as Percent of Total Spending	Total Reduction in State Spending, FY96
NORTH CAROLINA	$348	$202	36.76%	$348	$152	30.36%	($51)
NORTH DAKOTA	$26	$12	32.39%	$26	$9	26.43%	($3)
OHIO	$769	$512	39.98%	$769	$384	33.31%	($128)
OKLAHOMA	$165	$81	32.93%	$166	$61	26.81%	($20)
OREGON	$183	$124	40.30%	$183	$93	33.61%	($31)
PENNSYLVANIA	$659	$548	45.42%	$658	$411	38.44%	($137)
PUERTO RICO	$73	$29	28.20%	$92	$22	18.91%	($7)
RHODE ISLAND	$94	$81	46.19%	$93	$61	39.56%	($20)
SOUTH CAROLINA	$103	$47	31.26%	$103	$35	25.33%	($12)
SOUTH DAKOTA	$23	$12	33.78%	$23	$9	27.67%	($3)
TENNESSEE	$205	$107	34.37%	$206	$80	28.06%	($27)
TEXAS	$508	$312	38.11%	$507	$234	31.59%	($78)
UTAH	$84	$34	28.78%	$84	$25	23.26%	($8)
VERMONT	$49	$35	41.15%	$49	$26	34.40%	($9)
VIRGIN ISLANDS	$3	$1	29.39%	$3	$1	24.95%	($0)
VIRGINIA	$175	$171	49.35%	$175	$128	42.23%	($43)
WASHINGTON	$432	$366	45.82%	$432	$274	38.81%	($91)
WEST VIRGINIA	$119	$42	26.18%	$119	$32	21.06%	($11)
WISCONSIN	$335	$228	40.48%	$335	$171	33.78%	($57)
WYOMING	$23	$14	37.27%	$23	$10	30.82%	($3)
NATIONWIDE TOTALS	$16,820	$13,973	45.38%	$16,795	$10,480	38.42%	($3,493)
Percentage of Total Spending	54.62%	45.38%		61.58%	38.42%		

* Estimates based on a Maintenance of Effort Provision that would require states to maintain welfare spending at 75 percent of FY 1994 levels.

1/ Includes the following programs: AFDC benefits, administration, FAMIS, Emergency Assistance, JOBS, JOBS child care, At-Risk child care, & Transitional child care. Data for calculations were provided by the Office of Financial Management, Administration for Children and Families, and are current as of May 22, 1995.

2/ Estimates of state spending were calculated using Federal match rates.

Table 9

BLOCK GRANTS DO NOT RESPOND TO CHANGING STATE NEEDS OVER TIME

Selected Indicators of Changing Need

Jurisdiction	1-year Change in AFDC Caseload 1993-94	2-year Change in AFDC Expenditures (million dollars) 1992-94	3-year Change in Children Receiving Food Stamps 1991-93	5-year Change in Child Population (under 18) 1989-94 (1)	Change in Children in Poverty 1987-89 avg compared to 1991-93 avg
Alabama	-2.4%	8.2%	9.7%	-2.8%	-21.3%
Alaska	5.2%	17.2%	87.2%	16.4%	0.2%
Arizona	2.8%	11.1%	23.8%	18.0%	10.2%
Arkansas	-2.1%	-2.4%	12.7%	-1.5%	-18.8%
California	5.8%	5.8%	30.4%	12.5%	37.3%
Colorado	-2.2%	-3.6%	11.6%	12.3%	-11.7%
Connecticut	3.3%	5.9%	20.0%	3.8%	68.8% (2)
Delaware	0.6%	4.7%	39.6%	25.9%	-6.4%
Dist. of Col.	9.4%	24.6%	19.8%	29.2%	56.6%
Florida	-2.7%	17.8%	47.5%	13.8%	49.5%
Georgia	0.1%	3.2%	19.5%	5.3%	10.3%
Hawaii	11.3%	27.1%	20.7%	5.8%	-11.8%
Idaho	9.3%	18.6%	25.8%	11.5%	11.5%
Illinois	3.9%	5.7%	7.1%	3.5%	5.4%
Indiana	1.1%	5.6%	27.8%	0.9%	14.4%
Iowa	7.9%	5.7%	8.4%	3.0%	-16.8%
Kansas	-0.3%	13.1%	12.5%	4.7%	38.7%
Kentucky	-3.8%	-9.0%	0.7%	0.4%	31.7%
Louisiana	-3.4%	-7.1%	1.4%	-3.0%	-3.6%
Maine	-3.9%	-8.6%	11.1%	0.3%	34.1%
Maryland	-0.1%	4.6%	24.0%	8.8%	14.3%
Massachusetts	-2.3%	-2.3%	10.9%	6.3%	32.6%
Michigan	-2.6%	-3.1%	2.8%	3.3%	24.1%
Minnesota	-1.8%	-0.4%	21.8%	9.9%	16.6%
Mississippi	-8.5%	-11.9%	9.6%	-1.7%	-7.6%
Missouri	2.3%	6.6%	17.9%	5.6%	26.4%
Montana	1.4%	10.2%	18.0%	9.7%	-12.0%
Nebraska	-4.8%	-7.0%	20.6%	4.2%	-7.9%
Nevada	8.0%	21.9%	65.6%	35.7%	55.6%
New Hampshire	4.1%	19.2%	43.6%	4.7%	53.5%
New Jersey	-2.8%	2.3%	9.7%	5.3%	40.0%
New Mexico	7.5%	39.8%	45.9%	9.7%	0.0%
New York	5.1%	0.3%	6.6%	3.7%	20.4%
North Carolina	0.4%	7.4%	31.7%	6.9%	23.9%
North Dakota	-9.5%	-5.0%	5.3%	-3.9%	-5.5%
Ohio	-3.0%	0.0%	0.7%	1.3%	8.3%
Oklahoma	-3.1%	-3.6%	18.3%	3.2%	7.4%
Oregon	-1.1%	6.2%	21.9%	12.3%	21.9%
Pennsylvania	2.3%	3.0%	11.2%	2.0%	7.6%
Rhode Island	2.1%	14.5%	16.0%	3.9%	79.2%
South Carolina	-2.6%	-2.9%	24.8%	-0.3%	15.8%
South Dakota	-3.9%	-0.3%	9.8%	6.1%	-2.3%
Tennessee	2.7%	5.7%	27.1%	3.3%	-2.5%
Texas	1.8%	18.1%	24.2%	7.0%	4.7%
Utah	-3.5%	3.2%	14.8%	6.5%	37.9%
Vermont	-1.3%	-1.7%	27.0%	3.5%	38.2%
Virginia	1.6%	11.9%	33.5%	8.2%	-6.7%
Washington	1.6%	9.7%	13.6%	16.8%	31.3%
West Virginia	-1.6%	4.9%	76.5%	-7.3%	9.5%
Wisconsin	-3.5%	-4.7%	8.0%	7.3%	40.1%
Wyoming	-11.6%	-19.1%	13.6%	0.7%	-8.9%
Minimum value	-11.6%	-19.1%	0.7%	-29.2%	-21.3%
Maximum value	11.3%	39.8%	76.5%	35.7%	79.2%
Median value	-0.1%	4.7%	19.3%	4.7%	14.4%
National Average	1.4%	4.0%	18.6%	6.1%	16.2%
Total States	66,425	61,000	2,243,910	3939000	1,983,362

(1) State level CPS data in the smaller states are subject to a relatively large sampling error and should be interpreted accordingly.
(2) 1988 to 1993 data are ASPE estimates based on unemployment rates and AFDC recipiency.

Child Care Funding
(all dollars in millions)

	1994	1995	1996	1997	1998	1999	2000	Five Year Total 1996 - 00
CURRENT LAW								
Federal Expenditures (budget authority)								
JOBS Child Care	$570	$666	$734	$784	$829	$869	$911	$4,127
Transitional Child Care	$161	$199	$220	$234	$248	$260	$272	$1,234
At-Risk Child Care	$276	$357	$300	$300	$300	$300	$300	$1,500
SUBTOTAL	**$1,007**	**$1,222**	**$1,254**	**$1,318**	**$1,377**	**$1,429**	**$1,483**	**$6,861**
Total Child Care Costs Above Current Law (Federal & State) as Required in Senate Republican Leadership Plan *(See HHS analysis 8/7/95, p. 3, line 8)*	NA	NA	$0	$200	$600	$1,100	$4,200	$6,100
Child Care Funding: Child Care Costs in Senate Republican Leadership Plan Plus Federal Baseline Expenditures	NA	NA	$1,254	$1,518	$1,977	$2,529	$5,683	$12,961

Note: Estimates of total child care costs above current law assume that states maintain their projected level of effort. Projected State Share of Child Care Expenditures under current law are as follows:

								Five Year Total 1996 - 00
State Expenditures (budget authority)								
JOBS Child Care	$413	$482	$532	$568	$600	$629	$660	$2,989
Transitional Child Care	$117	$144	$159	$169	$180	$188	$197	$894
At-Risk Child Care	$200	$259	$217	$217	$217	$217	$217	$1,086
SUBTOTAL	$729	$885	$908	$954	$997	$1,035	$1,074	$4,968

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Child Care Development Block Grant (CCDBG)
(all dollars in millions)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	Five Year Total 1996 - 00	Seven Year Total 1996 - 02
CURRENT LAW CCDBG BASELINE	$893	$935	$963	$992	$1,021	$1,052	$1,084	$1,116	$1,149	$5,112	$7,377

Expenditures Required To Meet Work Requirements for Welfare Recipients in the Senate Republican Leadership Plan (S. 1120)

All Dollars in Billions	FY96	FY97	FY98	FY99	FY00	FY01	FY02	5 YEAR TOTAL	7 YEAR TOTAL
Total Work Costs	$1.5	$1.5	$2.0	$2.6	$4.3	$4.4	$4.0	$11.9	$20.3
Total Child Care Costs	$1.2	$1.5	$2.0	$2.6	$5.7	$6.0	$5.4	$12.9	$24.3
Total Gross Costs	$2.7	$3.0	$4.0	$5.2	$10.0	$10.4	$9.4	$24.8	$44.6
Total Costs as a Percent of the Total Block Grant	*16%*	*18%*	*24%*	*31%*	*60%*	*62%*	*56%*	--	--
Baseline Child Care Expenditures for AFDC Recipients	$1.3	$1.3	$1.4	$1.5	$1.5	$1.6	$1.7	$6.9	$10.2
Baseline JOBS Expenditures for AFDC Recipients	$1.5	$1.5	$1.5	$1.5	$1.5	$1.6	$1.6	$7.5	$10.7
Work Costs Above Current Law	$0	$0	$0.5	$1.1	$2.7	$2.8	$2.4	$4.4	$9.5
Child Care Costs Above Current Law	$0	$0.2	$0.6	$1.1	$4.2	$4.4	$3.7	$6.1	$14.2
Reduction in Funding in the Temporary Family Assistance Block Grant Compared to Current Law	($1.1)	($1.8)	($2.3)	($2.9)	($3.6)	($4.3)	($5.1)	($11.7)	($21.2)

Note: Baseline projections equal expenditures under current law. Totals may not add due to rounding. Estimates are combined federal and state costs.

Table 1
The Burden on States to Meet The Work Participation Requirements in Fiscal Year 2000 of the Senate Republican Leadership Plan

	Projected Number Required in FY 2000 to Participate in Work Under the Senate Republican Leadership Plan (1)	Projected Number of Leavers, Combiners and Sanctioners That Count Towards Participation in FY 2000 (2)	Projected Number Required to actually Participate in Work Program Under the Senate Republican Leadership Plan in FY 2000 (3) = (2) - (1)	Number Participating In JOBS for 20 hours or more in 1994 (4)	Estimated Percent Increase Required to Meet the Participation Rate Under the Senate Republican Leadership Plan (5) = [(3)-(4)]/(4)
ALABAMA	19,400	8,600	10,800	5,660	91%
ALASKA	6,800	3,000	3,800	890	327%
ARIZONA	32,200	14,300	17,900	2,110	748%
ARKANSAS	10,900	4,800	6,100	900	578%
CALIFORNIA	401,400	177,700	223,700	41,260	442%
COLORADO	20,000	8,900	11,100	4,160	167%
CONNECTICUT	29,900	13,200	16,700	6,310	165%
DELAWARE	4,900	2,200	2,700	680	297%
DIST OF COLUMBIA	12,800	5,700	7,100	1,090	551%
FLORIDA	113,000	50,000	63,000	12,480	405%
GEORGIA	65,200	28,900	36,300	10,900	233%
HAWAII	10,600	4,700	5,900	1,190	396%
IDAHO	4,100	1,800	2,300	740	211%
ILLINOIS	118,100	52,300	65,800	24,040	174%
INDIANA	35,000	15,900	20,100	6,500	209%
IOWA	19,400	8,600	10,800	2,400	350%
KANSAS	14,700	6,500	8,200	5,970	37%
KENTUCKY	36,900	16,300	20,600	8,440	144%
LOUISIANA	38,300	17,000	21,300	6,310	238%
MAINE	12,100	5,400	6,700	3,120	115%
MARYLAND	38,600	17,100	21,500	5,170	316%
MASSACHUSETTS	54,900	24,300	30,600	9,210	232%
MICHIGAN	114,600	50,700	63,900	30,250	111%
MINNESOTA	32,100	14,200	17,900	4,270	319%
MISSISSIPPI	23,700	10,500	13,200	3,730	254%
MISSOURI	45,300	20,100	25,200	5,800	334%
MONTANA	6,300	2,800	3,500	1,790	96%
NEBRASKA	6,700	3,000	3,700	4,930	-25%
NEVADA	6,000	2,700	3,300	720	358%
NEW HAMPSHIRE	5,700	2,500	3,200	1,850	73%
NEW JERSEY	58,000	25,700	32,300	11,760	175%
NEW MEXICO	16,100	7,100	9,000	3,270	175%
NEW YORK	222,900	98,700	124,200	39,240	217%
NORTH CAROLINA	59,600	26,400	33,200	9,020	268%
NORTH DAKOTA	3,000	1,300	1,700	580	193%
OHIO	117,200	51,900	65,300	30,110	117%
OKLAHOMA	23,000	10,200	12,800	1,550	726%
OREGON	19,400	8,600	10,800	6,490	66%
PENNSYLVANIA	105,200	46,600	58,600	18,870	211%
RHODE ISLAND	11,500	5,100	6,400	2,470	159%
SOUTH CAROLINA	20,800	9,200	11,600	2,860	306%
SOUTH DAKOTA	3,100	1,400	1,700	1,580	8%
TENNESSEE	51,800	22,900	28,900	5,070	470%
TEXAS	130,600	57,800	72,800	13,640	434%
UTAH	8,600	3,800	4,800	5,830	-18%
VERMONT	5,200	2,300	2,900	800	263%
VIRGINIA	33,200	14,700	18,500	4,630	300%
WASHINGTON	49,800	22,100	27,700	13,900	99%
WEST VIRGINIA	20,000	8,900	11,100	6,800	63%
WISCONSIN	36,000	15,900	20,100	12,360	63%
WYOMING	2,900	1,300	1,600	1,420	13%
TOTAL	**2,338,500**	**1,035,500**	**1,303,000**	**405,100**	**222%**

HHS/ASPE analysis.
The sum of the states may not add to the total due to territories and rounding.

Table 2
The Additional Cost of the Work Program and Associated Child Care Under the Senate Republican Leadership Plan (Assuming the National Average Cost Per Work Participant and Associated Child Care Slot in FY 2000)

	Estimated Additional Operating Cost of the Work Program to Meet FY 2000 Participation Rate Required in the Senate Republican Leadership Plan (in millions)	Estimated Additional Cost For Related Child Care in the FY 2000 Senate Republican Leadership Plan (in millions)	Estimated Additional Operating Cost of the Work Program Plus Related Child Care in the FY 2000 Senate Republican Leadership Plan (in millions)	Estimated Total Operating Cost of the Work Program & Related Child Care in the FY 2000 as a Percent of the Block Grant	Estimated Additional Operating Cost of the Work Program Plus Related Child Care FY 1996 - 2002 Senate Republican Leadership Plan (in millions)
ALABAMA	$23	$34	$57	70%	$199
ALASKA	$8	$12	$20	44%	$68
ARIZONA	$38	$57	$94	54%	$327
ARKANSAS	$13	$19	$32	71%	$110
CALIFORNIA	$469	$711	$1,181	46%	$4,015
COLORADO	$23	$35	$59	59%	$204
CONNECTICUT	$35	$53	$88	52%	$302
DELAWARE	$6	$9	$14	68%	$50
DIST. OF COLUMBIA	$15	$23	$37	57%	$128
FLORIDA	$132	$200	$333	75%	$1,158
GEORGIA	$76	$115	$192	70%	$663
HAWAII	$12	$19	$31	48%	$106
IDAHO	$5	$7	$12	47%	$41
ILLINOIS	$138	$209	$347	86%	$1,196
INDIANA	$42	$64	$106	68%	$366
IOWA	$23	$34	$57	62%	$195
KANSAS	$17	$26	$43	56%	$149
KENTUCKY	$43	$66	$109	84%	$378
LOUISIANA	$45	$68	$112	97%	$392
MAINE	$14	$21	$35	67%	$123
MARYLAND	$45	$68	$113	67%	$392
MASSACHUSETTS	$64	$97	$162	48%	$560
MICHIGAN	$134	$203	$337	61%	$1,169
MINNESOTA	$38	$57	$94	48%	$327
MISSISSIPPI	$28	$42	$70	105%	$245
MISSOURI	$53	$80	$133	83%	$459
MONTANA	$7	$11	$18	54%	$63
NEBRASKA	$8	$12	$20	47%	$69
NEVADA	$7	$10	$17	64%	$61
NEW HAMPSHIRE	$7	$10	$17	58%	$58
NEW JERSEY	$68	$103	$170	59%	$591
NEW MEXICO	$19	$29	$48	48%	$163
NEW YORK	$261	$395	$656	41%	$2,256
NORTH CAROLINA	$70	$106	$175	66%	$607
NORTH DAKOTA	$4	$5	$9	50%	$32
OHIO	$137	$208	$345	65%	$1,199
OKLAHOMA	$27	$41	$68	59%	$233
OREGON	$23	$34	$57	45%	$198
PENNSYLVANIA	$123	$186	$309	68%	$1,065
RHODE ISLAND	$13	$20	$34	53%	$117
SOUTH CAROLINA	$24	$37	$61	78%	$213
SOUTH DAKOTA	$4	$5	$9	54%	$31
TENNESSEE	$61	$92	$153	97%	$526
TEXAS	$153	$232	$384	99%	$1,321
UTAH	$10	$15	$25	40%	$88
VERMONT	$6	$9	$15	45%	$52
VIRGINIA	$39	$59	$98	73%	$337
WASHINGTON	$58	$88	$146	49%	$504
WEST VIRGINIA	$23	$35	$59	71%	$203
WISCONSIN	$42	$64	$106	46%	$369
WYOMING	$3	$5	$8	48%	$30
TOTAL	$2,734	$4,144	$6,878	58%	$23,700

HHS/ASPE analysis.
State work and child care costs are based on national averages. This analysis assumes that there will be no operating cost in the work program for those combining work and welfare, those sanctioned and those leaving welfare for work. Likewise, the analysis assumes no cost of related child care for those leaving welfare for work and those sanctioned.

Table 3

The Additional Number of Children Requiring Child Care Under the Senate Republican Leadership Plan: Fiscal Year 2000

State	Estimated Number of Children Receiving AFDC/JOBS Related Child Care FY 1994	Increase in Number of Children Needing AFDC/JOBS Related Child Care FY 1994 - FY 2000	Percentage Increase in Children Needing AFDC/JOBS Related Child Care FY 1994 - FY 2000
ALABAMA	NR	6,030	NA
ALASKA	890	2,190	246%
ARIZONA	5,640	14,100	250%
ARKANSAS	1,440	5,050	351%
CALIFORNIA	16,840	150,490	894%
COLORADO	3,750	6,250	167%
CONNECTICUT	950	10,890	1146%
DELAWARE	1,170	2,020	173%
DIST OF COLUMBIA	240	6,040	2517%
FLORIDA	16,940	44,150	261%
GEORGIA	19,640	25,090	128%
HAWAII	680	4,430	651%
IDAHO	1,310	1,480	113%
ILLINOIS	7,890	39,220	497%
INDIANA	11,580	13,790	119%
IOWA	3,620	6,180	171%
KANSAS	15,480	3,160	20%
KENTUCKY	3,560	11,880	334%
LOUISIANA	4,730	15,480	327%
MAINE	3,630	3,980	110%
MARYLAND	10,300	16,530	160%
MASSACHUSETTS	9,670	22,090	228%
MICHIGAN	16,290	31,050	191%
MINNESOTA	6,190	12,770	206%
MISSISSIPPI	1,860	8,190	440%
MISSOURI	8,110	19,230	237%
MONTANA	1,160	1,840	159%
NEBRASKA	7,000	(280)	-4%
NEVADA	1,140	2,600	228%
NEW HAMPSHIRE	2,240	1,610	72%
NEW JERSEY	11,620	21,980	189%
NEW MEXICO	2,970	5,950	200%
NEW YORK	41,100	84,400	205%
NORTH CAROLINA	25,280	14,120	56%
NORTH DAKOTA	1,860	1,050	56%
OHIO	25,190	37,140	147%
OKLAHOMA	8,770	10,130	116%
OREGON	6,070	4,710	78%
PENNSYLVANIA	25,620	40,950	160%
RHODE ISLAND	4,150	3,900	94%
SOUTH CAROLINA	2,420	8,090	334%
SOUTH DAKOTA	1,870	260	14%
TENNESSEE	13,650	20,290	149%
TEXAS	5,180	58,510	1130%
UTAH	5,490	(620)	-11%
VERMONT	2,450	2,130	87%
VIRGINIA	2,400	13,870	578%
WASHINGTON	15,850	15,240	96%
WEST VIRGINIA	1,580	5,670	359%
WISCONSIN	18,990	7,760	41%
WYOMING	2,290	160	7%
	0	0	
TOTAL	408,730	834,660	204%

Notes:

1. The number of children receiving AFDC/JOBS child care in FY 1994 was estimated from FY 1993 state-reported data. Alabama had not reported FY 1993 AFDC/JOBS child care caseload data in time for this analysis.
2. The increase in number of children needing child care in each state was determined using a national average of participant family size and a national average percentage of participants who use child care paid for by the federal government.
3. Numbers may not add due to rounding.

Tables 1-3

Table 1: The Burden on States to Meet the Participation Requirements in Fiscal Year 2000 of the Senate Republican Leadership Plan

Table 1 shows how difficult it will be for states to fulfill the Senate Republican Leadership Plan's work requirements. The Plan would requires over 2.3 million recipients to participate in work in FY 2000. According to the Plan, however, those combining unsubsidized work with welfare, those who are sanctioned, and those who leave welfare for employment would count towards each state's participation rate. Even after including these individuals, states would have to place 1.3 million recipients in work by the year 2000. This represents an increase of almost 900,000 recipients over current 1994 JOBS levels or an increase of 222 percent.

Some states would have a particularly difficult time meeting the work requirements of the Plan. In twenty-eight states, the number of individuals that would have to be in work activities by the year 2000, would be more than triple (an increase of over 200%) the number of individuals currently participating in JOBS for more than 20 hours a week. Many of these states would have an even more difficult challenge. California, Florida and Texas, for example, are among the states that would have to achieve levels of participation that are five times greater than their current numbers of people in JOBS or work.

The Senate Republican Leadership Plan will leave states with some difficult choices. While in theory the plan imposes very tough work requirements on recipients, states may, in fact, have to choose between cutting benefits to needy families and children, spending substantially more of their own funds on the work program, or failing to comply with minimum participation levels and taking a 5 percent penalty.

Table 1, to some extent, understates the difficulty states would have in meeting the work requirements of the Plan. While column four shows the number of recipients participating in JOBS for 20 hours or more a week in 1994, most of the JOBS participants shown in this column are in activities that would not count toward participation under the Senate Republican Leadership Plan, e.g. education or training. Indeed, in 1994, there was less than 200,000 JOBS participants whose activities would, under the Leadership Plan, count towards participation. Thus the burden on states would be greater than Table 1 suggests.

The analysis also assumes that states will successfully be able to encourage more recipients to combine work and welfare. Only 4% of the adult caseload combined work and welfare for 20 hours a week or more in 1994 (over 158,000 recipients). This analysis more than doubles the 1994 rate of combiners to analysis 9% of the projected adult caseload or 400,000 recipients.

Table 2: The Additional Cost of the Work Program and Associated Child Care Under the Senate Republican Leadership Plan

Table 2 illustrates how much states would have to increase spending to comply with the work requirements of the Senate Republican Leadership Plan. States would be required to spend almost $6.9 billion more in Fiscal Year 2000 for work and related child care than they spent in 1994 under current law. Over $4.1 billion, or 60 percent of this increase in state costs, would result from additional child care costs alone.

To meet the new requirements, states, over the seven years between FY1996 and FY 2002, would have to spend nearly $24 billion more than what they would be projected to spend over the same time period.

The estimated total cost of the work program and related child care would comprise 58 percent of the block grant. This would leave states with insufficient funds remaining to provide cash assistance to needy families and their children. For some states the percent of Block Grant funds spent on work and child care would be much higher. Some states would have to spend more than 90 percent of their block grant funds on these services to meet the new work requirements. In order to do this, they would have to greatly reduce benefits, deny eligibility to large numbers of families or spend considerably more in state funds.

Estimates of State costs for work and related child care services were developed by applying the national average per participant cost for these services to the number of persons estimated to be required to be in the work program for each state under the Senate Republican Leadership Plan.

Table 3: The Additional Number of Children Requiring Child Care Under the Senate Republican Leadership Plan: Fiscal Year 2000

Table 3 shows the increase in number of children requiring child care due to work requirements under the Senate Republican Leadership Plan in Fiscal Year 2000. Across all states, 834,660 more children will need child care as a result of the plan's AFDC work requirements, a 204 percent increase over the number of children receiving AFDC/JOBS related child care under current law.

The Senate Republican Leadership Plan does not provide any additional funding to cover the child care needs of these children. As a portion of the Temporary Assistance Block Grant, the plan freezes funding for AFDC/JOBS related child care at Fiscal Year 1994 levels.

State by state estimates of numbers of children requiring child care in Fiscal Year 2000 were determined by applying a national average for participant family size and a national average percentage of participants who use child care paid for by the federal government to Fiscal Year 2000 estimated numbers of WORK participants and AFDC recipients combining work and welfare in each state. In Table 3, these numbers were compared to estimates of the number of children receiving child care through the AFDC/JOBS program in Fiscal Year 1994 in each state.

This analysis does not take into consideration the child care needs of individuals at risk of becoming welfare dependent or of former welfare recipients who have become employed but whose income remains below the poverty line. Both of these groups receive child care assistance under current law.

CHILD CARE-MEDICAID SWAP ISSUES AND ANALYSIS

The attached documents show the analysis of the cost of a Child Care-Medicaid Swap.

The child care numbers shown represent the total federal and state cost of providing child care to AFDC recipients and working poor, non-AFDC families (including TCC families) who are below 100 percent and 130 percent of poverty respectively. Since states will pay for the entire cost of child care (if they choose to cover these entire populations), the net new expenditures for states are the new costs of these programs and the previous federal costs of current law.

We also include our analysis of (1) the new costs to Medicaid of the "Work First" proposal, (2) Medicaid issues surrounding the Child Care-Medicaid SWAP, and (3) possible groups of children covered by Medicaid whose federal costs would be included in the SWAP. These costs can be matched against the child care numbers in the first table.

COMBINED FEDERAL AND STATE CHILD CARE COSTS FOR MEDICAID-CHILD CARE SWAP
(Dollars in Billions)

Coverage of All Children of Working Parents Below 100% Of Poverty

	Total Cost of Child Care (1)	Current Law State Expenditures (2)	Current Law Federal Expenditures (3)	Net New Expenditures (1)-(2)-(3)	Net New State Expenditures/a (1)-(2)
1996	4.3	0.9	2.2	1.1	3.3
1997	4.4	0.9	2.3	1.2	3.5
1998	5.0	1.0	2.4	1.6	4.0
1999	6.2	1.0	2.6	2.6	5.2
2000	7.7	1.1	2.5	4.1	6.6
5 YEAR TOTAL	**27.5**	**5.0**	**11.9**	**10.6**	**22.5**

a. If states cover all child care.

Coverage Of All Children of Working Parents Below 130% Of Poverty

	Total Cost of Child Care (1)	Current Law State Expenditures (2)	Current Law Federal Expenditures (3)	Net New Expenditures (1)-(2)-(3)	Net New State Expenditures/a (1)-(2)
1996	6.3	0.9	2.2	3.1	5.3
1997	6.5	0.9	2.3	3.3	5.6
1998	7.2	1.0	2.4	3.8	6.2
1999	8.4	1.0	2.6	4.8	7.4
2000	10.0	1.1	2.5	6.4	8.9
5 YEAR TOTAL	**38.3**	**5.0**	**11.9**	**21.4**	**33.3**

a. If states cover all child care.

WELFARE PROPOSAL & MEDICAID

COSTS TO MEDICAID

There are two potential effects of this proposal on Medicaid: (1) the increased costs due to the "Medicaid & Child Care Swap", and (2) the increased cost due to the addition of the second year of Medicaid Transition benefit. Note that there may also be cost implications of changes in eligibility that result from increased state flexibility in eligibility determination.

1. **The "Medicaid & Child Care Swap"**
   The proposal suggests that the federal government relieve some state Medicaid spending in order to offset the increased state costs of child care. This may be done in several ways, including: (1) federalization of the costs of some eligibility group; or (2) a change in the FMAP.

   Federalizing the costs of certain groups:
   One way to relieve states' Medicaid spending is to have the federal government assume all of the costs, and potentially the administration, of Medicaid for certain eligibility groups. Groups whose expenditures might be federalized include:

   - AFDC children;
   - Non-cash children;
   - AFDC adults;
   - Disabled children

   The attached table shows the Administration baseline estimates for the states' share of the expenditures for these groups.

   Change in the Federal Medical Assistance Percentage (FMAP):
   An alternative way to relieve states' Medicaid spending is to decrease the percentage of total Medicaid expenditures that the states pay. This could be done by upwardly adjusting the FMAP for all states by the percentage that corresponds to the aggregate estimate of states' increase in child care costs. Alternatively, the FMAP can be adjusted on a state-by-state basis to reflect each state's demonstrated costs or commitment to child care.

2. **Second Year of Medicaid Transition Benefit:**
   The Deal welfare reform proposal included an extension of the Medicaid transition benefit for persons leaving welfare for work. CBO estimated that the federal and state cost of this benefit is approximately $4 billion between 1997 and 2000 -- about $2.3 billion in federal costs.

   However, this estimate does not apply to this proposal for two main reasons. First, the proposal suggests that the second year of the transition benefit will have a sliding-scale financial contribution from the recipient. This would lessen the costs. Second, given the proposal's incentives to encourage people to work, the CBO's participation rate assumption may be low, which would increase the benefit's cost.

MEDICAID ISSUES

1. **Inability to Target States Providing the Most Child Care**
If the Swap is accomplished by federalization of costs for certain Medicaid populations, it will be difficult to match increased child care costs and the Medicaid costs state-by-state. States have different eligibility standards for most populations, and often use options available in Medicaid to cover additional groups. For example, in 1993, Rhode Island paid over $375 per 1,000 children for children's Medicaid, while Utah and Montana paid less than $120 in children's Medicaid per 1,000 children in those states. States also will have different abilities and interest in expanding child care. These variations will make it difficult to target the Medicaid relief to the states who are providing the most child care.

A general change in the FMAP would also be affected by cross-state variation. If, for instance, the FMAP were increased across-the-board by 2 percentage points to account for the increase in state child care costs, states with large Medicaid programs or with high FMAPs will benefit most. This benefit will not necessarily be tied to the states' increased child care spending.

One option for improving the targeting of the FMAP increases is to link each state's increase in FMAP to its demonstrated costs or commitment to child care. However, this is a more visible approach to using Medicaid to pay for child care, and may be more vulnerable to political criticism.

2. **Potentially Large Increase in Federal Medicaid Costs**
Under a Swap, 100% of the costs for a certain population are paid for by the federal government. This creates an incentive for states to try to categorize as many recipients as possible in this group. For example, if the federal government assumed full financial responsibility for non-cash kids, states may categorize kids who are currently eligible through AFDC as non-cash, thus relieving them of the state share of their Medicaid costs. Since there is significant overlap in some of the eligibility categories -- particularly for children -- this cost shift to the federal government is likely to occur.

Additionally, Medicaid is a high-growth program; child care -- and most welfare programs -- are low-growth programs. This makes most Swap proposals unbalanced in terms of expenditures over time. For instance, if a Swap were proposed that balanced in 1997, the higher rate of growth in Medicaid expenditures would cause the federal government to pay more than the states would pay for child care in 2000. Similarly, if the Swap balanced in the year 2000, then it is likely that in 1996, states would be spending more on child care than they would have been spending on Medicaid, but in the year 2005 states would be spending less on child care than they would have been spending on Medicaid.

Given the current pressure to limit Medicaid expenditures, including the possibility of a cap on the growth of federal Medicaid payments to states, Medicaid is an unlikely vehicle to provide additional funds to states. Even if Medicaid is not capped by the Republicans in this Congress, pressure to reduce federal Medicaid costs will continue.

Cost of the State Share of Medicaid Expenditures for Certain Groups
D R A F T -- PRELIMINARY
(Fiscal years, dollars in billions)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	96-00	96-02	96-05
AFDC Kids	6.1	6.7	7.4	8.2	9.0	10.0	11.0	12.1	13.3	14.6	37.4	58.3	98.3
Non-Cash Kids	4.4	4.8	5.4	5.9	6.6	7.3	8.0	8.9	9.9	10.8	27.1	42.4	71.9
AFDC Adults	4.7	5.2	5.7	6.2	6.8	7.4	8.1	8.8	9.6	10.5	28.5	44.0	72.9
Disabled Children (1)	2.2	2.4	2.7	2.9	3.2	3.5	3.8	4.2	4.6	5.0	13.4	20.8	34.7

NOTES:
These numbers represent the state share of expenditures for these groups.
Assumes no changes in eligiby resulting from the proposal. Assumes no changes in categorizaion of individuals dualy eligible.
(1) This is a very rough estimate of the cost of services for this population.

02-May-95

Exemption Policy

Exemptions from the time limit and the participation requirement are allowed for those individuals who: are incapacitated (not including substance abusers); are enrolled in substance abuse treatment programs (at state option); are in the third trimester of pregnancy; have given birth in the past six months to the first child born while receiving AFDC (12 months in WRA), or in the past four months for subsequent children; are caring for disabled dependents; are under 18 (19 at state option) and attend, full-time, an elementary, secondary or vocational school. The 5 year clock does not run for individuals on assistance who work more than 25 hours per week (we would prefer 20 hours per week), although these individuals count towards the participation requirement.

Hardship exceptions to the 5 year time limit may be granted to families living in areas with unemployment exceeding 7.5 percent and for children living with relatives other than a child's parent. An additional 10 percent of the caseload that reaches 5 year time limit may also be granted a hardship exception.

THE TAD WORK PROGRAM

	1996	1997	1998	1999	2000	FIVE YEAR TOTAL
Participation Rate (Expressed as % or entire caseload)	20%	30%	40%	50%	55%	NA
Number in Work Program (net combiners & leavers)	600	650	740	1,130	1,350	4,470
Cost Per Work Participant	$2,710	$2,790	$2,890	$2,980	$3,070	NA
Total Work Operating Cost Excluding Child Care (in millions)	$1,626	$1,814	$2,139	$3,366	$4,145	$13,089
Additional State and Federal Spending Over Current Law (in million	$180	$350	$645	$1,860	$2,620	$5,655

DRAFT

The Honorable Nancy Landon Kassebaum, Chair
Committee on Labor and Human Resources
United States Senate
Washington, D.C. 20510

Dear Madam Chairman:

This letter expresses the Administration's views on "The Child Care and Development Block Grant Amendments Act of 1995" that you have sponsored with Senator Coats.

Child care is an important issue for American families that has a distinguished bipartisan history in your Committee and in the Congress. As you have so often stressed, child care is critical to millions of working parents and their children, as well as to those families who are trying to move from dependence to independence and gain a permanent foothold in the labor market.

The Administration applauds your leadership in reauthorizing the Child Care and Development Block Grant (CCDBG). Since its enactment in 1990, this landmark program has been the centerpiece of federal efforts to ensure the availability of affordable, quality child care for low income working families. It is a flexible program that maximizes parental choice by ensuring families the full range of options for the safe care of their children. More than 750,000 children currently receive child care assistance under the CCDBG.

The Administration is especially pleased that your legislation builds upon this highly successful child care program. Your efforts to consolidate the CCDBG with the State Dependent Care Planning and Development Grants and the Child Development Associate Credential (CDA) program is an important step toward the seamless child care system that is so vital to our children and families. Your endorsement of state standards for prevention and control of infectious disease, building and premises safety, and minimum health and safety training confirms the CCDBG's carefully crafted balance between state flexibility and the national interest in children's safety and healthy development.

Child Care Resources

The Administration also appreciates your commitment to the CCDBG by reauthorizing it at $1 billion for fiscal year 1996, and such sums as may be necessary through fiscal year 2000. As you know, however, the need for child care assistance greatly exceeds the federal resources that are currently provided. Throughout the country, long waiting lists are the norm as low income parents seek the child care assistance that is the key to work, self-sufficiency, and freedom from welfare.

While we applaud the program consolidation included in your bill, the Administration strongly opposes Congressional efforts in other areas to repeal essential child care programs and cut back on critical investments. The House welfare reform bill (HR 4), for example, reduces federal funding for child care by $1.6 billion -- or 15 percent -- over the next five years, and offers no guarantee that this level of support will actually be appropriated. In the year 2000, over 320,000 child care slots would be lost under the House bill -- even though real welfare reform will require more child care, not less. In addition, the proposal under consideration in the Senate Finance Committee cuts even further -- repealing the child care programs that now serve more than 640,000 children in families struggling to move from welfare to work or at risk of welfare dependency. These are counterproductive policies that will jeopardize the safety of our children, doom our chances to truly reform welfare, and pit welfare families against working families in the competition for even more limited resources.

We strongly urge you and your colleagues in the Senate to resist massive cutbacks in child care services. At a minimum -- federal support for child care must be maintained at current levels, and no parent must be required to participate in work activities or denied cash assistance if child care is not available. Further, these investments must be dedicated to child care and guaranteed to the states in order to enable parents to work and to ensure children's safe and healthy development.

Quality of child care

The Administration applauds your efforts to ensure health and safety and quality services for children. We are particularly pleased to see that you maintained the critical health and safety standards and that you required comprehensive child care resource and referral- both so important to ensuring parental choice of quality services. We also applaud your efforts to improve and expand the tribal provisions.

As you know, the CCDBG set-aside for quality and supply has allowed states to devote 25 percent of their block grant funds for activities that make an important difference to children around the country. The GAO, for example, reported that this funding was the principal source for quality improvements in family day care homes, and many states have invested these funds in resource and referral networks and to improve training and monitoring activities. We are, therefore, extremely concerned that your bill would reduce the CCDBG set-aside for quality improvements and supply building activities to 7 percent of the states' allocation. We do not believe this is wise policy, and fear that it would jeopardize important efforts to improve the quality of child care services for our nation's children. We urge you to maintain the current CCDBG set aside for quality and supply activities.

Simplification and Coordination of the Child Care System

We applaud your efforts to ensure a simplified and coordinated child care system by including provisions that require all federal funding to meet the provisions of CCDBG. As you know, the Administration has taken several steps to move in that direction by consolidating the operations of the child care programs into a single administrative unit and by moving towards more uniform and flexible regulations across programs.

The Administration appreciates your firm commitment to child care services and looks forward to working with the Committee on the passage of a bipartisan bill that promotes work for families and safe and healthy development for children.

The Office of Management and Budget advises that there is no objection to the transmittal of this letter to the Congress.

Sincerely,

Donna E. Shalala

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DRAFT

The Honorable Nancy Landon Kassebaum, Chair
Committee on Labor and Human Resources
United States Senate
Washington, D.C. 20510

Dear Madam Chairman:

This letter expresses the Administration's views on "The Child Care and Development Block Grant Amendments Act of 1995" that you have sponsored with Senators Kennedy, Coats and Dodd. new

Child care is an important issue for American families that has a distinguished bipartisan history in your Committee and in the Congress. As you have so often stressed, child care is critical to millions of working parents and their children, as well as to those families who are trying to move from dependence to independence and gain a permanent foothold in the labor market.

The Administration applauds your leadership in reauthorizing the Child Care and Development Block Grant (CCDBG) in a bipartisan manner. Since its enactment in 1990, this landmark program has been the centerpiece of federal efforts to ensure the availability of affordable, quality child care for low income working families. It is a flexible program that maximizes parental choice by ensuring families the full range of options for the safe care of their children. More than 750,000 children currently receive child care assistance under the CCDBG. new

The Administration is especially pleased that your legislation builds upon this highly successful child care program. Your efforts to consolidate the CCDBG with the State Dependent Care Planning and Development Grants and the Child Development Associate Credential (CDA) program are an important step toward the seamless child care system that is so vital to our children and families. Your endorsement of state standards for prevention and control of infectious disease, building and premises safety, and minimum health and safety training confirms the CCDBG's carefully crafted balance between state flexibility and the national interest in children's safety and healthy development.

Child Care Resources

The Administration also appreciates your commitment to the CCDBG by reauthorizing it at $1 billion for fiscal year 1996, and such sums as may be necessary through fiscal year 2000. As you know, however, the need for child care assistance greatly exceeds the federal resources that are currently provided. Throughout the country, long waiting lists are the norm as low income parents seek the child care assistance that is the key to work, self-sufficiency, and independence from welfare.

While we applaud the program consolidation included in your bill, the Administration strongly opposes Congressional efforts in other areas to repeal child care programs and cut back on critical investments. The House welfare reform bill (HR 4), for example, reduces federal funding for child care by $1.6 billion -- or 15 percent -- over the next five years, and offers no guarantee that this level of support will actually be appropriated. In the year 2000, over 320,000 child care slots would be lost under the House bill -- even though work-based welfare reform will require more child care, not less. In addition, the proposal under consideration in the Senate Finance Committee includes major reductions in child care -- repealing the child care programs that now serve more than 640,000 children in families trying to move from welfare to work or at risk of welfare dependency. These policies may jeopardize the safety of our children, work against efforts to truly reform welfare, and require states to choose between serving welfare families and working families. revised

We strongly urge you and your colleagues in the Senate to reject major reductions in child care services. Federal support for child care ~~to state minimum~~ should be maintained ~~at current levels~~ and child care should be provided so that people who are required to work can do so. In addition, resources should be dedicated specifically to child care and their availability guaranteed to the states in order to enable parents to work and to ensure children's safe and healthy development. revised

Quality of Child Care

The Administration applauds your efforts to ensure health and safety and quality services for children. We are particularly pleased to see that you maintained the critical health and safety standards and that you required comprehensive child care resource and referral- both important to ensuring parental choice of quality services. We also applaud your efforts to improve and expand the tribal provisions.

new

We also commend your legislative support for quality improvement and supply building activities under the CCDBG. As you know, the CCDBG set-aside for quality and supply has allowed states to devote 25 percent of their block grant funds for activities that make an important difference to children around the country. The GAO, for example, reported that this funding was the principal source for quality improvements in family day care homes, and many states have invested these funds in resource and referral networks and to improve training and monitoring activities. We must continue these important efforts to improve the quality of child care services for our Nation's children. new

Simplification and Coordination of the Child Care System

We applaud your efforts to ensure a simplified and coordinated child care system by including provisions that require all

federal funding to meet the provisions of CCDBG. As you know, the Administration has taken several steps to move in that direction by consolidating the operations of the child care programs into a single administrative unit and by moving towards more uniform and flexible regulations across programs.

The Administration appreciates your firm commitment to child care services and looks forward to working with the Committee on the passage of a bipartisan bill that promotes work for families and safe and healthy development for children.

The Office of Management and Budget advises that there is no objection to the transmittal of this letter to the Congress.

A similar letter also was sent to Senator Kennedy, the Ranking Minority Member of your committee. new

Sincerely,

Donna E. Shalala

FINAL

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

FEB 22 1995

The Honorable William F. Goodling
Chairman
Committee on Economic and Educational Opportunities
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

This letter expresses the Administration's views on the Chairman's mark for child care consolidation and the repeal of several child welfare programs under consideration by the Committee on Economic and Educational Opportunities.

The Administration believes that both child care and child welfare are important issues for American families, and both issues have a distinguished bipartisan history in the Congress and in this Committee. Child care is of significance to millions of working parents and their children, as well as to those families who are trying to gain a foothold in the labor market. Child welfare services assist millions of our most vulnerable children and families in this Nation each year, often in times of crisis.

The Administration looks forward to working cooperatively with the Congress to pass bipartisan child care legislation and to reform and strengthen the child welfare system. The Administration has, however, serious concerns that a number of the features of the Chairman's mark would undermine the values of work and family to which we are all committed, and might undermine the economic independence of families and the safety and well-being of children.

Child Care

The Administration believes that quality child care is an important component of a welfare reform strategy that is truly about work. Successful child care policy promotes the economic independence of families and children's healthy development; provides parents with real choices among quality alternatives for children of all ages; and encourages continuity of care for the child, regardless of changes in the parent's employment.

Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994, which embodied these values. It continued the assurance of child care as families move toward self-sufficiency, and made important new investments in child care for working poor families. At the same time, it extended health, safety, and quality provisions to all the major federal child care programs.

These important supports that enable parents to work and to ensure children's safe and healthy development appear to be missing from the Chairman's mark before you. Therefore,

the Administration has a number of concerns:

- The proposed legislation provides no assurance of child care to AFDC recipients who work or are preparing to work – even if a state requires them to participate in work or training. We should and must require all parents to become active and productive workers. And at the same time, we should assist them in their efforts to care for their children so that their children are not left home alone or in unsafe situations.

- The proposed legislation may require states to choose between serving families making the transition from welfare to work and working families that need child care assistance to keep them from falling onto welfare. With a cap on total funding for child care far below projected spending under current law, and no separate guaranteed source of child care assistance for welfare recipients, the legislation could concelvably reduce assistance by limiting availability to only approximately 200,000 of the million children of hard working American families by FY 2000 currently receiving federal child care support. The Administration believes that we should support working families and that families should not have to go on welfare to receive child care assistance. Moreover, as demonstrated by the waiver applications the Department has received, states which are committed to making AFDC recipients work view child care as an indispensable tool in their efforts.

- The proposed legislation repeals provisions for children's health and safety contained in the Child Care and Development Block Grant. These provisions were passed with bipartisan support in Congress and signed into law by President Bush after an extensive national debate. They represent a carefully crafted balance between state flexibility and the national interest in children's safety and healthy development. The provisions do not specify any standards at the federal level but instead require that states have such standards in three areas: control of infectious diseases, physical premises safety, and provider training. A study released in the last few weeks reported that most child care is far from adequate and that 40 percent of infant-toddler centers provide poor quality care. We believe that the proposed legislation could increase risks to children's basic health and safety.

- The proposed legislation also repeals the provision in the Child Care and Development Block Grant that provides resources for quality care, as well as early childhood, before-school and after-school programs. This provision has been instrumental in ensuring that parents have choices among quality alternatives for their children. States have used these resources to build the supply of quality care, provide critical consumer education to parents, improve licensing and monitoring, and increase the training and supports to child care providers. The repeal of this provision raises concerns.

The Administration supports an approach to child care that genuinely supports work for parents, and safety and healthy development for children. Such an approach would assume child care for families moving toward self-sufficiency and expand child care opportunities for working families who want to avoid welfare dependency. We believe that ensuring quality choices for parents, and providing for continuity of services for children and families, should be an element of such a proposal.

Child Welfare.

Children become part of the child welfare system because they have been abused or neglected or are in danger of abuse or neglect. The Administration has serious concerns, expressed in the letter to Ways and Means Subcommittee Chairman Clay Shaw and Ranking Member Harold Ford last week, about the proposed block grant approach to child protection. There is unanimous agreement that the system for serving abused and neglected children and their families is seriously overburdened and unable to respond adequately to the needs of children today. The block grant approach potentially endangers the safety of these children by reducing funds for services and for foster and adoptive homes, eliminating critical protections for their well-being, and potentially halting progress in states that are moving forward on the reforms that are needed in this system.

The proposed legislation consolidates existing programs into a block grant with nominal federal oversight and reduces resources significantly from the current services baseline. The Administration has serious concerns about these provisions. First, the proposed legislation caps spending for child protection at $5.6 billion less than projected baseline spending over 5 years. This cut could force states to gamble with children's well-being -- choosing whether to: leave maltreatment reports uninvestigated, leave children in unsafe homes with minimal services, cut payments to foster parents, or eliminate prevention. Second, the proposed legislation virtually eliminates federal monitoring and accountability mechanisms and also eliminates federal support for research, training, technical assistance, and demonstration projects. It would be virtually impossible for the Federal Government to assure the safety of children or help states improve their systems.

The Chairman's mark repeals the Abandoned Infants Assistance Act, the Child Abuse Prevention and Treatment Act, the Adoption Opportunities Program, the Crisis Nurseries Act, the Missing Children's Assistance Act, and the Family Support Centers program under the Stewart B. McKinney Homeless Assistance Act. The activities authorized under these programs would be permitted but not required under the Child Protection Block Grant approved by the Ways and Means Subcommittee on Human Resources.

In addition to general concerns about the block granting of child protection funds, the Administration has several specific concerns about the proposed repeal of programs within the jurisdiction of your Committee.

- The proposed legislation repeals the Adoption Opportunities program and eliminates the Adoption Assistance program, leaving it up to states whether they can afford the subsidies that enable many special needs children to find permanent homes. These repeals could slow the progress that has been made on adoptions since 1988.

- The legislation repeals the Abandoned Infants program, which was established to respond to the continuing crises of AIDS and crack cocaine. These crises have disproportionate effects on families and child welfare systems in selected urban areas.

- The proposed legislation eliminates all direct federal support for non-profit agencies, community-based organizations and public-private partnerships, such as Children's Trust Funds, as well as all earmarked support for prevention of child abuse and neglect.

The Administration is committed to improving the child welfare system. The system must ensure the safety of children and strengthen the capacity of parents to nurture healthy children. Given the critical nature of these services, the Administration supports an approach to change that provides states and communities with flexibility to develop services that are responsive to the needs of their citizens, but within the context of a national framework that maintains a commitment to federal resources, and strong, effective protections for children and families.

In summary, the Administration looks forward to working with the Committee in a bipartisan fashion to promote two key goals: work for families and safety and healthy development for children. But we are concerned that the proposed legislation does not move toward these goals. It does nothing to provide child care that would move families from welfare to work, and it risks moving families who are now working back onto welfare as they lose child care assistance. It weakens protections for children's safety in child care, and gambles with their well-being if they are abused or neglected. It neither holds state bureaucracies accountable nor cushions state taxpayers against recession or growing family needs. We believe there are alternative approaches to reform that achieve our mutual goals in far more constructive and accountable ways.

The Office of Management and Budget advises that there is no objection to the transmittal of this report to Congress.

A similar letter also was sent to Representative William Clay and members of the Committee on Economic and Educational Opportunities.

Sincerely,

Donna E. Shalala

Donna E. Shalala

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

FEB 22 1995

The Honorable William Clay
Ranking Member
Committee on Economic and Educational Opportunities
House of Representatives
Washington, D. C. 20515

Dear Mr. Clay:

This letter expresses the Administration's views on the Chairman's mark for child care consolidation and the repeal of several child welfare programs under consideration by the Committee on Economic and Educational Opportunities

The Administration believes that both child care and child welfare are important issues for American families, and both issues have a distinguished bipartisan history in the Congress and in this Committee. Child care is of significance to millions of working parents and their children, as well as to those families who are trying to gain a foothold in the labor market. Child welfare services assist millions of our most vulnerable children and families in this Nation each year, often in times of crisis.

The Administration looks forward to working cooperatively with the Congress to pass bipartisan child care legislation and to reform and strengthen the child welfare system. The Administration has, however, serious concerns that a number of the features of the Chairman's mark would undermine the values of work and family to which we are all committed, and might undermine the economic independence of families and the safety and well-being of children.

Child Care

The Administration believes that quality child care is an important component of a welfare reform strategy that is truly about work. Successful child care policy promotes the economic independence of families and children's healthy development; provides parents with real choices among quality alternatives for children of all ages; and encourages continuity of care for the child, regardless of changes in the parent's employment.

Last year, the President submitted a bold welfare reform bill, the Work and Responsibility Act of 1994, which embodied these values. It continued the assurance of child care as families move toward self-sufficiency, and made important new investments in child care for working poor families. At the same time, it extended health, safety, and quality provisions to all the major federal child care programs.

These important supports that enable parents to work and to ensure children's safe and healthy development appear to be missing from the Chairman's mark before you. Therefore,

the Administration has a number of concerns:

- The proposed legislation provides no assurance of child care to AFDC recipients who work or are preparing to work – even if a state requires them to participate in work or training. We should and must require all parents to become active and productive workers. And at the same time, we should assist them in their efforts to care for their children so that their children are not left home alone or in unsafe situations.

- The proposed legislation may require states to choose between serving families making the transition from welfare to work and working families that need child care assistance to keep them from falling onto welfare. With a cap on total funding for child care far below projected spending under current law, and no separate guaranteed source of child care assistance for welfare recipients, the legislation could conceivably reduce assistance by limiting availability to only approximately 200,000 of the million children of hard working American families by FY 2000 currently receiving federal child care support. The Administration believes that we should support working families and that families should not have to go on welfare to receive child care assistance. Moreover, as demonstrated by the waiver applications the Department has received, states which are committed to making AFDC recipients work view child care as an indispensable tool in their efforts.

- The proposed legislation repeals provisions for children's health and safety contained in the Child Care and Development Block Grant. These provisions were passed with bipartisan support in Congress and signed into law by President Bush after an extensive national debate. They represent a carefully crafted balance between state flexibility and the national interest in children's safety and healthy development. The provisions do not specify any standards at the federal level but instead require that states have such standards in three areas: control of infectious diseases, physical premises safety, and provider training. A study released in the last few weeks reported that most child care is far from adequate and that 40 percent of infant-toddler centers provide poor quality care. We believe that the proposed legislation could increase risks to children's basic health and safety.

- The proposed legislation also repeals the provision in the Child Care and Development Block Grant that provides resources for quality care, as well as early childhood, before-school and after-school programs. This provision has been instrumental in ensuring that parents have choices among quality alternatives for their children. States have used these resources to build the supply of quality care, provide critical consumer education to parents, improve licensing and monitoring, and increase the training and supports to child care providers. The repeal of this provision raises concerns.

The Administration supports an approach to child care that genuinely supports work for parents, and safety and healthy development for children. Such an approach would assume child care for families moving toward self-sufficiency and expand child care opportunities for working families who want to avoid welfare dependency. We believe that ensuring quality choices for parents, and providing for continuity of services for children and families, should be an element of such a proposal.

Child Welfare

Children become part of the child welfare system because they have been abused or neglected or are in danger of abuse or neglect. The Administration has serious concerns, expressed in the letter to Ways and Means Subcommittee Chairman Clay Shaw and Ranking Member Harold Ford last week, about the proposed block grant approach to child protection. There is unanimous agreement that the system for serving abused and neglected children and their families is seriously overburdened and unable to respond adequately to the needs of children today. The block grant approach potentially endangers the safety of these children by reducing funds for services and for foster and adoptive homes, eliminating critical protections for their well-being, and potentially halting progress in states that are moving forward on the reforms that are needed in this system.

The proposed legislation consolidates existing programs into a block grant with nominal federal oversight and reduces resources significantly from the current services baseline. The Administration has serious concerns about these provisions. First, the proposed legislation caps spending for child protection at $5.6 billion less than projected baseline spending over 5 years. This cut could force states to gamble with children's well-being -- choosing whether to: leave maltreatment reports uninvestigated, leave children in unsafe homes with minimal services, cut payments to foster parents, or eliminate prevention. Second, the proposed legislation virtually eliminates federal monitoring and accountability mechanisms and also eliminates federal support for research, training, technical assistance, and demonstration projects. It would be virtually impossible for the Federal Government to assure the safety of children or help states improve their systems.

The Chairman's mark repeals the Abandoned Infants Assistance Act, the Child Abuse Prevention and Treatment Act, the Adoption Opportunities Program, the Crisis Nurseries Act, the Missing Children's Assistance Act, and the Family Support Centers program under the Stewart B. McKinney Homeless Assistance Act. The activities authorized under these programs would be permitted but not required under the Child Protection Block Grant approved by the Ways and Means Subcommittee on Human Resources.

In addition to general concerns about the block granting of child protection funds, the Administration has several specific concerns about the proposed repeal of programs within the jurisdiction of your Committee.

- The proposed legislation repeals the Adoption Opportunities program and eliminates the Adoption Assistance program, leaving it up to states whether they can afford the subsidies that enable many special needs children to find permanent homes. These repeals could slow the progress that has been made on adoptions since 1988.

- The legislation repeals the Abandoned Infants program, which was established to respond to the continuing crises of AIDS and crack cocaine. These crises have disproportionate effects on families and child welfare systems in selected urban areas.

- The proposed legislation eliminates all direct federal support for non-profit agencies, community-based organizations and public-private partnerships, such as Children's Trust Funds, as well as all earmarked support for prevention of child abuse and neglect.

The Administration is committed to improving the child welfare system. The system must ensure the safety of children and strengthen the capacity of parents to nurture healthy children. Given the critical nature of these services, the Administration supports an approach to change that provides states and communities with flexibility to develop services that are responsive to the needs of their citizens, but within the context of a national framework that maintains a commitment to federal resources, and strong, effective protections for children and families.

In summary, the Administration looks forward to working with the Committee in a bipartisan fashion to promote two key goals: work for families and safety and healthy development for children. But we are concerned that the proposed legislation does not move toward these goals. It does nothing to provide child care that would move families from welfare to work, and it risks moving families who are now working back onto welfare as they lose child care assistance. It weakens protections for children's safety in child care, and gambles with their well-being if they are abused or neglected. It neither holds state bureaucracies accountable nor cushions state taxpayers against recession or growing family needs. We believe there are alternative approaches to reform that achieve our mutual goals in far more constructive and accountable ways.

The Office of Management and Budget advises that there is no objection to the transmittal of this report to Congress.

A similar letter also was sent to Chairman William F. Goodling and members of the Committee on Economic and Educational Opportunities.

Sincerely,

Donna E. Shalala

Donna E. Shalala

REDUCED FEDERAL CHILD CARE ASSISTANCE FOR STATES AND CHILDREN IN FY 2000

This table shows FY 2000 losses in funding and in numbers of children receiving federal assistance under the new child care block grant.

FUNDING LOSS

The funding loss is the difference between the FY 2000 block grant distribution and the expected FY 2000 funding level under current law. FY 2000 funds are distributed according the proportion of federal child care funds received in FY 1994, as is proposed in the draft EEO bill.

REDUCTION IN CHILDREN RECEIVING FEDERAL CHILD CARE ASSISTANCE

The reduction in children is derived from the State's funding loss and the national average child care funding per child. Average funding per child was calculated by dividing the total federal child care funding in FY 1993 by the total number of children served through federal child care programs in that year. This number is not a full-time equivalent cost. It does not contain state or parent contributions to the cost of care. The FY 1993 funding per child was inflated to Fy 2000 according to the HHS baseline.

REDUCED FEDERAL CHILD CARE ASSISTANCE FOR STATES AND CHILDREN IN FY2000

	LOSS IN FEDERAL CHILD CARE ASSISTANCE FROM BLOCK GRANT	REDUCTION IN CHILDREN RECEIVING FEDERAL CHILD CARE ASSISTANCE
ALABAMA	$11.3	6,970
ALASKA	$1.5	930
ARIZONA	$10.3	6,350
ARKANSAS	$4.6	2,840
CALIFORNIA	$53.7	33,130
COLORADO	$6.3	3,890
CONNECTICUT	$7.0	4,320
DELAWARE	$1.9	1,170
DISTRICT OF COLUMBIA	$1.8	1,110
FLORIDA	$25.7	15,850
GEORGIA	$21.2	13,080
HAWAII	$2.0	1,230
IDAHO	$2.4	1,480
ILLINOIS	$22.1	13,630
INDIANA	$12.3	7,590
IOWA	$4.8	2,960
KANSAS	$6.4	3,950
KENTUCKY	$10.6	6,540
LOUISIANA	$11.3	6,970
MAINE	$2.0	1,230
MARYLAND	$11.1	6,850
MASSACHUSETTS	$16.3	10,060
MICHIGAN	$15.2	9,380
MINNESOTA	$11.1	6,850
MISSISSIPPI	$6.6	4,070
MISSOURI	$12.0	7,400
MONTANA	$1.9	1,170
NEBRASKA	$5.0	3,080
NEVADA	$1.9	1,170
NEW HAMPSHIRE	$2.1	1,300
NEW JERSEY	$10.5	6,480
NEW MEXICO	$5.3	3,270
NEW YORK	$37.0	22,830
NORTH CAROLINA	$27.7	17,090
NORTH DAKOTA	$1.5	930
OHIO	$28.9	17,830
OKLAHOMA	$11.3	6,970
OREGON	$8.8	5,430
PENNSYLVANIA	$24.2	14,930
PUERTO RICO	$7.7	4,750
RHODE ISLAND	$2.7	1,670
SOUTH CAROLINA	$7.9	4,870
SOUTH DAKOTA	$1.5	930
TENNESSEE	$16.8	10,360
TEXAS	$44.4	27,390
UTAH	$6.8	4,190
VERMONT	$1.6	990
VIRGINIA	$11.3	6,970
WASHINGTON	$16.4	10,120
WEST VIRGINIA	$4.5	2,780
WISCONSIN	$10.1	6,230
WYOMING	$1.4	860
TRIBES	$18.4	11,350
TERRITORIES	$3.1	1,910
ALL STATES	$612.0	377,680
Percent Reduction	24.0%	

Notes:
1. The block grant amount is set at FY1994 CBO Baseline levels.
2. Funds are allocated according to HHS figures on FY1994 expenditures and allocations.
3. FY2000 figures are FY1994 allocations and expenditures adjusted by the national growth rate figures.
4. Children served was determined by dividing total federal allocations and expenditures by an average federal expenditure figure of $1621. This is not a full-time equivalent.
5. Numbers may not exactly equal national figures due to rounding.

ESTIMATED REDUCTION IN FEDERAL SPENDING FOR CHILD CARE FROM PROPOSED CHILD CARE BLOCK GRANT
(Numbers in millions)

ESTIMATED REDUCTION IN FEDERAL SPENDING UNDER CHILD CARE BLOCK GRANT USING HHS BUDGET AUTHORITY BASELINE FIGURES	1996	1997	1998	1999	2000	5 Year Total
AFDC/JOBS	734	784	829	869	911	4,127
TCC	220	234	248	260	272	1,234
At-Risk	300	300	300	300	300	1,500
CCDBG	1,049	1,049	1,049	1,049	1,049	5,245
Child Devment Associate Scholarships	1	1	1	2	2	7
Dependent Care Planning and Devment Grants	13	14	14	14	15	70
Native Hawaiian Family Centers (CBO est.)	5	5	6	6	6	28
SUBTOTAL HHS BASELINES	2,322	2,387	2,447	2,500	2,555	12,211
CHILD CARE BLOCK GRANT	1,943	1,943	1,943	1,943	1,943	9,715
REDUCED SPENDING FOR CHILD CARE	-379	-444	-504	-557	-612	-2,496
PERCENT REDUCTION IN SPENDING	-16%	-19%	-21%	-22%	-24%	-20.4%

Notes:
1. This Child Care Block Grant freezes funding at the FY1994 levels estimated in CBO's baseline.
2. The numbers above are HHS estimates based on baseline figures from the President's FY1996 budget except for the Native Hawaiian Family Centers estimate which is from the CBO baseline.
3. CBO estimates were based on January 1995 CBO Baseline figures. They estimate five year savings of $1.7b or a 15 percent reduction in spending. These differ from HHS estimates due to baseline differences.
4. Savings projected by the EEO committee are based on CBO baseline figures.

WR-Child Care Bruce

Child Care Standards in Welfare Reform--Talking Points

- One major principle guiding the development of the child care provisions of the welfare reform proposal is to simplify and make consistent the Federal requirements governing the Federal child care programs. States should be able to operate a seamless child care system that is administratively simpler and ensures that children and their parents are not forced to move from provider to provider as the source of subsidy changes.

- Currently, the IV-A child care programs and the Child Care and Development Block Grant (CCDBG) program have different Federal requirements related to the standards child care providers must meet. In both cases, States are given the flexibility to establish standards; CCDBG specifies certain basic health and safety issues for which the States must have standards (in the areas of building and physical premises safety, minimum health and safety training appropriate to the provider setting, and the prevention and control of infectious diseases--including immunization).

- We propose to make the standards for the programs the same by making the IV-A standards consistent with the CCDBG standards. In addition, we would add one new issue (access to toxic substances and weapons) and establish a uniform immunization requirement.

- We selected this approach because we feel that it reflects another guiding principle of the welfare reform proposal: to assure that children are cared for in healthy and safe environments. We believe the CCDBG standards, together with the two new standards, are truly the minimal requirements that can provide such an assurance.

- Many States obviously agree since they are already using the same standards for IV-A child care and CCDBG child care. At least 26 States state explicitly in their IV-A plans that they use CCDBG standards; many more cite their State standards which would meet the CCDBG requirements.

- In all cases except immunization, States would continue to establish their own standards; as a result, this change should not have a significant effect on many States. We do not believe immunization should vary from State to State.

- We continue to support strongly parental choice and propose to add requirements for: assuring parental choice of providers, providing to parents information on options for care and payment of child care, and establishing a system for parental complaints.

WR - Child Care

Child Care Cost Models for AFDC Families

Age of Child	Children On AFDC	Children Needing Care	Average Hourly Cost of Care	Model 1	Model 2	Model 3
Under 1	465,251	178,656	$1.57	$364,637,288	$364,637,288	$364,637,288
1 Year	1,080,885	553,413	$1.62	$1,165,488,031	$1,165,488,031	$1,165,488,031
2 Years	756,620	387,389	$1.66	$835,985,859	$835,985,859	$835,985,859
3 Years	709,625	363,328	$1.88	$2,614,651,860	$1,766,696,284	$1,766,696,284
4 Years	667,329	341,672	$1.88	$2,508,797,332	$1,713,769,020	$1,713,769,020
5 Years	639,132	327,236	$1.53	$1,016,393,724	$365,522,147	$365,522,147
6 to 12	3,477,630	1,780,547	$1.66	$4,316,044,861	$4,316,044,861	$1,034,497,551
Total	7,796,471	3,932,241	$1.69	$12,821,998,955	$10,528,143,490	$7,246,596,180

Prepared by Angela Duran, ASPE, 690-6613

Why not just offer c. care for kids under 3? (and exempt moms w/kids under 1)

Total Costs for Combinations of Models

	Model 1 Part-Time Children Under 3	Model 2 Part-Time Children Under 6	Model 3 Part-Time All
AFDC	$12,821,998,955	$10,528,143,490	$7,246,596,180
Up to 100%	$17,862,117,518	$15,568,262,053	$12,286,714,743
- Head Start	$4,334,456,000	$4,334,456,000	$4,334,456,000
- Federal CC	$1,638,711,000	$1,638,711,000	$1,638,711,000
-State CC	$2,377,809,913	$2,377,809,913	$2,377,809,913
- Co-pay	~~$2,162,930,348~~	~~$2,162,930,348~~	~~$2,162,930,348~~
New CC Needed	$11,682,666,257	$9,388,810,792	$6,107,263,482
Up to 200%	$32,417,509,555	$30,123,654,091	$26,842,106,781
- Head Start	$4,334,456,000	$4,334,456,000	$4,334,456,000
- Federal CC	$1,638,711,000	$1,638,711,000	$1,638,711,000
-State CC	$2,377,809,913	$2,377,809,913	$2,377,809,913
- Co-pay	$2,162,930,348	$2,162,930,348	$2,162,930,348
New CC Needed	$26,238,058,294	$23,944,202,830	$20,662,655,520

Prepared by Angela Duran, ASPE, 690-6613

CHILD CARE COST MODELS FOR AFDC FAMILIES

Children on AFDC - Numbers are a monthly average from April 1992 to March 1993. Age cohorts were figured using an average of the cohort proportions for FY 1990 and FY 1991. Numbers for cohorts before FY 1990 inaccurately classified some children under 1 as unknown, and cohort breakdowns are not yet available for more recent years. Source: OFA.

Children Needing Care - For each cohort, we assumed 20% would not be participating because the families would be in the first six months of their AFDC spell. Twenty percent of the remaining children would have parents who would be exempted for health or disability reasons. And finally, of those left, 20 % would not use the care. Therefore, only 51.2 % of AFDC children would need care. For children under 1, the proportion would be even lower because 25% of the children in that cohort would be 3 months or younger; therefore, their mothers would be exempted. Only 38.4 % of children under 1 would need care.

Average Hourly Cost of Care - The hourly costs are parental fees. Fees for regulated center-based and home-based care were taken from A Profile of Child Care Settings. In-home care rates were taken from The National Child Care Survey, and unregulated care rates were taken from the Child Care and Development Block Grant State reports. The rates for these types of care were weighted by the usage patterns found in The Demand and Supply of Child Care in 1990.

Model 1 - Mothers with children under the age of 3 would be expected to participate part-time. All other mothers would participate full-time.

- Part-time is 25 hours per week, and full-time is 50 hours per week.

- Assumes 821,000 3 and 4 year olds would receive Head Start (123,000 full day, full year, and 698,000 part day, part year). Those numbers were proportionately split between the non-AFDC children under poverty, AFDC children whose mothers are participating and those who are not. Children in Head Start receive child care to bring them up to full-time care. The remaining children would receive full-time child care. The full-day, full year cost for Head Start is $8799, and the part-day, part-year cost is $4282.

- Assumes all 5 year olds receive 3 hours of kindergarten per day. Actual rate is 80%, but we could not figure how many children are enrolled in public pre-school so the 20% should make up for, if not overcompensate for, what we left out. In addition, 5 year olds would need 14 weeks of full-time care for summer and vacations (50 hours per week) and 38 weeks of part-time care during the school year (35 hours per week).

- Assumes school-age children are in school 6 hours per day. In addition, they would need 14 weeks of full-time child care (50 hours) and 38 weeks of part-time care (20 hours per week).

Model 2 - Mothers with children under the age of 6 would only be expected to participate full-time. All other mothers would participate full-time.

- Part-time is 25 hours per week, and full-time is 50 hours per week.

- Assumes 821,000 3 and 4 year olds would receive Head Start (123,000 full day, full year, and 698,000 part day, part year). Those numbers were proportionately split between the non-AFDC children under poverty, AFDC children whose mothers are participating, and those who are not. Children in Head Start receive child care to bring them up to part-time care. The remaining children would receive part-time child care. The full-day, full year cost for Head Start is $8799, and the part-day, part-year cost is $4282.

- Assumes all 5 year olds receive 3 hours of kindergarten per day. Actual rate is 80%, but we could not figure how many children are enrolled in public pre-school so the 20% should make up for, if not overcompensate for, what we left out. In addition, 5 year olds would need 14 weeks of part-time care for summer and vacations (25 hours per week) and 38 weeks of part-time care during the school year (10 hours per week).

- Assumes school-age children are in school 6 hours per day. In addition, they would need 14 weeks of full-time child care (50 hours) and 38 weeks of part-time care (20 hours per week).

Model 3 - All mothers with children under 13 would participate part-time.

- Part-time is 25 hours per week.

- Assumes 821,000 3 and 4 year olds would receive Head Start (123,000 full day, full year, and 698,000 part day, part year). Those numbers were proportionately split between the non-AFDC children under poverty, AFDC children whose mothers are participating and those who are not. Children in Head Start receive child care to bring them up to part-time care. The remaining children would receive part-time child care. The full-day, full year cost for Head Start is $8799, and the part-day, part-year cost is $4282.

- Assumes all 5 year olds receive 3 hours of kindergarten per day. Actual rate is 80%, but we could not figure how many children are enrolled in public pre-school so the 20% should make up for, if not overcompensate for, what we left out. In addition, 5 year olds would need 14 weeks of part-time care for summer and vacations (25 hours per week) and 38 weeks of part-time care during the school year (10 hours per week).

- Assumes school-age children are in school 6 hours per day. In addition, they would need 14 weeks of part-time child care for summer and vacations (25 hours).

Reed / Weinstein file

Capital for Human Services

By Carol Moseley-Braun

WASHINGTON

In East St. Louis, Ill., one of the nation's poorest communities, the doors of a new Family Support Center will open in a few weeks. Infants and preschoolers from very low-income families will receive high-quality, subsidized child care, enabling the parents to become or remain employed. At the same location, parents will receive health-care services, parenting training and educational opportunities.

This initiative was made possible because capital improvement dollars were available from the Illinois Facilities Fund, a private, nonprofit lender, to help construct the facility. Throughout Illinois, the need for capital to bring or expand human services in poor neighborhoods is acute. These services, whether for the elderly, the disabled or infants of working mothers, are an integral part of our economic development plan.

A lack of credit for providers is clearly limiting the availability of child care. But examples in Illinois and across the nation demonstrate how nonprofit, private lenders can help resolve that problem.

The Illinois Facilities Fund, fi-

Carol Moseley-Braun, Democrat of Illinois, is a member of the Senate Banking Committee.

Novel financing helps create day care in Illinois

nanced by foundations and banks makes below-market real estate loans to nonprofit human service agencies unable to obtain traditional financing. The fund has loaned funds to 29 [illegible] capital projects for expansion of [illegible] low-income families. Similar [illegible] exist in other nonprofit lending [illegible] the Child Care Capital Investment [illegible]

Fund in Boston and the Self-Help Development Bank in North Carolina, have proved that nonprofit lenders are excellent partners in child care.

Traditional bank loans don't often work because of the special-use nature of child-care facilities and the need for appraisals that exceed the loan amount, among other reasons. More important, nonprofit child-care is experiencing tremendous growth. It is already underfinanced, with the Government subsidy for low-income families covering only about 75 percent of the cost of the service. This means fund-raising and other income are paramount. Nonprofit lenders are more sensitive to these factors and better able than commercial institu-

[illegible] ent credit [illegible]

The repayment will come from the general revenue of the state of Illinois, topping off an innovative financing with one of the most creative partnerships I have ever seen.

Recognizing the need for investment in communities like East St. Louis, and the role played by nonprofit lenders, President Clinton has proposed the Community Development Financial Institutions Act of 1993 to help expand organizations like the Illinois Facilities Fund.

These lenders can do what even banks committed to community development cannot do — meet the needs of marginal, nonprofit enterprises. With more capital, they can expand lending. The committed public-private-philanthropic partnership they represent offers real opportunity in community development.

In East St. Louis, some poor children will get a better start in life. Some parents can brighten their futures. And we can help more people like them, people who desperately want to help themselves. □

MA
BL
MORE

Chaos Intensity BC

WR-C. Care

WR -
Child Care

December 17, 1993

Mr. Bruce Reed
Deputy Assistant to the President
for Domestic Policy
The White House
Old Executive Office Building, #216
Washington, DC 20500

Dear Mr. Reed:

As the Administration formulates its welfare reform proposal, we believe that the following principles should guide the development of all related child care provisions. It is critical that the needs of young children to grow, thrive, and have early childhood experiences that will enable them to enter school ready to succeed not be overlooked in any effort to encourage their parents to move into employment and toward eventual self-sufficiency.

- **First and foremost, all federal child care assistance must ensure the full and healthy development of children, regardless of whether that assistance is provided through welfare-related child care programs, Head Start, or other federal or state child care programs.**

- Families receiving AFDC should have child care of sufficient quality both to enable parents to work (or to receive the education or training they need to obtain work) and to provide their children with a high quality early childhood development experience.

- In order to be able to retain their jobs and improve their earnings, families who leave AFDC for work should receive subsidies for quality child care as long as their income is not sufficient to enable them to pay the full cost.

- Families should not have to go on AFDC in order to get the child care assistance they need to get and keep jobs.

- Child care provided with federal funds should be required to meet health and safety standards that protect children and promote their full and healthy development.

- Low-income families should have access to quality child care services. Appropriate reimbursement policies and payment mechanisms should be used to ensure a range of high quality options for parents.

- Parents participating in education, employment and training should be fully informed about available child care options, the availability of child care subsidies, and the role of child care in addressing their children's developmental needs.

- Additional funds must be made available to improve the quality of and address the gaps in the supply of child care in order to meet the needs of low income children and families.

- Welfare recipients should be offered a choice of training for a variety of careers, including child care. Those who demonstrate aptitude for and interest in child care as a career should be appropriately trained. *

Each of these issues is critical if we are to ensure that all of our children can grow to be productive and contributing members of our society. We would welcome the opportunity to discuss these issues with you as you continue your work on the Administration's welfare reform plan.

Sincerely,

American Public Health Association
Association of Junior Leagues
Center for Career Development in Early Care and Education
Center on Effective Services for Children
Center for Law and Social Policy
Child Care Action Campaign
Child Care Law Center
Child Welfare League of America
Children's Defense Fund
The Children's Foundation
Early Childhood Policy Research
Ecumenical Child Care Network
Family Focus
National Association of Child Care Resource and Referral Agencies
National Association for the Education of Young Children
National Black Child Development Institute

continued ...

National Center for the Early Childhood Work Force
National Center for Children in Poverty
National Economic Development and Law Center
National Head Start Association
National Women's Law Center
Parent Action
Quality 2000
School Age Child Care Project
USA Child Care
Young Women's Christian Association of the USA
ZERO TO THREE/National Center for Clinical Infant Programs

cc: Mary Jo Bane

File: WR - Child Care

Mtg. 7/27/93

CHILD CARE ISSUES

PROGRAM ISSUES - HOW MUCH CHILD CARE?

1) Entitlement -

Should the program be an entitlement, as in the current AFDC child care program? If yes, would this be an open-ended entitlement? Depending on the answer to issue #2, this could be quite costly, considering the number of AFDC families. Service, not an entitlement (Rebecca, Demetra)

Incentives in program - for states to provide services to keep people on jobs

2) Funding/Match - Regulated care isn't much better than unregulated care. Kids better off if moms go to work

Will we require States to fund some portion of the increase for child care? If yes, how will we assure that States commit sufficient funds to support the welfare-to-work program? Currently, many States do not draw down what would appear to be an adequate level of funding in the title IV-A programs, presumably because they cannot come up with matching funds, among other reasons. In addition, failure to provide child care for a potential JOBS participant has a positive, not a negative, effect (the recipient isn't in the participation rate denominator.) Can we expect States to "voluntarily" contribute additional funds for child care? An alternative might be an incentive to fund a sufficient level of child care.

- They know what's best for their children more than we do

Help people find care, not just provide a slot.

State jobs programs have discouraged training of child care workers

3) Buying out existing programs -

When Federal expenditures for child care increased recently, some States decreased State expenditures, rather than increase overall funding for low income families. Are we willing to invest a substantial amount of resources assuring that increased funding buys more child care, or should we accept the fact that some portion of the increase will buy out existing State funding?

- Use deadbeats

Capped entitlement to states, not to individuals

4) Equity -

Will any increase in child care funding be limited to families associated with welfare or will it be extended to the non-AFDC working poor? Limiting any increase to welfare families may threaten the increase. However, increasing funding for non-AFDC families will reduce the number of AFDC families who can be included (assuming a limited pot of money.)

Belle: Deal w/child care costs on separate track

Children's tax credit

- Head Start or CCDBG reauthorization as vehicle

5) Exemptions -

If there is neither sufficient funding for or supply of infant and toddler care, for example, should we, as a general policy, not require participation of mothers with young children? Should we allow States to make such decisions (therefore encouraging States to exempt significant portions of the welfare population)? Should we make the program sensitive to either individual or community child care needs, or should we follow the suggestion that AFDC recipients should be expected to do as working parents often do - make their own arrangements.

Demetra: incentives ~~for~~ toward self-sufficiency should drive program, not child care

ADMINISTRATION

6) Targeting related programs -

Other sources of child care or child care-like services are available (e.g., Head Start). Should we require those programs to include a certain percentage of AFDC families? Should we require AFDC parents to avail themselves of such services, if available?

7) Flexibility -

Should eligibility criteria, target population(s), definitions, requirements (licensing/monitoring), etc., be left to States or specified at the Federal level? Are we willing to accept the fact that there may be some States that do very little in the area of child care?

8) Quality/Adequacy of Child Care -

It seems unavoidable that we consider the issue of the adequacy of the care that we fund. Should we take a position that increases costs, decreases slots, and limits availability of care, or should we leave such decisions to States? Should we set minimum requirements and, in effect, establish Federal standards for child care? Should we encourage, rather than require, quality?

9) Number of Programs -

There are currently four major Federal programs which pay for child care for low income families and a number of other programs that provide similar services and/or which overlap these child care programs. Are we willing to take on issues of congressional committee jurisdiction to simplify program administration?

10) Subsidy Level -

What's an appropriate child care subsidy level? Should we allow State's to decide to spread resources thinly, or should we mandate something about a child care subsidy bringing people up to, say, the poverty level?

GENERAL APPROACH

11) Human Capital vs. Work Force Attachment

Is there an analogy between the approach we seem to be taking with the general program (work force attachment) and the approach that we should take with child care (as in a market-driven approach)? Inconsistency might be problematic?

12) Keep it simple, stupid

We keep hearing this, and it seems like sound advice. Using welfare reform to drive significant changes to the child care "system" may backfire. A better approach might be a separate, concerted effort to satisfy the child care community that works in coordination with, but apart from welfare reform.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

FAX Memorandum

~~CONFIDENTIAL~~ TDS

December 13, 1993

TO: Bruce Reed (White House)
Kathi Way (White House)
Mary Jo Bane (HHS/ACF)
Ann Rosewater (HHS/ACF)
Howard Rolston (HHS/ACF)
Jeremy Ben-Ami (HHS/ACF)

FROM: John Wolff (HHS/ASPE)

SUBJECT: Child Care Draft Legislative Specifications

Attached are the draft legislative specifications for the child care section of the welfare reform proposal. This paper will be used for tomorrow's discussion, which is scheduled for the Aerospace building, room 600.

If you have any questions, please contact me at 690-7507.

CC: David Ellwood (HHS/ASPE)
Wendell Primus (HHS/ASPE)

3. Maintain and gradually expand the Child Care and Development Block Grant. States will have considerably more flexibility in the use of CCDBG dollars for quality and supply building. States would not be permitted to use CCDBG funds to pay for care guaranteed under the AFDC child care and TCC programs. Efforts will be made to ensure greater consistency across programs in such areas as standards, sliding fee scales and payment rates along with more coordinated planning, reporting and program administration.

ISSUES AND DISCUSSION

The following specific issues have been raised regarding the plan for child care assistance. Issues are presented as questions, followed by a proposal and brief discussion.

1. Definition of the child care guarantee

Issues:

o How do the periods covered in current law fit with the transitional assistance/JOBS and WORK periods suggested in the overall welfare plan? (For example, would TCC begin after JOBS or after WORK?)

o How do we ensure that the states actually make child care available to those covered under the child care guarantee?

o What happens when states do not provide adequate resources to fulfill the individual child care guarantees?

Proposal: **Individuals will be entitled to child care assistance under circumstances and for periods no less than those covered in current law.**

Discussion: Current law states that the State agency must guarantee child care for children if it is determined necessary for individuals who are working or who are participating in education and training programs (including, but not limited to JOBS program activities), provided the State approves the education or training program and determines the individual is

satisfactorily participating in the activity.

A family that loses AFDC due to increased hours of, or income from, employment or because of loss of the earnings disregard is eligible for the child care transition, provided the family has received AFDC in at least three of the six months

immediately preceding the month it became ineligible for AFDC and has a dependent child (or a child who was considered dependent if the child were needy). A family is eligible for transitional child care for twelve months after the last month for which the family was eligible for AFDC.

The proposal will reaffirm the individual guarantee to child care assistance as a prerequisite to participation and for a transitional period of at least one year. The proposal is to ensure that the current guarantees fit with the periods for transitional assistance and post transitional assistance that will emerge in the overall welfare reform package.

In addition, if we want to assure high levels of participation, we must consider ways to encourage states to provide adequate resources to build supply and provide the necessary assistance. If this does not occur, we can expect that states will continue the current practice of using the lack of child care funding as "good cause" for not participating. This will become much more of an issue as we require higher levels of participation, particularly from families with younger children. We cannot expect people to participate in training, education of work unless the guarantee to child care assistance is provided.

2. State Match

Issue: What match rate should be used for child care assistance?

Proposal:

Option I- Improve the State match rate for AFDC child care and TCC to FMAP plus 8. Eliminate the match for the At-Risk program.

OR

Option II- Improve the State match rates for all child care assistance programs to allow increased federal assistance

Discussion: Currently, the entitlement programs use FMAP and the CCDBG has no state match. There appears to be general consensus in the overall welfare reform package to improve the state match (e.g.FMAP plus 8). There is less consensus on whether this should be the match for all child care, or if a better match rate should be used.

Given prior experience, it is clear that the states may not

invest in child care unless there is a dramatic increase in federal support. Without such support, we run the risk of wholesale "exemptions" to participation- if parents cannot be guaranteed child care. Furthermore, we greatly undermine the "make work pay" principle if we do not make significant progress in expanding investments in child care for the working poor.

Issue: How can we facilitate the state's ability to access federal child care dollars?

Proposal: Assure that states can use state pre-k, local dollars and private sector child care funds for low-income families to draw down federal child care resources. Consider allowing states to submit plans on the use of other funds that promote quality and comprehensive services in child care to be used as the match.

Discussion: Although states are currently able to use state prek dollars, local and private funds to draw down federal child care dollars, such an approach has not been encouraged or procedures simplified. More than 30 states now have state preschool programs. Such investments in early childhood programs should be encouraged.

Furthermore, we should continue to encourage local and private investments in child care. However, private funds should only be used to match federal dollars when the funds will be used for eligible children without special stipulations made by the donor. (For example a company could not agree to donate child care funds only if their employees are guaranteed certain low-income child care slots from the state).

3. Payment Rates

Issue: How should payment rates be established? How can we balance a parent's ability to access safe and stable care and the states ability to guarantee child care?

Proposal: Payments for child care would be set at an amount that is the lesser of the actual cost of care or at the local market rate (as determined in accordance with regulations established by the Secretary). States would be allowed FFP if they reimburse above the local market rate to secure quality care.

The following options should be considered to ensure adequate payment rates:

o Include a provision that states could not lower current rates to control costs.

o Include a provision which says that within two years of enactment, States would not be allowed to establish a statewide limit on payment which is less than the local market rate.

Discussion: Currently, rates are established as follows:

The IVA program allows states to make payment for the cost of care in an amount that is lesser of:

o the actual cost of care, and
o the dollar amount of the disregard (currently $175/month, $200/month for children under age 2) or a higher amount established by the state.

However, FFP is not available for child care costs which are greater than the applicable local market rate (as determined by the Secretary--currently set at the 75th percentile of local market rate).

The At Risk program follows the same rules, except it does not mandate that the payment can be set at the disregard rate.

The CCDBG program states that payment rates must be sufficient to ensure equal access for eligible children to comparable child care services in the state or substate to children whose parents are not eligible.

Our approach is to encourage states to set consistent rates across the various child care programs in order to ensure that all low-income parents have equal access to the same type of care, regardless of the funding stream. Furthermore, we hope to strike a balance between the needs of parents for decent care, and the limited resources available in states.

Although our current policies imply that rates should be at the 75th percentile, according to the statute, states are allowed to establish a statewide limit that can be no lower than the disregard. Studies indicate that low reimbursement rates have a negative impact on both the supply of care and the availability of safe and stable care for children. This is particularly significant since these are the same children who are eligible for Head Start, and therefore are in need of services that promote school readiness.

Currently we have very little firm data on what the states are actually paying (as a percentage of the market). However, during recent program reviews, most states indicated that they are paying at the 75th percentile, however ACF staff question the reliability of this data and suspect that rates are lower.

We do know that most states are reimbursing care above the disregard level and have made progress in moving towards the 75th percentile. However, all states have not reached this goal. Furthermore, the pending welfare reform proposals could have the effect of significantly lowering rates (and affecting parental access to adequate care) if statewide limits are lowered.

4. Payment Mechanism

Issue: Should we continue to allow states to use the disregard as a sole method of payment for working AFDC families?

Proposal: **States could continue to use the disregard as a mechanism for payment, however, parents would be offered a second option and would have access to the same level of assistance as provided under other methods of payment.**

Discussion: According to current law, a state agency may:

- o Provide care directly,
- o Arrange for care through providers by purchase of service contracts or vouchers,
- o provide cash or vouchers in advance to the families,
- o reimburse a family, or
- o adopt other arrangements the agency deems appropriate.(This would include the disregard)

As part of the provision that allows states to make other arrangements it deems appropriate, most states use the disregard as a method of payment. Some states use the disregard as the sole method of providing care for AFDC families who are working. There is considerable question as to whether this allows AFDC working families equal access to care that they would have received through direct assistance.

4. Eligibility for the At Risk Program

Issue: Should low-income parents in training or education be eligible for the At-Risk Program?

Proposal: **States can allow low-income parents in training or**

in education to be eligible for the At-Risk program if the states determine that such assistance will reduce the likelihood of becoming eligible for AFDC.

Discussion: Current law restricts the At-Risk program to working parents. If we are trying to encourage people to pursue continued education and trying to avoid welfare, we need to ensure that child care is provided. Furthermore, under the current system, when working parents are involved in training, the state must use two different funding sources to cover child care. For example, a state may use At-Risk child care to cover the work hours, but would have to find a second source (perhaps CCDBG) to cover the hours in training. This causes an undue burden on the states.

5. Linkages to Head Start and other programs

Issue: How can we ensure linkages between child care and Head Start and other early childhood programs?

Proposal: Add a provision to encourage states to use a portion of their title IV-A child care funds to provide contracts and grants to purchase extended day services and to guarantee continuity of care for children during the program year.

Discussion: Over the past few years ACF has attempted to encourage "wrap around" policies which promote the use of IVA and TCC child care for families using Head Start and other programs. Many programs have been discouraged from accessing these funds due to policies that restrict reimbursement to attendance, do not allow continuity of care as parents go in an out of programs or in and out of job search, and limit reimbursement rates.

6. Standards

Issue: How can we help ensure health and safety standards for children in child care.

Proposal: Child care provided under the IV-A programs must meet the health and safety requirements established in CCDBG. In addition, consideration should be given to requiring parents with children under six to show evidence to the provider that their child is immunized.

Discussion: Currently, the IV-A programs will reimburse States only for those programs that meet applicable standards of State and local law. The States' application of any

additional health and safety standards adopted by CCDBG is optional in IV-A child care. These include:

o the prevention and control of infectious diseases (including immunizations)

o building and physical premises safety; and

o minimum health and safety training appropriate to the provider setting.

We propose to require states to extend the health and safety provisions in CCDBG to IV-A child care. This is particularly important since children in families receiving public assistance may be in the most need for health and safety protections. In addition, consideration should be given to the proposal that all child care providers require up-to-date immunizations for children under age 6. Such a requirement is a basic public health protection long recognized by public schools for school age children.

7. Enhancing licensing, monitoring and other program improvements

Issue: How can we encourage better licensing, monitoring and other program improvements?

Proposals: **Reauthorize the licensing, monitoring and improvement grants at $25 million for FY 95, growing to $50 million by 1999. Consider allowing a federal match for administrative costs incurred for licensing, monitoring, recruitment and training.**

Discussion: There are few if any incentives for states to improve licensing, monitoring and other aspects of title IV-A child care. Although there is a discretionary grant program authorized at $50 million, the $13 million that was spent on this program in 1991 (and strongly supported by the states) was eliminated in 1992. Furthermore, states are currently not allowed a federal match for expenses for licensing, monitoring and recruitment and training.

8. Coordinated planning, administration and reporting

Issue: How can we promote coordinated planning, administration and reporting across programs?

Proposal: **Allow states to select a lead agency that can administer all child care funding streams; require one state plan across programs and facilitate consistent reporting and automation.**

Discussion: Currently there is little consistency in planning, reporting and administration across child care programs in many states, although States are encouraged to coordinate programs and describe how they coordinate. The CCDBG and IV-A programs require plans and reporting. However, the requirement for a IV-A State child care plan is established by regulation and is currently tied to the JOBS plan. Furthermore, although the State can choose the lead agency for CCDBG, it must use the welfare agency to administer IV-A child care. Such inconsistency across programs does litte to encourage a coordinated system.

9. Demonstrations

Issue: What type of demonstrations could help improve services and inform future policy decisions?

Proposal: **Establish demonstration programs that would encourage states to improve and expand the quality of infant care and would provide support for HHS to launch other projects to help improve and coordinate child care services.**

Discussion: Currently there are no resources and limited program capacity for HHS to fund programs of national significance, evaluation or technical assistance through the title IVA child care programs. As child care continues to grow, the importance of promoting assessment and demonstration to improve the child care system and to inform policy becomes particularly important.

10. Other important issues for consideration

o Should a refundable tax credit be part of an overall child care package?

o Should performance measures be established for child care? Should better match rates be tied to performance measures?