TITLE __–HUMAN SERVICES

Subtitle _____ -Child Care Quality Improvement

SECTION__. SHORT TITLE.

This subtitle may be cited as the "Child Care Quality Improvement Act of 1999".

SEC.__. CHILD CARE SUBSIDY FUNDING.

(a) APPROPRIATION; ALLOCATION.—Section 418 of the Social Security Act (42 U.S.C. 618) is amended—

(1) by redesignating subsections (b), (c), and (d) as subsections (d), (e), and (f), respectively; and

(2) by inserting after subsection (a) the following new subsection:

"(b) CHILD CARE SUBSIDY FUNDING.—

"(1) APPROPRIATION.—There are appropriated out of any funds in the Treasury not otherwise appropriated, for allocation in accordance with this subsection—

"(A) $1,155,000,000 for fiscal year 2000;

"(B) $1,280,000,000 for fiscal year 2001;

"(C) $1,400,000,000 for fiscal year 2002;

"(D) $1,600,000,000 for fiscal year 2003;

"(E) $2,065,000,000 for fiscal year 2004; and

"(F) for each fiscal year after fiscal year 2004, such amount shall not be less than $2,065,000,000.

"(2) ALLOCATION OF APPROPRIATIONS.—Amounts appropriated for each fiscal year pursuant to paragraph (1) shall be allocated as follows:

"(A) AMOUNT FOR INDIAN TRIBES.—Up to two percent of the total amount appropriated shall be allocated to Indian tribes in proportional shares equal to the shares received by such tribes for such fiscal year under section 658O(c) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9801 et seq.) (hereafter in this section referred to as the 'CCDBG Act').

"(B) SECRETARY'S ACTIVITIES.—$1,000,000 is reserved to the Secretary and shall be available for quality assurance and quality improvement activities relating to programs under the CCDBG Act.

"(C) AMOUNTS FOR STATES AND TERRITORIES.—From the total amount remaining after application of subparagraphs (A) and (B), an amount shall be allocated to each State and territory based on the formula specified in section 403(n) (as such section was in effect before August 22, 1996) notwithstanding any limitation under section 1108.

"(3) MATCHING PAYMENTS TO STATES AND TERRITORIES.—

"(A) QUALIFYING STATE EXPENDITURES.—Payments to a State under this subsection shall be made only with respect to State expenditures for a fiscal year in excess of expenditures necessary to secure payment of the full amount of the State's allotment (if any) under subsection (a)(2) (but without regard to subsection (a)(2)(D)).

"(B) FEDERAL PAYMENTS.—The Secretary shall pay to each State and territory for a fiscal year an amount equal to the lesser of its allotment under paragraph (2) or 80 percent of expenditures by the State or territory—

"(i) that are for any purpose authorized under the approved plan of such State or territory under the CCDBG Act;

"(ii) that, in the case of a State, meet the condition specified in subparagraph (A); and

"(iii) for which Federal matching payments or reimbursements have not otherwise been made.

"(C) REDISTRIBUTION.—The Secretary shall, to the extent necessary, determine the need for redistribution of, and redistribute, amounts allotted under this subsection to States, in accordance with the procedures and formula set forth in subsection (a)(2)(D).

"(4) PAYMENTS TO INDIAN TRIBES.—The Secretary shall pay to each Indian tribe for a fiscal year an amount equal to the lesser of–

"(A) its allotment under paragraph (2)(A); or

"(B) the total amount of expenditures by the tribe for purposes authorized under the CCDBG Act for which Federal payments have not otherwise been made.".

(b) INCLUSION OF TERRITORIES IN DEFINITIONS.—Section 418(f) of that Act, as redesignated by subsection (a)(1), is amended to read as follows:

"(f) DEFINITIONS.—As used in this section—

"(1) STATE.—The term 'State' means each of the 50 States, the District of

Columbia, and (except for purposes of subsection (a)) the Commonwealth of Puerto Rico.

"(2) TERRITORY.—The term 'territory' means the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.".

(c) CONFORMING AMENDMENTS.—

(1) Section 418(a)(3) of that Act is amended by striking "this section" and inserting "this subsection".

(2) Section 418(d) of that Act (as redesignated by subsection (a)(1)) is amended in paragraphs (1) and (2) by striking "under this section" each place it appears and inserting "under subsection (a)".

SEC. __. EARLY LEARNING PROGRAM.

(a) FUNDING.—Section 418 of the Social Security Act (42 U.S.C. 618) is amended by adding after subsection (b) (as added by section ___) the following new subsection:

"(c) APPROPRIATIONS FOR EARLY LEARNING PROGRAM.—

"(1) IN GENERAL.—There are appropriated out of any funds in the Treasury not otherwise appropriated, for carrying out activities related to early learning programs in accordance with this section and section 658T of the CCDBG Act, $600,000,000 for each of fiscal years 2000 through 2004, which shall be allocated in accordance with this subsection.

"(2) ALLOCATION OF APPROPRIATIONS.—Amounts appropriated for each fiscal year pursuant to paragraph (1) shall be allocated as follows:

"(A) AMOUNT FOR INDIAN TRIBES.—Up to two percent of the total amount appropriated shall be allocated to Indian tribes in proportional shares equal to the shares received by such tribes for such fiscal year under section 658O(c) of that Act.

"(B) AMOUNTS FOR TERRITORIES.—An amount shall be allotted to each territory that bears the same ratio to one-half of one percent of the total amount appropriated as the amount allotted to such territory for such fiscal year under section 658O(a)(1) of that Act bears to the total amount received by all territories for such fiscal year under such section.

"(C) SECRETARY'S ACTIVITIES.—$6,000,000 is reserved to the Secretary and shall be available for costs of providing technical assistance to, and conducting national evaluations of, State, local, and tribal early learning programs under such section 658T.

"(D) AMOUNTS FOR STATES.—From the total amount appropriated remaining after application of subparagraphs (A), (B), and (C), an amount shall be allocated among the States based on the formula used for determining the amount of Federal payments to the State under section 658O of the CCDBG Act.

"(3) MATCHING PAYMENTS TO STATES AND TERRITORIES.—

"(A) FEDERAL PAYMENTS.—The Secretary shall pay to each State and territory for a fiscal year an amount equal to the lesser of its allotment under paragraph (2) or 80 percent of expenditures by the State or territory for an early learning program under a plan approved under section 658T of the CCDBG Act.

"(B) REDISTRIBUTION.—The Secretary shall, to the extent necessary, determine the need for redistribution of, and redistribute, amounts allotted under this subsection to States, in accordance with the procedures and formula set forth in subsection (a)(2)(D).

"(4) PAYMENTS TO INDIAN TRIBES.—The Secretary shall pay to each Indian tribe for a fiscal year an amount equal to the lesser of its allotment under paragraph (2)(A) or the total amount of expenditures by the tribe for an early learning program under section 658T of the CCDBG Act.".

(b) ESTABLISHMENT OF EARLY LEARNING PROGRAM.—

(1) STATE PLAN REQUIREMENT.—Section 658E(c) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858c(c)) is amended by adding at the end the following new paragraph:

"(6) EARLY LEARNING PROGRAM PLAN REQUIREMENTS.—In the case of a State electing to implement an early learning program under section 658T, the State plan shall meet the requirements specified in section 658T(b)(2).".

(2) EARLY LEARNING PROGRAM.–That Act is amended by adding at the end the following new section:

"SEC. 658T. EARLY LEARNING PROGRAM.

"(a) PROGRAM PURPOSE.—The purpose of the program under this section is to enable States, through grants to communities, to support activities that—

"(1) promote children's healthy development during the earliest years of life;

"(2) improve the quality of child care for children aged five and under, including those with disabilities;

"(3) encourage and facilitate emerging literacy and language development, and school readiness; and

"(4) enhance programs designed to achieve these goals.

"(b) REQUIREMENTS FOR STATE PARTICIPATION.—

"(1) IN GENERAL.—In order to be eligible for Federal matching funds under section 418(c) of the Social Security Act, the State shall have in effect under its plan under section 658E an early learning program plan meeting the requirements specified in paragraph (2).

"(2) EARLY LEARNING PROGRAM PLAN REQUIREMENTS.—The early learning program plan shall meet the following requirements:

"(A) LEAD AGENCY.—The plan shall provide that the program will be administered by the lead agency designated under 658D.

"(B) COMMUNITY GRANT PROCEDURES.—The plan shall describe the standards and procedures to be applied in the review and approval of community applications, and in setting amounts, terms, and conditions of community grants, including the methods to be used to ensure that no less than 70 percent of grant funds are awarded to low-income communities.

"(C) COMMUNITY PARTICIPATION IN PLANNING AND MONITORING.—The plan shall describe the methods to be used to ensure participation, in planning and monitoring activities under the community plan, of representatives of concerned elements of the community, including parents of young children, child care providers, child development and mental health professionals, early intervention specialists, health care providers, public school representatives, local interagency coordinating councils for children with disabilities, local government, and business leaders.

"(D) PROGRAM ACTIVITIES.—The plan shall specify which of the allowable activities enumerated in subsection (c) may be carried out under community grants under the plan.

"(E) PERFORMANCE GOALS AND MEASURES.—The plan shall specify—

(i) performance goals to be achieved and the interim and long term performance measures and timetables, as appropriate, to be used to assess progress toward each goal under the plan, which—

(I) shall be developed pursuant to guidance provided by the Secretary and in consultation with local government authorities in accordance with section 658D(b)(2); and

(II) shall be designed to improve child development through coordination with health care and mental health services; enhanced early learning environments, especially those that promote language skills and literacy growth of children; quality of infant and toddler care; parental involvement; consumer education; reduced staff turnover; and increased rates of accreditation by nationally recognized accreditation organizations;

(ii) the steps to be taken by the State or grantees in accordance with guidance provided by the Secretary if the specified benchmarks are not achieved.

"(F) COORDINATION WITH ACTIVITIES TO IMPROVE THE QUALITY OF CHILD CARE.—The State plan shall specify the methods to be used to coordinate activities under this section and section 658G(a), including coordination of planning and of performance goals and measures, in order to maximize the effectiveness of both programs.

"(c) ALLOWABLE ACTIVITIES.—An early learning program under a State plan under this section may provide for any or all of the following activities to promote cognitive, social, emotional, and physical development in order to enhance emerging literacy and language development, and school readiness:

"(1) INFORMATION AND RESOURCES.—

"(A) PARENTING EDUCATION.—Provision of parenting education, including use of or collaboration with Even Start or similar programs, for parents of young children by means including use of community-based resource centers, family literacy programs with parenting education components, collaboration with early intervention and preschool

add H-5

providers of services for children, public elementary schools, centers that serve children with special health care needs or disabilities and their families, and home visiting programs.

"(B) INFORMATION AND REFERRAL.—Initiatives to develop or increase the availability of consumer education information and referral services and other resources to assist parents to locate and assess the quality of available child care services.

"(C) FAMILY CHILD CARE NETWORKS.—Development of support networks, information and referral services, and other supportive services addressing needs of family child care providers for access to such resources as education, training, and community support services.".

"(2) QUALITY AND AVAILABILITY.—

"(A) PROVIDER TRAINING.—Training of child care personnel, which may include training in early childhood development, early literacy, health, nutrition, hygiene, first-aid and safety, best practices for serving children with disabilities in child care, and other appropriate matters.

"(B) IMPROVED STAFFING RATIOS.—Initiatives to increase ratios of child care staff to children in care and to reduce child care group sizes.

"(C) LICENSING AND ACCREDITATION ASSISTANCE.—Assistance to entities and individuals in meeting applicable child care accreditation and licensing requirements and in obtaining licensing or accreditation.

"(D) STANDARDS ENFORCEMENT.—Initiatives to increase the numbers of qualified child care licensing and standards enforcement staff and activities to increase monitoring and enforcement of State and local health and safety standards.

education of staff

"(E) HEALTH SERVICES.—Improving coordination of child care with appropriate health services including health and mental health consultations, hearing and vision testing, and immunizations, by methods such as co-location of health and child care services, referrals of children in child care to health care providers or screening services, and transfer of child health records to public school at school entry. Services under this subparagraph shall not include direct provision of or payment for health care services.

"(F) CARE FOR CHILDREN WITH SPECIAL NEEDS.—Increasing the availability and quality of child care for young children with special health care needs, developmental delays, and disabilities; and coordinating with early intervention and preschool special education services.

"(G) SALARY AND BENEFIT ENHANCEMENT.—Assistance to child care programs to increase the quality and continuity of care by attracting or retaining highly qualified child care staff working directly with children through enhanced compensation.

"(H) MONITORING AND TECHNICAL ASSISTANCE.—Technical assistance to grantees, and monitoring of programs, assisted under this section. State expenditures under this subparagraph shall not exceed a percentage of total State expenditures for the program under this section equal to 10 percent for each of fiscal years 2000 through 2002, and 5 percent for fiscal year 2003 and each succeeding fiscal year.".

(c) ANNUAL REPORT.—Section 658K(a)(2) of the Act (42 U.S.C. 9858i(a)(2)) is amended—

(1) by striking "and" at the end of subparagraph (D);

(2) by striking the period at the end of subparagraph (E) and inserting a semicolon; and

(3) by inserting after and below subparagraph (E) the following new subparagraphs:

"(F) the early learning program under section 658T, including—

"(i) the number and average dollar amount of grants awarded;

"(ii) the number, average dollar amount, and percentage of the total State award of such grants made to low-income communities;

"(iii) the number of early learning programs;

"(iv) the number of children served with special health care needs, disabilities or developmental delays;

"(v) the number of early learning programs that assist children with special needs;

"(vi) progress toward achievement of each performance goal, for each specific, quantifiable and measurable objective;

"(vii) expenditures for each allowable activity listed in section

658T(c), total expenditures and, to the extent feasible, the volume or frequency of such activity and the average expenditure per unit of such activity; and

"(viii) with respect to any allowable activity listed in section 658T(c) for which expenditures are made by the State both under section 658G(a) and under section 658T, the amount expended under each such section; and

"(ix) such other data as the Secretary may require.

SEC. __. 4% MINIMUM QUALITY EXPENDITURES.

Section 658G of the Act (42 U.S.C. 9858e) is amended—

(a) by striking "A State" and inserting the following:

"(a) 4% MINIMUM QUALITY EXPENDITURES.—Subject to subsection (b), a State"; and

(b) by adding at the end the following new subsection:

"(b) DISREGARD OF EARLY LEARNING PROGRAM FUNDS.—For purposes of subsection (a), amounts received by the State from amounts appropriated under section 418(c) of the Social Security Act and expended under a plan in accordance with section 658T shall be disregarded.".

Nicole R. Rabner

02/15/99 02:54:38 PM

Record Type: Record

To: Melinda D. Haskins/OMB/EOP

cc: Neera Tanden/WHO/EOP
Subject: Re: HHS Draft Bill on Child Care

Melinda, Neera and I have two comments to the draft child care legislation. First, we question whether it make sense to add "Standards Enforcement" as an allowable activity of the Early Learning Fund since the ELF is administered on the community level and standards enforcement staff, etc., are governed at the State level. Our second and related question is whether we should add any legislative language to govern in general terms the $173 million we secured in appropriations last year, i.e. something that notes that this new money is to be used for general standards enforcement and child care professional development. As you remember, our proposal last year was quite specific in those two areas, but we wonder if it makes any sense to identify this money as meant for these general purposes.

I will be out of the office on Tuesday, but Neera will be here. Neera may have other comments tomorrow. Thanks for your patience.

Nicole

[redacted]

Record Type: Record

To: Melinda D. Haskins/OMB/EOP

cc: Nicole R. Rabner/WHO/EOP
Subject: Re: HHS Draft Bill on Child Care

Just to clarify, last year we differentiated between support for efforts at the local level to bring child care quality up to meet state standards (i.e., licensing and accreditation assistance through the Early Learning Fund) and efforts at the state level to ensure state standards are being met (thus, the Standards Enforcement Fund's support for inspections, etc). If we were to include language that specificied to some degree that some part of the $173 million should be used for standards enforcement at the state level, that would clearly affect whether include similar language in the Early Learning Fund.

Also, last year we specified that states could only draw down the new CCDBG funding (with its 80% - 20% match) after they used the CCDBG funding at the roughly 54%-46% match. I'm not sure I'm reading the legislation right, but does this draft contain that requirement? If not, I think it should.

Thanks very much, and I hope this all isn't too late.
--------------------- Forwarded by Neera Tanden/WHO/EOP on 02/16/99 10:11 PM ---------------------------

Nicole R. Rabner

02/15/99 02:54:38 PM

Record Type: Record

To: Melinda D. Haskins/OMB/EOP

cc: Neera Tanden/WHO/EOP
Subject: Re: HHS Draft Bill on Child Care

Melinda, Neera and I have two comments to the draft child care legislation. First, we question whether it make sense to add "Standards Enforcement" as an allowable activity of the Early Learning Fund since the ELF is administered on the community level and standards enforcement staff, etc., are governed at the State level. Our second and related question is whether we should add any legislative language to govern in general terms the $173 million we secured in appropriations last year, i.e. something that notes that this new money is to be used for general standards enforcement and child care professional development. As you remember, our proposal last year was quite specific in those two areas, but we wonder if it makes any sense to identify this money as meant for these general purposes.

I will be out of the office on Tuesday, but Neera will be here. Neera may have other comments tomorrow. Thanks for your patience.

Nicole

Ncoh

1 - language for $172 mil
2 ~~[illegible]~~ take out standards enforcement for ELF CA
3 80-20% match after drawdown ~~50~~ 57% 46% match

TITLE __–HUMAN SERVICES

Subtitle _____ - Child Care Quality Improvement

SECTION__. SHORT TITLE.

This subtitle may be cited as the "Child Care Quality Improvement Act of 1999".

SEC.__. CHILD CARE SUBSIDY FUNDING.

(a) APPROPRIATION; ALLOCATION.—Section 418 of the Social Security Act (42 U.S.C. 618) is amended—

(1) by redesignating subsections (b), (c), and (d) as subsections (d), (e), and (f), respectively; and

(2) by inserting after subsection (a) the following new subsection:

"(b) CHILD CARE SUBSIDY FUNDING.—

"(1) APPROPRIATION.—There are appropriated out of any funds in the Treasury not otherwise appropriated, for allocation in accordance with this subsection—

"(A) $1,155,000,000 for fiscal year 2000;

"(B) $1,280,000,000 for fiscal year 2001;

"(C) $1,400,000,000 for fiscal year 2002;

"(D) $1,600,000,000 for fiscal year 2003;

"(E) $2,065,000,000 for fiscal year 2004; and

"(F) for each fiscal year after fiscal year 2004, such amount shall not be less than $2,065,000,000.

"(2) ALLOCATION OF APPROPRIATIONS.—Amounts appropriated for each fiscal year pursuant to paragraph (1) shall be allocated as follows:

"(A) AMOUNT FOR INDIAN TRIBES.—Up to two percent of the total amount appropriated shall be allocated to Indian tribes in proportional shares equal to the shares received by such tribes for such fiscal year under section 658O(c) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9801 et seq.) (hereafter in this section referred to as the 'CCDBG Act').

"(B) SECRETARY'S ACTIVITIES.—$1,000,000 is reserved to the Secretary and shall be available for quality assurance and quality improvement activities relating to programs under the CCDBG Act.

"(C) AMOUNTS FOR STATES AND TERRITORIES.—From the total amount remaining after application of subparagraphs (A) and (B), an amount shall be allocated to each State and territory based on the formula specified in section 403(n) (as such section was in effect before August 22, 1996) notwithstanding any limitation under section 1108.

"(3) MATCHING PAYMENTS TO STATES AND TERRITORIES.—

"(A) QUALIFYING STATE EXPENDITURES.—Payments to a State under this subsection shall be made only with respect to State expenditures for a fiscal year in excess of expenditures necessary to secure payment of the full amount of the State's allotment (if any) under subsection (a)(2) (but without regard to subsection (a)(2)(D)).

"(B) FEDERAL PAYMENTS.—The Secretary shall pay to each State and territory for a fiscal year an amount equal to the lesser of its allotment under paragraph (2) or 80 percent of expenditures by the State or territory—

"(i) that are for any purpose authorized under the approved plan of such State or territory under the CCDBG Act;

"(ii) that, in the case of a State, meet the condition specified in subparagraph (A); and

"(iii) for which Federal matching payments or reimbursements have not otherwise been made.

"(C) REDISTRIBUTION.—The Secretary shall, to the extent necessary, determine the need for redistribution of, and redistribute, amounts allotted under this subsection to States, in accordance with the procedures and formula set forth in subsection (a)(2)(D).

"(4) PAYMENTS TO INDIAN TRIBES.—The Secretary shall pay to each Indian tribe for a fiscal year an amount equal to the lesser of–

"(A) its allotment under paragraph (2)(A); or

"(B) the total amount of expenditures by the tribe for purposes authorized under the CCDBG Act for which Federal payments have not otherwise been made.".

(b) INCLUSION OF TERRITORIES IN DEFINITIONS.—Section 418(f) of that Act, as redesignated by subsection (a)(1), is amended to read as follows:

"(f) DEFINITIONS.—As used in this section—

"(1) STATE.—The term 'State' means each of the 50 States, the District of Columbia, and (except for purposes of subsection (a)) the Commonwealth of Puerto Rico.

"(2) TERRITORY.—The term 'territory' means the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.".

(c) CONFORMING AMENDMENTS.—

(1) Section 418(a)(3) of that Act is amended by striking "this section" and inserting "this subsection".

(2) Section 418(d) of that Act (as redesignated by subsection (a)(1)) is amended in paragraphs (1) and (2) by striking "under this section" each place it appears and inserting "under subsection (a)".

SEC. __. EARLY LEARNING PROGRAM.

(a) FUNDING.—Section 418 of the Social Security Act (42 U.S.C. 618) is amended by adding after subsection (b) (as added by section ___) the following new subsection:

"(c) APPROPRIATIONS FOR EARLY LEARNING PROGRAM.—

"(1) IN GENERAL.—There are appropriated out of any funds in the Treasury not otherwise appropriated, for carrying out activities related to early learning programs in accordance with this section and section 658T of the CCDBG Act, $600,000,000 for each of fiscal years 2000 through 2004, which shall be allocated in accordance with this subsection.

"(2) ALLOCATION OF APPROPRIATIONS.—Amounts appropriated for each fiscal year pursuant to paragraph (1) shall be allocated as follows:

"(A) AMOUNT FOR INDIAN TRIBES.—Up to two percent of the total amount appropriated shall be allocated to Indian tribes in proportional shares equal to the shares received by such tribes for such fiscal year under section 658O(c) of that Act.

"(B) AMOUNTS FOR TERRITORIES.—An amount shall be allotted to each territory that bears the same ratio to one-half of one percent of the total amount appropriated as the amount allotted to such territory for such fiscal year under section 658O(a)(1) of that Act bears to the total amount received by all territories for such fiscal year under such section.

"(C) SECRETARY'S ACTIVITIES.—$6,000,000 is reserved to the Secretary and shall be available for costs of providing technical assistance to, and conducting national evaluations of, State, local, and tribal early learning programs under such section 658T.

"(D) AMOUNTS FOR STATES.—From the total amount appropriated remaining after application of subparagraphs (A), (B), and (C), an amount shall be allocated among the States based on the formula used for determining the amount of Federal payments to the State under section 658O of the CCDBG Act.

"(3) MATCHING PAYMENTS TO STATES AND TERRITORIES.—

"(A) FEDERAL PAYMENTS.—The Secretary shall pay to each State and territory for a fiscal year an amount equal to the lesser of its allotment under paragraph (2) or 80 percent of expenditures by the State or territory for an early learning program under a plan approved under section 658T of the CCDBG Act.

"(B) REDISTRIBUTION.—The Secretary shall, to the extent necessary, determine the need for redistribution of, and redistribute, amounts allotted under this subsection to States, in accordance with the procedures and formula set forth in subsection (a)(2)(D).

"(4) PAYMENTS TO INDIAN TRIBES.—The Secretary shall pay to each Indian tribe for a fiscal year an amount equal to the lesser of its allotment under paragraph (2)(A) or the total amount of expenditures by the tribe for an early learning program under section 658T of the CCDBG Act.".

(b) ESTABLISHMENT OF EARLY LEARNING PROGRAM.—

(1) STATE PLAN REQUIREMENT.—Section 658E(c) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858c(c)) is amended by adding at the end the following new paragraph:

"(6) EARLY LEARNING PROGRAM PLAN REQUIREMENTS.—In the case of a State electing to implement an early learning program under section 658T, the State plan shall meet the requirements specified in section 658T(b)(2).".

(2) EARLY LEARNING PROGRAM.–That Act is amended by adding at the end the following new section:

"SEC. 658T. EARLY LEARNING PROGRAM.

"(a) PROGRAM PURPOSE.—The purpose of the program under this section is to enable States, through grants to communities, to support activities that—

"(1) promote children's healthy development during the earliest years of life;

"(2) improve the quality of child care for children aged five and under, including those with disabilities;

"(3) encourage and facilitate emerging literacy and language development, and school readiness; and

"(4) enhance programs designed to achieve these goals.

"(b) REQUIREMENTS FOR STATE PARTICIPATION.—

"(1) IN GENERAL.—In order to be eligible for Federal matching funds under section 418(c) of the Social Security Act, the State shall have in effect under its plan under section 658E an early learning program plan meeting the requirements specified in paragraph (2).

"(2) EARLY LEARNING PROGRAM PLAN REQUIREMENTS.—The early learning program plan shall meet the following requirements:

"(A) LEAD AGENCY.—The plan shall provide that the program will be administered by the lead agency designated under 658D.

"(B) COMMUNITY GRANT PROCEDURES.—The plan shall describe the standards and procedures to be applied in the review and approval of community applications, and in setting amounts, terms, and conditions of community grants, including the methods to be used to ensure that no less than 70 percent of grant funds are awarded to low-income communities.

"(C) COMMUNITY PARTICIPATION IN PLANNING AND MONITORING.—The plan shall describe the methods to be used to ensure participation, in planning and monitoring activities under the community plan, of representatives of concerned elements of the community, including parents of young children, child care providers, child development and mental health professionals, early intervention specialists, health care providers, public school representatives, local interagency coordinating councils for children with disabilities, local government, and business leaders.

"(D) PROGRAM ACTIVITIES.—The plan shall specify which of the allowable activities enumerated in subsection (c) may be carried out under community grants under the plan.

"(E) PERFORMANCE GOALS AND MEASURES.—The plan shall specify—

(i) performance goals to be achieved and the interim and long term performance measures and timetables, as appropriate, to be used to assess progress toward each goal under the plan, which—

(I) shall be developed pursuant to guidance provided by the Secretary and in consultation with local government authorities in accordance with section 658D(b)(2); and

(II) shall be designed to improve child development through coordination with health care and mental health services; enhanced early learning environments, especially those that promote language skills and literacy growth of children; quality of infant and toddler care; parental involvement; consumer education; reduced staff turnover; and increased rates of accreditation by nationally recognized accreditation organizations;

(ii) the steps to be taken by the State or grantees in accordance with guidance provided by the Secretary if the specified benchmarks are not achieved.

"(F) COORDINATION WITH ACTIVITIES TO IMPROVE THE QUALITY OF CHILD CARE.—The State plan shall specify the methods to be used to coordinate activities under this section and section 658G(a), including coordination of planning and of performance goals and measures, in order to maximize the effectiveness of both programs.

"(c) ALLOWABLE ACTIVITIES.—An early learning program under a State plan under this section may provide for any or all of the following activities to promote cognitive, social, emotional, and physical development in order to enhance emerging literacy and language development, and school readiness:

"(1) INFORMATION AND RESOURCES.—

"(A) PARENTING EDUCATION.—Provision of parenting education, including use of or collaboration with Even Start or similar programs, for parents of young children by means including use of community-based resource centers, family literacy programs with parenting education components, collaboration with early intervention and preschool providers of services for children, public elementary schools, centers that serve children with special health care needs or disabilities and their families, and home visiting programs.

"(B) INFORMATION AND REFERRAL.—Initiatives to develop or increase the availability of consumer education information and referral services and other resources to assist parents to locate and assess the quality of available child care services.

"(C) FAMILY CHILD CARE NETWORKS.—Development of support networks, information and referral services, and other supportive services addressing needs of family child care providers for access to such resources as education, training, and community support services.".

"(2) QUALITY AND AVAILABILITY.—

"(A) PROVIDER TRAINING.—Training of child care personnel, which may include training in early childhood development, early literacy, health, nutrition, hygiene, first-aid and safety, best practices for serving children with disabilities in child care, and other appropriate matters.

"(B) IMPROVED STAFFING RATIOS.—Initiatives to increase ratios of child care staff to children in care and to reduce child care group sizes.

"(C) LICENSING AND ACCREDITATION ASSISTANCE.—Assistance to entities and individuals in meeting applicable child care accreditation and licensing requirements and in obtaining licensing or accreditation.

State monitoring as sep. fr. reading inspections ?

"(D) STANDARDS ENFORCEMENT.—Initiatives to increase the numbers of qualified child care licensing and standards enforcement staff and activities to increase monitoring and enforcement of State and local health and safety standards.

"(E) HEALTH SERVICES.—Improving coordination of child care with appropriate health services including health and mental health consultations, hearing and vision testing, and immunizations, by methods such as co-location of health and child care services, referrals of children in child care to health care providers or screening services, and transfer of child health records to public school at school entry. Services under this subparagraph shall not include direct provision of or payment for health care services.

"(F) CARE FOR CHILDREN WITH SPECIAL NEEDS.—Increasing the availability and quality of child care for young children with special health care needs, developmental delays, and disabilities; and coordinating with early intervention and preschool special education services.

"(G) SALARY AND BENEFIT ENHANCEMENT.—Assistance to child care programs to increase the quality and continuity of care by attracting or retaining highly qualified child care staff working directly with children through

Issue of → 9173m.

enhanced compensation.

"(H) MONITORING AND TECHNICAL ASSISTANCE.—Technical assistance to grantees, and monitoring of programs, assisted under this section. State expenditures under this subparagraph shall not exceed a percentage of total State expenditures for the program under this section equal to 10 percent for each of fiscal years 2000 through 2002, and 5 percent for fiscal year 2003 and each succeeding fiscal year.".

(c) ANNUAL REPORT.—Section 658K(a)(2) of the Act (42 U.S.C. 9858i(a)(2)) is amended—

(1) by striking "and" at the end of subparagraph (D);

(2) by striking the period at the end of subparagraph (E) and inserting a semicolon; and

(3) by inserting after and below subparagraph (E) the following new subparagraphs:

"(F) the early learning program under section 658T, including—

"(i) the number and average dollar amount of grants awarded;

"(ii) the number, average dollar amount, and percentage of the total State award of such grants made to low-income communities;

"(iii) the number of early learning programs;

"(iv) the number of children served with special health care needs, disabilities or developmental delays;

"(v) the number of early learning programs that assist children with special needs;

"(vi) progress toward achievement of each performance goal, for each specific, quantifiable and measurable objective;

"(vii) expenditures for each allowable activity listed in section 658T(c), total expenditures and, to the extent feasible, the volume or frequency of such activity and the average expenditure per unit of such activity; and

"(viii) with respect to any allowable activity listed in section 658T(c) for which expenditures are made by the State both under section 658G(a) and under section 658T, the amount expended under each such section; and

"(ix) such other data as the Secretary may require.

SEC. __. 4% MINIMUM QUALITY EXPENDITURES.

Section 658G of the Act (42 U.S.C. 9858e) is amended—

(a) by striking "A State" and inserting the following:

"(a) 4% MINIMUM QUALITY EXPENDITURES.—Subject to subsection (b), a State"; and

(b) by adding at the end the following new subsection:

"(b) DISREGARD OF EARLY LEARNING PROGRAM FUNDS.—For purposes of subsection (a), amounts received by the State from amounts appropriated under section 418(c) of the Social Security Act and expended under a plan in accordance with section 658T shall be disregarded.".

CHILD CARE INITIATIVE

For six years, the President has sought to help working families balance the demands of work and family. In this budget, he proposes a significant new investment in strengthening child care -- making it better, safer, and more affordable for working families. The budget includes the following:

Expanding the Child Care Block Grant to Create Better, Safer and More Affordable Child Care:

- **Providing Child Care Subsidies to a Half Million Additional Children:** The President proposes to expand the Child Care and Development Block Grant to help working families struggling to afford child care. This block grant is the primary federal subsidy program to pay for child care, enabling low-income parents to work. Funds are distributed by formula to the states to operate direct child care subsidy programs, as well as to improve the quality and availability of care. Today, however, millions of families who are eligible for assistance with their child care costs do not receive any help. In FY 1997, states provided child care assistance to only 1.25 million of the 10 million low-income children eligible for assistance. The President's budget significantly increases investment in the child care block grant by increasing funding for child care subsidies by $1.2 billion to provide child care subsidies for 500,000 more families in 2000.

- **Promoting Early Learning:** The President proposes to increase the block grant to provide challenge grants to communities (distributed by states) to improve early learning and the quality and safety of child care for children ages zero to five. Research shows that children's experiences in the earliest years are critical to their development and ability to reach school ready to learn. The budget provides $600 million to States to provide challenge grants to communities to help get children ready to learn.

- **Improving Child Care Quality:** Last year, Congress fully funded the President's request to increase investment in improving child care by providing States with additional resources for quality enhancement efforts such as performing inspections of child care facilities, providing resource and referral services for parents, assisting providers with training and scholarships, and creating networks for family day care providers. The President's FY 2000 budget provides $173 million for this initiative.

Giving Greater Tax Relief for Child Care to Three Million Working Families. The Child and Dependent Care Tax Credit provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. The budget proposes to increase the credit for families earning under $60,000, providing an additional average tax cut of $345 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty ($35,000 for a family of four) that claim the maximum allowable child care expenses. The President's budget includes $5 billion over five years to expand the Child and Dependent Care Tax Credit for nearly 3.3 million working families paying for child care.

Providing Tax Relief to Parents Who Stay at Home. The President proposes an initiative to enable parents who stay at home with children under the age of one to take advantage of the Child and Dependent Care Tax Credit by claiming assumed child care expenses of $500. The President's budget provides an average tax credit of $178, at a cost of $1.3 billion over five years, which will benefit 1.7 million parents.

Creating New Child Care Tax Incentives for Businesses. The President proposes to create a new tax credit for businesses that provide child care services for their employees, by building or expanding child care facilities, operating existing facilities, training child care workers, or providing child care resources and referral services. The credit covers 25% of qualified costs, but may not exceed $150,000 per year. The President's budget includes approximately $500 million over five years for these tax credits.

Serving over a Million Children through After-School. The President proposes to triple funding for the 21st Century Learning Center Program, which supports the creation and expansion of after-school and summer school programs throughout the country. The program increases the supply of after-school care in a cost-effective manner, primarily by funding programs that use public school facilities and existing resources. In awarding these new funds, the Education Department will give priority to school districts that are ending social promotion by requiring that students meet academic standards in order to move to the next grade. The President's budget includes $600 million in FY 2000 to help roughly 1.1 million children each year participate in after-school and summer school programs.

Increasing Head Start. Head Start, one of the President's highest priorities, is America's premier early childhood development program. It supports working families by helping parents get involved in their children's educational lives and by providing services to the entire community. The budget provides $5.267 billion, a $607 million increase over 1999 levels for Head Start. This increase would enable the program to serve 42,000 additional children in 2000 and will keep the program on track to reach the President's goal of serving 1 million children by 2002.

College Campus-Based Child Care: These budget proposes $5 million to establish and support child care services on college campuses. These new resources will help increase low-income parents' access to higher education.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release March 16, 1999

STATEMENT BY THE PRESIDENT

Making child care better, safer and more affordable is at the heart of my effort to help America's parents balance their responsibilities at home and at work. Today, more than ever, parents struggle to find high quality, affordable child care for their children. That is why I have proposed significant new investments in child care, expanding subsidies and providing greater tax relief for working families, increasing after-school opportunities for children, improving child care quality, and providing new tax relief for parents who choose to stay at home.

I am pleased that today key members of the House of Representatives took steps to move us closer to enacting meaningful child care legislation. Representative Ben Cardin introduced important new legislation -- the Child Care Improvement Act of 1999 -- that, like my proposal, addresses the critical child care needs of working families. And Representative Ellen Tauscher and numerous Democratic colleagues introduced a comprehensive child care package -- the Affordable Child Care, Education, and Security Act -- that incorporates many of my proposals and would go a long way to fully addressing the child care demands of working families. These bills would help Americans fulfill their responsibilities as workers and their even more important responsibilities as parents. I look forward to working with Representative Cardin, Representative Tauscher, and other Members of Congress on both sides of the aisle to meet the child care needs of America's families.

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TAX BENEFITS FOR STAY AT HOME MOMS

Although it is not well understood, the tax code already contains very large subsidies for stay-at-home parents (usually mothers). Those subsidies are almost invariably larger than the tax subsidies conveyed to two-earner couples through the child and dependent care tax credit.

To see how large these subsidies are, imagine a world without taxes. Some mothers would stay at home with their children, while others wouldn't. The ones who would go to work have decided that the benefits from work exceed the costs.

Suppose in this taxless world, Sheila is earning just enough to make it worthwhile to leave the home–say $10,001. That is, she values what she can produce at home at $10,000. If she earns $10,001, she will work outside the home. If she earns $9,999, she will not.

Now, introduce income and payroll taxes into Sheila's world. The first thing that happens is that Sheila's employer reduces her pay by $711 for payroll taxes, and Sheila has another $711 deducted from her paycheck for her share. Assuming that she is married to someone earning $30,000, she would have to pay $1,394 in federal income taxes on her salary of $9,290. In net, she pays $2,815 in taxes if she works.

What does she pay if she stays home? Nothing.

Sheila will stay home because the combination of income and payroll taxes creates a $2,815 subsidy for this stay-at-home mom.

The current law child and dependent care tax credit doesn't come close to offsetting this penalty on work. The maximum credit that Sheila could claim is $960 (if she had two qualifying children and at least $4,800 in expenses) – about one-third of the tax subsidy to stay at home moms. The Administration's proposal would roughly double the credit for Sheila if she chose to work. (Her family income of about $40,000 would qualify the couple for a credit at a 40 percent rate.) Thus, the proposal would still only provide two-thirds the subsidy for the working mom as it does for her stay-at-home counterpart.

One might protest that the payroll tax should not be counted because the tax produces Social Security benefits down the road. In fact, the Social Security system provides a huge subsidy for stay-at-home moms. If they never earn a dime, they qualify for free Social Security benefits equal to one-half of the benefits earned by their husbands. Thus, many working wives pay taxes for Social Security that produce little or no benefits to them.

Finally, note that this example **understates** the subsidies for many stay at home mothers. Those married to men with higher incomes are taxed at higher rates if they go to work. Sheila would have paid over $4,000 in taxes on her meager income if she were married to someone earning $75,000 per year. Lower-income couples can face higher effective tax rates because of the phase-out of the earned income tax credit. In that situation, Sheila could have cost her family thousands of dollars in lost tax credits by going to work. Some high income couples can face similar problems because of the phase-outs of the child credit and other provisions.

Do we want the tax system telling Sheila that she should stay at home?

TANF Spending

March 10, 1999

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) provides states with broad flexibility to use TANF funds to provide assistance to needy families; promote job preparation, work and marriage in order to end dependence; reduce the incidence of out-of-wedlock births; and encourage the formation of two-parent families. States are beginning to transform their former AFDC programs and to use the new TANF funds to support innovative and creative efforts to meet these important new goals.

With the repeal of the AFDC entitlement to the states, PRWORA also allows states great flexibility in the timing of their TANF expenditures. Recognizing that caseloads -- and state expenditures -- may rise in times of economic downturn, states are allowed to defer some of their TANF block grants for a "rainy day." Similarly, they may carefully plan future investments for needy families and children.

For FY 1997 and FY 1998 combined, 90 percent of TANF funds have been obligated by the states. Nineteen states have obligated 100 percent of their FY 98 TANF funds. These include large states such as California, Illinois and Texas, as well as Connecticut, Delaware, Oregon and Virginia. Obligated funds represent the best measure of TANF spending, since they include funds for which states have contracts or other binding plans, such as sub-grants to counties to run the TANF program. States are using TANF funds for a wide range of services to help an historic number of recipients move from welfare to work and they are beginning to address other difficult issues of dependency.

Some states have not obligated all of their TANF funds, leaving $2.7 billion in unobligated TANF funds for FY 1998. Fully allowed and anticipated by PRWORA, there are a variety of reasons for this. Some states have specifically set aside some of these funds for a "rainy day". (Any funds set aside for a rainy day remain in the federal treasury as unobligated funds.) Some states have experienced large caseload declines but require further state legislative action to reprogram funds from cash assistance to other investments to promote work and end dependency. Other states are just beginning innovative new efforts and plan to utilize these funds for these purposes.

Unobligated funds are not "surplus" funds and must remain available to address the goals of PRWORA. These funds are essential to the overall success of welfare reform. Many of the families remaining on welfare face substantial barriers to employment, such as low levels of education and skills, substance abuse and mental health problems, domestic violence issues, disability or the need to care for a family member with a disability. States anticipate that much greater investments will be required to successfully help such families gain work and self-sufficiency. The unobligated TANF funds - together with Welfare to Work funds - are crucial to such efforts.

States also face enormous demands for work supports for low income families - both families making the transition from welfare to work and families who have never been on welfare. As more and more families with infants and young children move into the workforce, the need -- and competition for – help for all types of quality child care, especially infant care and care at non-traditional hours, continues to expand. Without assistance, a family earning $14,400 a year typically must spend 25% of its income for the care of a child under five. Yet in some states, child care assistance under TANF and the Child Care and Development Block Grant is limited to families making the transition from welfare to work. Low-income working families who have never been on welfare and are struggling to stay off welfare are too often denied desperately needed child care assistance.

FY 1998 STATE SPENDING UNDER THE NEW WELFARE PROGRAM

<u>Overview</u>: Fiscal Year 1998 was the first full year that all states implemented the new welfare program now called Temporary Assistance for Needy Families (TANF). States demonstrated remarkable progress in welfare reform during the year -- over 1.5 million families who were on welfare in 1997 were working in 1998, caseloads continued to decline at an unprecedented rate with 20 percent fewer recipients than in FY 1997, and all states subject to the overall work participation rate in FY 1997 met it. States also continued to make large investments in their work first welfare programs, spending or committing to spend 84 percent of their federal funds. Nineteen states spent 100 percent of their block grant. Although states can reserve funds from year to year without limitation (for example, states can save dollars for "rainy day funds"), when FY 1997 and 1998 funds are combined, states left only 10 percent of the federal block grant unspent.

In an effort to meet the critical need of quality, affordable child care for parents moving from welfare to work, states increased the transfer of TANF funds to the child care block grant. Even with the significant spending of both federal and state funds, however, states are facing the new challenges of reaching families with greater barriers to work and supporting families to remain in work.

<u>FY 1998 Highlights</u>

Maintenance of Effort. The new welfare reform law requires states to continue to spend state funds at a level equal to at least 80 percent of their FY 1994 levels. If states meet the minimum work participation rates, the law also allows them to reduce their minimum-spending requirement to 75 percent. In FY 1998, all states expended enough to meet the 75 percent maintenance of effort amount. Thirteen states reported state spending above 80 percent, with one state -- West Virginia -- exceeding 100 percent. Since states are not required to report any expenditures in excess of the maintenance of effort requirement, states may actually be spending more than reported.

Child Care. Child care continues to be a critical support for families moving from welfare to work. States made significant investments in child care in FY 1998, transferring a total of $652 million in TANF funds to the child care block grant, an over three-fold increase from FY 1997. States report they are committing over 99 percent of their child care block grant funds. In addition, states spent over $1 billion of their own funds on child care.

Work Activities, Cash Assistance, and Other Supports. States furthered the goal of the welfare law by making work first the priority for their programs. In FY 1998 states spent $1.2 billion in combined federal and state funds on work activities. States spent $6.8 billion, or 69 percent, of their FY 98 federal TANF funds on cash assistance and work-based assistance. (The work-based assistance in this category may include paychecks earned by TANF recipients in return for community service jobs or subsidized employment.) Additionally, states reported spending $1.1 billion in federal TANF funds and $1.3 billion in state maintenance of effort funds on other expenditures, which included fraud control programs, emergency assistance (e.g., one-time benefits to divert families from having to rely on welfare), staff training, domestic violence services, and child welfare programs.

Transferring TANF Funds. The new welfare law gives states the authority to transfer portions of their TANF grant to either the Child Care and Development Block Grant or the Social Services Block Grant. Thirty-nine states reported transferring funds in amounts ranging from 2 to 29 percent of their TANF grant. In total, $652 million or 4 percent of TANF funds were transferred to the child care block grant and $1.1 billion or 7 percent was transferred to the Social Services Block Grant.

Administrative Costs. States continue to invest in transforming their welfare offices into employment centers, and to expect more from their workforce as eligibility workers are trained as job counselors. In FY 1998, state administrative expenditures amounted to $913 million, or 9 percent of total federal TANF expenditures -- well below the TANF administrative cost limit of 15 percent.

Separate State Programs. In FY 1998, a fewer number of states -- 15 -- chose to fund programs with separate state funds than in FY 1997. Expenditures on separate programs represented less than four percent of total state spending. States with separate programs spent most of their separate state program funds -- 55 percent -- on cash and work-based assistance by providing support to primarily two-parent families, pregnant women, migrant seasonal workers, and qualified legal immigrants. Most of the remaining funds were spent on child care (35 percent) and non-direct services categorized as other expenditures.

Unobligated Balances. States can carry forward unobligated TANF funds for use in future years, for example to meet unanticipated needs or reserve dollars for "rainy day" funds. In FY 1998, states obligated $13.9 billion or 84 percent of the total federal funds. The remaining $2.7 billion in unobligated funds remain in the federal treasury, with no time limit, until states draw down the dollars.

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19 states have obligated all 1998 $

Temporary Assistance to Needy Families (TANF) Program						Table A with %					DATA AS OF FEB. 5, 1999	
FEDERAL AWARDS, TRANSFERS AND EXPENDITURES THROUGH 4TH QT. FY-1998												
Data reported by States in Column A on Form ACF-196 Line Items: 1/	1 TOTAL AWARDED 1/	STATE'S GRANT AS % OF TOTAL GRANTS	2 TRANSFERRED TO CCDF	TRANSFER AMT AS % OF Col. 1 TOTAL AWARD	3 TRANSFERRED TO SSBG	TRANSFER AMT AS % OF Col. 1 TOTAL AWARD	11 TOTAL EXPENDITURES	Col. 11 TOTAL EXP. AS % OF Col. 1 TOTAL AWARD	12 UNLIQUIDATED OBLIGATIONS	Col. 12 UNLIQUIDATED AS % OF Col. 1 TOTAL AWARD	13 UNOBLIGATED BALANCE	Col. 13 UNOBLIGATED AS % OF Col. 1 TOTAL AWARD
Alabama	95,986,661	0.6%			1,467,366	2%	57,141,861	60%		0%	37,377,861	39%
Alaska	65,267,778	0.4%	1,600,000	2%	3,216,300	5%	48,630,865	75%	11,820,613	18%		0%
Arizona	226,398,173	1.4%			22,639,800	10%	138,763,545	61%	30,805,219	14%	34,189,609	
Arkansas	58,230,354	0.4%					28,961,060	50%	29,269,294	50%		0%
California	3,732,671,378	22.5%	100,000,000	3%	183,000,000	5%	2,666,924,584	71%	782,746,794	21%		0%
Colorado	139,324,514	0.8%			2,152,087	2%	55,966,196	40%		0%	81,206,230	58%
Connecticut	266,788,107	1.6%			23,795,031	9%	242,993,076	91%		0%		0%
Delaware	32,290,981	0.2%			3,229,098	10%	28,078,933	87%	982,950	3%		0%
District of Columbia	92,609,815	0.6%					59,875,759	65%	6,328,026	7%	24,4[illegible]030	26%
Florida	878,888,883	3.6%	29,403,486	5%	57,688,688	10%	185,324,071	32%	51,548,488	9%	252,92[illegible],151	44%
Georgia	339,720,207	2.1%	19,152,485	6%	30,867,051	9%	222,742,599	66%	18,232,400	4%	81,666,673	15%
Hawaii	98,904,788	0.6%	7,400,000	7%			84,974,594	86%	429,294	0%	6,100,900	6%
Idaho	32,780,444	0.2%			3,278,000	10%	-	0%		0%	29,502,444	90%
Illinois	585,056,960	3.5%			58,500,000	10%	545,592,236	93%		0%		0%
Indiana	206,799,109	1.2%			6,000,000	3%	25,479,258	12%	175,319,851	85%		0%
Iowa	131,524,959	0.8%	1,214,090	1%	7,401,592	6%	87,649,764	67%	6,385,774	5%	28,873,740	22%
Kansas	101,931,061	0.6%	7,376,929	7%	10,193,106	10%	62,744,419	62%		0%	21,616,607	21%
Kentucky	181,287,669	1.1%	18,000,000	10%	9,200,000	5%	110,202,652	61%		0%	43,885,017	24%
Louisiana	168,072,394	1.0%					44,555,492	27%		0%	123,516,902	73%
Maine	78,120,889	0.5%	4,984,810	6%	2,500,000	3%	70,636,079	90%		0%		0%
Maryland	229,098,032	1.4%			22,909,803	10%	126,331,442	55%		0%	79,856,787	35%
Massachusetts	459,371,116	2.8%	79,253,383	17%	42,397,290	9%	309,370,824	67%	28,349,619	6%		0%
Michigan	775,352,858	4.7%	149,464,937	19%	72,782,007	9%	463,845,037	60%	14,122,039	2%	89,260,877	12%
Minnesota	267,984,888	1.6%	10,200,000	4%	100,000	0.04%	120,757,360	45%		0%	136,927,528	51%
Mississippi	88,943,530	0.5%					70,263,503	79%	16,504,075	19%		0%
Missouri	217,051,740	1.3%			21,705,174	10%	132,104,236	61%	63,242,330	29%		0%
Montana	46,666,707	0.3%					27,411,535	59%	19,255,172	41%		0%
Nebraska	58,028,678	0.4%					33,404,183	58%		0%	24,624,398	42%
Nevada	44,876,882	0.3%					36,632,249	82%	8,043,803	18%		0%
New Hampshire	38,521,260	0.2%					32,568,048	85%		0%	5,953,212	15%
New Jersey	404,034,823	2.4%	16,349,984	4%	40,403,482	10%	177,022,971	44%		0%	170,258,386	42%
New Mexico	129,339,257	0.8%	13,304,750	10%			80,223,092	62%	4,912,000	4%	30,899,415	24%
New York	2,442,930,602	14.7%	55,000,000	2%	221,000,000	9%	1,561,049,329	64%		0%	605,881,273	25%
North Carolina	310,935,520	1.9%	11,699,518	4%	970,581	0.3%	205,116,440	66%		0%	93,148,981	30%
North Dakota	26,399,809	0.2%					20,636,225	78%	5,763,584	22%		0%
Ohio	727,968,260	4.4%			72,796,826	10.0%	185,226,909	25%	469,944,525	65%		0%
Oklahoma	147,842,004	0.9%	5,606,134	4%	11,100,000	7.5%	20,897,391	14%		0%	110,238,480	75%
Oregon	166,798,629	1.0%					115,141,411	69%	51,657,218	31%		0%
Pennsylvania	719,499,305	4.3%			53,003,526	7%	383,571,355	53%	37,888,160	5%	245,036,264	34%
Rhode Island	95,021,587	0.6%					88,494,994	93%		0%	6,526,593	7%
South Carolina	99,967,824	0.6%			9,996,782	10%	66,160,116	66%		0%	23,810,926	24%
South Dakota	21,313,413	0.1%			2,131,341	10%	11,200,436	53%		0%	7,981,636	37%
Tennessee	196,717,069	1.2%	14,704,274	7%	909,900	0%	119,914,990	61%	12,921,983	7%	48,2[illegible]922	25%
Texas	498,949,726	3.0%	12,183,631	2%	23,105,516	5%	258,395,066	52%	205,265,513	41%		0%
Utah	78,925,393	0.5%			3,116,423	4%	62,258,539	79%		0%	13,550,431	17%
Vermont	47,353,181	0.3%	6,480,682	14%	4,738,318	10%	30,668,738	65%		0%	6,671,672	12%
Virginia	158,285,172	1.0%	23,742,776	15%	11,871,388	8%	90,325,355	57%	32,346,653	20%		0%
Washington	404,331,754	2.4%	28,973,849	7%			232,955,795	58%	949,341	0%	141,452,770	35%
West Virginia	110,176,310	0.7%	10,000,000	9%	7,400,000	7%	12,058,878	11%		0%	80,717,433	73%
Wisconsin	317,505,180	1.9%	26,021,418	8%	31,750,000	10%	63,655,599	20%	147,058,622	46%	49,019,541	15%
Wyoming	21,538,089	0.1%					161,402	1%	21,376,687	99%		0%
Total	16,562,380,591	100%	$652,117,005	4%	$1,079,343,476	7%	$9,905,157,491	60%	$2,250,468,827	14%	$2,704,275,585	16%

GENERAL NOTES:

This table shows information exactly as reported by States in column A on the quarterly TANF report (Form no. ACF-196). States were required to submit this TANF financial data by 11/14/98.

Table A shows how States used Federal funds. Tables B and C show how States used their own funds in the TANF program.

FOOTNOTES:

1/ The amounts reported under this column are the grant awards the States received through the 4th quarter of FY-98

From: EX.MAIL."Nicole_R._Rabner@who.eop.gov"
To: DOM13.DOPO7(HOLTZBLATTJ,FAUCHERG)
Date: March 12, 1999 (Friday) 3:59pm
Subject: HHS Testimony on Child Care for HWM -- Comments Due at 11 A.M. on Monday (3/15)

------------------- Forwarded by Nicole R. Rabner/WHO/EOP on 03/12/99
03:00 PM ---------------------------

Melinda D. Haskins 03/12/99 12:44:42 PM
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Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: HHS Testimony on Child Care for HWM -- Comments Due at 11 A.M. on
Monday (3/15)

Attached below is the HHS (Golden) testimony for Tuesday's (3/16) House Ways and Means Subcommittee on Human Resources hearing on child care. Please provide me with comments no later than 11 a.m. on Monday, February 15th.

EXOP: You will not receive a faxed copy of this LRM or attachment.

------------------- Forwarded by Melinda D. Haskins/OMB/EOP on 03/12/99
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LRM ID: MDH41

ATTACHMENT:

(See attached file:
ccnew3.wpd)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Friday, March 12, 1999

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

FROM: Janet R. Forsgren (for) Assistant Director for Legislative Reference
OMB CONTACT: Melinda D. Haskins
PHONE: (202)395-3923 FAX: (202)395-6148
SUBJECT: HEALTH & HUMAN SERVICES Testimony on Child Care

DEADLINE: 11:00 a.m. Monday, March 15, 1999
In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending

or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: The attached HHS (Golden) testimony will be delivered at a March 16th hearing on child care before the House Ways and Means Subcommittee on Human Resources.

IF WE DO NOT HEAR FROM YOU BY THE COMMENT DEADLINE, WE WILL ASSUME THAT YOU HAVE NO OBJECTION.

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RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:
(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter
Please include the LRM number shown above, and the subject shown below.

TO: Melinda D. Haskins Phone: 395-3923 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: ______________________________ (Date)

______________________________ (Name)

______________________________ (Agency)

______________________________ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

______ Concur

______ No Objection

______ No Comment

______ See proposed edits on pages __________

______ Other: ______________________________

______ FAX RETURN of _____ pages, attached to this response sheet

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To:______________________________

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PRESIDENT CLINTON'S PROPOSAL
21ST CENTURY SUPPORT FOR FAMILIES

Changes in work and culture during the 20th century have created new challenges that must be addressed in order to strengthen our families. Too many Americans are spending more time at work just to make ends meets and less time at home. The President has unveiled a bold agenda that puts families first by helping struggling parents balance their responsibilities at work and at home, and ensuring that when they have to be at work, their children are safe and well-cared for.

CHILD CARE

President Clinton's child care proposal includes subsidies to help families pay for child care, greater tax relief for working families as well as those who choose to stay at home to care for their young children, and dramatic increases in funding for after-school programs. The President's proposal will:

- **Expand the Child Care Block Grant**
  President Clinton has proposed to expand the Child Care and Development Block Grant significantly to help working families struggling to meet the costs of child care. The President's proposal will: (1) increase funding for child care subsidies by $7.5 billion over five years, enabling the program to serve an additional 1.15 million children by FY 2004; (2) provide $3 billion over five years to promote early learning; and (3) provide $173 million to improve child care quality. Additional funds for subsidies are necessary because millions of families who are eligible for assistance with their child care costs currently do not receive any help: in FY 1997, states provided child care assistance to only 1.25 million of the 10 million low-income children eligible. Additional funding to improve early learning through challenge grants to communities for children ages zero to five responds to research showing that children's experiences in the earliest years are critical to their development and ability to reach school ready to learn. Finally, increased investment in improving child care is needed to support quality enhancement efforts such as performing inspections of child care facilities, providing resource and referral services for parents, assisting providers with training and scholarships, and creating networks for family day care providers.

Child Care and Development Block Grant Increase	$7.5 billion over 5 years
Early Learning Fund	$3 billion over 5 years
Child and Dependent Tax Credit Reform	$5 billion over 5 years
Tax Credits for Stay-At-Home Parents	$1.3 billion over 5 years
Tax Credit for Businesses	$ .5 billion over 5 years
After-School Program	$2 billion over 5 years
TOTAL:	**$19.3 billion over 5 years***

* $182 million per year for quality and research activities is also included over the next 5 years.

- **Greater Tax Relief for Child Care for Three Million Working Families**
The Child and Dependent Care Tax Credit provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. The President is proposing to increase the credit for families earning under $60,000, providing an additional average tax cut of $354 for these families and eliminating income tax liability for almost all families of four with incomes below $35,000 who are saddled with high child care costs. The President's budget will include $5 billion over five years to expand the Child and Dependent Care Tax Credit for nearly three million working families paying for child care.

- **New Child Care Tax Incentives for Businesses**
The President's plan includes a new tax credit for businesses that provide child care services for their employees by building or expanding child care facilities, operating existing facilities, training child care workers, or providing child care resources and referral services. The President's budget will include approximately $500 million over five years for these tax credits.

- **Tax Relief for Parents Who Stay at Home**
Because the President believes that we should support parents in whatever choice they make for the care of their children, he is proposing to provide new tax relief to parents who stay at home with children under age one. The President's budget proposal will benefit 1.7 million families and will provide an average tax credit of $178 at a cost of $1.3 billion over five years.

- **Expansion of After-School Opportunities for Over One Million Children**
Experts agree that school-age children who are unsupervised during the hours after school are far more likely to use alcohol, drugs, and tobacco, commit crimes, receive poor grades, and drop out of school than those who are involved in supervised, constructive activities. That is why President Clinton is committed to tripling funding for the 21st Century Learning Center Program, which supports the creation and expansion of after-school and summer school programs throughout the country. The program increases the supply of after-school care in a cost-effective manner, primarily by funding programs that use public school facilities and existing resources. The program will target funds toward school districts that have programs in place to end social promotion. The President's budget will include $600 million in FY 2000 to help roughly 1.1 million children each year participate in after-school and summer school programs.

MEMORANDUM

TO: Democratic Members, Subcommittee on Human Resources

FROM: Nick Gwyn, Chris Snow

DATE: March 12, 1999

RE: Hearing on Child Care

SUMMARY

The Subcommittee on Human Resources will have a hearing on Tuesday (3/16) at 1:00 pm in Room B-318 on child care issues. Olivia Golden, the Assistant Secretary for Children and Families at HHS will be the first witness, followed by a panel of budget experts from the Congressional Research Service (CRS) and the Congressional Budget Office (CBO), which will be followed by a panel of child care experts and administrators.

Also on Tuesday (3/16), Representative Cardin is planning to introduce the portions of the Administration's child care proposal that are in the jurisdiction of the Committee on Ways and Means. The bill will include an increase in the Dependent Care Tax Credit, a tax credit for stay-at-home parents with young children, a 25% tax credit for businesses offering day care to their employees, a $7.5 billion increase in the Child Care and Development Fund, and the creation of $3 billion fund for child care quality. All of these provisions are nearly identical to the President's child care initiative with the exception of the Stay-at-Home Credit, which is somewhat more generous than the Administration's proposal.

BACKGROUND

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) consolidated the major sources of Federal child care subsidies into a block grant, the Child Care and Development Fund (CCDF). Current law provides $3.577 billion in FY 2000 funding through a combination of discretionary and entitlement funds. Currently, only slightly more than 1 out of every 10 children who are eligible under the Federal guidelines receives assistance through the CCDF.

In addition, the Dependent Care Tax Credit (DCTC) is expected to provide middle income households with both tax liability and child care expenses a total of $2.425 billion in tax relief in FY 2000. Families may receive credits for day care expenses of up to $2400 for one child and $4800 for two or more children. Because the credit is not refundable, the DCTC provides only a minimal benefit or no benefit at all to low and moderate-income families, regardless of their child care expenses.

ISSUES

Unmet Need among the Working Poor

Sharon Long of the Urban Institute, using very conservative estimates of work participation and demand for child care assistance in 1997, estimated that even if all States maximized Federal CCDF dollars, as well as State maintenance of effort and matching funds, they could cover only 48% of all low-income children in paid care. Moreover, this estimate assumed that only 20% of those on welfare in 1996 will be working by 1997, and that only a third of children whose parents work will be in paid care. The Urban Institute also notes that there is an incentive to under-fund child care services to the working poor since Federal funding for welfare is contingent upon States' ability to meet work participation rates, and because 70 percent of mandatory and matching child care funds must be spent on welfare-related families.

In a 1998 Children's Defense Fund Survey, all but eight States said that their resources were inadequate to serve all eligible families -- even with the low income cutoffs and copayments that most set to restrict demand. Most of the eight States who felt they could serve all families had very low income cutoff levels, including three which set eligibility below 50% of State median income, rather than the 85% that Federal law allows.

The High Cost of Care

Many low and moderate income families find quality child care increasingly out of their financial reach. A Children's Defense Fund survey found that in every State except Vermont, the average cost of center based care is greater then the average cost of tuition at a State university. In Baltimore, for example, the average cost of tuition at a public university in 1997 was $3,848, while the average cost of care for a four year-old in a center was $4,528. The cost of care for an infant in a child care center was $7,980, more than twice the tuition at a university.

The Federal maximum income level for child care subsidies under the CCDF is 85% of State median income. However, because States could serve only about 1 in 10 eligible families at that level, almost all States set State eligibility cutoffs at much lower incomes. For example, the Children's Defense Fund reports that Maryland's maximum eligibility level is just 36% of State median income, equivalent to 138% of poverty for a family of three. The State also requires copayments as a way of rationing available subsidies. A single mother in Maryland earning just $14,040, or $6.75 an hour full-time, would have a copayment of $209 --18% of her gross income.

Quality of Care: Health and Safety and School Readiness

A 1994 report by the HHS Inspector General found more than 1,000 health and safety violations in 169 child care facilities in five States. Since then, real provider rates have fallen and enforcement has dwindled, suggesting that problems may be even greater now.

A study by Child Trends usin̄ national survey data found that compared with non-AFDC children, nearly one-third more AFDC children suffer from delays in growth or development, a "significant" emotional or behavioral problem, or a learning disability, and that they are three times more likely than non-AFDC children to be in poor health. These vulnerable children need high quality early childhood development programs so that they can enter school ready to succeed.

THE REPUBLICAN POSITION

Republicans will argue that States already have sufficient funds for child care available in the form of TANF surpluses. CBO and CRS will testify that States have nearly $7 billion in unspent TANF funds waiting in the Federal treasury. CBO projects these surpluses will grow to $20 billion by 2001, as States continue to spend less than their annual TANF grant. These numbers are misleading for the following reasons:

- Unexpended balances include funds which States have already obligated, including signed contracts for which services have not yet been billed. Because TANF funds can only be drawn down to reimburse previous expenditures, there will always be a lag between obligations and Federal outlays. According to final 1998 TANF data, States have obligated more than 85 percent of their FY 1998 funds. The amount of unobligated FY 1998 TANF funds is $2.7 billion, not $7 billion. (The States vary widely in obligating funds: 19 States have obligated <u>all</u> their TANF funds; and two thirds (33) have obligated at least 75%; while Idaho has obligated only 10%.)

- Congress always envisioned that States would save a portion of their TANF grants for so-called "rainy day" funds. If and when a recession arises, welfare rolls will likely increase rapidly, while Federal funding will remain flat under the TANF block grant. On March 8, CRS reported that:

  > The unobligated balance, which is available to the State to defray unexpected increases in expenditures, represents about 2½ months of expenditures on cash benefits at the FY1998 expenditure rate. However, it represents only about 1½ months worth of cash benefits paid at the FY1994 rate, the peak year for the welfare caseload and cash benefit payments.

- TANF caseloads have declined further and faster than anyone expected, yet many States set aside much of their TANF funds for cash assistance. Reallocating those funds to other uses, focusing primarily on the hard-to-serve cases which remain, in many cases will require State legislatures to come back into session.

- At least 19 States have obligated all of their 1998 TANF funding -- meaning they cannot transfer any money to child care despite a need for more resources to help the working poor.

THE CHILD CARE IMPROVEMENT ACT OF 1999

Child Care Funding for Low Income Families

- **Child Care and Development Block Grant (CCDBG)** -- The proposal would provide an additional one million low-income children with day care subsidies through an increase in mandatory funding for the CCDBG. To be eligible for this funding, States would be required to: spend existing CCDBG funds before utilizing these new dollars; provide a 20% State match; and allocate 70% of the new funds to non-welfare, low-income families. Cost: $7.5 billion over five years.

  (Current law provides slightly more than $3 billion to the CCDBG every year through a combination of discretionary and entitlement funds. Funding can be used for children who are under the age of 13 and whose family earns no more than 85% of the State median income. Only slightly more than 1 out of every 10 children who are eligible under the federal guidelines receives assistance through the CCDBG.)

Tax Credits for Middle Income Families

- **Dependent Care Tax Credit (DCTC)** -- The legislation would increase the Dependent Care Tax Credit for all families with less than $60,000 in income. The new DCTC would be a 50% credit for families with less than $30,000 in income, slowly phasing down to a 20% credit for families earning more than $60,000. The provision would provide an average annual tax cut of $345 for more than three million families a year. Cost: $5 billion over five years.

  (Under current law, the DCTC starts at 30% and phases down to 20% between $10,000 and $30,000 of adjusted gross income. Under both current law and the proposal, the maximum day care expenses eligible for the credit are $2400 for one child and $4800 for two or more children. Both parents have to work for the family to be eligible for the credit. Because the credit is not refundable, an increase in the DCTC may not provide a benefit to some families with less than $25,000 in annual income. However, these families would be eligible for the increased CCDBG subsidies.)

- **Stay-at-Home Tax Credit** -- The bill would allow all families with children under the age of 1 to claim at least $1500 in annual child care expenses under the DCTC (regardless of actual expenditures). This provision would provide a maximum tax credit of $750 for families with young children.

- **AMT** -- The legislation would prevent the Alternative Minimum Tax (AMT) from reducing the DCTC. Without this provision, many taxpayers will not receive the promised increase in the DCTC.

Assistance for Businesses

- **Tax Credit for Businesses --** The proposal would establish a tax credit for businesses that provide child care services for their employees by building or expanding child care facilities, operating existing facilities, or contracting with day care providers. The credit would cover 25% of qualified costs, but may not exceed $150,000 per year. Cost: $500 million over five years.

  (Under current law, such expenses are deductible.)

Funds to Improve Child Care Quality

- **Child Care Quality and Early Learning Fund** -- The legislation would establish a new grant program to improve the quality and safety of day care for children under the age of six. Funds would be disbursed to the States, which would provide grants to communities to improve and expand parenting education, provider training, staffing ratios, standards and licensing enforcement, health services, care for children with special needs, and salary enhancement for child care workers. States would be required to provide a 20% match to be eligible for funding under this program. Cost: $3 billion over five years.

PROPOSED INCREASE IN CHILD CARE FUNDING: FY 2000

State	FY 2000 Existing Fed. Funding	FY 2000 Subsidy	FY 2000 ELF	Total Proposed Increase	FY 2000 Total Fed. Funding
Alabama	57,887,977	16,768,238	12,235,444	29,003,682	86,891,659
Alaska	8,971,137	2,998,884	1,202,963	4,201,847	13,172,984
Arizona	61,890,623	20,709,716	11,610,412	32,320,128	94,210,751
Arkansas	29,840,292	10,294,217	7,102,825	17,397,042	47,237,334
California	380,904,039	147,841,945	72,941,194	220,783,139	601,687,178
Colorado	39,313,146	15,977,802	6,528,404	22,506,206	61,819,352
Connecticut	40,628,021	12,836,978	4,314,117	17,151,095	57,779,116
Delaware	10,379,838	2,841,737	1,158,644	4,000,381	14,380,219
District of Col.	8,680,565	1,826,272	1,116,847	2,943,119	11,623,684
Florida	159,408,959	55,777,553	30,148,526	85,926,079	245,335,038
Georgia	106,749,917	31,728,882	19,336,021	51,064,903	157,814,820
Hawaii	14,648,877	4,907,916	2,303,600	7,211,516	21,860,393
Idaho	14,404,934	5,351,733	3,084,239	8,435,972	22,840,906
Illinois	153,300,321	50,894,403	22,443,155	73,337,558	226,637,879
Indiana	71,634,950	23,416,678	10,816,274	34,232,952	105,867,902
Iowa	30,389,871	11,044,679	5,374,368	16,419,047	46,808,918
Kansas	31,246,318	10,640,353	5,281,329	15,921,682	47,168,000
Kentucky	53,120,284	14,861,909	10,671,494	25,533,403	78,653,687
Louisiana	64,106,213	18,363,614	15,501,035	33,864,649	97,970,862
Maine	12,410,565	4,542,046	2,354,235	6,896,281	19,306,846
Maryland	60,551,887	20,471,480	7,973,464	28,444,944	88,996,831
Massachusetts	84,810,457	23,521,303	8,151,309	31,672,612	116,483,069
Michigan	105,978,234	39,332,289	16,569,711	55,902,000	161,880,234
Minnesota	58,704,310	19,352,972	7,781,290	27,134,262	85,838,572
Mississippi	38,295,144	11,635,886	10,138,813	21,774,699	60,069,843
Missouri	68,569,912	21,915,555	10,889,061	32,804,616	101,374,528
Montana	10,578,494	3,442,481	1,909,813	5,352,294	15,930,788
Nebraska	24,200,091	6,838,045	3,331,468	10,169,513	34,369,604
Nevada	14,968,954	7,220,484	2,721,154	9,941,638	24,910,592
New Hampshire	12,403,156	4,662,055	1,511,014	6,173,069	18,576,225
New Jersey	81,726,322	32,247,877	11,188,920	43,436,797	125,163,119
New Mexico	27,490,871	7,821,338	5,611,176	13,432,514	40,923,385
New York	245,435,093	74,304,862	34,141,337	108,446,199	353,881,292
North Carolina	132,882,243	30,052,570	16,731,389	46,783,959	179,666,202
North Dakota	7,886,042	2,488,504	1,391,017	3,879,521	11,765,563
Ohio	155,531,296	44,377,728	20,016,107	64,393,835	219,925,131
Oklahoma	56,664,771	13,514,987	8,997,921	22,512,908	79,177,679
Oregon	44,286,441	12,591,204	6,041,746	18,632,950	62,919,391
Pennsylvania	140,786,558	44,928,785	19,505,316	64,434,101	205,220,659
Puerto Rico	27,322,727	19,096,694	13,875,262	32,971,956	60,294,683
Rhode Island	13,583,935	3,732,975	1,554,501	5,287,476	18,871,411
South Carolina	45,986,802	15,057,117	10,604,336	25,661,453	71,648,255
South Dakota	8,597,393	2,993,346	1,862,163	4,855,509	13,452,902
Tennessee	83,286,026	20,873,170	12,252,509	33,125,679	116,411,705
Texas	260,622,656	89,121,787	56,276,827	145,398,614	406,021,270
Utah	34,485,751	10,687,358	5,633,338	16,320,696	50,806,447
Vermont	8,302,370	2,238,752	1,020,110	3,258,862	11,561,232
Virginia	71,115,662	26,261,316	11,598,780	37,860,096	108,975,758
Washington	84,676,961	22,849,733	9,850,159	32,699,892	117,376,853
West Virginia	24,144,296	6,194,954	4,520,673	10,715,627	34,859,923
Wisconsin	63,262,343	20,683,434	8,817,232	29,500,666	92,763,009
Wyoming	6,836,974	1,944,017	1,006,960	2,950,977	9,787,951
Subtotal States	**$3,453,891,020**	**$1,126,080,613**	**$579,000,000**	**$1,705,080,613**	**$5,158,971,633**
Tribes	70,993,440	23,100,000	12,000,000	35,100,000	106,093,440
Territories	5,913,360	1,931,887	3,000,000	4,931,887	10,845,247
Technical Assistance	8,874,180	2,887,500	6,000,000	8,887,500	17,761,680
Other (Quality/Research)	10,000,000	1,000,000	-	1,000,000	11,000,000
Total	**$3,549,672,000**	**$1,155,000,000**	**$600,000,000**	**$1,755,000,000**	**$5,304,672,000**

Congress of the United States
Washington, DC 20515

March 31, 1998

The Honorable Newt Gingrich
Speaker of the House
H232 Capitol Building
Washington, D.C. 20515

Dear Newt:

As members of the Congressional Caucus for Women's Issues, we are writing in support of congressional action during this session on legislation to promote quality child care choices for all American families. **Child care must remain a priority for this Congress.**

We have developed bipartisan consensus on a list of principles that should govern new child care spending this session. These concepts, as well as viable funding proposals, are contained in many of the over 50 bills that have been introduced to date. We believe these principles contain a bipartisan set of goals that will dramatically help the millions of families who struggle every day in America with difficult child care decisions. These decisions are extremely personal. Many parents feel handcuffed by economic concerns, others worry about the safety of child care, and others have children with needs that require special settings. We must respect and enable parents' ability to make the child care choice that is best for their situation. While all families face different circumstances that make their decision-making process unique, they all are confronted with issues related to availability, affordability and quality of care.

Congress can and should take actions that will improve parents' prospects for finding child care that meets these concerns. If we expect our work on welfare reform to be successful, we have to face the hard facts that child care is a necessity for helping parents find independence from public assistance. The Bureau of Labor Statistics reported that in 1996, 96 percent of fathers and 63 percent of mothers with children under age 6 worked. Some of these parents worked part-time and others worked full-time, but they all faced decisions about what to do with their children when they were at work. For most families in America today, child care is not an option, but a necessity. For most working parents, child care is not a luxury, but a fact of everyday life.

These are the key principles on which the Women's Caucus has found bipartisan support. Each principle complements the others and all should be included in any legislation that comes before the House.

Increase Certificate Funding for Low-Income Families — We have put tremendous pressure on the states to comply with our work targets as part of welfare reform. This pressure is causing states to invest the majority of their Child Care and Development Block Grant (CCDBG) funding in finding child care for families who are leaving welfare. This help is crucial for families gaining independence. But if that independence is to be permanent and if the thousands of low-income families who are struggling to maintain jobs are to stay off welfare, we have to invest additional funds in CCDBG to give states the resources they need to meet the increasing demand for vouchers. When you visit day care centers, you hear of the pressure to drop very low-income working families who have not been on welfare to make room for women coming off welfare. This is unfair and intolerable. It also will not accomplish our goal of fostering work.

Lower Taxes for Working Families and Stay-at-Home Spouses — We must modernize the Dependent Care Tax Credit to provide more realistic assistance for low- and middle-incomes families who pay taxes. This would allow families to lower their taxes, keep more of their income and help meet child care expenses. In addition, we should seriously consider changing the DCTC to make it available to families in which one spouse stays at home to care for children. If the income guidelines are met, the DCTC should flow to the family regardless of whether a parent or provider cares for the child.

Promote Quality Child Care — Since quality in child care services varies throughout states and localities, we must give communities the flexibility to design programs that best fit their needs. While there is no one-size-fits-all solution for quality child care, there are things we can do at the federal, state and local levels to improve and enhance the quality of care our children receive. These initiatives could include assisting states in enforcing health and safety standards and state-determined staff/child ratios for center-based care, improving provider and parent training and education in early childhood development, and encouraging competitive wages for child care workers.

The Women's Caucus supports action on these critical issues and encourages the Leadership to move forward with legislation before the 105th Congress adjourns. **We urge you to join us in finding room for increased funding for child care within our commitment to a balanced budget.** We must listen to the concerns of America's working families and help them meet their child care needs.

Sincerely,

Nancy L. Johnson | Eleanor H Norton

Sue Kelly | Carolyn B. Maloney

Connie Morella | Ellen Tauscher

Order Code RL30082

CRS Report for Congress

Welfare Reform: Unspent TANF Funds

March 8, 1999

Gene Falk
Specialist in Social Legislation
Domestic Social Policy Division

CRS

Congressional Research Service • The Library of Congress

Welfare Reform: Unspent TANF Funds

Summary

The block grant program of Temporary Assistance for Needy Families (TANF) provides fixed grants to states for Fiscal Year (FY) 1997 through FY2002. The annual amount of the basic TANF block grant of $16.5 billion is based on historically high expenditures in the welfare programs that preceded TANF. Welfare caseloads peaked in March of 1994, and have since declined by 43%. With the caseload decline, TANF expenditures have been well below historical levels, leaving some of the TANF grants unexpended. TANF grants are made quarterly to the states, but states must make TANF expenditures to receive the cash. The money that is not spent remains (in the federal treasury) available to help finance future TANF expenditures. At the end of FY1998, the balance of unexpended TANF grants (excluding welfare-to-work grants) was $6.3 billion.

Future expenditures will result from both existing and new commitments that states make to spend TANF funds. At the end of FY1998, states had already obligated about half ($3.2 billion) of the unexpended balance. Generally, these state obligations are commitments to spend in the future. They may be in the form of contracts, grants, or other types of commitments to provide benefits and services in the program. However, states have considerable discretion in the design of their TANF programs, and the definition of "obligation" may vary among state programs. A balance of $3.0 billion remained unexpended *and* unobligated.

The national numbers mask considerable state variation in the share of their grants that remain unexpended. Three states (Connecticut, Illinois, and Maine) reported carrying no balances, having spent all or nearly all of their grants. In contrast, three states (Idaho, Indiana, and Wyoming) reported expending less than 50% of their grants.

In creating TANF, Congress anticipated that TANF grants might be insufficient in any given fiscal year to meet program costs. It gave states the flexibility to "reserve" TANF grants and accrue balances by setting no deadline on the obligation and expenditure of TANF grants. However, there are no accepted norms for assessing the size of TANF balances. To provide some perspective on the size of these balances, they can be compared with the rate of TANF expenditures. The end of FY1998 balance represents about a half a year of federal TANF expenditures at the current rate of expenditure. The obligated and unobligated balances each reflect a quarter year's worth of expenditures. States' ability to finance future expenditures with past years' grants gives them added flexibility in committing the "new money" they will receive from FY1999 and later years' grants. However, to what degree would these balances help states meet unexpected high costs (for example, due to a recession)? The obligated balance is generally unavailable to the state for these purposes, since states have already committed these funds. The unobligated balance, which is available to the state to defray unexpected increases in expenditures, represents about 2½ months of expenditures on cash benefits at the FY1998 expenditure rate. However, it represents only about 1½ months worth of cash benefits paid at the FY1994 rate, the peak year for the welfare caseload and cash benefit payments.

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Introduction

The block grant program of Temporary Assistance for Needy Families (TANF) provides states with fixed grants for each fiscal year (FY) FY1997 through FY2002. Its basic annual block grant is frozen at $16.5 billion, with some supplemental and bonus grants also provided. TANF makes its grants to states quarterly. The $16.5 billion grant is based on peak expenditures in Aid to Families with Dependent Children (AFDC) and AFDC-related programs during the FY1992 through FY1995 period.

AFDC provided unlimited federal matching grants to states to help pay for expenditures in their welfare programs. AFDC grants automatically increased or decreased with rises or falls in state AFDC expenditures. In contrast, the TANF program capped federal grants to states for 6 years, FY1997 through FY2002. This eliminated the direct link between TANF grants and state welfare expenditures. However, in passing TANF, Congress anticipated that TANF grants might be insufficient in any given fiscal year to meet program costs. It provided several sources of federal funding to meet extra costs. One such source is the flexibility provided to "reserve" TANF grants and accrue balances without fiscal year limit, by setting no deadline on the obligation and expenditure of TANF grants.[1]

TANF Grants and Expenditures

TANF grants are made quarterly to the states. However, a grant is not a transfer of cash to the states. A grant permits a state to draw cash from the federal treasury *when needed to pay the state for expenditures in its program*. Essentially, a grant award is like a line of credit to the state. It establishes an amount of cash states may draw from the federal government, but actual cash is drawn only when needed. Except for welfare-to-work grants and contingency funds, there is no deadline for states to finance expenditures or even make commitments to spend the funds.

States have the option of transferring up to 30% of their TANF grants (except welfare-to-work and contingency funds) to other specified programs. A maximum of 10% may be transferred to the Social Services Block Grant (SSBG), which will

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[1] The authority to reserve grants without fiscal year limitation does not apply to welfare-to-work grants. Welfare-to-work grants must be expended within 3 years. This report does not discuss welfare-to-work grants. The reservation of funds also is inapplicable to contingency grants, which are matching grants to states for expenditures made in a fiscal year.

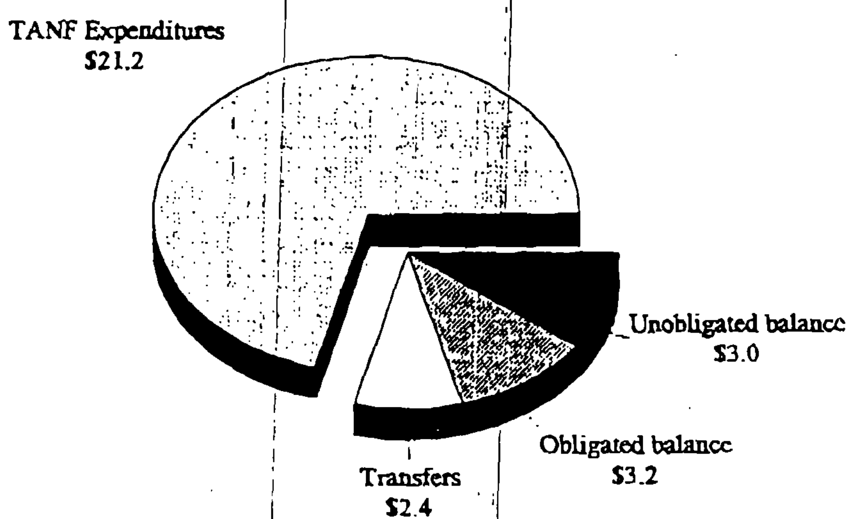
decrease to 4.25% in FY2001. Transfers may also be made to the Child Care and Development Fund up to the 30% limit.[2]

Chart 1 shows cumulative TANF grants (FY1997 and FY1998) through the end of FY1998. Of the $30 billion in TANF grants, $2.4 billion were transferred to other block grants and $21.2 billion financed expenditures in state TANF programs. State expenditures represent actual outlays from state treasuries: payments of benefits to families, payments for administrative costs, or payments to third parties for benefits and services provided to TANF families.

Chart 1. TANF Transfers, Expenditures, and Balances: Fiscal Year 1997 and Fiscal Year 1998

$ in billions

(Cumulative through the end of FY1998)



Total Grants = $29.9 billion

Source: Congressional Research Service based on data from the U.S. Department of Health and Human Services (DHHS).

[2] Also within the 30% limit, TANF funds may used as state matching funds for Job Access grants. Job Access grants are generally projects to help develop transportation services for welfare recipients and eligible low-income persons.

Obligated and Unobligated Balances

As of September 30, 1998, the amount of TANF grants that remained unexpended totaled $6.3 billion.[3] This amount remained available from *past grants* to finance *future expenditures* in state TANF programs. They will be added to new grants as funds available to states to finance TANF expenditures.

Some future TANF expenditures are anticipated. Some are not only anticipated but will be based on existing commitments. Through the end of FY1998, states had made commitments to spend — obligations — that have yet to result in state expenditures totaling $3.2 billion. Generally, obligations are binding commitments to spend.[4] They may be in the form of contracts, grants, or other types of commitments to provide benefits and services in a program. However, the definition of "obligation" varies from program to program. Since TANF comprises essentially 54 different state programs, what constitutes a state "obligation" may vary among state TANF programs.

The obligated balance will finance future expenditures that are *anticipated* and reflects commitments already made by the states. Since federal law imposes no time deadline for states to draw cash from their TANF grants, obligations can represent long-term contracts or commitments that will provide benefits and services to TANF families for several years into the future.

The remaining $3 billion of the TANF grant is the unobligated balance. These are funds states have available from FY1997 and FY1998 grants for *new* commitments, new TANF spending or additional transfers to CCDF or SSBG. These are also the balances available to help finance future *unanticipated* expenditures, such as increased benefits paid if the caseload rises in response to a recession.

Assessing the Size of TANF Balances

The presence of billions of dollars in "unused" TANF funds has aroused interest. However, the TANF program is new (created in the 1996 welfare reform law), so there is little history available to assess the magnitude of the balances. There also are no norms to help indicate whether the TANF balances are abnormally large.

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[3] This balance is based on quarterly expenditure reports made by the states to the DHHS. It differs from that shown in federal budget documents, which show that $7.2 billion of TANF grants had yet to result in TANF outlays at the close of FY1998. The $6.3 billion reported on the expenditure form *excludes* any unspent transfers to either the SSBG or the CCDF. In federal budget accounting of outlays to the states, transfers to SSBG or CCDF will be counted as outlays from the TANF account when either SSBG or CCDF expend them. In addition to the treatment of transfers, there may be some differences in the timing of state expenditures and federal outlays to pay for them that could result in different balances being reported on the expenditure form from those based on federal budget data. Federal budget data are discussed later in this report.

[4] Regulations define obligations as "amount of orders placed, contracts and subcontracts awarded, goods and services received, and similar transactions during the period that will require payment by the grantee during the same or future period." 45 CFR Part 92.3.

Table 1 provides some illustrative measures to help assess the size of TANF balances, relating the balances to monthly TANF expenditures. The measures shown on the table answer the question: how many months of expenditures could these balances finance? This is done by dividing the TANF balance (as of September 30, 1998) by average monthly expenditures. The table looks at different categories of expenditures and expenditures at different rates to put the $6.3 billion in perspective.

The table first shows the unexpended balances divided by average monthly federal expenditures during FY1998. The total unexpended balance represents about one half year (6.7 months) of federally-financed expenditures. The obligated balance and unobligated balances each represented approximately one quarter year of expenditures.

The unobligated balance can be used to help defray *unexpected* increases in expenditures that might exceed both federal and state funding for a given fiscal year. An unexpected caseload increase (for example, during a recession) would likely directly increase expenditures on cash benefits. Therefore, the table relates the unobligated balance to total *cash* benefit payments. Two measures are shown to provide a range of how long the unobligated balance would last in the event of an unexpected increase in expenditures. The unobligated balance is related to cash benefits paid at the FY1998 rate, showing that 2.5 months of cash benefits at the FY1998 expenditure rate could be paid using the unobligated balance. An additional measure showing the balance related to cash benefits paid at a "recessionary rate" of their historical peak (FY1994) is also shown. The unobligated balance represents about 1½ months of cash assistance paid at the historical peak rate of benefit payments.

Table 1. TANF Balances Related to Expenditures: FY1998 Expenditures and Balances Through September 30, 1998
($ in millions)

Ratio	Balance	Average monthly expenditure	Potential months of expenditures from the balance.
Total balance to federally-financed expenditures	$6,276	$941	6.7
Obligated balance to federally-financed expenditures	$3,235	$941	3.4
Unobligated balance to federally-financed expenditures	$3,041	$941	3.2
Unobligated balance to total (federal and state) cash benefits, FY1998	$3,041	$1,218	2.5
Unobligated balance to total (federal and state) cash benefits, peak year, FY1994	$3,041	$1,892	1.6

Source: Table prepared by the Congressional Research Service (CRS) based on data from DHHS.

TANF Grants, Expenditures, and Balances by State

There is a great deal of variation among the states in the proportion of the TANF grants spent, obligated, and unobligated. Three states (Connecticut, Illinois, and Maine) reported carrying no balances, having spent all or nearly all of their grants. In contrast, three states (Idaho, Indiana, and Wyoming) reported expending less than 50% of the grant that remained after transfers. Fourteen states obligated all of their unexpended balances. Nineteen states reported unobligated but no obligated balances. **Table 2** shows TANF grants, expenditures, and balances by state.

Table 2. Cumulative TANF Grants, Expenditures, and Balances by State: FY1997 and FY1998
(through September 30, 1998, preliminary data)
($ in millions)

State	TANF grants	Transfers	Available for TANF (after transfers)	TANF federal expenditures	Expenditures as a % of grants after transfers	Unexpended balance (excludes unexpended transfers)		
						Total	Obligated	Unobligated
Alabama	177.3	19.6	157.7	118.3	75.0	37.4	0.0	37.4
Alaska	84.0	4.8	79.2	62.6	79.0	16.7	16.7	0.0
Arizona	448.8	32.0	416.8	337.2	80.9	79.6	31.7	47.9
Arkansas	78.2	0.0	78.2	49.1	62.9	29.3	29.3	0.0
California	6,880.4	283.0	6,597.4	5,124.4	77.7	1,472.9	1,472.9	0.0
Colorado	185.0	2.2	182.8	101.6	55.6	81.2	0.0	81.2
Connecticut	533.6	29.8	503.8	496.1	98.5	0.0	0.0	0.0
Delaware	46.9	3.2	43.6	44.6	102.3	1.0	1.0	0.0
District of Col.	153.7	0.0	153.7	109.1	71.0	42.6	7.5	35.1
Florida	1,139.2	87.1	1,052.1	656.3	62.4	395.8	142.9	252.9
Georgia	594.1	68.0	526.0	457.2	86.9	68.8	17.1	51.7
Hawaii	127.5	8.4	119.1	111.1	93.3	8.1	1.1	6.9
Idaho	43.4	3.3	40.1	9.0	22.5	31.1	0.0	31.1
Illinois	719.1	58.5	660.6	679.6	102.9	0.0	0.0	0.0
Indiana	413.6	68.0	345.6	150.2	43.5	195.3	195.3	0.0
Iowa	236.7	13.2	223.5	188.0	84.1	35.3	6.4	28.9
Kansas	203.9	27.6	176.3	133.7	75.8	21.6	0.0	21.6
Kentucky	351.3	37.9	313.4	264.8	84.5	44.9	0.0	44.9
Louisiana	307.8	0.0	307.8	178.1	57.8	129.8	0.0	129.8
Maine	150.6	12.9	137.7	137.8	100.1	0.0	0.0	0.0
Maryland	412.1	22.9	389.2	242.3	62.3	146.9	0.0	146.9
Massachusetts	918.7	260.4	658.4	631.6	95.9	28.3	28.3	0.0
Michigan	1,550.7	325.7	1,225.0	1,120.9	91.5	103.4	14.1	89.3
Minnesota	379.8	10.3	369.5	232.6	62.9	136.9	0.0	136.9
Mississippi	175.7	0.0	175.7	139.8	79.6	33.2	33.2	0.0
Missouri	404.9	21.7	383.2	319.9	83.5	63.2	63.2	0.0
Montana	80.7	0.7	80.0	50.0	62.5	30.0	30.0	0.0
Nebraska	107.4	0.0	107.4	64.2	59.8	36.7	0.0	36.7
Nevada	78.9	0.0	78.9	83.5	105.8	14.8	8.0	6.8
New Hampshire	77.0	0.0	77.0	71.1	92.3	6.0	0.0	6.0
New Jersey	697.1	86.1	611.1	357.8	58.6	223.1	0.0	223.1
New Mexico	180.2	13.3	166.9	106.8	64.0	60.1	4.9	55.2

State	TANF grants	Transfers	Available for TANF (after transfers)	TANF federal expenditures	Expenditures as a % of grants after transfers	Unexpended balance (excludes unexpended transfers) Total	Obligated	Unobligated
New York	4,425.2	444.4	3,980.8	3,291.8	82.7	689.1	0.0	689.1
North Carolina	536.9	12.7	524.2	431.1	82.2	93.1	0.0	93.1
North Dakota	37.5	0.0	37.5	29.5	78.7	8.1	5.8	2.3
Ohio	1,455.9	72.8	1,383.1	838.2	60.6	544.9	544.9	0.0
Oklahoma	295.9	21.9	273.9	163.7	59.8	110.2	0.0	110.2
Oregon	334.6	0.0	334.6	253.5	75.8	51.7	51.7	0.0
Pennsylvania	1,137.8	53.0	1,084.8	801.9	73.9	282.9	37.9	245.0
Rhode Island	141.0	0.0	141.0	125.4	88.9	15.7	0.0	15.7
South Carolina	193.8	15.0	178.8	144.1	80.6	34.7	0.0	34.7
South Dakota	40.1	2.1	37.9	26.6	70.1	11.3	3.4	8.0
Tennessee	388.2	32.0	356.2	262.6	73.7	91.5	14.5	77.0
Texas	930.6	35.3	895.3	683.9	76.4	211.4	211.4	0.0
Utah	155.8	3.1	152.6	129.4	84.8	13.6	0.0	13.6
Vermont	94.7	16.4	78.3	67.2	85.8	11.1	0.0	11.1
Virginia	273.0	55.5	217.5	185.2	85.1	32.3	32.3	0.0
Washington	693.6	29.0	664.7	522.3	78.6	142.4	0.9	141.5
West Virginia	192.3	21.0	171.4	91.3	53.2	80.7	0.0	80.7
Wisconsin	635.7	77.2	558.5	319.1	57.1	240.5	191.5	49.0
Wyoming	40.8	0.0	40.8	3.8	9.2	37.0	37.0	0.0
Total	29,941.7	2,391.9	27,549.8	21,199.9	77.0	6,276.4	3,235.2	3,041.3

Source: Table prepared by the Congressional Research Service (CRS) based on data from DHHS. TANF financial data are as reported by the stats to DHHS and are preliminary and subject to revision. There are some inconsistencies in the data reported by the states: for example, some states report expending most but not all of the grant and report $0 balances. Data on the table are shown as reported; if DHHS provides revised information, this table will be updated.

Will TANF Expenditures Remain Low?

The unexpended balance represents more than 6 months worth of TANF expenditures. The presence of existing balances — even obligated balances — means that fewer future expenditures need to be financed with "new money" from FY1999 and latter years' grants.

TANF balances will continue to grow as long as TANF expenditures plus transfers to CCDF and SSBG are less than the TANF grant. The key question is: Will TANF expenditures begin to rise and when?

The TANF grant is based on the historical peak of expenditures in its predecessor programs (AFDC and related programs). Since March of 1994, AFDC/TANF caseloads have fallen sharply. The September 1998 caseload of 2.9 million families stood 43% below the peak caseload of 5.1 million families in March of 1994.. Though the TANF block grant remains fixed, actual expenditures in state TANF programs have fallen with the caseload decline.

The TANF caseload continued to decline through FY1998, so that the caseload at the beginning of FY1999 is expected to be below that of the caseload at the beginning of FY1998. Both the Administration and the Congressional Budget Office (CBO) forecast continued declines in TANF outlays through FY1999.

Though overall TANF expenditures might continue to decline, the fall of expenditures might be slowed by increases in TANF expenditures per family. There are some reasons why TANF expenditures per family could rise in FY1999.

- In FY1999 states will first face the federal requirement that all recipients who received TANF for 2 years or more be engaged in "work," though states have the discretion to define what activity constitutes "work." This will be the first time states will be under a federal requirement to engage large portions of their caseload in some activity.[5]
- Some states require recipients to engage in work or community service after they have received benefits for a certain amount of time. This is sometimes known as "pay-after-performance" requirements. In FY1999, some large states — notably California, Pennsylvania, and Illinois — will begin to condition aid on either work or community service in "pay-after-performance" programs. Community service work programs tend to be costly, and wide use of them in large states could increase TANF expenditures.
- California increased its benefits by 8% effective November 1, 1998. Since California accounts for more than one in five TANF cases, a significant benefit increase in that state is likely to influence national expenditure figures. Everything else being constant, an 8% increase in cash benefits in California

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[5] TANF has work participation standards for states, requiring them to have a specified percentage of their caseload engaged in federally-specified work activities each year. However, these percentages are reduced one percentage point for each percentage point decline in the caseload from FY1995. Since the caseload has declined sharply, states only had to meet greatly reduced work standards in FY1997 and FY1998.

translates into a 1.5% rise in total federally-financed TANF expenditures nationally.

Federal Budget Information

The information discussed thus far is from the perspective of the states. The expenditures represent payments from *state* treasuries. Obligated balances are commitments made by states, and the unobligated balance is what remains of grants after state expenditures and state obligations. TANF financial information is also available in federal budget documents. The federal budget shows the grants (which are federal obligations) to the states and outlays from the federal treasury to the states. States report their expenditures quarterly, with reports due 45 days after the close of a fiscal quarter. Federal budget data become available faster. Federal budget data may be used as a "leading" indicator of state program activity. Federal outlays to the states tend to be similar to reported state expenditures. The Cash Management Improvement Act (CMIA) requires federal agencies administering grant programs to develop methods to transfer cash to states as close in time as possible to the state's expenditure.[6]

Preliminary TANF outlay information is available for the first months of FY1999. Through the first 5 months of FY1999, TANF outlays were only slightly below that of the first 5 months of FY1998. This *might* indicate a deceleration in the decline in TANF expenditures (or an increase in spending from transfers to other block grants).

[6] Transfers from TANF to CCDF or SSBG continue to be counted as outlays from the TANF budget account.

This Facsimile is from the

Administration for Children and Families
370 L'Enfant Promenade S.W.
Washington, D.C. 20447-0001

Date: 12/17/98

This transmission consists of this cover plus 7 pages

To: Nicole Rabner

From: Emil Parker

Phone:

Phone:

Fax:

Messages: I hope you and Jen find this useful; we'll probably send it to others at the WH once it's cleared.

Administration for Children and Families
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CHILD CARE QUALITY AND CHILDREN'S SCHOOL READINESS

PART I: CHILD CARE QUALITY AND CHILDREN'S COGNITIVE DEVELOPMENT

Children are getting ready for school in child care settings -- both formal and informal settings.

The overwhelming majority of children today have some nonparental child care experience before entering school. Rates of child care participation are highest for children with employed mothers, but many children with nonemployed mothers also participate in child care.

National Center for Education Statistics (NCES) 1995 statistics indicate that 12.8 million children under age six who have yet to enter kindergarten were in some type of child care arrangement. This includes children with employed and nonemployed mothers, and children in informal as well as center-based care. The extent to which child care has become a common experience for children prior to school entry is also indicated by NCES 1991 statistics which show that 71% of all first and second graders had attended center-based programs prior to first grade.

An estimated 1.25 million children are served on a regular basis by the Child Care Development Fund Program. 72% of these children are in licensed care and 28% are in legally, non-regulated care. 57% of these children are in center care; 29% in family child-care homes; 10% in in-home care (in their own home); and 4% in group homes.

The rates for very young children have risen the most rapidly in recent years; the *National Institute of Child Health and Human Development (NICHD) Study of Early Child Care* documents a very high reliance on infant care with entry into care occurring very early.

Brain research shows how important it is for children to receive good care in the early years.

New brain research findings and their implications for children's early development and care have been the focus of the Starting Points Report, the White Conference, and other major forums and reports. Key themes are that:

> Brain development is highly dynamic and early experience affects how the brain develops, even how it is wired. "The brain has an incredible amount of flexibility in its developmental stages, and experience essentially causes it to gravitate toward and select certain skills". (Lichtman, *Good Beginning for All Children: From Brain Research to Action,* 1997).
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> What matters in early experience is the day-to-day interactions that children have with their care givers and the ways that care givers structure young children's physical and social environments. Close relationships that are stable and nurturing provide the essential foundation for children's cognitive development and learning. Thus, from the outset, cognitive development is fundamentally intertwined with young children's social and emotional development.

Research on language and literacy development highlights these interrelationships. Findings indicate that "children's early experiences engaging in conversation with adults who are interested in the children and are willing to carry on conversations of interest to the children are crucial in producing vocabulary growth and other skills associated with language development and literacy" (Snow, *Good Beginning for All Children: From Brain Research to Action*, 1997). Researchers emphasize that efforts to promote language and literacy should involve education of parents, exposing children and their families to a broad range of interesting experiences, and offering much higher quality child care settings than many children currently experience.

Good health is also critical. We have long known that inadequate nutrition before birth and in the first years of life can so seriously interfere with brain development that it may lead to a host of neurological and behavioral disorders. Illness and exposure to toxins can affect children's ability to experience the kinds of sensory stimulation that research is finding to be so important in the brain's development (*Starting Points*, 1994).

As research informs us about the benefits of good care, it also expands our knowledge about the harm that can result from poor care. A long history of research links poor care early in life to failures in school and to later problems in adjustment. The brain research is beginning to illuminate how adverse experiences affect brain function, including learning and memory (*Starting Points*, 1994).

<u>Research shows that child care quality is consistently linked to children's social and cognitive school readiness.</u>

Reviewers have examined the past 15 years of child care research and reached a common conclusion: quality of care is consistently correlated with the cognitive and social outcomes that are an essential part of children's readiness for school. Outcomes which show a relationship to quality include self control, the ability to solve social conflicts, creativity, language skills, and cognitive competencies. (Love, Schochet, and Meckstrom, 1996, *Are They in Any Real Danger: What Research Does - and Doesn't - Tell Us About Child Care Quality and Children's Well-Being*; Frede, *The Role of Program Quality in Producing Early Childhood Program Benefits*, Future of Children, 1995; and *Quality in Child Care Centers*, National Center for Early Learning and Development Briefs, 1997).

The body of evidence continues to expand. Recent studies include features such as better methods of differentiating child care factors from family background factors, expanded samples, and longer-term follow-ups of outcomes. Important recent findings are described below.

In the 1998 study, *Children's Social and Cognitive Development and Child Care Quality*, researchers examined data from three large studies spanning community child care programs, pre-kindergarten programs, and Head Start (Burchinal, Peisner-Feinberg, Bryant, and Clifford, National Center for Early Development and Learning, 1998). Findings indicate that:

> Children in higher quality child care demonstrated better language, pre-academic and social skills than children in low quality care.

Children in poor quality care scored almost a full standard deviation below children in high quality care on a standardized language measure and almost 1/3 of a standard deviation lower on the standardized reading and math tests.

Children in preschool classes considered low quality were most likely to score lower on measures of language, pre-reading, and pre-math skills and to be rated by their teachers as exhibiting behavior problems when compared with children in medium or high quality centers.

New evidence from the long-term follow up of the *Cost, Quality, and Outcomes in Child Care Centers Study* shows that, taking family background differences into account, children's experiences as pre-schoolers in quality child care programs make a difference five years later in their cognitive performance and social adjustment in second grade (Peisner-Feinberg, *The Longitudinal Effects of Child Care Quality on Early School Outcomes for Children*, presented at NAEYC, 1998).

For younger children, the *NICHD Study of Early Care* reports that the quality of child care matters for cognitive development and use of language. In addition, quality child care in the early years, meaning care with a high degree of positive interaction between care givers and children, can also lead to better mother-child interaction (NICHD, *Mother-Child Interaction and Cognitive Outcomes Associated with Early Child Care*, 1997).

Improving quality improves children's cognitive and social outcomes.

Research from a statewide study of Florida day care centers investigated the impact of state legislation mandating more stringent day care standards. In 1992, Florida reduced teacher-to-child ratios from 1:6 to 1:4 for infants and from 1:8 to 1:6 for toddlers. The state also enacted a law requiring higher educational attainment for child care center teachers. The research shows that investing in efforts to improve child care -- increasing teacher-to-child ratios and educational qualifications of staff -- can improve quality in ways that positively affect children's development. Results for children included more complex play, more secure attachment with care givers, greater adaptive language, and fewer behavior problems (Howes, Smith, and Galinsky, *The Florida Child Care Quality Improvement Study: Interim Report*, 1995). Longer-term results indicate that enforcement of standards is important for the maintenance of benefits.

North Carolina's state-wide Smart Start initiative has engaged in efforts to make multiple quality enhancements to child care programs and to help families access child care. Enhancements have included improved training, improvements in curricula and equipment, and incentives to become accredited at a higher standard. Evaluation results indicate that more children are receiving care and the quality of care has improved. Research is now finding that children who attend enhanced centers have higher levels of skills at kindergarten entry (Smart Start Evaluation Team, University of North Carolina, *The Effects of Smart Start on the Quality of Preschool Child Care*, 1997, and *The Effects of Smart Start Child Care on Kindergarten Entry Skills*, 1998).

The early intervention literature informs us about the difference that high quality programs can make in children's development.

Many programs designed as intensive early child interventions are also examples of high-quality child care programs:

> Hundreds of studies of demonstration and large-scale programs that now exist provide very strong evidence that most programs of relatively good quality have meaningful short-term effects on cognitive ability, early school achievement, and social adjustment. There is also increasing evidence that interventions can produce middle- to longer-run effects on school achievement, special education placement, grade retention, disruptive behavior and delinquency, and high school graduation (Reynolds, Mann, Meidel, and Smokowski, *The State of Early Childhood Intervention*, Focus, 1997).
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> In reviewing the research, Barnett also has concluded that early childhood programs can produce large short-term benefits for children on intelligence and sizable benefits for children on school achievement, grade retention, placement in special education, and social adjustment (*Long-Term Effects of Early Childhood Programs on Cognitive and School Outcomes*, Future of Children, 1995).

PART 2. CREATING CHILD CARE QUALITY: THE EARLY LEARNING FUND

As in North Carolina's Smart Start initiative described above, states are responding to the research on links between quality of care and cognitive development by increasing expenditures on children's services and funding programs to improve the quality of care that children receive when they are not with their parents (National Governors' Association and the National Association of State Budget Officers, *The Fiscal Survey of States*, 1997). Significant gaps remain. A much more systematic effort is need to make the fundamental improvements in conditions of care for children across the nation.

Proposed elements of the Early Learning Fund.

- In-service or pre-service health, safety, child development and early education training
- Incentive bonus or increase in salary for staff who complete established training
- Improvement and enforcement of licensing programs
- Creation and support of family child care networks and provision of family child care technical assistance
- Outreach to recruit providers and encourage expansion of current providers while providing technical assistance to ensure the quality of the new supply of infant, toddler, and preschool care
- Parent/consumer education

Research on the role of these elements in quality and problems in existing conditions.

Protections for health and safety

Poor health impairs opportunities for learning and cognitive development and, under some circumstances, hampers brain growth and development. Infants are especially vulnerable to injuries and infections. Their rapid changes in behavior make regular or frequent visits by a health consultant extremely important. Linking health care and mental health specialists to child care settings can help develop healthy policies and inspect and provide technical assistance to sites for reducing safety and infection control hazards (American Public Health Association and American Association of Pediatrics, *Stepping Stones to Using Caring for Out Children: Guidelines for Out-of-Home Child Care Programs*, 1997).

Evidence of Problems:

In a 1994 Inspector General Study *Nationwide Review of Health and Safety Standards at Child Care Facilities*, more than 1,000 violations were found in 169 child care facilities in five states. Among the hazards found were fire code violations, toxic chemicals, playground hazards, and unsanitary conditions.

Almost half of the infants and toddlers in child care centers studied as a part of the *Cost, Quality, and Child Outcomes in Child Care Centers, Public Report* (CQO Team: Helburn, Culkin, Morris, Mocan, Howes, Phillipsen, Bryant, Clifford, Cryer, Peisner-Feinberg, Burchinal, Kagan, and Rustaci, 1995) study were in rooms having 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 required for physical and intellectual growth.

Training and Retaining Staff

Children who receive warm and sensitive care giving are more likely to trust care givers, to enter school ready and eager to learn, and to get along well with other children. To ensure that child care settings nurture children, protect their health and safety, and prepare them for later school success, better qualified staff are essential *(Starting Points*, 1994).

Training has an impact on the quality of child care in family child care. According to the *Family Child Care Training Study* (Galinsky, Howes, and Montos, 1995), children are observed to behave in ways that indicate they feel more securely attached to their providers, after their providers receive training.

Recent research has also shown fairly consistent relationships between care giver training (assessed as formal education levels and as specialized training in child development and child care) and both the quality of care and children's development. Teacher's training (a child major in college-level work) helped predict children's cognitive competence in center-based settings (Kontos, Hsu, and Dunn, 1994 -- from Sheila Smith, *The Past Decade's Research on Child Care Quality and Children's Development: What We are Learning. Directions for the Future*, 1998).

Teachers with the CDA (Child Development Associate) credential or an Associate of Arts degree provided higher quality care than teachers with some college or other limited training, but teachers with the highest levels of education were most effective (CQO Team, *Cost, Quality, and Outcomes Study*, 1995, and Howes, Smith, and Galinsky, *Florida Quality Improvement Study*, 1997).

Marked improvements in military child care facilities have been credited to incentives for staff to complete training and remain in their jobs; higher funding; and setting and enforcing higher standards (*White House Conference on Child Care*, 1997).

Smaller group sizes, higher teacher/child ratios and higher staff wages result in quality child care. Outcomes for children are also better when they attend programs that include a curriculum geared to young children, well prepared staff and parent involvement in programming (National Conference of State Legislatures, *Early Childhood Care and Education: An Investment That Works*, 1997).

Staff retention leads to greater continuity of care, which is associated with high quality child care. Compensating staff in salary and benefits provides incentives for job retention and turnover reduction (National Conference of State Legislatures, *Early Childhood Initiatives in the States: Translating Research Into Policy*, 1998).

In the *Quality in Family Child Care and Relative Care Study*, the amount parents paid for care, which in these settings largely reflected care giver wages, was strongly related to global quality and care giver sensitivity (Kontos, Howes, Shinn, and Galinsky, 1995).

The *Cost, Quality, and Outcomes Study* found that teacher wages was the variable that best distinguished among poor, mediocre, and high quality child care centers, including when teacher education and training were used in a discriminate analysis.

Evidence of problems:
The education credentials of staff who work in child care centers are often inadequate relative to the skills required. The *Cost Quality and Outcomes Study* found that only 36% of teachers had a bachelor's degree or higher. The *NICHD Study of Early Child Care* (1996) found that only a third of infant child care providers had any specialized training in child development and only 18% had a bachelor's degree or higher.

Staff turnover is high, ranging from 25% to 50% each year. This means that children are constantly adapting to new care givers and administrators are constantly orienting and training new staff (Whitebook, Howes, & Phillips, 1989; CQO Team, 1995).

Staff compensation, including wages and benefits, is exceptionally low. Child care staff are among the lowest paid of all classes or workers in the US. Staff compensation is significantly related to the quality of care provided (Whitebook, Howes, & Phillips, 1989; CQO Team, 1995).

- Child care teaching staff earn an average of $6.89 per hour or $12,058 per year (based on 35 hours per week and 50 weeks per year) (data from CQO Team, *Cost, Quality and Child Outcomes in Child Care Centers, Technical Report*, 1995, salary data are in 1993 dollars).

- Only 18% of child care centers offer fully paid health coverage to teaching staff.
- Family child care providers who care for and educate young children in their homes also have very low earnings. Providers earn $9,528 annually after expenses (data from *The Economics of Family Child Care Study*, a forthcoming publication from Wheelock College, earnings in 1996 dollars). Unregulated providers, who care for fewer children and are offered fewer supports, earned just $5,132 after expenses.

Networks and Technical Assistance

Local child care networks have proven effective, offering numerous benefits:

- Networks alleviate the isolation experienced by many child care providers, particularly those who take care of infants and toddlers in their homes.
- They provide facilities, resources, and materials for professional development activities and enrichment for groups of children.
- They offer parents a well-known, accessible unbiased source of information and advice as they sort through various child care options. This is especially important for parents who may be new to a community (or to this country), who do not speak English, or who have low incomes.
- They link child care providers with a wide variety of related health, educational, and social services.

In some areas of Los Angeles, a network system connects center and family child care. Child care centers serve as the hub and resource for neighborhood family child care homes. Parents are able to contact family child care providers through the center. This structure has given not only assistance, but also credibility, to the family child care providers, and the parents they serve (*Starting Points Report*, 1994). Jacksonville, Florida has developed a system of support and incentives for child care providers designed to improve the quality of child care for low-income families. By becoming part of a network, providers receive training and on-site technical assistance to improve the quality of care in exchange for frequent agency monitoring to ensure compliance with higher standards (Ross and Paulsell, *Sustaining Employment Among Low-Income Parents*, Mathematica Policy Research Institute, 1998).

Parent/Consumer Education

There is evidence that parents lack adequate information about child care. Parents rate the quality of child care settings higher than researchers do, though there is considerable overlap in what researchers and parents see as the most important features of quality care arrangements. The differences may stem in part from the more limited access parents have to information related to quality. Parents typically see children's care settings for brief minutes while picking up or dropping off children. Researchers observe settings systematically and over longer periods of time. Studies of low-income parents also suggest that some parents may lack awareness of the importance of screening child care arrangements or may not have the time or resources to be more selective. Findings indicate that many parents choose a child care arrangement without first visiting the setting, and others sign up for the first child care arrangement they find with an opening, without evaluating others (Ross and Paulsell, *Sustaining Employment Among Low-Income Parents*, Mathematica Policy Research Institute, 1998).