BACKGROUND

THE CHILD CARE AND DEVELOPMENT BLOCK GRANT

The **Child Care and Development Block Grant (CCDBG)** is the primary Federal subsidy program specifically devoted to child care. It enables low income parents and parents receiving Temporary Assistance for Needy Families (TANF) to work or to participate in the educational or training programs they need in order to work. Funds may also be used to serve children in protective services.

PRWORA consolidated four child care subsidy programs: AFDC/JOBS Child Care, Transitional Child Care, At-Risk Child Care and the Child Care Development Block Grant. Funds are now available to states in three parts: mandatory funds (based on historical levels of funding for the entitlement programs), matching funds, and discretionary funds. A single lead agency must be identified at the state level to administer the CCDBG funds.

The new CCDBG provides increased Federal funding for child care over past programs--some $4 B additional over the life of the new law (FY 97 - FY 2002) for a total of around $22 B. The preponderance of the funds are distributed to States to operate child care subsidy programs and improve the quality and availability of child care.

<u>Funding to the States - FY 1997</u>

FY 97 funding for CCDBG is $2.9 billion:

In FY 1997, States received close to $1.2 B in Mandatory Funds.

- These are 100% Federal funds. A State's share of these Funds is based on the Federal share of its funding for the now-repealed AFDC-linked child care programs (AFDC/JOBS Child Care, Transitional Child Care, At-Risk Child Care). The share is based on Federal funds received in FY 1994, FY 1995, or an average of FY 1992-1994, whichever is greater.

States also are eligible to receive a little over $.7 B in Matching Funds in FY 1997.

- These funds are available using a proportional child population formula that was used in the former At-Risk Child Care Program.

- o In order to receive matching funds, a State must maintain effort, i.e., expend its own funds at the level it was matching the former AFDC-linked child care programs in FY 1994 or FY 1995, whichever is greater. A States must also provide matching funds at the Medicaid match rate.

A little over $.9 B in Discretionary Funds, appropriated in FY 1997, will be distributed to the States in FY 1998.

Statutory Limits and Requirements on State Expenditures

States must spend at least 70% of their Mandatory and Matching Funds on families on TANF, transitioning from TANF, or at-risk of becoming eligible for TANF. They are required to demonstrate how they serve those populations in their CCDF Plan. States define the term "at-risk".

States must spend at least 4% of their CCDF funds (Discretionary, Mandatory, and State and Federal share of the Matching Funds) on activities to improve the quality and availability of child care. Under the old AFDC-related programs, there was no quality expenditure requirement. Under the original CCDBG, States were required to spend 25% of their funds on quality activities and activities to increase the supply of before- and after-school care and early childhood development programs.

States must spend no more than 5% of their CCDF funds (Discretionary, Mandatory, and State and Federal share of the Matching Funds) on administration.

Eligible Families

By statute, States can serve families whose parents are working or in education or training, and families whose children are receiving protective services.

By statute, States can serve families whose income level is up to 85% of the State median income (SMI) for a family of the same size.

- o Based on a preliminary analysis of plans submitted for the FY 1998-1999 biennium: 10 States placed eligibility levels at up to 85% of the SMI and some 30 additional States set eligibility levels in the 50% through 80% range.

- o The most recent data indicates that the majority of federal child care subsidy serves children below 130 percent of poverty.

Eligible Children

By statute, a State can serve children under age 13.

- o In Fy 1995, 64% of children served through the CCDBG (now the Discretionary Fund of the CCDF) were age 5 and under, 35% were age 6-12, and 1% were over age 13.

- o By regulation, a State may serve children age 13 and over who are under court supervision or are mentally or physically incapable of self care. In ACF's preliminary analysis of the current draft FY 1998-1999 CCDF Plans, we found that 60% of States indicate they will serve children under court supervision. Some 90% will serve children who are incapable of self care.

- o By statute, States must give priority to children with special needs and to children from very low income families. States have the flexibility to define "special needs" and "very low income."

- o States can also give priority to other categories of children. A preliminary analysis of State plans for the upcoming biennium shows that States additionally have chosen to give priority to such categories as teen parents, families in protective services, and families receiving TANF.

How Families Receive Subsidies and Contribute to the Cost of Care

Families apply for child care subsidies through their local child care resource and referral offices, local welfare offices, family day care network offices or other agents of the Lead Agency.

The statute requires parental choice of provider. Any legally operating child care provider may be chosen. The main categories of child care are center-based care, family day care homes, group family day care homes, and in-home care. Sectarian care and relative care are permissible choices, as well as any other types of legal provider.

The statute requires that the family offered CCDBG-subsidized care be given the choice to enroll the child with a provider that has a grant or contract to provide services or to receive a child care certificate. A certificate is defined in the statute as a check or other disbursement that is issued by a Sate or local government under the statute directly to a parent who may use the certificate only as payment for child care services. Some States run all-certificate programs. Others offer a mixture of certificates and grants or contracts.

By statute, a State's CCDBG Plan shall certify that payment rates for the provision of child care services for which assistance is provided are sufficient to provide equal access for eligible children to comparable child care services in the State or substate area that are provided to children whose parents are not eligible to receive assistance. States must provide a summary of the facts used to determine that the rates are sufficient to provide equal access.

The statute requires that the family contribute to the cost of care on a sliding fee basis. The CCDBG Plan must include the scale or scales used to determine the family's contribution. The statute requires that the scale be based on family size and income. The State may add other factors, e.g., the number of children in care, rules for counting income. By regulation, States may exempt families below the poverty level from paying the co-payment.

Recent reports by the Census Bureau indicate that families with income below the poverty level pay a disproportionate share of their income--some 18%--for child care; whereas families above the poverty level pay only 7% of their income for child care. In the CCDBG proposed rules, ACF did not propose to limit the family co-payment. As part of its guidance on the statutory concept of "equal access," however, ACF has suggested in its preamble to the CCDF proposed rule that, as a benchmark, a State design its sliding fee scale(s) to require that a family spend no more than 10% of its income on child care, no matter how many children are in care.

<u>Quality of Care</u>

By statute, a State must certify that it has in effect licensing requirements applicable to child care services provided within the State. The State must describe those requirements in its CCDBG plan as well as how they are effectively enforced.

By statute, a State must certify that there are in place requirements designed to protect the health and safety of children that are applicable to the providers that serve CCDF children. The requirements shall include:

- **the prevention and control of infectious diseases (including immunization);**
- **building a physical premises safety; and**
- **minimum health and safety standards.**

All providers of care to CCDF children, therefore, must meet the basic health and safety standards--whether through licensure or regulation or through requirements designed by the Lead Agency to apply to unregulated care providers serving CCDF-subsidized families.

States must spend 4 percent of CCDF funds on Quality. Activities usually include efforts to expand and improve training, licensing and resource and referral and outreach and support to new providers.

States additionally have flexibility within the CCDF to create payment rates that reward higher quality care, such as establishing higher payment rates for accredited centers or other child care facilities or rewarding in-home providers with appropriate child care credentials.

OPTIONS

INCREASING SUBSIDY TO SERVE MORE CHILDREN

In FY 95, the four federal child care programs were funded at $2.16 billion. Below is the most recent data from that year on the number of children served in each program:

Program	Children served
AFDC/JOBS	233,029 average per month
AFDC/non-JOBS	209,020 average per month
TCC	141,017 average per month
ARCC	189,891 average per month
CCDBG	662,735 per year

An exact total number of children served with these four programs is not available since numbers from each program cannot be combined due to differences in data collection methodology and lack of information about duplication across data sets.

No current data is yet available on the number of children served by the new unified CCDF program funded at $2.9 billion in FY 97. Since states have a great deal of flexibility in critical policy areas, we do not yet know how many children will be served. **Numbers of children served will depend on state decisions regarding: reimbursement rates, parent co-payments, age of children served, how much is spent on quality and amount of state investment.** Rough estimates are that these funds provide a little more than one million slots. Each slot could serve more than one child a year, since children may move in and out of the system.

1. <u>Increase the number of children served with current policies</u>

Under this option, states would be allowed to continue to set all policies with regard to eligibility, reimbursement rates, co-payments, targeting, etc. A specific amount of funds would be added to reach a targeted number of children.

For example, one goal could be to double the number of children over the next five years, reaching approximately 2 million children by the year 20002.

Advantages:

- o Maintains flexibility provided in existing statute for States to tailor program to meet specific State or local needs.
- o Avoids additional regulatory and administrative requirements, e.g. tracking additional "pots" of funding in financial management, reporting, program design.

Disadvantages:

- o Forfeits opportunity to target use of funds to foster national goals.

2. Increase number of children served and target specific ages of children

A. Provide additional funding targeted to care for infants and toddlers.

Advantages:

- o The care infants receive will influence their later lives.
- o Available infant care will also ensure that young families are served, e.g., teen parents with very young children.
- o Targeting infants particularly could help bolster the supply of providers in this area of shortage.
- o Given that, under Temporary Assistance for Needy Families (TANF), States will require parents with very young children to work, the demand for care for very young children may increase dramatically.
- o Under new welfare requirements, parents are required to go to work or attend training when their child is 3 months old. States may choose to exempt parents of children under age 1 from these work requirements. However, many states have are requiring families to work with children under age 1.
- o A recent GAO study found that communities are generally not meeting current demand for infant care. The study found that the percentage of current demand for infant care that is met by the known supply ranges from 16% to 67%, with the gap being particularly great in poor communities.

Disadvantages:

- o Since infants require more specialized care and more individual attention, child care for infants typically is more expensive.
- o There are fewer providers of infant care. There would be a need to assure supply of slots as well the availability of infant child care subsidies.

B. Target additional funding to school-age child care. There is a prevailing lack of school-age child care, especially in low-income area.

Advantages:

- o School-age care will provide adult supervision so that children will not be alone, keep them off the streets, and ideally, provide them with a range of positive and enriching experiences during out-of-school time.

- o School-age child care costs less than pre-school care, and therefore more children could be served.

Disadvantages:

- o If only school-age child care is targeted, infant and toddler child care, which is expensive and critical to young children's development, might not expand.

3. Increase number of children served and target non-welfare families.

Under this option, all new funds could be directed at non-welfare families. Funds could also be targeted to promote other policy goals such as affordable co-payments and higher reimbursement rates.

Advantages:

- o Would provide a greater degree of assurance that child care assistance is available for non-welfare working families and not disproportionately targeted to TANF families.

Disadvantages:

- o Depending upon the program design could impede State flexibility by making artificial distinctions between categories of families. There is little practical distinction between low-income working families (non-welfare families) and working families who also receive assistance. Low income non-welfare families frequently cycle on and off of assistance (the "one paycheck away from welfare" dilemma of the minimum wage worker) so this artificial categorization is not useful.

- o Targeting low-income working families is unnecessary as there are adequate provisions in the current law to ensure that they are served.

DRAFT

Families Receiving Child Care by Income Level

	At or Below Poverty	Between Poverty and 150% of Poverty	Between 150% and 200% of Poverty	Above 200% of Poverty	Total Families
CCDBG (N=50)	234.2	90.6	50.2	4.9	379.8
Transitional Child Care (N=50)	50.9	19.7	10.9	1.1	82.5
At-Risk Child Care (N=41)	82.9	32.1	17.8	1.7	134.5
AFDC/JOBS Child Care (N=46)	143.7	-	-	-	143.7

(Thousands)

Notes:
1. The 50 States, District of Columbia, and Puerto Rico are included in this report.
2. CCDBG families are reported on an annual aggregate (unduplicated) basis (ACF-700).
3. Transitional, At-Risk, and AFDC/JOBS families are reported on an average monthly basis.
4. Transitional and At-Risk families are not reported by income levels; CCDBG percentages were applied to these two groups since they are more likely to participate in a similar manner.
5. AFDC/JOBS families are not reported by income levels. We have assumed all these families are below poverty since they are more likely to work part time.

Average Child Care Subsidy Payments

1995

	CCDBG (N=50)	TCC (N=51)	At-Risk	AFDC/JOBS (N=44)
Average Subsidy for Full-Time Care per Week per Child**	$ 66	$ 58	*	$ 58

* Data not available

**CCDBG average weekly care calculated by multiplying the average hourly rate ($1.64) reported on the ACF-700 by 40 hours. Average TCC and AFDC/JOBS weekly care calculated by dividing the average paid for full-time care (31-50 hours) by 4.3 (average number of weeks per month).

Ratio of Children to Families, 1995

	CCDBG (N=50)	TCC (N=49)	At-Risk (N=41)	AFDC (N=45)
Ratio of Children to Families	1.78	1.69	1.48	1.85

file CCDBG
child care

United States Senate
WASHINGTON, DC 20510

March 30, 1999

The Honorable Pete V. Domenici
Chairman
Senate Committee on the Budget
Hart Senate Office Building
Room 328
Washington, D.C. 20510

Dear Chairman Domenici:

During floor debate on the budget resolution, we offered an amendment to provide an additional $5 billion over 5 years in mandatory funding to the existing Child Care and Development Block Grant, a program that has been assisting low-income families with the costs of child care since 1990. The Dodd-Jeffords amendment was adopted with a strong bipartisan vote of 57-40. In conferencing the Concurrent Resolution on the Budget, we respectfully request that the House recede to the Senate with regard to this amendment. We also ask that the provision be included in the Statement of Managers.

Thank you for your consideration.

Sincerely,

Chris Dodd

Christopher J. Dodd
United States Senator

Jim Jeffords

James M. Jeffords
United States Senator

A Senate Vote on Child Care

Sunday, April 4, 1999; Page B06

THE SENATE adopted 56 amendments in the two days it debated the budget resolution. Most of them are feel-good, sense-of-the-Senate resolutions that will have little effect. But at least one did involve a change in the tax and spending aggregates that are the substance of the resolution -- the framework within which the rest of the year's fiscal legislation is supposed to fit.

Sens. James Jeffords and Christopher Dodd proposed reducing by $5 billion over five years and $12 billion over 10 the size of the tax cut for which the resolution provides. The money would be used instead to increase child-care grants for low-income families that go to the states. The amendment passed 57 to 40, with 12 Republicans joining all 45 Democrats in favor.

The vote doesn't guarantee that the increase will occur. This year even more than most, the budget resolution is a wishful document, promising more than it can deliver. The tax cut was already going to be reduced; the Republicans put it in the resolution, less in the expectation that it would be enacted in full than as a expression of political intent and a starting point for bargaining. But the vote does indicate enough support for a child-care increase to make it a candidate for inclusion in the final bills.

Our own sense is that, rather than sizable tax cuts or spending increases, they would do better to use the bulk of the likely surplus over the next several years to pay down debt against the day when the baby boomers will retire and the government will have to borrow again. But if they're going to spend rather than save some part of the money, child care is a worthy cause. Opponents say the states already have excess welfare money they could spend on child care. But the excess was provided as a reserve against the likely day when the economy falters and welfare rolls head up again. Low-income mothers need to work, and to make work pay they need support, including notably for child care.

The president this year as last has a child-care proposal in his own budget -- an increase in the dependent-care tax credit for middle-income families as well as an increase in grants to the states mainly for the poor. Last year, having made the proposal -- it was the largest initiative in his budget -- he did little to further it, and it disappeared from view. Perhaps he will now be encouraged by the vote in the Senate to fight for it.

June 28, 1999

The Honorable William Jefferson Clinton
The White House
Washington, DC 20520

Dear Mr. President:

It is clear that in the upcoming months, there will be several opportunities to increase funds for child care. You submitted a strong budget proposal which included a large increase in the Child Care and Development Block Grant and improved tax credits for families. We strongly urge you to push hard to make these child care increases a reality in a tax bill or an appropriation bill or both if need be.

Child care is a major challenge for American families. Every day millions of American parents rely on child care so they can work and their young children can receive the early education experiences that are vital to their future success in school. Millions more parents need after-school programs for their school age children to involve them in productive activities and keep them out of trouble. However, at every step of the way, families needing child care confront a host of obstacles.

At annual costs that can exceed $10,000 a year, child care is financially burdensome for most families. One out of three families with young children earns less than $25,000 a year. Yet, the average annual cost of care for a four-year-old in an urban-area child care center exceeds the average annual cost of public college tuition in almost every state.

Despite the importance of a strong early start to ensure that children have the skills necessary to enter school ready to read and ready to succeed, national studies indicate major gaps in the quality of both center-based and family child care. The first three years of life are vital to brain development; however, quality child care is especially hard to find for infants and toddlers.

In order to reach low-income families, it is critical to expand funding for the Child Care and Development Block Grant, which currently assists only about one in ten eligible families. Many lower-income families – and even some with incomes as high as $30,000 – would not receive a net benefit from an improved Dependent Care Tax Credit (DCTC) unless it is made refundable. Pairing an increase in CCDBG with improvements to the DCTC would ensure that hard working middle-income families would also get some relief from high child care costs.

This is a time of unparalleled economic prosperity in this country. Yet, while millions of families are working, many are struggling to make ends meet in exceedingly low wage jobs. In 1997, 71 percent of poor children had a family member who worked during the year. Expanding access to quality child care for these families will not only help parents to stay in the workforce, but will also give their children the boost they need to build a strong foundation for future learning. We urge you to make this possible by working at every opportunity to ensure that your child care proposals are enacted in 1999. We stand ready to work with you.

Sincerely,

ACLU Women's Rights Project
Action for Children
Alliance for Children and Families
American Association for Democratic Action
American Association for Health Education
American Association for Respiratory Care
American Association for University Women
American Association of School Administrators
American Dental Hygienists Association
American Humane Association
American Jewish Congress
Ben & Jerry's
Camp Fire Boys and Girls
Center For Advancement of Public Relations
Center for Career Development in Early Care and Education
Center For Community Change
Center for the Child Care Workforce
Center For Women Policy Studies
Child Care Law Center
Children's Defense Fund
Child Welfare League of America
Committee for Children
Committee for Hispanic Children and Families
Congress of National Black Churches
Council for Early Childhood Professional Recognition
Council for Exceptional Children
Early Childhood Policy Research
Equal Right Advocates
Evangelical Lutheran Church of America
Family Focus
Family Voices
Feminist Majority
Fight Crime Invest In Kids
HADASSAH
Institute for Peace and Justice
King Urban Life Center
Labor Council for Latin American Advancement
Latino Lesbian & Gay Transgender
Lutheran Office of Government Affairs
National Association for Family Child Care
National Association for the Education of Young Children
National Association of Child Care Resource and Referral Agencies
National Association of School Psychologists
National Black Caucus of State Legislators
National Center for Infants, Toddlers, and Families
National Center for the Early Childhood Workforce
National Coalition for Campus Children's Center
National Coalition of Domestic Violence

National Council of Churches
National Council of Jewish Women
National Council of Negro Women
National Council on Family Relations
National Easter Seal Society
National Family Preservation Network
National Head Start Association
National Hispanic Council on Aging
National Indian Child Care Association
National Institute On Out-of-School Time
National Latino Children's Institute
National Organization For Women
National Organization of Commissions for Women
National Partnership for Women and Families
National Respite Coalition
National School Age Care Alliance
National Urban League, Inc.
National Women's Law Center
NCECW
NETWORK/National Catholic Social Justice Lobby
Nine to Five
Northwest Women's Law Center
NOW Legal Defense and Education Fund
Prevent Child Abuse America
Provider's Choice
Quality Care for Children, Inc.
Save The Children
Teaching Strategies
The Children's Foundation
The Episcopal Church
The General Federation of Women's Clubs
The National Puerto Rican Coalition
The Preschool Project
The Salvation Army
UBU Productions
UNITE
United Auto Workers
United Cerebral Palsy Association
United Church of Christ
United Methodist Church
West Ed, Center for Child and Family Studies
WIDER Opportunities for Women
Women of Reform Judaism
YMCA of the USA
YWCA of the USA

June 28, 1999

The Honorable *first name last name*
DC address
Washington, D.C. 20515

Dear Representative:

In any tax bill this year, we strongly urge you to include a $7.5 billion increase over five years in the Child Care and Development Block Grant (CCDBG) and improvements in the Dependent Care Tax Credit for lower and lower-middle income families.

Child care is a major challenge for American families. Every day millions of American parents rely on child care so they can work and their young children can receive the early education experiences that are vital to their future success in school. Millions more parents need after-school programs for their school age children to involve them in productive activities and keep them out of trouble. However, at every step of the way, families needing child care confront a host of obstacles.

At annual costs that can exceed $10,000 a year, child care is financially burdensome for most families. One out of three families with young children earns less than $25,000 a year. Yet, the average annual cost of care for a four-year-old in an urban area exceeds the average annual cost of public college tuition.

Despite the importance of a strong early start to ensure that children have the skills necessary to enter school ready to read and ready to succeed, national studies indicate major gaps in the quality of both center-based and family child care. The first three years of life are vital to brain development; however, quality child care is especially hard to find for infants and toddlers.

In order to reach low-income families, it is critical to expand funding for the Child Care and Development Block Grant, which currently assists only about one in ten eligible families. Many lower-income families – and even some with incomes as high as $30,000 – would not receive a net benefit from an improved Dependent Care Tax Credit (DCTC) unless it is made refundable. Pairing an increase in CCDBG with improvements to the DCTC would ensure that hard working middle-income families would also get some relief from high child care costs.

This is a time of unparalleled economic prosperity in this country. Yet, while millions of families are working, many are struggling to make ends meet in exceedingly low wage jobs. In 1997, 71 percent of poor children had a family member who worked during the year. Expanding access to quality child care for these families will not only help parents to stay in the workforce, but will also give their children the boost they need to build a strong foundation for future learning. We urge you to make this possible by increasing funds for CCDBG and improving the Dependent Care Tax Credit.

Sincerely,

Action for Children
Alliance for Children and Families
American Association for Democratic Action
American Association for Health Education
American Association for Respiratory Care
American Association for University Women
American Association of School Administrators
American Dental Hygienists Association
American Humane Association
American Jewish Congress
Ben & Jerry's
Camp Fire Boys and Girls
Center For Advancement of Public Relations
Center for Career Development in Early Care and Education
Center For Community Change
Center for the Child Care Workforce
Center For Women Policy Studies
Child Care Consortium
Child Care Law Center
Children's Defense Fund
Child Welfare League of America
Committee for Children
Committee for Hispanic Children and Families
Congress of National Black Churches
Council for Early Childhood Professional Recognition
Council for Exceptional Children
Division for Early Childhood of the Council for Exceptional Children
Early Childhood Policy Research
Episcopal Child Advocacy
Equal Right Advocates
Evangelical Lutheran Church of America
Family Focus
Family Friends
Family Voices
Feminist Majority
Good Faith Fund
HADASSAH
Institute for Peace and Justice
Jewish Council for Public Affairs
Jewish Women International
King Urban Life Center
Labor Council For Latin American Advancement
Latino Lesbian & Gay Transgender
Lutheran Office of Government Affairs
National Association for Family Child Care

National Association for the Education of Young Children
National Association of Child Care Resource and Referral Agencies
National Association of School Psychologists
National Black Caucus of State Legislators
National Black Police Association
National Center for Infants, Toddlers, and Families
National Center for the Early Childhood Workforce
National Coalition for Campus Children's Center
National Coalition of Domestic Violence
National Coalition of Title1/Chapter 1 Parents
National Council of Churches
National Council of Jewish Women
National Council of Negro Women
National Council on Family Relations
National Easter Seal Society
National Family Preservation Network
National Head Start Association
National Hispanic Council on Aging
National Indian Child Care Association
National Institute on Out-of-School Time
National Latino Children's Institute
National Organization for Women
National Organization of Commissions for Women
National Partnership for Women and Families
National Respite Coalition
National School Age Care Alliance
National Urban League, Inc.
National Women's Law Center
NCECW
NETWORK/National Catholic Social Justice Lobby
Nine to Five
Northwest Women's Law Center
NOW Legal Defense and Education Fund
Prevent Child Abuse America
Provider's Choice
Quality Care for Children, Inc.
Save The Children
Teaching Strategies
The Children's Foundation
The Episcopal Church
The General Federation of Women's Clubs
The National Puerto Rican Coalition
The Preschool Project
UBU Productions
UNITE
United Auto Workers

United Cerebral Palsy Association
United Church of Christ
United Methodist Church
United Way of America
USA Child Care
West Ed, Center for Child and Family Studies
WIDER Opportunities for Women
Women of Reform Judaism
YMCA of the USA
YWCA of the USA