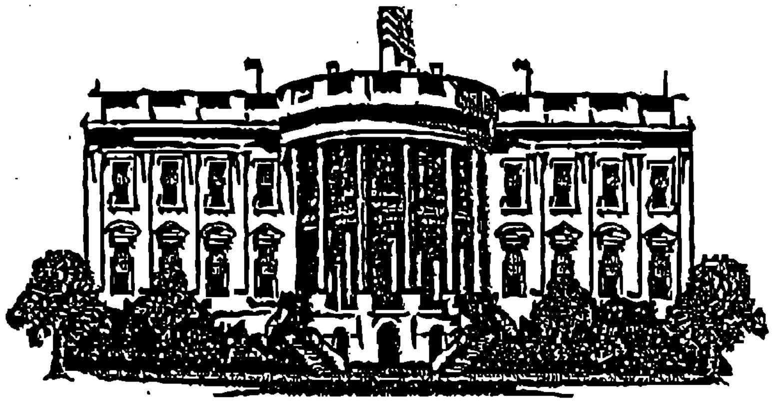

THE WHITE HOUSE

Domestic Policy Council

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MEMORANDUM

TO	Welfare to Work Partnership
FROM	Jean Statler, Maury Giles
SUBJECT	Member Survey Key Findings
DATE	March 16, 1998

Wirthlin Worldwide is pleased to present the Welfare to Work Partnership and its Advisory Council with this summary of the key findings from the 1st Quarter 1998 Membership Survey. The following report reviews the methodology, objective, major findings, detailed findings, and conclusions derived from this study.

METHODOLOGY

Although the most sophisticated procedures have been used to collect and analyze the information presented here, it must be remembered that surveys are not predictions. They are designed to measure public opinion within identifiable statistical limits of accuracy at specific points in time. This survey is in no way a prediction of opinion or action at any future point in time.

The study contains results from a random sample of 400 Welfare to Work Partner companies. Within this overall sample, 196 interviews were collected among senior executives, CEOs, and owners; 204 interviews were collected among other vice presidents, managers, directors, and human resource executives. In addition, the sample was stratified to represent current Partnership membership by company size with 53% of respondents from companies with 50 or fewer employees, 24% with 51 to 250 employees, 8% with 251 to 499 employees, 9% with 500 to 2,999 employees, and 7% with 3,000 or more employees. All interviews were gathered from across the United States and collected between February 11 - 24, 1998.

MAJOR FINDINGS

Our review of this study is categorized into three primary sections: 1) perceptions of welfare and welfare recipients, 2) experience in hiring, and 3) special topics of transportation and tax incentives. It is anticipated that the first three sections represent benchmark findings that will be tracked in upcoming membership surveys conducted each quarter during 1998. The special topics section will vary with each new survey.

MEMBER PERCEPTIONS OF WELFARE REFORM AND OF WELFARE RECIPIENTS

The results of our benchmark membership survey clearly confirm the correlation between positive perceptions of welfare recipients and successful hiring, and they further demonstrate the optimism of those currently engaged in the effort. This optimism is expressed in a positive outlook of the direction in which the country is headed to address welfare reform, and a CEO-driven group of businesses who see their upper management as very committed to making things work. In addition to the optimism, these companies are also in a situation to need to make this work because they perceive a labor shortage in their respective industry. And, most (76%) see welfare hires as becoming good, productive employees.

Perceptions of Welfare Reform

The highlights in this area are as follows:

- The majority of member companies (71%) feel that they are facing labor shortages in either their company or industry which makes finding qualified and competent workers to fill their employment needs a difficult task. Only 21% say that they are finding it easy to locate qualified employees to hire in their company or industry. Six percent (6%) say it is about right, and 3% are not sure.
- Three-fourths (75%) of those who have hired welfare recipients in 1997 see a labor shortage, whereas only 62% of those who did not hire last year off the welfare rolls do likewise. In fact, the perception of labor shortage increases directly with the number of employees hired off of welfare last year (85% of those who hired more than 50 last year say they are experiencing a labor shortage).
- Despite the feelings of a labor shortage, almost all (92%) executives believe that the steps being made in the U.S. to reform the current status of welfare are positive and that the effort as a whole is heading in the right direction. Only 7% believe things are off on the wrong track, and just 2% are not sure. This attitude is salient across company size, region, industry, and respondent title.
- Nearly two-thirds (63%) of executives say Corporate America's commitment to welfare reform is in the middle of the road between "extremely" committed and "not at all" committed. In fact, the mean score rating on this 1 to 10 scale is 5.4, almost exactly in the middle.
- This rating is in direct contrast with the perception that they have of their own upper management's commitment to the initiative. That is, 63% of these executives consider their own company to be an 8, 9, or a 10 on a 10-point scale in terms of commitment to successfully hire people off of welfare. The overall own-company commitment rating is significantly higher at 7.9 than is the rating of Corporate America overall. In addition, most (58%) member businesses joined the Partnership under the leadership of their CEO, owner, or president. This is especially true of smaller companies (68%) as well as those who hired more than 50 welfare recipients in 1997 (64%). This clearly demonstrates the perception of themselves as pioneers in this effort.

Perception of Welfare Recipients and Welfare Hires

In short, welfare-to-work hires turn out to be productive, but are clearly seen as having special needs that must be addressed. The highlights in how executives view those on welfare and those they have hired are as follows:

- Currently, the highest rated positive attributes are potential contributors to the workplace (7.0), trainable (6.8), and untapped resource (6.7). The greatest perceived weaknesses of welfare recipients are uneducated (5.7), unmotivated (5.1), and not seen as being dedicated (4.9, the lowest score on a positive trait).

- Beyond the general perception of welfare recipients, we find that three-fourths (76%) of executives from Partner businesses who have hired welfare recipients say that their new hires have turned out to be good, productive employees. Only 21% disagree with this assessment, and 3% are not sure.

- This positive evaluation of those hired by Partner businesses is consistent across company size, with the highest percentage agreeing from executives with companies of 51 to 250 employees (83%). In addition, regardless of industry, welfare recipients hired in the manufacturing (77%) or services (77%) industries are equally seen as having proved to be good, productive employees. Even more importantly, most (72%) of these welfare recipients are being hired into full-time positions, and the perception of them as quality employees remains at 77% for those hired in these full-time positions.

In summary, Partner business executives are optimistic about welfare reform, they are experiencing a labor shortage and, therefore, are in need of qualified employees, and are committed to successfully hiring people off of welfare. These executives see the welfare rolls as an untapped resource with individuals who can contribute and can be trained. In fact, those successfully hired have turned out to be productive employees. However, there remain concerns about dedication, performance, training, and the ability to provide child care to qualified hires.

Experience With Welfare To Work New Hires

One of the most positive findings of this benchmark survey among members is the high rate of reported hiring of welfare recipients. These companies are making welfare-to-work a reality, and they expect to hire even more this year. But, there are significant obstacles facing employers as well as gaps in the needs of their new hires and the limited services which companies are able to provide. In addition, hiring is only the first step – it is retaining those hired off of welfare that needs further exploration.

Finding And Hiring Welfare Recipients

The key highlights in the finding and hiring experience of member companies are as follows:

- Seven out of ten (70%) Welfare to Work Partner businesses with more than 50 employees hired someone off of welfare in 1997 – fully 79% expect to hire someone off of welfare this year. In addition, 62% of companies with 11 to 50 employees and more than half (53%) of those with just 1 to 10 employees report hiring welfare recipients last year.

- Projecting through this year, 43% of smaller companies (50 employees or less), 60% of those with 51 to 250 employees, and half (50%) of those with more than 250 employees believe that they will be able to hire more people off of welfare this year than they were able to hire in 1997.

- In terms of numbers, the average number hired varies by company size: 5 to 7 among companies with fewer than 50 employees, 21 among those with 51 to 100 employees, 24 among those with 101 to 250 employees, 37 among those with 251 to 499 employees, 90 among those with 500 to 2,999 employees, and up to 550 for those companies with 3,000 or more employees.

- Currently, the top two sources for potential employees hired off of welfare are government social service offices (44%) and community-based organizations such as Goodwill (17%). The reliance on government offices is prevalent across company size, industry, and scope.

This data illustrates an opportunity for the Partnership to better link the company executives with the community organization and the government social services in locating people to be hired. At the same time, it is a positive finding for key political leaders because it demonstrates the significant role that local government must play in helping to identify candidates ready to move from welfare to the work force.

Primary Obstacles To Hiring People Off Of Welfare

The key obstacles noted are as follows:

- Roughly half (47%) of executives from member companies say worker-related concerns such as a lack of skills, motivation, job readiness, and other general work ethic issues represent the single biggest obstacle in hiring people off of welfare. A third (32%) of executives cite company-related issues such as finding applicants, downsizing, lack of appropriate jobs, cost, and internal stereotypes.

- Interestingly, those who have yet to hire someone off of welfare are somewhat more likely to cite internal issues (39%) than are those with hiring experience (36%). In fact, 16% of those who did not hire a single welfare recipient in 1997 say that the single biggest obstacle that they face is being able to locate people to hire – only 5% of executives from companies with hiring experience volunteer such a concern.

Services / Benefits Provided Welfare Hires

Contrary to those skeptics of welfare-to-work efforts, most (72%) companies hiring welfare recipients provide their new hires with a medical benefits package. This is true among 60% of companies with 50 or fewer employees, and increases directly to an almost universal practice (96%) among companies with 3,000 or more employees. Across industries, we find that those in the services industry report the highest likelihood of providing medical benefits (84%). Hence, this finding confirms the reality of meaningful employment for former welfare recipients that extends beyond part-time jobs which do not provide a health care package.

While the health care package findings are very positive, there is a significant gap in the provision of other important needs that new hires off of welfare have. That is, those needs which executives identified as MOST IMPORTANT among new hires are also the services least likely to be currently provided by member companies. There clearly is a barrier in providing needed services for newly hired welfare recipients.

Top-Rated Needs		Services Least Provided	
Performance / Attitude	13%	Child Care	17 %
Training	13%	Transportation Subsidies	22 %
Child Care	12%	Mentoring	55 %
Transportation	9%		
Mentoring / Reinforcement	9%		

The most glaring concern is child care, given that only 17% of companies offer new hires off of welfare this benefit, while it is one of the most frequently mentioned top-of-mind perceptions of new hire needs. Only among significantly larger companies (those with 3,000 plus employees) do a third or more (35%) report offering child care to their welfare hires. This illustrates the necessity of a public-private partnership as welfare-to-work expands to address these issues as well as debate on how such services should be provided, by whom, and to what extent.

Retention Issues

The key findings in the retention category as are follows:

- The most common retention rate of new hires off of welfare is between 91 to 180 days (21% of the companies give this response). More impressive are the high frequencies of retention beyond 180 days: 19% of companies have employee retention from 180 days to one year, and another 19% of companies have retention of new hires for more than one year. Only 29% report that welfare hires stay less than 90 days.

- Half (48%) of executives from companies who track employee retention rates indicate those hired off of welfare typically have the same or higher average retention rate than do those workers hired through normal procedures. In fact, fewer (47%) executives say welfare hires tend to have a lower average retention rate.

Member Self Assessment Measurements

All things considered, a majority (57%) of member companies feel that they have had a low level of success to this point in successfully hiring former welfare recipients. A little more than a third (38%) give themselves a high success rating in terms of hiring, with the average rating on a 1 to 10 scale falling right in the middle at 5.4. In short, these executives are committed and optimistic but realistic in assessing how far they are from where they want to be in hiring welfare recipients.

The most important predictor of success beyond hiring numbers is the cultural perspective among executives toward those on welfare. We find those with a more positive outlook on those on public assistance are much more likely to give their own efforts a higher success rating. Therefore, there is an important cultural shift in stereotypical views of people on welfare in order to make this effort work. From earlier research and experience, we know this shift primarily occurs through personal experience with hiring someone off of welfare, which is more likely to occur as concerns are addressed and specific success stories are shared.

Special Topics

The first two special topics explored in the inaugural Welfare to Work Partnership member survey are transportation and tax incentives. One explores the scope and solutions to a hurdle, and the other investigates the appeal of an incentive for participation.

Transportation

The key findings in this special topical area are as follows:

- More than half (51%) of member companies consider employee transportation a problem (6 to 10 rating on a 1 to 10 scale). In fact, more than a third (38%) say it is a serious problem (8 to 10 rating). Forty-five percent (45%) do not consider transportation a real problem (1 to 5 rating), and 4% are not sure.

- The primary predictor of considering transportation a problem is the number of welfare recipients hired by a company. Specifically, only 43% of those who hired 1 to 10 welfare recipients last year consider transportation a problem, while 60% of those who hired 11 to 50 and 76% who hired more than 50 consider it a problem.

- The top two transportation problems most frequently volunteered by those who gave a 6 to 10 rating are the inability of welfare hires to afford a reliable car (51%) and problems with public transportation (50%). The primary issues of concern surrounding public transportation are "public transportation doesn't run near my company" (34%), "public transportation doesn't operate during the hours needed for our jobs" (18%), and "a lack of or poor public transportation" (6%).

- Companies have explored many options in an effort to address the problem of employee transportation, and 55% of those who say it is a problem give specific solutions. The most common solution offered is the use of car pools (26%), followed by subsidies or personal assistance (17%), changing work location (16%), partnering with local agencies (12%), work hours flexibility (5%), helping new hires find other routes (5%), and utilizing other government and community resources (2%).

- A majority (66%) of those who offer solutions believe public partnerships are needed to fully implement solutions to transportation issues. Only 25% believe they can do it on their own, and 9% are not sure. In essence, the public transportation issue is a prime example of an opportunity for local government to join with businesses to resolve an obstacle impeding the potential success of helping people move off of welfare.

Tax Credits

This study confirms that very few member companies have accessed the WOTC or the Welfare to Work tax credits. However, this research indicates education regarding the tax incentives as companies continue to hire more recipients could lead to more use of the tax credits which, in turn, would greatly benefit member companies:

- At present, only 12% of small companies (50 or less employees) have accessed either of the tax credits. Most (58%) are aware of the credits but have not accessed them, and only 19% have never heard of the credits. Among companies with over 250 employees, 31% have accessed the credits (48% of those with 3,000 plus employees), and more than half (54%) have heard of the credits but have not accessed them.

- The top reasons for not accessing the credits are a lack of hiring experience (22%), a lack of information (20%), and the perceived bureaucracy or "red tape" involved in processing the credits (16%).

- The primary motivations to accessing these credits are more information about them and hiring qualified employees. More than a quarter (27%) indicate that more information about the tax credit plans would motivate them to participate. Nearly one in every five companies (19%) say they would need to hire more employees that would qualify in order to be more motivated to seek the tax credit measures.

- Among those who have accessed the credits, most (58%) processed the tax credit internally while a third (36%) hired a consultant to process the credit. In addition, a majority (52%) who have experienced the process consider it easy (14% very easy and 39% somewhat easy), and just 26% believe it was difficult. In short, there is not a high level of concern among those that have processed the tax credit regarding the process – this is something that should be conveyed to other companies to entice them to take advantage of these credits available to them.

Some Q&A's About State Need for Additional Child Care Investments

Question: Are states spending the federal child care money they have now?
Answer: YES

Fact: All of the child care funds have been obligated. HHS reports that 99.7% of the FY97 child care money has been obligated -- meaning that it has already been promised for specific purposes. States are now in the process of obligating FY1998 funds which are drawn down quarterly [Note: Under the Child Care and Development Block Grant (CCDBG), states have one year to obligate the funds, but can take two years to spend their CCDBG funds.]

Fact: About 90 percent has already been drawn down by states to reimburse themselves for program activities. HHS also reports that about 90% of the money has already been utilized, or drawn down, as of late winter 1998. Again, states have two years under the CCDBG to spend their funds.

Fact: Given that states were given very short notice about receiving this money, this is a remarkably high expenditure rate, and demonstrates the enormous need for child care funding. Remember that the legislation was passed in July 1996, the first funds were disbursed in October 1996, many states did not complete their legislative sessions to determine how to spend the money until sometimes as late as summer *1997,* and states have two years to spend their funds. The fact that all of the funds have been obligated, and 90 percent of the funds have been drawn down, as of winter 1998 demonstrates the extent to which states need these funds.

Fact: Many states and communities are concerned about serving low-income working families *not* on welfare given the inadequacy of funds to meet the needs of families on welfare as TANF work requirements rise. States and communities are very worried about serving the millions of low-income working families eligible under federal law (see more information on this issue below) because they know that the demand for child care assistance for families moving off welfare will rise sharply in coming years. In a January 1998 survey, the majority of states report that, unless they receive additional funds, they anticipate being unable to serve eligible families in coming years as welfare (TANF) work requirements increase.

Question: Didn't we take care of this with welfare reform?
Answer: NO

Fact: The funds in the 1996 welfare act were targeted to families on welfare. While the 1996 welfare act added funds for child care, the funds were designed to address the increased child care needs of families moving from welfare to work. As shown below, these funds did nothing to address the other major problems with child care.

Fact: The 1996 welfare act did not address the enormous unmet need for child care assistance for the millions of low-income working families who are *not* on welfare (those families making $6, $7, $8 per hour -- maybe $18,000 or $25,000 per year). Currently, we serve only about one of every ten children eligible for child care assistance who needs child care assistance, and as shown by a recent CDF study, not a single state in the U.S. is currently meeting the child care needs of all the families eligible for child care assistance under federal law. Across the country, many low-income working families are not even eligible for assistance due to low state cutoffs; those families who *are* eligible often do not get help because they are put on waiting lists, turned away, or are not notified of their eligibility; and those families who are fortunate enough to get child care help often face extremely high parent fees, or such low state payment rates that they are unable to find providers who will take care of their children. Furthermore, this problem is going to get worse -- not only did the majority of states report that they anticipate being unable to serve eligible families in coming years as welfare (TANF) work requirements increase, but many reported that low-income working families *not* on welfare who need child care assistance would lose out. [Please note, state-specific information on these issues is available from the Children's Defense Fund.]

Fact: The welfare act did not address the serious gaps in child care quality across the country. Research shows that the early years are critical times for children's brain development and school readiness. Yet studies have found that the quality of child care is often mediocre to poor, with a number of programs actually being harmful to children's development. And the people in whom we entrust the care of our children do not earn as much as bus drivers ($20,150) or garbage collectors ($18,100) -- or even bartenders ($14,450). On average, child care workers in centers earn only $12,058 per year (only slightly above minimum wage) and receive no benefits or paid leave.

Fact: The welfare act did not address the needs of the nearly five million school-age children who are left home alone each week after school. We must provide constructive after-school options for our school-age children. Without adult supervision, youths are at greater risk for alcohol and drug use, smoking, teen pregnancy, and violence -- 3:00-7:00 p.m. is prime time for children to get into trouble. Yet constructive after-school alternatives are scarce overall, and are particularly scarce in low-income neighborhoods -- for example, only about a third of public schools in low-income neighborhoods offer extended day programs.

Question: What about TANF funds, can't they take care of the problem?
Answer: NO

Fact: The TANF Block Grant was designed to meet a broad range of needs of families on welfare, while the Child Care and Development Block Grant was designed to address child care problems. States need TANF funds to address critical needs of low-income families. Low-income families on TANF face a broad range of serious employment barriers, including inadequate job skills and education, lack of transportation, disabilities, and family problems such as domestic violence. For example, between half and two-thirds of welfare recipients have not finished high school, families on welfare are more likely to have physical and mental disabilities, women on welfare suffer disproportionately from domestic violence, only six percent of families on welfare owned a vehicle in 1995 (and significant proportions of poor children live in rural areas, where there is frequently no public transportation at all). Each of these needs must be addressed if welfare reform efforts are to succeed, yet states are just beginning to grapple with how to help TANF families overcome these critical barriers. Any TANF funds that states have available are needed to help families succeed at work.

Fact: Significantly more TANF funds are going to be needed to help families leave TANF as work requirements rise. The demands for resources to help families get and stay off welfare are going to rise significantly in future years for a number of reasons.

1) Work requirements are still relatively low but will rise steeply in coming years, from 25 percent of the caseload working 20 hours a week in FY1997 to 50% of the caseload working 30 hours a week by FY2002.

2) Though caseloads have been dropping, many of the families who remain are those who are the most difficult to employ. These families will need more intensive help (and greater levels of investment) to successfully move into the workforce. When combined with the higher work requirements, states are going to need significant resources to successfully move these families into the workforce.

3) Some of the caseload drop is likely to be temporary, as studies show that only a portion of the families leaving welfare are doing so because they have found jobs. Some are inappropriately sanctioned. For example, anecdotal evidence from Tennessee, Wisconsin, and South Dakota suggests that families who appeal are likely to have their benefits reinstated.

4) While the caseload is declining, most of the departing families remain poor. TANF funds are needed to give these families the tools they need for work and family-based strategy to help them get out of poverty.

5) The current strong economy helps families find work and reduces caseloads. However, in the event of an economic downturn, caseloads will rise, more families will need financial assistance and help finding work, and more families will need child care assistance. At that point, states are likely to face shortfalls.

Fact: States are allowed to use up to 30% of their TANF block grant for child care -- and in a 1997 CDF report, about half of the states reported they had used or were planning to use TANF funds for child care. The TANF block grant allows states to transfer up to 30 percent of their TANF funds to the CCDBG for child care. A 1997 report found that about half of the states chose to (or plan to) use TANF funds for this purpose. While states can legally transfer up to 30 percent of their funds to the CCDBG, any funds that they spend on child care without transferring (in other words, any funds that are spent on child care directly from TANF) would subject families receiving these funds to the TANF time limits.

Fact: Funds for the Title XX Social Services Block Grant have been cut dramatically. Many states use these funds for child care and other important services including child welfare and elder care. States are using TANF dollars to make up for the deep cuts in Title XX.

For more information, contact Helen Blank at (202) 662-3547 at the Children's Defense Fund.

WELFARE INFORMATION NETWORK **Issue Notes**

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Vol. 2, No. 6 April 1998

Financial Resources for Child Care

by April Kaplan

Background

In recent years the need for child care has increased. It is estimated that 65 percent of those in the labor force currently require access to child care. With welfare reform the demand will continue to rise, as mothers who previously had stayed at home and cared for their children now must seek employment or job training in compliance with their state Temporary Assistance for Needy Families (TANF) plans. For information on state TANF plans refer to the National Governors' Association matrix of state plans at *http://www.nga.org* or contact Rebecca Brown at 202-624-5300. Access to individual state plans can be accessed at WIN's web site as *http://www.welfareinfo.org/tanf.htm*.

Many families needing child care also require assistance to pay for that care. In addition, the child care system must respond to increased demands as more parents enter the workforce, such as:

- Infant care
- Before- and after-school care
- Second and third shift care
- Care for sick children
- Funding for facilities construction
- Care for children of teenagers who must attend school
- Care for special needs children
- Training for child care providers
- Quality improvement

With the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, states have greater flexibility in addressing child care needs than under prior law. States can design their child care programs according to client need using several sources of funding. The 1996 welfare reform legislation included a block grant of $2.97 billion for child care. However, additional money will be needed to care for the 10.5 million children under the age of 13 in low-income families whose parents work full- or part-time. There are several other funding streams states can take advantage of and should look to for enhancing and developing their child care systems. This paper reviews these sources of funding and discusses the ways in which those funds can be used.

Policy Issues

The federal government allocated approximately $13.8 billion in fiscal year 1997 for child care funds. The majority of funding came from Head Start, Child Care and Development Funds, Child and Dependent Care Tax Credit, Child and Adult Care Food Program, and Title XX Social Services Block Grant. Each program has different areas to which funding can be appropriated. (Information on obtaining publications is referenced below or at the end of this paper under "Publications.")

- The Child and Adult Care Food Program (CACFP) provides food subsidies to child care providers to feed children while in day care. Those that may receive funds from CACFP include day care centers, family and group day care homes, Head Start programs, and day care services for children with disabilities.

- The Child and Dependent Care Tax Credit allows parents to get tax credits for child care expenses. Families who do not owe taxes can not claim the credit and families whose credit is larger than their tax liability may only claim a portion of the credit. For further information on eligibility and benefits, refer to "Another Tax Benefit for Families! The Child and Dependent Care Credit" from the Center on Budget and Policy Priorities and "How to Use the Federal Child Care Tax Credit" from The Child Care Action Campaign.

- The Child Care and Development Fund (CCDF) incorporates the former Child Care and Development Block Grant. This fund combines four existing child care programs into a single stream of funding. CCDF provides subsidized child care to eligible families and requires that a minimum of 4 percent of funds be allocated to improve the quality and availability of healthy and safe child care. For more information on the Child Care and Development Fund see "Child Care and Welfare Reform" by the Center for Law and Social Policy (CLASP) or contact the National Child Care Information Center (NCCIC).

- Head Start is a matching grant program where grantees must contribute 20 percent of the total cost of the program. Traditionally the funding has been provided directly to local agencies operating Head Start programs to provide services for economically disadvantaged preschool children on a part-day and part-year basis. More recently Head Start grants have been given to programs that provide full-day and year-round services. For more information on Head Start programs and funding for Head Start, contact the Head Start Bureau at ACYF/Head Start Bureau, P.O. Box 1182, Washington, D.C. 20013 or see *http://www.acf.dhhs.gov/programs/hsb/.*

- Title XX Social Service Block Grant is a capped entitlement to states based on the population of the state. These funds may be used for a wide range of social services, including child care.

To get information on eligible populations for the federal child care programs described above, funds available for program, and more about each program, refer to the U.S. General Accounting Office (GAO) report "Federal Child Care Funding." For information on tax issues related to child care, see the Urban Institute's "Systematic Thinking about Subsidies for Child Care, Parts One-Three."

Title II of the Job Training Partnership Act funds a range of employment and training services, including an assessment of an unemployed individual's needs and abilities, classroom training, on-the-job training, job-search assistance, work experience, counseling, basic skills training and support services. A portion of those funds is given to a governor's office, and a state may use those funds for child care or after-school care. For more information on using JTPA funds for child care, contact the Women's Division at the U.S. Department of Labor, 202-219-6619 or see *http://www.doleta.gov.*

Federal funding can also be given to post-secondary students preparing for child care careers through Pell grants, federal student financial aid, scholarships and lifetime learning tax credits. Information on Federal Student Aid Information Centers can be accessed at 800-433-3243 or *http://www.ed.gov/offices/OPE/Students.* For information on financial aid and tax credits available to assist child care workers with their education, refer to Child Care Bulletin Special Issue "White House Conference on Child Care," September/October 1997, Issue 17 at NCCIC's web site.

TANF funding can be spent directly for child care. When using TANF dollars, states are obligated to implement time limits on those individuals receiving child care assistance. For information on time limits refer to "Limits on Limits: State and Federal Policies on Welfare Time Limits," by Mark Greenberg, Steve Savner and Rebecca Swartz of CLASP, *http://epn.org/clasp/clexec.html.* For information on using TANF funds directly for child care, contact Mark Greenberg at CLASP.

States may transfer up to 10 percent of TANF block grant funds into the Social Service Block Grant Program. These funds can only be used for children and families with incomes below 200 percent of the poverty level. States may also transfer up to 30 percent of their TANF funds to the state's Child Care and Development Fund. The transferred funds are not restricted by TANF requirements but are subject to regulations of the former Child Care and Development Block Grant Program. Child care assistance also is consider to be an allowable activity under the $3 billion Welfare-to-Work Program. This funding was designated in the Balanced Budget Act of 1997 to be used for hard-to-place recipients and long-term welfare recipients.

The CLASP paper "Spend or Transfer, Federal or State? Considerations in Using TANF and TANF-Related Dollars for Child Care" has information on using many of the funding streams described above for child care. For examples of states that have used TANF funds for child care and have increased state funding for child care see the National Conference of State Legislatures' "Critical Choices: Selected State Child Care Policies," 303-830-2200.

The American Public Welfare Association (APWA) conducted a survey of how states are designing their child care policies. Their survey revealed that 20 states are expending more than required to draw down federal matching funds. For information on states that have invested extra money in child care, refer to the APWA survey of states, "The Child Care Challenge: States Leading the Way."

In conjunction with the federal Child and Dependent Care Credit, some states have a state child care tax provision, which can provide between $25 and $1,400 in tax benefits. These benefits can be in the form of tax credits or tax deductions. For more information on state linkages to the federal Child and Dependent Care Credit, targeting assistance to low-income families, and establishing expense limits, contact the National Women's Law Center at 202-588-5180.

Several federal proposals could result in additional child care funding if approved by Congress and enacted into law. The President's Child Care Initiative includes $20 billion over five years for child care. The proposal would double the number of children receiving child care subsidies, increase tax credits, provide a new tax credit for businesses that offer child care services for employees, provide and improve after-school care, promote early learning and healthy child development, support enforcement of state child health and safety standards, provide scholarships to child care providers, and facilitate background checks. For more information on this initiative, refer to *http://www.whitehouse.gov* or the Child Care Bulletin, November/December 1997, from NCCIC.

The Caring for Children Act is a pending congressional child care plan. It would expand three federal programs and start four new programs. The act would include tax cuts involving businesses, and revise existing regulations. For more information, see *http://www.cato.org/dailys/3-03-98.html.* Summaries of other pending child care legislation can be found in the APWA "W-Memo," Volume 10, Number 2. The Children's Defense Fund also has information on child care legislation being considered by Congress (see *http://www.childrensdefense.org/cc_bills.html*).
The Healthy Child Care Campaign of the American Academy of Pediatrics will allocate $50,000 to support 10 regional new or continuing initiatives that are collaborative in nature. For more information on the Campaign's proposals, contact 888-227-5409.

Combinations of public and private funding also can result in new investments related to child care. The Center for Policy Alternatives has developed several options in financing child care by using pubic and private sector funds, including loans, grants, bonds, community development corporations, investments and partnerships. The strategies address the use of the Community Reinvestment Act (see *http://www.cfpa.org/programs/childcare/cra.html*) and the use of micro-enterprise initiatives (see *http://www.cfpa.org/programs/childcare/micro.html*). To learn more, contact the Center or see *http://www.cfpa.org/programs/childcare/financing.html*. For further innovative financing options and successful funding strategies, refer to "Financing Child Care in the United States and Illustrative Catalog of Current Strategies," by the Ewing Marion Kauffman Foundation and the Pew Charitable Trusts.

Research Findings

Numerous child care studies have focused on the importance of early childhood development and the related issues of quality standards and provider training. Some research has addressed the link between child care costs and the ability of low income women to participate in the workforce. Other studies have examined the scope of the demand for child care and the needs of specific populations.

Much of the impetus on child care research and improvements is based on the Carnegie Corporation's Starting Points Initiative, which was followed by research on the relationship between the quality of caregivers and early childhood brain development and the importance of addressing the needs of children at the youngest ages. Much of the research on child development and early childhood care can be found in the Carnegie Corporation's "Starting Points: Meeting the Needs of Our Youngest Children." Starting Points information can be accessed by phone at 212-371-3200 or *http://www.carnegie.org/startingpoints*. Additional information can be found through the National Governors' Association and The I Am Your Child Campaign. WIN also has a forthcoming Issue Note on funding for child development.

The Child Care Bureau of the Administration for Children and Families, U.S. Department of Health and Human Services, has supported the Child Care Research Partnership. The first Partnership report focused on the distribution of regulated child care in Illinois and Maryland. To access "A Study of Regulated Child Care Supply in Illinois and Maryland," contact the National Center for Children in Poverty at 212-304-7100. Contact NCCIC to learn more about the upcoming research activities of the Partnership.

Research has shown that when comparing day care costs to a family's income, it is clear that child care subsidies for low-income and working mothers are a necessity to transitioning people from welfare to work. Studies have documented how subsidies have been used for relative care, center-based care and family-based care. "Research in Brief: Child Care Usage Among Low-income and AFDC Families," by the Institute for Women's Policy Research, outlines where subsidies have proven to be most effectively used and discusses the policy implications of child care subsidies. For more information, contact the Institute for Women's Policy Research at 202-785-5100.

A study from the Families and Work Institute done in Florida showed that children learn more and are better behaved when teachers have more training and are caring for fewer children. For more information, contact the Institute at 212-465-8637 or see http://www.familiesandwork.org.

According to the Center for Research on Women, studies have found that children in self care, especially those who spend substantial hours on their own, face great risks. These children, compared to their supervised peers, are likely to have lower grades, poorer social adjustment and relationships, increased fears, and greater susceptibility to peer pressure, and greater likelihood of using alcohol and illegal drugs. Further research indicates that children engaged with caring adults tend to have better work habits, better peer relations and better emotional adjustments.

Child Care Bureau statistics indicate that 5 million school-age children are latch-key kids, 70% of public schools did not offer extended learning programs in 1993-94, and children in supervised settings demonstrate improved academic achievement. See the Child Care Bureau's "Frequently Asked Questions" on school-aged care (*http://www.acf.dhhs.gov/programs/ccb/faq/school.htm*). For more information on after-school care, contact the National Institute on Out of School Time at the Center for Research on Women, Wellesley College. Information can also be found at the U.S. Department of Education's web site, *http://www.ed.gov*.

A recent GAO study examined child care supply and the implications of welfare reform on child care in Baltimore, Chicago, and Benton and Linn Counties in Oregon. GAO estimated that by the end of fiscal year 1997, the demand for infant care could exceed the known supply by about 20,000 spaces, and by fiscal year 2002 (when federal time limits are reached) this number could be as high as 24,000. The study specifically looked at the need for infant and school-aged care, accessibility of child care, and nonstandard-hour care. See GAO's study "Welfare Reform and Child Care Supply," GAO/HEHS-97-75, at *http://www.gao.gov* or contact 202-512-6000.

Innovative Practices

Infant and Toddler Care: The Child Care Bureau's Child Care Bulletin, November/December 1997, Issue 18, addresses states' work in expanding services for infants and toddlers. Included is a summary of the Michigan Family Independence Agency's initiative to recruit child care providers, make training more accessible and create additional spaces for infants. Also discussed are Oregon's local partnership strategy, North Dakota's statewide Infant/Toddler Enrichment Program and South Dakota's Infant/Toddler Training Initiative. For more information, contact NCCIC.

Collaborative Efforts: With the help of a federal Head Start grant, Connecticut has developed a collaboration that addresses child care, early childhood education and welfare. The objective of the partnership is to improve services, promote connections among services and achieve accessible, family-centered, quality care. The collaboration includes individuals from private organizations, the corporate sector, parents and representatives from the executive and legislative branches. For more information, contact the Office of the Governor, Dennis King, Director of Urban Affairs or Grace-Ann Caruso Whitney, Project Director, 210 Capitol Ave., Room 102, Hartford, CT 06106. Ohio has used low-income child care funds to extend Head Start program hours, and Colorado developed pilots in counties to pool child care and preschool funds for full-day, full-year services for children ages 0-6. Massachusetts has a comprehensive program for children and families through a collaboration among schools, Head Start and private child care/preschool programs. For more information, contact Alice Barton, 617-388-3300. Other states that have expanded child care through collaborative efforts with head start include Georgia, Illinois and Nebraska. To obtain more information on state collaborative initiatives, contact Scott Groginsky, National Conference of State Legislatures, 303-830-2200. For information on the Head Start-Child Care Partnership, refer to the Head Start Bulletin "Enhancing Head Start Communication," Issue No. 62, or see *http://www.acf.dhhs.gov/programs/hsb/*.

Training Programs: North Carolina has developed Teacher Education and Compensation Helps (T.E.A.C.H), which is a scholarship program available to child care providers. For more information, contact the N.C. Department of Health and Human Services. Other states that have offered training to child care providers include Arkansas, Connecticut, Virginia, Illinois, Indiana, Minnesota and Oklahoma. Information on each of these states can be found in the APWA W-Memo, November-December 1997. For more information and analysis of specific programs with contact information, call the Center for the Child Care Work Force at 202-737-7700 or the Child Care Law Center. The Harvard Family Research Project also has published several books focusing on child care training from a family support perspective. Information on their models can be found in the "Families Matter" series at *http://hugse1.harvard.edu/~hfrp/pubs/*.

Teen Parent Programs: Oklahoma's Baby Steps Day Care and Parenting Center for Teen Parents provides day care for children of teen mothers within walking distance of their schools. Transportation is also available. Each parent is required to attend the center for classes, for which they receive school credit. For more information on Baby Steps, contact Debra Parkinson at 405-360-2717. The Child Care Bureau also has developed "State and Local Child Care Initiatives for Adolescent Parents," which gives examples of state-sponsored teen parent child care initiatives and local and community-based initiatives.

Public/Private Partnerships: The Finance Project, National Governors' Association and Families and Work Institute received a federal contract to identify and track existing practices for promoting public-private partnerships at both the state and community levels; develop a series of written technical assistance materials to guide the formation and implementation of successful public-private partnerships; conduct a national conference on public-private partnerships for state administrators; and provide periodic updates to state and child care grantees about information collected and produced under the contract. For more information on state specific public/private partnerships or to be part of the database, contact Sharon Deich, The Finance Project at 202-628-4200.

For a brief description of state public/private partnerships in increasing child care availability, community engagement in child care issues, quality improvement, recruitment and professional development, incentives and tax credits for employees, and technical assistance refer to *http://www.acf.dhhs.gov/programs/ccb/programs/plan/part2.htm* or contact NCCIC.

Lending Programs for Child Care Facilities and Program Development: The Center for Policy Alternatives has identified many model programs that have increased training, opened new day care centers, helped states meet federal requirements, and expanded and developed existing centers (see *http://www.cfpa.org/programs/childcare/statesindex.html*). Among these are Arkansas, with the Child Care Facilities Guarantee Loan Fund and Arkansas Better Chance Grant Program, and Maryland, with the Child Care Special Loan Fund, the Day Care Facilities Loan Guarantee Fund, and the Child Care Facilities Direct Loan Fund. Other states with loan programs featured on the Center's web page include Virginia and Tennessee. For further innovations in child care financing, refer to the Center's "Financing the Future: Innovations in the Child Care Financing Roundtable Report."

The Child Care Facility Development Program in Illinois constructed or substantially renovated a total of seven child care facilities in needy neighborhoods in Illinois. A partnership between the Illinois Facilities Fund (a statewide, non-profit community development financial institution that provides capital improvement planning and financing to non-profits) and the Illinois Department of Children and Family Services created this program as an organized response to the need for additional child care facilities in low-income neighborhoods in Illinois. The Child Care Facility Development Program utilized these organizations' expertise in finance, government, architecture, construction and child care to finance, build and support the management of seven child care facilities. The facilities are still operational. For more information, contact WIN or see *http://www.welfareinfo.org/illinois.htm.*

After-School Programs: The Corporation for National Service's "To Learn and Grow Initiative" provides training and technical assistance and a how-to manual in after-school care. For more information, contact To Learn and Grow, Corporation for National Service, 202-606-5000. The Child Care Bureau's Child Care Bulletin, May/June 1997, Issue 15, describes other after-school initiatives (contact NCCIC). More information on school-aged care can be obtained from the National School-Aged Care Alliance, 317-283-3817, School-Age Notes, 615-242-8464, and the Search Institute, 612-376-8955.

Foundation and Employer Involvement: In the past year, 38 foundations and corporations invested $11.8 million in initiatives to improve the quality of child care. Last October, Aetna, AT&T and Xerox, along with the Ford Foundation and Carnegie Corporation, announced their commitment to improve child care and encourage other corporations and foundations to do so as well. To find out more about foundations' and corporations' investments in child care, see "Philanthropy News Digest" by the Foundation Center at *http://www.fdncenter.org/phil/iss_43.html.* In collaboration with the federal government, the Charles Stewart Mott Foundation has committed $55 million to the expansion of the 21st Century Community Learning Center Program. This program is an after-school and summer program that links local public agencies, private industries and non-profits in a partnership to extend learning programs, ensure program availability and integrate learning into after-school programs. For more information on Mott Foundation funding, contact 810-238-5651 or see *http://www.mott.org.*

The Child Care Action Campaign has published reports on creative strategies for public and private financing of child care, the demand for child care, child developmental needs, and the impact of child care on families' productivity. "A Giant Set for Child Care," outlines routes to child care support in a company, how to bring local employers to the table, and describes many local child care and business partnerships.

Sources of Information on Child Care Initiatives: APWA has developed a matrix of state child care efforts and state expenditures under the 1996 welfare legislation that includes federal funds, transferred funds and new legislation. To obtain copies of this document, contact John Sciamanna at APWA. APWA's "W-Memo," November-December 1997, Volume 9, Number 6, states the organization's formal comment on child care regulations and describes state initiatives to increase child care supply.

The Child Care Bureau's "Child Care and Development Block Grant Report of State Plans" outlines promising and innovative efforts to improve child care, including increasing access to scholarships and training, promoting consumer education, supporting resource and referral services, enforcing state quality and safety standards, and promoting health linkages and coordinated services. The report, which also lists state administrators of the Child Care and Development Fund, can be accessed at *http://www.acf.dhhs.gov/programs/ccb/programs/plan/part1.htm.*

Initiatives on child care subsidies under the new welfare reform law in California, Connecticut, Louisiana, Maryland, Oregon, Texas and Wisconsin can be found in GAO's report, "Welfare Reform States' Efforts to Expand Child Care Programs." In addition, last September the Progressive Policy Institute published "Welfare-To-Work A Survey of the Ten Big States," which looked at California, Florida, Georgia, Illinois, Michigan, New York, Ohio, Pennsylvania, Texas and Washington's efforts to address the need for child care. For further information on state initiatives, refer to WIN's "Resources for Welfare Decisions," Vol. 1, No. 3, "Child Care and Welfare Reform," or see *http://www.welfareinfo.org/aresource.htm.*

For More Information . . .

POLICY AND RESEARCH RESOURCE CONTACTS

American Public Welfare Association, 202-682-0100, *http://www.apwa.org.* Contact John Sciamanna.

Center for Law and Social Policy, 202-328-5140, *http://www.clasp.org.* Contact Mark Greenberg or Steve Savner. For child care audioconference information, see *http://www.clasp.org/audio.htm.*

Center for Policy Alternatives, 202-387-6030 or 800-935-0699, *http://www.cfpa.org*.

Child Care Bureau, Administration for Children and Families, HHS, 202-690-6782, *http://www.acf.dhhs.gov/programs/ccb/index.htm*.

Child Care Law Center, 415-495-5498, *http://ericps.ed.uiuc.edu/nccic/orgs/cclawctr.html*

Children's Defense Fund, 202-628-8787, *http://www.childrensdefense.org*.

Child Welfare League of America, 202-638-2952, *http://www.cwla.org*. Contact Bruce Hirschfield.

General Accounting Office, 202-512-7235, *http://www.gao.gov*. Contact Mark Nadel or Gale Harris.

National Child Care Information Center, 800-616-2242, *http://ericps.ed.uiuc.edu/nccic/orgs/*. Contact Anne Goldstein or Danielle Ewing.

National Child Care Resource and Referral Agencies, 202-393-5501. Contact Yasmina Vinci, Executive Director.

National Conference of State Legislatures, 303-863-8803, *http://www.ncsl.org*. Contact Scott Groginsky, Children and Families Program.

National Governors' Association, 202-624-5300, *http://www.nga.org*. Contact Helene Stebbins, Center for Best Practices.

School-Age Child Care Project, Center for Research on Women, 617-283-2547, *http://www.wellesley.edu/WCW/CRW/SAC*.

Urban Institute, 202-857-8709, *http://www.urban.org*.

CHILD CARE FINANCING RESOURCE CONTACTS

Center for Policy Alternatives, 202-387-6030, *http://www.cfpa.org/programs/childcare/nolinkorgs.html*.

Child Care Action Campaign, 212-239-0138

Child Care Inc., 212-929-7604

The Finance Project, 202-628-4200, *http://www.financeproject.org*.

PUBLICATIONS

American Public Welfare Association selected resources. Contact 202-682-0100; *http://www.apwa.org*.

"The Child Care Challenge: States Leading the Way," July 1997.

"State Efforts to Increase Availability and Quality of Child Care," W-Memo, November-December 1997.

Center on Budget and Policy Priorities, "Another Tax Benefit for Family! The Child and Dependent Care Credit," March 1998, *http://www.cbpp.org/eitc98-j.htm*.

Center for Law and Social Policy selected resources. Contact 202-328-5140; *http://www.clasp.org*.

"Spend or Transfer, Federal or State? Considerations in Using TANF and TANF-Related Dollars for Child Care," by Mark H. Greenberg, January 1998.

"The Child Care Protection Under TANF," by Mark H. Greenberg, January 1998.

Center for Policy Alternatives, "Financing the Future: Innovations in Child Care Financing Round Table Report," by Richard Ferlauto, Tracey Barbour Arvin and Alice Shabecoff, August 1996.

Child Care Bureau, Administration for Children and Families, HHS, selected resources. Contact 202-690-6782.

"Child Care Bulletin," bi-monthly publication (contact NCCIC).

"Child Care and Development Block Grant Report of State Plans," *http://www.acf.dhhs.gov/programs/ccb/programs/plan/exec.htm*.

"Child Care: Coming Together for Children and Families, The Annual Meeting of State Child Care Administrators Binder," July 14-15, 1997 (contact NCCIC).

"Child Care Final FY-1998 State Allocation," Dec. 4, 1997, *http://www.acf.dhhs.gov/programs/ccb/policy/1998.htm*.

"State and Local Child Care Initiatives for Adolescent Parents," Spring 1997.

Children's Defense Fund, "Federal and State Government: Partners in Child Care," Oct. 24, 1997, *http://www.childrensdefense.org/cc_partners.html*.

National Women's Law Center, "Improving State Child Care Tax Provisions," Presented at the Annual Meeting of State Child Care Administrators, July 14-15, 1997, 202-588-5180.

Progressive Policy Institute, "Welfare-To-Work and Child Care a Survey of the Ten Big States," Margy Waller, Sept. 26, 1997, 202-547-0001 or see *http://www.dlcppi.org/texts/social/ccare.htm*.

The Ewing Marion Kauffman Foundation and The Pew Charitable Trusts, "Financing Child Care In the United States," Anne Mitchell, Louise Stoney and Harriet Dichter, 1997, 816-932-1000 or see *http://www.pewtrusts.com/docs/childcare/index.htm*

U.S. General Accounting Office selected resources. Contact 202-512-6000; *http://www.gao.gov*.

"Federal Child Care Funding," GAO/HEHS-98-70R, Jan. 23, 1998.

"Welfare Reform: States Efforts to Expand Child Care Programs," GAO/HEHS-98-27, January 1998.

"Welfare Reform: Implications of Increased Work Participation for Child Care," GAO/HEHS-97-75, May 1997.

Urban Institute selected resources. Contact 202-857-8687; *http://www.urban.org*.

"The New Child Care Block Grant: State Funding Choices and Their Implications," Sharon K. Long and Sandra J. Clark, October 1997.

"Systematic Thinking About Subsidies for Child Care," by C. Eugene Steuerle, *http://www.urban.org/tax/tax21.html*: "Part One: Avoiding the Rush to Judgement," Jan. 26, 1998; "Part Two: Principles and Standards," Feb. 2, 1998; "Part Three: Application of Principles," Feb. 9, 1998.

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November 4, 1998

Dear Colleague:

The NGA Center for Best Practices is pleased to send to you a copy of its "Round Two Summary of Selected Elements of State Programs for Temporary Assistance for Needy Families." At about this time last year, the Center completed a comprehensive compilation of selected elements in state plans from an ongoing review of the plans submitted to the U.S. Department of Health and Human Services, as well as updated information provided and verified by the Governor's welfare reform contact in each state. The categories of information selected did not represent all program and policy decisions confronting states, but reflected basic information on key issues that could be summarized simply and concisely.

This "round two" state TANF program matrix and summary provide a comprehensive update of state responses to the original matrix (except to the community service option category) and state information for a few additional program elements. States were also asked to provide further detail for some of the program areas that were included in the first matrix. Center staff collected state responses and verifications between September 1, 1998 and November 4, 1998.

As with the first TANF matrix, we hope this document serves as a useful reference for recent information regarding state welfare reform program implementation and policy choices. The original matrix has been, and continues to be, widely requested by state, local, and federal government officials, researchers, media, and other parties interested in following state implementation of welfare reform. Both versions of TANF matrices and summaries are also available on the NGA Welfare Reform Information Web Page at http://www.nga.org/CBP/Activities/WelfareReform.asp.

We will continue to update the round two TANF matrix as we learn of modifications in state TANF programs and policies. As always, your feedback on ways to improve this document is greatly appreciated. Feel free to contact either myself, at 202/624-5367 or rbrown@nga.org, or Susan Golonka, Program Director for Welfare Reform, at 202/624-5967 or sgolonka@nga.org, with any comments or questions.

Sincerely,

Rebecca Brown

Rebecca Brown
Senior Staff Assistant

Enclosure

Round Two Summary of Selected Elements of State Programs for Temporary Assistance for Needy Families

National Governors' Association Center for Best Practices
November 4, 1998

[Please note: This document may also be accessed on the NGA Welfare Reform Information web site at http://www.nga.org/CBP/Activities/WelfareReform.asp.]

Introduction

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) required that each state submit a plan by July 1, 1997 to receive a Temporary Assistance for Needy Families (TANF) block grant to operate their welfare programs. The law specifies what states needed to address in their plans, including how they chose to exercise various options. The Secretary of the U.S. Department of Health and Human Services (HHS) certified each plan as complete if it contained the required elements. States are allowed to amend their plans at any time.

In November 1997, the National Governors' Association (NGA) Center for Best Practices compiled selected elements in state plans from a review of the plans submitted to HHS as well as updated information provided and verified by the Governor's welfare reform contact in each state. (A list of Governors' welfare reform contacts and state administering agencies is attached to the following matrix.) The categories of information selected did not represent all program and policy decisions confronting states, but reflected basic information on key issues that could be summarized simply and concisely. This round two state TANF program matrix provides a comprehensive update of state responses to the original matrix (except to the community service option category) and provides state information for a few additional program elements. States were also asked to provide further detail for some of the program areas that were included in the first matrix. Center staff collected state responses between September 1, 1998 and November 4, 1998.

The matrix is necessarily a work in progress. Some information was not available from certain states at this time or, in some states, decisions had not yet been made. The information in this matrix is subject to change because of further policy decisions by Governors and state legislative action. In some cases, the matrix identifies the Governor's proposal or plan, which is not necessarily reflected in state law at this time.

Before PRWORA was enacted, many states received waivers to implement some of the elements identified on the matrix, such as time limits on assistance, work requirements within a specified period, extended transitional child care and Medicaid assistance for longer than twelve months, family caps, and diversion payments. Therefore, the decisions identified in the TANF state plans may reflect the continuation of ongoing policies authorized under waivers and may be inconsistent with provisions of the new law. PRWORA allows states to continue their waiver policies even if they are inconsistent with the law.

receiving assistance or when they are ready, whichever comes earlier. Similar to the sixty-month time limit, states may require recipients to engage in work before the maximum time limit specified in the law. Some states with shorter work requirements also have exemptions or extensions that are not detailed in the matrix. Twenty-eight (28) states (AL, AZ, AR, CA, CT, FL, GA, ID, IA, LA, MA, MI, MN, MT, NH, NM, NC, ND, OH, OK, OR, SD, TN, TX, UT, VA, WA, WI) indicate that they require recipients to work before twenty-four months and twenty-six (26) states indicate that they use the twenty-four-month period in the federal law. However, a number of states that are not setting a shorter work requirement require, or intend to require, participants to engage in work activities as soon as possible rather than waiting until the twenty-four month point.

Hours of work required per week same as federal law?
P.L. 104-196 requires that, in order to avoid a financial penalty, states must ensure that a certain percentage of their TANF caseloads participate in a work activity for a given number of hours each week. The hours required in the law increase over time, beginning with 20 hours a week for single parent families in 1997 and rising to 30 hours per week in 2000 and beyond. Two-parent families are required to work 35 hours per week, or 55 hours per week if the family receives federally-funded child care assistance. Independent of the federal work participation rate, however, states may establish their own hourly work requirements for recipients as a condition of receiving TANF. In some cases, states have established different hourly work requirements than the federal law. Thirty-two (32) states indicate that the hours of work they require per week are the same as the federal law, while twenty-one (21) states (AZ, GA, HI, ID, IA, MA, NJ, NM, NC, ND, OH, OR, PA, RI, TN, UT, VT, VA, WV, WI, WY) indicate that their requirements differ from P.L. 104-193. For one (1) state (VI), the information is unavailable at this time. Where the state's requirement differs from federal law, details are described in the matrix.

Work sanction (amount and length for *initial* noncompliance)?
States may determine the amount and length of sanctions to be applied to families who do not fulfill the state's work requirement. All states indicate that they withhold some or all of the noncompliant recipient's benefit, or the family's benefit, if the noncompliant recipient fails to meet the work requirement. Thirty-eight (38) states indicate that they apply partial family sanctions for initial noncompliance, while thirteen (13) states (AR, FL, ID, KS, MD, MS, NE, OH, OK, SC, TN, VA, WY) report that they apply full family sanctions. Two (2) states (MI, WI) apply either a partial or full family sanction, and for one (1) state (VI), the information is either unavailable at this time or the decision has not yet been made. Information regarding states' lengths of initial sanctions is also detailed in the matrix. States are also given authority to sanction families who do not comply with certain non-work-related activities, such as failure to participate in child support enforcement activities, failure to comply with immunization requirements, or failure to attend school if they are minors.

Different treatment for new residents (i.e., interstate immigrants)? States have the option to treat families that have recently moved to the state differently than longer-term state residents with respect to eligibility rules and benefit levels. Forty-one (41) states

NH, ND, RI, VT, WI) report that this question does not apply to their programs since assistance is based on the family's income level and not TANF status. For one (1) state (VI), the information is either unavailable at this time or the decision has not yet been made. States' durational limits for child care assistance are also included in the matrix.

Transitional Medicaid longer than 12 months? The law continues transitional Medicaid for twelve months for families that would lose eligibility because of increased earnings and for four months when eligibility is lost because of increased child support payments. Before P.L. 104-193 was enacted, eleven (11) states had received waivers to extend transitional Medicaid for longer than twelve months. Twelve (12) states (AZ, CA, CT, DE, NE, NJ, RI, SC, TN, TX, UT, VT) now indicate that they continue their waiver authority to provide Medicaid assistance for longer than twelve months and forty-two (42) states report that they provide it for twelve months.

Drug testing? The new law allows states to test TANF applicants for drug use. No state currently requires testing of all applicants or recipients. However, some states require testing or screening under certain circumstances. Ten (10) states (FL, KS, MN, NV, NY, NC, OH, PA, SC, WI) indicate that they test or screen under certain circumstances and forty-four (44) states report that they do not require such testing.

Family Violence Option (FVO)?
States may waive the work participation requirement for victims of domestic violence "for so long as necessary for individuals receiving assistance in cases where compliance with such requirements would make it more difficult for individuals receiving assistance under this part to escape domestic violence or unfairly penalize such individuals who are or have been victimized by such violence, or individuals who are at risk of further domestic violence." Some of the states that have not formally adopted the FVO indicate that they do provide services to victims of domestic violence. Thirty-one (31) states report that they have elected the family violence option available in the new welfare law and twenty-one (21) states (AR, GU, HI, ID, IL, IN, KS, ME, MS, MT, NM, OH, OK, OR, SC, SD, TN, UT, VT, VA, WI) indicate that they have not. In one (1) state (CT), the decision to adopt the FVO is pending and for one (1) state (VI), the information is either unavailable at this time or the decision has not yet been made.

Allow individual development accounts (IDAs)? States may allow TANF recipients to establish IDAs to accumulate funds to pursue postsecondary education, purchase a home, or start a business. Funds in these accounts are not counted in determining eligibility for federal assistance. Twenty-eight (28) states (AZ, AR, CA, CO, GA, IL, IN, IA, KY, LA, ME, MI, MO, MT, NM, NY, NC, OH, OK, OR, PA, RI, SC, TN, TX, VT, VA, WA) indicate that they allow recipients to establish IDAs and twenty-six (26) states report that they do not allow recipients to establish IDAs. Some states also have established an account limit and these limits are also detailed in the matrix.

Family cap? Although the federal law is silent on the issue of family caps on benefits, a number of states have established a cap on benefits to recipients who have additional children while receiving welfare. Nineteen (19) states (AZ, AR, CA, CT, DE, FL, GA,

Selected Elements in State Temporary Assistance for Needy Families Programs

State TANF effective date	Continue waivers?	Time limit shorter than 60 mos.?	Work requirement shorter than 24 mos.?	Hours of work required per week same as federal law?	Work sanction (amount and length for *initial* noncompliance)?	Different treatment for new residents?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Guarantee child care for TANF families? For those leaving TANF (TCC)?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Family Violence Option (FVO)?	Allow Individual Development Accounts? Total amount?	Family cap?	Diversion payments? Total amount?	Subsidized employment? (specify duration)
Alabama 10/1/96	no-effective 9/30/98	no	yes-immediately[1]	yes	partial; 3 mos.	no	no	yes	yes; yes (12 mos.)	no[2]	no	yes	not at this time	no	no	no
Alaska 7/1/97	no waiver	no	no	yes	partial; until compliance	no	yes	no (covered under state program)	yes; yes	no	no	yes-universal screening portion[3]	not at this time[4]	no	yes-up to 2 mos.	yes-on-the-job training; 180 days[5]
Arizona 10/1/96	yes	no-24 mos. within 60 mos. for adults	yes-immediately	no-5 hrs. more per week than federal law	partial; 1 month	no	yes	yes	yes; yes (24 mos. TCC and up to 165% of poverty)	yes-2 yrs.	no	yes	yes-up to $9,000	yes	no	yes-6 mos. with one 3-mos. extension

1. State requires recipients to participate in a work activity as soon as they are job ready and at least within twenty-four months.
2. Once a family's transitional Medicaid expires or TANF eligibility is redetermined, children in the family under 19 years of age may continue to receive Medicaid for an additional twelve months.
3. State has pilot demonstration to screen all applicants at eligibility interview. It will determine whether to expand screening statewide at eligibility intake or case management intake by the end of the year.
4. State plans to include some version of IDAs in 1999 implementation policy.
5. A wage supplementation program is scheduled for 1999 implementation, but the durational limit has not yet been determined.

State **TANF effective date**	**Continue waivers?**	**Time limit shorter than 60 mos.?**	**Work requirement shorter than 24 mos.?**	**Hours of work required per week same as federal law?**	**Work sanction (amount and length for *initial* noncompliance)?**	**Different treatment for new residents?**	**Provide TANF to legal non-citizens?**	**Deny TANF to drug felons?**	**Guarantee child care for TANF families? For those leaving TANF (TCC)?**	**Transitional Medicaid longer than 12 mos.?**	**Drug testing?**	**Family Violence Option (FVO)?**	**Allow Individual Development Accounts? Total amount?**	**Family cap?**	**Diversion payments? Total amount?**	**Subsidized employment? (specify duration)**
Connecticut 10/1/96	yes	yes-21 mos.; 6-mos. extension	yes-21 mos.	yes	partial; 3 months	no	yes	no[15]	no; yes (up to 75% of state median income)	yes-24 mos.	no	pending	no	yes	yes-up to 3 mos.	no
Delaware 3/10/97	yes-partial	yes[16]	no	yes	partial; until compliance	no	yes	yes	yes; yes (24 mos.)	yes-24 mos.	no	yes	no	yes	no	yes-6 mos.
District of Columbia 12/3/96	no	no	no	yes	partial; until compliance	no	yes	yes	no; no	no	no	yes	no	no	not at this time[17]	no
Florida 10/1/96	no[18]	yes-24 mos. or 36 mos. limit within lifetime limit of 48 mos.	yes-immediately	yes	full; until compliance	yes[19]	yes	no[20]	no[21]; yes (24 mos.)	no	yes[22]	yes	no	yes	yes-up to 2 mos.	yes

15. State provides benefits to drug felons if they comply with terms of probation, parole, or sentence.
16. State provides twenty-four months of assistance followed by twenty-four months of workfare and a one-month extension; there is no time limit for incapacitated recipients.
17. The District of Columbia plans to offer one-time diversion payments of up to three months worth of cash assistance.
18. State continues its Family Transition Program demonstration in Escambia County and the program's evaluation.
19. State uses the shorter of the respective time limits.

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Illinois 7/1/97	no	no[32]	no	yes	partial; until compliance	no	yes	yes[33]	N/A (provided up to 50% of state median income)	no	no	no	yes	yes	no	no
Indiana 10/1/96	yes	yes-24 mos. (applies to adults, not children)	no	yes	partial; 2 mos.	no	yes	yes	yes; yes (12 mos.)	no	no	no	yes[34]	yes	no	yes
Iowa 1/1/97	no	no	yes-immediately	no[35]	partial; 3 mos	no	yes[36]	no[37]	yes; yes (up to 24 mos.)	no	no	yes	yes[38]	no	yes[39]	no-but under consideration

31. State provides a maximum grant of $276 to families with no earned income, regardless of size.
32. Families in which the youngest child is age thirteen or older may receive only twenty-four months of TANF; otherwise, the sixty-month time limit applies.
33. Persons convicted of more serious drug felonies (i.e., selling or trafficking) are ineligible for TANF. Persons convicted of lesser drug felonies (i.e., possession) are ineligible for two years unless they are in treatment or aftercare.
34. State currently funds individual development accounts with non-TANF funds.
35. State does not require a specific number of hours per week, but recipients are expected to participate in approved work and training activities at their maximum capability.
36. TANF will be provided to noncitizens if a federal match is available.
37. State requires felons to participate satisfactorily in a rehabilitation program or meet other requirements to demonstrate they are not using or possessing controlled substances.
38. State uses existing program and non-TANF funds.
39. State operates local pilot diversion programs in sixteen counties effective September 1, 1998.

State / TANF effective date	Continue waivers?	Time limit shorter than 60 mos.?	Work requirement shorter than 24 mos.?	Hours of work required per week same as federal law?	Work sanction (amount and length for *initial* noncompliance)?	Different treatment for new residents?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Guarantee child care for TANF families? For those leaving TANF (TCC)?	Transitional Medicaid longer than 12 mos.?	Drug testing?	Family Violence Option (FVO)?	Allow Individual Development Accounts? Total amount?	Family cap?	Diversion payments? Total amount?	Subsidized employment? (specify duration)
Maine 11/1/96	no	no	no	yes	partial; until compliance	no	yes	yes	yes; yes (up to 85% of state median income)	no	no	no	yes-up to $10,000	no	yes-up to 3 mos.	yes
Maryland 12/9/96	no	no	no	yes	full; until compliance	yes[47]	yes	yes	yes; yes (based on sliding scale)	no	no[48]	yes	no	no (benefits paid to child-specific account)	yes-up to 3 mos.[49]	yes[50]
Massachusetts 9/30/96	yes	yes-24 mos. within 60 mos.	yes-60 days	no[51]	partial; until compliance	not at this time	yes	yes	yes; yes (subject to appropriation and availability)	no	not at this time	yes	not at this time	yes	no	yes-public and private sectors; 12 mos.

47. State applies benefit level of previous state to families from other states if lower than Maryland's level. Regulation is pending that would apply time limit of previous state to families from other states if shorter than Maryland's.
48. If health assessment indicates potential substance abuse issue, clients are referred to a managed care organization for further screening and treatment, if appropriate.
49. State provides diversion payments for up to twelve months for recipients with extraordinary circumstances.
50. State has a small subsidized employment pilot project in Baltimore City.
51. The state retained its waiver requiring twenty hours of work per week for all families.

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Missouri 10/1/96	yes	yes-48 mos.	no	yes	partial; until compliance	no	yes	yes	N/A (provided up to 135% of poverty)	no	no	yes	yes	no	no	yes-12 out of 48 mos. in Kansas City only
Montana 2/1/97	yes	no-24 mos. Pathways program; 36 mos. community services program	yes-immediately	yes	partial; 1 month	no	yes	yes	yes[59]; no	no	no	no[60]	yes	no	yes-up to 3 mos.	yes
Nebraska 12/1/96	yes	yes-24 mos. within 48 mos.[61]	no	yes	full; 1 month	no	yes	yes	yes; yes (up to 185% of poverty)	yes-24 mos.	no	yes	no	yes	no	no
Nevada 9/30/96	no waiver	no	no	yes	partial; 2 mos.	no	yes	yes	yes; yes (12 mos.)	no	yes[62]	yes	no	no	yes (implementation deferred until summer 1999)	no

59. Child care is provided to TANF families as long as they can establish a need for child care assistance.
60. State provides exemption of six months from lifetime limit on cash assistance for victims of domestic violence.
61. A sixty month lifetime limit pertains to federal TANF funds.
62. State conducts an assessment for individuals suspected of having substance abuse problems, and it may then determine whether to subject them to a drug test.

State / TANF effective date	Continue waivers?	Time limit shorter than 60 *mos.?*	Work require-ment shorter *than 24* mos.?	Hours of work required *per week same as* federal law?	Work sanction (amount and length *for initial* noncomp-liance)?	Different treatment for new residents?	Provide TANF to legal non-citizens?	Deny TANF to drug felons?	Guarantee child care for TANF families? For those leaving TANF (TCC)?	Transi-tional Medicaid longer than 12 mos.?	Drug testing?	Family Violence Option (FVO)?	Allow Individual Develop-ment Accounts? Total amount?	Family cap?	Diversion pay-ments? Total amount?	Subsidized employ-ment? (specify duration)
New York 12/2/96	no	no	no	yes	partial; until comp-liance	yes[73]	yes	no	yes[74]; yes (up to 200% of poverty for 12 mos.)	no	yes[75]	yes	yes (at local district option)	no	yes	yes-public sector
North Carolina 1/1/97	yes	yes-24 mos.[76]	yes-12 wks.[76]	no[77]	partial; 3 mos.	no[76]	yes	yes[78]	no; no (all child care based on income and availability)	no	yes[79]	yes	yes-no total amount	yes[76]	yes-up to 3 mos.[76]	yes-public and private sectors; no durational limit
North Dakota 7/1/97	no-discont-inued as of 7/1/98	no	yes	no-5 hrs. more per week than federal law	partial; 1 month	yes[80]	yes	yes	N/A (provided up to 85% of state median income plus copay)	no	no	yes	no	yes	no	yes-public sector
Ohio 10/1/96	yes-one education waiver	yes-36 mos. in 60 mos.	yes-immed-iately	no[81]	full; 1 month	no	yes	yes	yes; yes (12 mos. or up to 150% of poverty)[82]	no	yes[83]	no	yes-up to $10,000	no	yes-amount varies by county	yes-6 mos.

73. State will provide TANF assistance to families at either the former state's benefit level or 50 percent of New York's benefit level, whichever is greater. Implementation of provision currently barred by court injunction.
74. State asks recipients to find child care first. If it is not possible to find care, the recipient is offered two options, one of whom must be an informal provider.
75. State conducts mandatory drug assessment for all applicants and recipients upon recertification. The assessment may inlcude a drug test.
76. State allows "electing" counties to set any time limits, work requirements, out-of-state family eligibility, family caps, and diversion payments to the degree allowed under the federal law.
77. State requires recipients to work an average of thirty-five hours per week.
78. Persons convicted of Class H and I controlled substance felonies are eligible for assistance as long as appropriate treatment is available.
79. State requires drug testing of all TANF applicants. Those who test positive are referred for further assessment and possible testing.
80. For the first twelve months of North Dakota residency, state may provide TANF to a family moving from another state using the former state's time limit.
81. State requires single-parent families to work thirty hours per week.
82. State guarantees child care to families determined eligible for TANF, but who became employed before receipt of cash assistance.

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Puerto Rico 7/1/97	no	no	no	yes	partial; until compliance	no	yes	yes[99]	yes; yes	no	no	yes	no	no	no	no
Rhode Island 5/1/97	N/A[100]	no	no	no[101]	partial; until compliance	yes[102]	yes	no[103]	N/A (provided up to 185% of poverty)[104]	yes[105]	no	yes	yes[106]	no	yes[107]	yes-private sector for 6-9 mos. at $2.50/hour
South Carolina 10/1/96	yes	yes-24 mos. out of 120 mos.	no	yes	full; 1 month after compliance	no	yes	yes	yes; yes (24 mos.)	yes-24 mos.	yes[108]	no[109]	yes-up to $10,000	yes	no	yes-9 mos.

96. Recipients referred to drug treatment program for further assessment following application or redetermination may be subject to a drug test. If test is positive, individual must be treated and remain drug-free as a condition of continued eligibility.
97. State allows educational savings accounts, but recipients can access Family Savings Accounts (FSAs) through the state department of community and economic development. FSAs may be used for purchase of a home, education, child care, and business capitalization. Accounts may be matched up to 50 percent and up to $500 a year.
98. State provides an employer subsidy of 50 percent of recipient wages. It also operates a pilot project that subsidizes 100 percent of recipient wages for public and non-profit organizations for a period of six months. State is currently developing payment structure for private organization participation in the pilot project.
99. TANF is denied to individuals convicted of felonies involving the manufacture or distribution of drugs.
100. State implemented recently granted waiver for expansion of two-parent family eligibility.
101. State law continues to require twenty hours of work per week for a single-parent household. The two-parent family hourly work requirement is the same as the federal law.
102. Implementation of state provision to treat new residents differently is constrained by court order under appeal.
103. TANF is denied to individuals convicted of felonies involving the sale or distribution of drugs.
104. State will provide child care regardless of welfare status to families with incomes up to 250 percent of poverty effective January 1, 2000.
105. State provides health care to adults and children receiving TANF and to uninsured children in families with incomes up to 250 percent of the poverty level. State also provides health care to family child care providers of low-income children and the providers' minor children. Effective January 1, 1999, uninsured adults in families with incomes up to 185 percent of poverty will be eligible for health care.
106. State will operate a pilot project for thirty people to encourage microenterprise development; the limit is $2,500.
107. State will implement a diversion pilot project. Participants will receive three months of diversion and waive their TANF eligibility for six months.

State / **TANF effective date**	**Continue waivers?**	**Time limit shorter than 60 mos.?**	**Work requirement shorter than 24 mos.?**	**Hours of work required per week same as federal law?**	**Work sanction (amount and length for *initial* noncompliance)?**	**Different treatment for new residents?**	**Provide TANF to legal non-citizens?**	**Deny TANF to drug felons?**	**Guarantee child care for TANF families? For those leaving TANF (TCC)?**	**Transitional Medicaid longer than 12 mos.?**	**Drug testing?**	**Family Violence Option (FVO)?**	**Allow Individual Development Accounts? Total amount?**	**Family cap?**	**Diversion payments? Total amount?**	**Subsidized employment? (specify duration)**
Vermont 9/20/96	yes	no	no[115]	no[116]	partial; until compliance	yes[117]	yes	no (until at least June 1999)	yes; N/A[118]	yes-36 mos. for waiver demonstration members[119]	no	no	yes[120]	no	no	yes[121]
Virginia 2/1/97	yes	yes-24 mos. within 60 mos.[122]	yes-90 days	no[123]	full; 1 month or until compliance	no	yes	yes	yes; yes (up to 12 mos. if income eligible)	no	no	no	yes-up to $5,000	yes	yes-up to 4 mos.	yes-12 mos.
Virgin Islands[124] 7/1/97	no waiver	no	no	N/I	N/I	no	yes	yes	N/I	no	no	N/I	no	no	no	no
Washington 8/1/97	no	no	yes-immediately	yes[125]	partial; until compliance[126]	yes[127]	yes	no[128]	no; no	no[129]	no	yes	yes	no	yes-up to $1,500	yes-public and private sectors

115. The state's work requirement is thirty months for single parents and spouses of incapacitated parents, fifteen months for unemployed parents, and five months for families from other states.
116. State requires thirty hours per week if recipient is the principal earner in a two-parent family, single parent with no child under 13 at home receiving ANFC or SSI, or the second parent in a two-parent family in which the first parent is incapacitated with no child under 13 at home receiving either ANFC or SSI.
117. State's work requirement is five months for new residents.
118. State has sliding fee scale for all post-TANF and non-TANF child care subsidies if income is below 80 percent of state median income.
119. All Vermont children under age 18 are eligible if income is below 225 percent of federal poverty level.
120. State is piloting IDAs in four counties with a minimum account amount of $900 per year. It also provides a two to one match for up to $500.
121. Subsidized employment includes paid community service employment (public or non-profit up to ten months), paid on-the-job training (private or public up to twelve months), paid work exploration (private for profit, non-profit, or public up to six months), unpaid work experience (public or private non-profit; recipient is reassessed every six months), and unpaid try-out employment (private for-profit, non-profit, or public up to four weeks).
122. State's time limit is twenty-four months followed by twenty-four month period of ineligibility for VIEW participants. State's lifetime limit is sixty months.
123. State does not have an hourly work requirement for participants in unsubsidized employment, but requires up to thirty-two hours per week for participants in community work experience.
124. The notation "N/I" indicates that the information is either not available or the decision has not yet been made.

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Totals*	26-yes, continue some or all 19-no 8-no waivers 1-N/A	19-yes 35-no	28-yes 26-no	32-yes 21-no 1-N/I	38-partial 13-full 2-partial or full 1-N/I (See individual responses for length)	41-no 13-yes	51-yes 3-no	35-yes 19-no	32-yes 14-no 7-N/A 1-N/I TCC 30-yes 14-no 9-N/A 1-N/I (See individual responses for duration)	12-yes 42-no	10-yes 44-no	31-yes 21-no 1-pending 1-N/I	28-yes 26-no (See individual responses for total amount)	19-yes 35-no	28-yes 26-no (See individual responses for total amount)	37-yes 17-no (See individual responses for duration)

Note: * Totals include the fifty states, the District of Columbia, the commonwealth of Puerto Rico, and the U.S. territories of Guam and the Virgin Islands.

Wyoming Dept. of Family Services Shirley Carson 307/777-7561	**Puerto Rico** Dept. of the Family Jennifer Garity 787/729-0109	**Guam** Dept. of Public Health and Social Services Dennis Rodriguez 671/735-7101	**Virgin Islands** Dept. of Human Services Catherine Mills 809/774-0930

THE WHITE HOUSE

Domestic Policy Council

DATE: 7/22

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NUMBER OF PAGES (INCLUDING COVER): 2

COMMENTS: FYI – POTUS notes on CEA summary of NGA Fiscal Survey of States (released in May)

7-13-98

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Mergers and Acquisitions Reach Record Level in the First Half of 1998. Announced domestic merger and acquisition (M&A) activity reached an unprecedented $973 billion, from over 5,300 deals, in the first half of 1998. This value already exceeds 1997's record total of $920 billion (though merger activity in the mid-1980s was larger as a share of the market value of U.S. companies than last year's dollar-record level). Triggering this surge was an unprecedented volume of activity during the second quarter of 1998. Nearly $700 billion in announced domestic deals occurred in the past 3 months, more than double the previous quarterly record for domestic M&As set during the fourth quarter of 1997. Commercial banking was the leading sector for announced activity in the first half of 1998 with nearly $216 billion from 212 deals, followed by the telecommunications sector with about $122 billion from 137 transactions, and the radio and television industry with over $86 billion from 138 deals.

Marginal Tax Rates Remain Low. Marginal Federal income tax rates, which fell dramatically over the 1980s, have remained low for the vast majority of taxpayers, according to a recent study by economists at the Urban Institute, the Brookings Institution, and the Congressional Budget Office. In 1980, three-quarters of taxpayers faced statutory tax rates above 15 percent, but by 1995 less than one-quarter of taxpayers were in that situation. The proportion of taxpayers facing rates of 28 percent or less rose from 57 percent in 1980 to 96 percent in 1995. The study shows that the higher tax brackets introduced in the 1990 and 1993 reforms affected very few taxpayers. Only 3 percent faced marginal rates of 31 or 36 percent, while just one-half of 1 percent were in the highest bracket of 39.6 percent. The results suggest that growing prosperity, not higher rates, is responsible for the recent increase in total personal tax payments. The study considers only Federal personal income taxes and not other Federal or state and local taxes.

States Refocus Welfare Systems toward Work. While the Nation's welfare caseload fell by more than a quarter between 1996 and 1998, overall state spending on welfare decreased by less than 10 percent, and state spending on child care and job readiness training rose sharply. According to the National Governors' Association's *Fiscal Survey of States*, state spending on child care increased by more than 50 percent during the period (from 15 percent of total welfare expenditures to 23 percent), and spending on services that promote self-sufficiency—training, education, job placement, and subsidized employment—increased by more than 30 percent (from 5 percent of total expenditures to 7 percent). The welfare-to-work program of Portland, Oregon, may be a model of the refocused welfare system. According to an HHS-sponsored study, the program was strongly employment-focused—emphasizing job search for "good" jobs—though it utilized a mixed service strategy, including short-term education, vocational training, work experience, and life-skills training. The program raised employment levels by 11 percentage points over 2 years (relative to a control group), increased earnings by 35 percent, and reduced welfare expenditures by 17 percent.

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HRC
COS

Jen,

As Bruce prepares for his Casey presentation on child care next week, he should anticipate that Ron Haskins will argue that states are swimming in money and, as a result, there is no need to give them another $21 billion for child care. He is likely to argue this from three perspectives:

1. States aren't even spending all their current Child Care and Development Block Grant (CCDBG) funds.

This was the initial Republican argument against the President's initiative. We have developed the attached (#1) to refute this and have spent considerable time with hill staff trying to convince them that this argument doesn't hold water. As a result, Ron may not put much emphasis on this point and may move onto points 2 and 3.

2. States have tons of TANF funds that they can use for child care.

Ron definitely will emphasize this argument and point to current TANF spending as well as CBO estimates re future TANF spending to make the case that states will have lots of money they can transfer to CCDBG.

As per the attached (#2), there are several points to make in response:

- States are spending TANF funds at a rapid rate-- they have obligated 90 % of their FY 97 TANF awards. By the end of March, their FY 98 outlay rate was about 66% (a higher rate than the comparable figure for March of 1997). The evidence indicates that States are drawing down their TANF funds.

- To date, few States have transferred funds into CCDBG. In FY 97, less than $180 million (slightly more than 1 percent) of TANF funds were transferred into CCDBG.

- With respect to future TANF funds, states will face increasing welfare to work costs as the work requirements increase and their rolls are composed of harder-to-place recipients with more difficult needs.

- Further, keep in mind that Congress specifically allowed states unlimited time to obligate their TANF funds so that they would have their funds available for rainy days or contingency purposes. Can't both set aside the funds for a rainy day and use them for child care. (A caution here, we can't say for sure how much states are planning to set aside for rainy day funds, since they can't draw them down for this purpose --

rather they simply don't obligate these funds and they therefore remain available for the state to use at a later point.)

3. CBO projects that states won't use the new child care funds proposed by the President.

> ▸ While OMB projects that states will use all of their new child care funds each year, CBO's initial projections (#3) are that states won't begin to use the new child care subsidy funds until FY 2003.
>
> ▸ These projections are simply unbelievable in light of all the evidence about the need for child care - especially among working (non-welfare) families. We are only serving a small fraction of those eligible for CCDBG; there's 5 million latch-key kids out there; CDF has highlighted state waiting lists; the press reports every day on the difficulty parents face finding or affording child care.

where's the Hill on CBO?. What are our Dems saying?.

Hope this helps - all of us here would be happy to provide you any other information Bruce may need for this.

Mary

P.S. I'll bring the attachment over.

#-/

CHILD CARE INITIATIVE/STATE SPENDING

State Ability to Spend Child Care Dollars

QUESTION:

Why is new funding for child care programs necessary when States are not even spending the resources they currently have? States are only drawing down their money at a 70% rate-- that suggests they don't need additional funds.

ANSWER:

- In fact, we do project that the States will spend virtually all of their child care funds for the 1997 fiscal year. The State financial reports received thus far are very encouraging and show that States have obligated over 99 percent of the FY 1997 child care funds available to them under the new welfare law.

- We believe that the amount obligated represents a better measure of a States' commitment to child care programs and the need for child care assistance. Obligations represent the amount of money that States have committed to spending. They reflect the amount of contracts and agreements that States have made for which expenditures and outlays will be made at a later point. States are required to obligate their funds within one year, and the overwhelming majority have done so. States have two years to actually spend their money and several years to draw down (i.e. outlay) funds from the Federal Treasury. While it is true that child care outlays were 72 percent for FY 1997, we project that States will **expend** all their funds within the two years as required.

- The passage of the Personal Responsibility and Work Opportunity Reconciliation Act made major changes in the funding for State child care programs, and it was expected that States would require some time to make the transition. However, despite these significant reforms in the program, States reacted quickly and have drawn down the vast majority (72 percent of 1997 funds) of child care money.

- There is a tremendous need for child care assistance, particularly among low income working families. While our most recent data from 1995 indicates that funds in that year allowed us to serve over about 1 million children, that is a small percentage of those eligible since there are approximately 10 million children eligible for the Child Care and Development Block Grant. Further, without assistance, working families with annual incomes under $14,400 who pay for care for children under five spend 25 percent of their incomes on child care -- and even then, it's difficult to find accessible, high- quality care.

March 2, 1998

OBLIGATION/OUTLAY STATUS OF
FY97 CHILD CARE & DEVELOPMENT FUNDS

As of September 30, 1997

TOTAL CCDF 1/			
STATE	FEDERAL OBLIGATIONS (GRANT AWARDS)	OUTLAYS	% OUTLAID
AL	27,926,853	18,329,649	65.6%
AK	5,610,115	4,720,799	84.1%
AZ	33,009,317	31,453,685	95.3%
AR	12,156,237	5,743,278	47.2%
CA	191,419,162	83,686,052	43.7%
CO	20,670,842	9,904,849	47.9%
CT	27,436,190	23,353,949	85.1%
DC	6,045,074	0	0.0%
DE	7,120,013	6,261,946	87.9%
FL	79,950,897	55,649,835	69.6%
GA	57,341,557	45,336,879	79.1%
HI	8,614,735	8,356,481	97.0%
ID	6,458,213	3,397,358	52.6%
IL	93,357,853	72,796,280	78.0%
IN	41,822,487	32,535,258	77.8%
IA	16,353,592	10,866,603	66.4%
KS	17,133,537	15,581,573	90.9%
KY	26,909,331	22,171,508	82.4%
LA	27,090,865	14,605,828	53.9%
ME	6,327,589	4,186,601	66.2%
MD	37,221,533	28,576,145	76.8%
MA	60,625,908	44,930,622	74.1%
MI	58,858,804	58,858,804	100.0%
MN	36,489,141	24,192,624	66.3%
MS	14,382,687	6,818,062	47.4%
MO	39,275,586	27,634,777	70.4%
MT	5,623,488	3,381,476	60.1%
NE	15,983,845	11,937,142	74.7%
NV	6,957,737	2,276,531	32.7%
NH	8,203,100	7,607,314	92.7%
NJ	52,995,377	45,128,630	85.2%
NM	14,097,126	14,097,126	100.0%
NY	154,582,535	63,626,914	41.2%
NC	89,130,000	86,195,818	96.7%
ND	4,271,224	1,504,161	35.2%
OH	100,676,759	96,242,949	95.6%
OK	34,196,929	33,005,422	96.5%
OR	27,789,219	25,078,034	90.2%
PA	86,275,355	54,490,569	63.2%
RI	9,211,348	8,454,520	91.8%
SC	20,020,772	16,610,181	83.0%
SD	3,866,368	3,090,306	79.9%
TN	51,658,408	51,658,408	100.0%
TX	118,659,031	87,026,560	73.3%
UT	19,608,284	19,140,224	97.6%
VT	5,699,454	4,977,134	87.3%
VA	38,749,634	25,884,423	66.8%
WA	57,071,362	44,734,934	78.4%
WV	13,120,981	6,049,528	46.1%
WI	38,656,278	29,383,686	76.0%
WY	4,193,464	1,759,249	42.0%
TERR	573,904	13,365	2.3%
TOTAL	$1,941,480,100	$1,403,304,049	72.3%

MANDATORY & MATCHING FUNDS 2/			
STATE	FEDERAL OBLIGATIONS (GRANT AWARDS)	STATE OBLIGATIONS	% OBLIGATED
AL	27,538,930	27,538,930	100.0%
AK	5,573,564	5,573,564	100.0%
AZ	32,654,444	32,654,444	100.0%
AR	11,928,191	11,928,191	100.0%
CA	189,109,829	189,109,829	100.0%
CO	20,458,829	20,458,829	100.0%
CT	27,297,695	27,297,695	100.0%
DC	6,007,129	6,007,129	100.0%
DE	7,079,533	7,079,533	100.0%
FL	78,991,515	78,991,515	100.0%
GA	56,725,095	56,725,095	100.0%
HI	8,544,528	8,544,528	100.0%
ID	6,360,048	3,809,277	59.9%
IL	92,635,041	92,635,041	100.0%
IN	41,476,175	41,476,175	100.0%
IA	16,176,667	16,176,667	100.0%
KS	16,962,947	16,126,305	95.1%
KY	26,565,371	26,565,371	100.0%
LA	26,579,410	26,579,410	100.0%
ME	6,253,341	6,253,341	100.0%
MD	36,968,426	36,968,426	100.0%
MA	60,349,955	60,349,955	100.0%
MI	58,298,700	58,298,700	100.0%
MN	36,230,665	36,230,665	100.0%
MS	14,049,912	13,624,205	97.0%
MO	38,926,173	38,926,173	100.0%
MT	5,561,904	5,561,904	100.0%
NE	15,877,705	15,877,705	100.0%
NV	6,878,492	6,878,492	100.0%
NH	8,153,892	8,153,892	100.0%
NJ	52,638,058	52,638,058	100.0%
NM	13,916,036	13,916,036	100.0%
NY	153,480,403	153,480,403	100.0%
NC	88,590,381	88,590,381	100.0%
ND	4,226,635	4,226,635	100.0%
OH	100,003,527	100,003,527	100.0%
OK	[illegible]916	33,904,916	100.0%
OR	27,[illegible]040	27,598,040	100.0%
PA	85,648,280	85,648,280	100.0%
RI	9,159,194	9,159,194	100.0%
SC	19,673,401	19,673,401	100.0%
SD	3,805,883	3,805,883	100.0%
TN	51,258,743	51,258,743	100.0%
TX	116,877,750	116,877,750	100.0%
UT	19,428,168	19,428,168	100.0%
VT	5,666,584	5,666,584	100.0%
VA	38,380,459	38,380,459	100.0%
WA	56,766,466	56,766,466	100.0%
WV	12,973,006	12,973,006	100.0%
WI	38,370,188	38,370,188	100.0%
WY	4,162,276	4,162,276	100.0%
TOTAL	$1,922,742,500	$1,918,929,380	99.8%

1/ Includes grant awards and outlays from Mandatory & Matching Funds, as well as the $19 million in Discretionary Funds for FY97. Outlays represent cash drawdown of grant awards as reported by the Payment Management System (PMS). When reporting to PMS, States did not differentiate between outlays from the three funding sources of the CCDF. For all three parts of the CCDF, States have at least one year beyond the year of the grant award to liquidate funds.

2/ Data is shown as reported by States and is subject to revision. State obligations represents amounts obligated by States from their Mandatory & Matching Funds. Matching Funds not obligated by States during the year of the grant award are reallotted to other States.

NOTE: Amounts exclude Tribal funds, as well as Training and Technical Assistance.

18-Feb-98

FY97 & FY98 CHILD CARE FUNDING 1/
Outlays Through Jan. 31, 1998

DRAFT

FY 1997 CCDF			
STATE	GRANT AWARDS	OUTLAYS (DRAWDOWNS)	% OUTLAID
AL	27,926,853	27,917,002	100.0%
AK	5,610,115	5,610,115	100.0%
AZ	33,009,317	32,619,584	98.8%
AR	12,156,237	12,156,237	100.0%
CA	191,419,162	178,938,322	93.5%
CO	20,670,842	17,224,015	83.3%
CT	27,436,190	24,283,319	88.5%
DC	6,045,074	6,045,074	100.0%
DE	7,120,013	6,487,006	91.1%
FL	79,950,897	79,744,835	99.7%
GA	57,341,557	49,306,879	86.0%
HI	8,614,735	8,571,528	99.5%
ID	6,458,213	3,907,442	60.5%
IL	93,357,853	90,857,853	97.3%
IN	41,822,487	36,366,094	87.0%
IA	16,353,592	16,353,592	100.0%
KS	17,133,537	17,133,537	100.0%
KY	26,909,331	23,189,301	86.2%
LA	27,090,865	15,334,347	56.6%
ME	6,327,589	6,189,073	97.8%
MD	37,221,533	26,355,856	70.8%
MA	60,625,908	44,930,622	74.1%
MI	58,858,804	38,803,194	65.9%
MN	36,489,141	28,170,108	77.2%
MS	14,382,687	9,229,603	64.2%
MO	39,275,586	39,275,586	100.0%
MT	5,623,488	5,065,876	90.1%
NE	15,983,845	15,868,605	99.3%
NV	6,957,737	3,347,368	48.1%
NH	8,203,100	8,203,100	100.0%
NJ	52,995,377	52,436,918	98.9%
NM	14,097,126	14,097,126	100.0%
NY	154,582,535	137,198,982	88.8%
NC	89,130,000	88,816,130	99.6%
ND	4,271,224	1,747,999	40.9%
OH	100,676,759	99,658,940	99.0%
OK	34,196,929	33,005,422	96.5%
OR	27,789,219	25,850,049	93.0%
PA	86,275,355	69,369,824	80.4%
RI	9,211,348	9,211,348	100.0%
SC	20,020,772	19,283,840	96.3%
SD	3,866,368	3,759,579	97.2%
TN	51,658,408	51,658,408	100.0%
TX	118,659,031	118,659,031	100.0%
UT	19,608,284	19,441,050	99.1%
VT	5,699,454	5,699,454	100.0%
VA	38,749,634	25,886,041	66.8%
WA	57,071,362	56,905,721	99.7%
WV	13,120,981	8,919,048	68.0%
WI	38,656,278	36,142,317	93.5%
WY	4,193,464	2,858,696	68.2%
TERR	573,904	423,657	73.8%
TOTAL	**$1,941,480,100**	**$1,758,514,649**	**90.6%**

FY 1998 CCDF (First Qtr. Grants only)			
STATE	GRANT AWARDS	OUTLAYS (DRAWDOWNS)	% OUTLAID
AL	29,066,739	6,750,989	23.2%
AK	2,680,699	167,759	6.3%
AZ	31,407,907	14,531,525	46.3%
AR	11,763,443	1,141,030	9.7%
CA	157,322,210	73,632,832	46.8%
CO	19,174,514	110,301	0.6%
CT	21,245,433	5,560,518	26.2%
DC	4,691,059	-	0.0%
DE	5,584,762	2,490,170	44.6%
FL	92,540,322	35,480,000	38.3%
GA	60,098,647	21,136,000	35.2%
HI	8,641,460	3,795,349	43.9%
ID	5,106,148	2,846,457	55.7%
IL	78,150,925	140,000	0.2%
IN	39,339,621	21,509,074	54.7%
IA	14,082,230	707,425	5.0%
KS	9,162,803	736,803	8.0%
KY	28,850,102	8,515,235	29.5%
LA	18,446,346	4,621,392	25.1%
ME	6,290,973	381,464	6.1%
MD	26,999,467	9,485,712	35.1%
MA	52,394,278	-	0.0%
MI	30,921,965	30,921,965	100.0%
MN	35,105,524	-	0.0%
MS	10,883,620	3,485,027	32.0%
MO	40,697,510	22,147,276	54.4%
MT	5,381,746	140,000	2.6%
NE	7,323,165	4,365,714	59.6%
NV	6,416,074	1,893,892	29.5%
NH	6,286,366	1,101,764	17.5%
NJ	39,023,018	18,969,046	48.6%
NM	8,071,812	5,096,832	63.1%
NY	147,633,252	-	0.0%
NC	82,263,466	41,140,360	50.0%
ND	3,206,184	187,290	5.8%
OH	79,909,662	3,770,503	4.7%
OK	22,152,897	8,303,326	37.5%
OR	14,655,604	-	0.0%
PA	72,968,225	16,324,339	22.4%
RI	5,982,805	2,420,968	40.5%
SC	26,410,956	4,428,600	16.8%
SD	3,752,582	1,070,519	28.5%
TN	25,340,420	25,340,420	100.0%
TX	116,823,833	33,544,117	28.7%
UT	10,256,016	9,866,443	96.2%
VT	4,349,618	1,358,519	31.2%
VA	41,503,492	9,469,977	22.8%
WA	44,903,624	15,820,605	35.2%
WV	14,391,330	2,599,348	18.1%
WI	37,750,483	7,958,831	21.1%
WY	2,988,722	-	0.0%
TERR	10,752,279	6,705,876	62.4%
TOTAL	**$1,681,146,338**	**$492,171,592**	**29.3%**

1/ Includes grant awards and outlays from all three funding sources: Mandatory, Matching and Discretionary Funds. FY97 amounts include the $19 million in Discretionary Funds appropriated for FY97. Outlays represent cash drawdown of grant awards as reported by the Payment Management System (PMS). When reporting to PMS, States did not differentiate between outlays from the three funding sources of the CCDF. FY98 grant awards represent only one quarter's worth of a State's annual allocation.

NOTE: Amounts do not include Tribal funds or Training and Technical Assistance.

Prepared by ACF/DHHS 3/4/98

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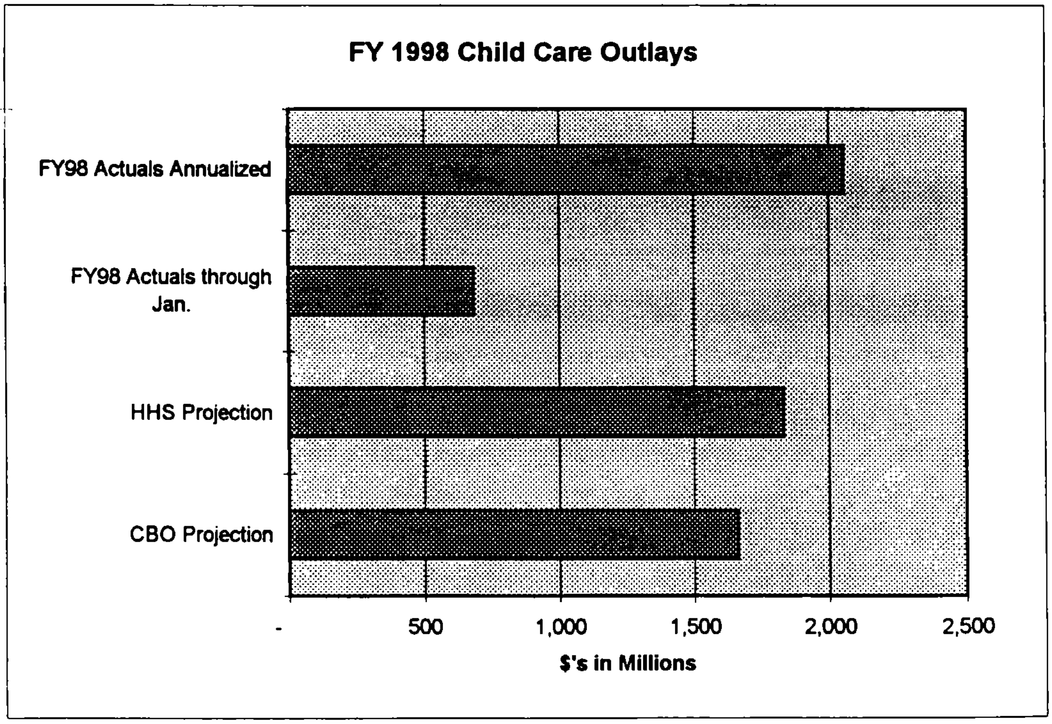
MANDATORY & MATCHING FUNDS -- OUTLAY SUMMARY

	Outlay Rates As of 1/31/98	*Outlay Rates* As of 1/31/97
FY97 Mandatory Funds	90.8%	24.7%
FY97 Matching Funds	90.1%	22.6%
FY98 Mandatory Funds	27.3%	-
FY98 Matching Funds	28.4%	-

CBO's baseline projection assumes that FY98 child care funds will be displaced by leftover FY97 funds; States will spend their funds remaining from FY97 first, and some portion of new FY98 funds will go unused by States.

The Administration's projection assumes that States will use all their FY97 and FY98 funds, and current outlay data support this. While prior year outlays are running at a very high rate (90%), the rate of new funds drawn down by States so far during FY98 is higher than at the same period last year (see table above). In addition, outlay rates for the first quarter are normally low for all programs. Therefore, while States are spending down their leftover FY97 balances, there is every indication that States will use all of their FY98 child care funds.

As the chart below indicates, FY98 outlays are currently running higher than either CBO or Administration projections.



Prepared by ACF/DHHS 3/5/98

Child Care and Development Block Grant (CCDBG)
Historical and Projected Outlay Rates

FY	Appropriation ($'s in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
1991 1/	$731,915	44.0%	43.9%	9.4%	0.8%	
1992	$825,000	49.8%	40.7%	6.7%	1.7%	0.8%
1993	$892,711	50.5%	37.3%	7.7%	4.1%	0.2%
1994	$892,616	61.0%	25.3%	12.2%	1.4%	
1995	$934,642	66.8%	17.2%	14.5%	1.5%	
1996	$934,642	62.4%	21.6%	14.5%	1.5%	
1997	$19,100	67.9%	22.0%	8.4%	1.6%	
1998	$1,002,672	62.0%	22.0%	14.5%	1.5%	

1/ FY 1991 outlay rates do not add to 100% due to deobligation of approx. $13 million in unliquidated funds.

Mandatory and Matching Child Care
Historical and Projected Outlay Rates

FY	Appropriation ($'s in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
1997	$1,967,000	71.0%	18.7%	6.7%	3.4%	
1998	$2,070,792	70.9%	18.9%	6.8%	3.5%	

Numbers may not add due to rounding.

Prepared by ACF/DHHS 2/19/98

OUTLAY RATES OF SELECTED HHS PROGRAMS

Program	Year 1	Year 2	Year 3	Year 4
Mandatory & Matching Fund	71%	19%	7%	4%
Discretionary Fund (CCDBG)	62%	22%	15%	2%
Head Start	38%	57%	3%	2%
Maternal & Child Health	60%	33%	7%	0%
Child Welfare Services	82%	17%	0.2%	0.8%

Prepared by ACF/DHHS 3/5/98

TANF

TABLE A

DATA AS OF . February 27, 1998 #2

Temporary Assistance to Needy Families (TANF) Program

FEDERAL AWARDS, TRANSFERS AND EXPENDITURES FY-1997

Data reported by States in Column A on Form ACF-196 Line Items:	1 TOTAL AWARDED \1	2 TRANSFERRED TO CCDF	3 TRANSFERRED TO SSBG	4 AVAILABLE FOR TANF	5 CASH AND WORK BASED ASSISTANCE	6 WORK ACTIVITIES	7 CHILD CARE	8 ADMINISTRATION	8(a) SYSTEMS	9 TRANSITIONAL SERVICES	10 OTHER EXPENDITURES	11 TOTAL EXPENDITURES	12 UNLIQUIDATED OBLIGATIONS	13 UNOBLIGATED BALANCE
Alabama	81,313,004			81,313,004	33,499,408	4,245,726	-	8,979,199	-	-	11,376,876	58,101,209	870,347	22,341,448
Alaska	18,759,063			18,759,063	11,027,089	1,056,756		213,572	369,870		1,228,134	13,895,421		4,863,642
Arizona	222,419,998			222,419,998	145,656,733	-	-	12,341,817	561,836	-	30,196,321	188,756,707	3,589,275	30,074,016
Arkansas	19,936,461			19,936,461	8,724,914	1,872,805	-	551,968	232,528	-	1,520,533	12,902,748		7,033,712
California	3,147,715,829			3,147,715,829	2,074,980,903	-	-	91,007,931	20,860,071	-	198,023,708	2,384,872,613	762,843,217	
Colorado	45,627,939			45,627,939	17,306,270	253,627	-	1,194,183	469,882	-	4,703,006	23,926,968	-	21,700,972
Connecticut	266,788,107		5,966,288	260,821,819	219,926,488	-	-	19,605,760	-	-	(7,759,652)	231,772,596		29,049,223
Delaware	14,564,516			14,564,516	7,480,507	4,616,223	-	984,966	1,765,526		-	14,847,222	(282,706)	
of Columbia	61,048,692			61,048,692	29,342,949	2,228,783	-	3,463,793	389,459		-	35,424,984	417,215	25,206,493
Florida	562,340,120			562,340,120	258,310,420	30,631,574	-	16,019,945	-	76,035	50,472,137	355,510,111		206,830,009
Georgia	254,339,628			254,339,628	155,056,121	10,020,561		10,560,633	2,173,359		25,750,587	203,561,261	8,717,305	42,061,062
Hawaii	28,631,202			28,631,202	21,477,672	1,187,566	-	1,739,537	917,869	-	-	25,322,644	889,289	2,419,269
Idaho	10,600,557			10,600,557	390,525	10,387	-	288,584	37,285	-	1,678,293	2,405,074	-	9,670,135
Illinois	134,004,829			134,004,829	122,077,008	208,411	-	11,505,755	213,655	-	-	134,004,829		-
Indiana	206,799,109			206,799,109	57,491,025	5,654,598		10,446,501	3,893,212		1,395,477	78,880,813	127,918,296	
Iowa	105,169,272		4,546,031	100,623,241	65,037,676	6,144,890	-	6,588,768	57,686		-	77,829,020		22,794,221
Kansas	101,931,061			101,931,061	43,794,079	1,379,331		4,222,981			21,569,773	70,966,164		30,964,897
Kentucky	170,006,205	7,040,032	3,675,544	159,290,629	115,487,348	2,844,255		18,765,284	692,354			137,789,241	2,708,380	18,793,008
Louisiana	139,757,495			139,757,495	32,096,444	12,818,437	-	20,306,925	-	-		65,221,806	-	74,535,689
Maine	72,476,874	3,229,010	2,212,878	67,034,986	55,362,313	4,899,998		5,674,572	118,030		1,105,946	67,160,859		
Mar	183,017,827			183,017,827	76,877,956	12,429,929	43,195	10,691,641	4,132,942	15,261	1,017,452	105,208,376	-	77,809,451
Massachusetts	459,371,116	109,058,553	29,646,924	320,665,639	212,340,814	19,737,153		44,960,185	2,995,184		42,221,468	322,254,804	-	
Michigan	775,352,858	26,212,117	76,810,640	672,330,101	435,699,415	40,172,312	11,537,068	47,340,038	12,954,153		46,835,172	594,538,158		77,792,085
Minnesota	111,835,618			111,835,618	41,141,292	93,704		5,882,977	861,984			47,979,957		63,855,661
Mississippi	86,767,576			86,767,576	45,209,008	5,363,829	6,478	8,078,372	-	113,459	8,439,547	67,210,693	8,773,831	10,783,054
Missouri	187,838,524			187,838,524	58,951,977	21,833,886		25,618,732	6,694,660		21,681,296	134,780,551	53,057,973	
Montana	34,035,612			34,035,612	16,641,692	2,430,269	-	1,849,498	423,287	-	1,425,872	22,770,618		11,264,994
Nebraska	49,340,853			49,340,853	20,322,000	1,952,496		4,748,937	2,028,104			29,051,537	-	20,289,316
Nevada	34,008,078			34,008,078	19,618,431	594,684	-	3,577,366	2,345,917	-	3,904,972	30,041,370	-	3,966,709
New Hampshire	38,521,261			38,521,261	25,028,575	1,243,509	-	4,680,941	2,309,139	-	3,406,078	36,668,242	-	-
New Jersey	293,107,925			293,107,925	135,381,731	3,255,704	-	4,799,970	1,664,198		-	145,101,603	148,006,322	
New Mexico	31,991,934			31,991,934	23,329,417	66,829		1,828,358	93,296		6,494,425	31,812,325	179,609	-
New York	1,982,294,198		168,400,000	1,813,894,198	1,327,422,040	57,933,404	-	229,579,231	5,178,953	-	110,000,000	1,730,113,628		83,780,570
North Carolina	225,973,410			225,973,410	127,325,159	-	-	12,509,090	-		52,802,390	192,636,639	33,336,771	
North Dakota	11,066,221			11,066,221	3,450,413	87,535	-	370,276	153,976			4,062,200	103,815	6,900,206
Ohio	727,968,260			727,968,260	367,487,793	2,103,741	-	23,342,616	-		61,854,190	454,788,340	273,788,340	
Oklahoma	148,013,568	5,200,000		142,813,568	59,990,302	10,709,174	-	2,634,125	492,604	-	12,539,088	86,265,293	-	56,548,265
Oregon	167,808,448			167,808,448	118,347,073	5,905,338		13,581,795	350,144		188,492	138,372,842	29,435,606	
Penns a	418,343,381			418,343,381	229,421,794	732,475	-	41,034,676	2,447,353	-	19,926,376	293,562,674	48,970,269	75,810,438
	46,025,651			46,025,651	31,804,331	899,199		3,675,027	485,428			36,863,985		9,161,666
South Carolina	93,872,849			93,872,849	45,205,110	9,247,860	-	5,940,803	2,659,626	-	13,376,357	76,429,756	17,443,093	
South Dakota	18,759,543			18,759,543	6,175,266	654,559	-	2,122,850	125,622	-	2,722,358	11,800,675	6,958,868	-
Tennessee	191,523,797	12,673,948		178,849,849	103,060,508	19,173,331	-	10,195,726	2,750,487	-	8,226,394	143,406,446	6,707,731	28,735,672
Texas	431,610,973			431,610,973	221,754,008	27,406,126		17,614,398	4,944,855		75,832,098	347,551,485	84,059,489	
Utah	76,829,219			76,829,219	59,872,044			3,824,244	495,620		39,561	64,231,469		12,597,750
Vermont	47,353,181	3,500,000	1,700,000	42,153,181	30,732,585	147,164	483,039	4,882,614	273,643			36,519,045		5,634,136
Virginia	114,733,567	8,385,000	11,473,357	94,875,210	54,846,575	12,267,339	219,925	14,231,282	1,111,135	23,854	411	82,700,521	12,174,690	
Washington	289,298,269			289,298,269	192,311,142	2,452,303	-	10,670,174	833,599	60,777	15,603,000	221,930,995	67,367,274	
West Virginia	82,155,212			82,155,212	41,670,544	2,311,244	-	5,509,675	1,735,368	-	1,920,230	53,147,061	-	29,008,152
Wisconsin	318,159,462			318,159,462	90,045,752	52,681,463	1,193,883	27,253,203	6,594,659	-	7,834,494	185,603,454		132,556,008
Wyoming	19,215,579			19,215,579	1,246,859	75,055		1,442,439	470,463			3,234,816	15,981,773	
Total	$13,360,423,923	$175,298,660	$304,431,662	$12,880,693,601	$7,697,237,518	$404,035,542	$13,483,588	$838,833,933	##########	$289,386	$859,552,860	$9,913,791,848	$1,714,016,072	$1,254,831,929

GENERAL NOTES:

THE DATA IS DERIVED FROM THE FIRST CUMULATIVE FY-1997 TANF FINANCIAL REPORT. ALL DATA IS PRELIMINARY AND SUBJECT TO CHANGE. THIS TABLE WILL BE UPDATED AS CLARIFICATIONS, REVISIONS AND NEW REPORTS ARE RECEIVED.

This table shows information exactly as reported by States in column A on the quarterly TANF report (Form no. ACF-196). The first time States were required to submit TANF financial data on this form was 11/14/97.

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

FOOTNOTE:

\1 F l fiscal 1997, which began on 10/1/96, a transition year for implementing the TANF program. States were not required to implement TANF until 7/1/97. Only 16 States a TANF program for the entire year. T e the total amount of Federal funds awarded to for fiscal year 1997 the full annual TANF allocations of $16.5 billion per year that States will receive in fiscal years 1998 through 2002.

THE AMOUNTS REPORTED IN COLUMN (1) ARE FROM ACF's RECORDS OF CUMULATIVE FOURTH QUARTER FY-1997 TANF GRANT AWARDS. NEW MEXICO, IDAHO AND TEXAS REPORTED A DIFI ENT AMOUNT ON I 1(A) OF THE ACF-196

DATA AS OF
February 27, 1998

STATE TANF MAINTENANCE OF EFFORT
EXPENDITURES OF STATE FUNDS IN FY-1997

Data reported by States in Column B on ACF-196 Line Items:	5 CASH AND WORK BASED ASSISTANCE	6 WORK ACTIVITIES	7 CHILD CARE	8 ADMINISTRATION	8(a) SYSTEMS	9 TRANSITIONAL SERVICES	10 OTHER EXPENDITURES	11 TOTAL STATE TANF EXPENDITURES
Alabama	17,168,850	2,175,713		4,600,957			5,829,531	29,775,051
Alaska	21,462,392	704,504		170,871	369,864		993,273	23,700,904
Arizona	49,625,410			12,328,503	1,110,216		26,411,691	89,475,820
Arkansas	3,750,608	1,481,368	1,061,407	551,968	232,528		1,362,435	8,440,314
California	2,027,650,655		92,946,000	86,663,974	20,676,205		239,463,150	2,467,399,984
Colorado	7,015,391	102,841	8,985,899	543,686	469,883		2,147,013	19,264,713
Connecticut	101,000,707	517,906	62,060,835	29,347,368	2,462,445		259,866	195,649,127
Delaware	7,480,507	2,169,760	7,535,079	111,938	1,218,071			18,515,355
District of Columbia	30,350,815	1,712,277	10,000,000	3,463,794	389,460		500,000	46,416,346
Florida	272,324,692	2,794,151	33,415,872	12,302,796			71,164,645	392,002,156
Georgia	78,172,618	5,476,843	53,798,830	3,414,374	2,172,607	8,134,854	12,637,342	163,807,468
Hawaii	7,758,306	791,710		856,997	27,985			9,434,998
Idaho	1,672,833	44,494	293,955	368,316	159,710		1,108,354	3,647,662
Illinois	58,689,125		14,902,368	1,818,078	23,331			75,432,902
Indiana	68,280,034	13,254,763	15,357,049	10,374,863	3,597,816		1,395,477	112,260,002
Iowa	22,382,383	16,604,532	330,295	7,415,221	235,058			46,967,489
Kansas	37,619,151	3,270,484		3,300,011			27,691,882	71,881,528
Kentucky	50,114,470	1,539,096		18,967,664	692,360			71,313,590
Louisiana	43,019,344	(379)		6,061,681	2,157,419			51,238,065
Maine	34,364,521		1,749,818	3,186,710			375,436	39,676,485
Maryland	97,760,101	8,910,237	21,418,919	10,269,429	4,135,423		1,017,593	143,511,702
Massachusetts	276,733,889	1,852,223		43,588,799	3,207,828		4,764,739	330,147,478
Michigan	291,254,645	32,187,938	74,129,738	41,307,719	6,082,716		41,529,222	486,491,978
Minnesota	36,186,193	2,982,418	1,647,265	6,648,172	861,984			48,326,032
Mississippi	15,069,669		1,715,431	6,387,495				23,172,595
Missouri	121,141,155		11,307,654	1,012,512			4,155,775	137,617,096
Montana	6,276,913	132,840	1,309,922	1,545,712	432,284		1,425,872	11,123,543
Nebraska	16,174,267	2,403,776	709,170	4,748,937	2,028,104			26,064,254
Nevada	11,591,478	594,682	647,084	1,816,952	2,010,056	958,694	4,876,431	22,495,377
New Hampshire	18,634,948	930,318	4,582,606	3,675,730	1,835,792		2,595,682	32,255,076
New Jersey	155,863,713	15,856,221		23,434,183	6,372,547			201,526,664
New Mexico	8,862,270	51,931		550,272	79,894		442,414	9,986,781
New York	868,323,100	45,333,554	69,193,603	199,577,733	5,178,952		239,048,589	1,426,655,531
North Carolina	73,343,196			10,291,097			47,923,413	131,557,706
North Dakota	1,815,733	9,725		359,595	153,975			2,339,028
Ohio	329,580,198	8,912,399	45,628,354	22,407,206			34,430,270	440,958,427
Oklahoma	35,154,333	6,342,808	10,630,233	1,477,639	280,163		7,365,130	61,250,306
Oregon	77,843,034	4,361,891		9,745,578	261,323		43,015	92,254,841
Pennsylvania	161,941,129	519,567	27,083,175	37,149,704	2,447,353		23,091,042	252,231,970
Rhode Island	18,777,942	605,680	3,334,726	3,675,027	485,428		1,255,336	28,134,139
South Carolina	18,979,342	3,882,710	2,239,877	3,960,535	1,773,083		8,917,571	39,753,118
South Dakota	6,957,380	653,805	553,087	1,461,580	118,019			9,743,871
Tennessee	26,874,462	14,193,249		5,505,984	5,316,206		36,440,639	88,330,540
Texas	132,709,140	19,828,873	34,681,426	15,105,210	3,897,128		46,491,059	252,712,836
Utah	16,495,786		4,474,900	3,824,244	495,620			25,290,550
Vermont	22,544,285	48,816	3,185,540	1,494,222	90,770			27,363,633
Virginia	44,743,699	11,267,336	107,783	9,927,516	1,111,135	23,853	411	67,181,733
Washington	173,686,640	1,765,430		26,253,723	754,064	60,934	12,662,691	215,183,482
West Virginia	20,426,471	1,101,600		4,266,824	1,735,368		915,233	28,445,496
Wisconsin	105,528,307	22,139,581	16,477,623	10,581,903	349,118		3,504,895	158,581,427
Wyoming	4,802,266	1,353,144		678,942	159,304			6,993,656
State Total	6,135,978,496	260,862,815	637,495,523	718,579,944	87,648,595	9,178,335	914,237,117	8,763,980,825

GENERAL NOTES:

This table : information exactly as reported by States in column B on the quarterly TANF report (Form no. ACF-196). The first time States required to submit TANF financial data on this form 11/14/97. There are blank data elements in columns 5 through 11 for States whose financial reports have not yet been received by ACF. This table shows how States in the TANF program. Table A shows how States used Federal funds in the TANF program.

TABLE C

DATA AS OF:
February 27, 1998

STATE TANF MAINTENANCE OF EFFORT (MOE)
EXPENDITURE OF STATE FUNDS IN SEPARATE STATE PROGRAMS IN FY 1997

Data reported by States in Column C on Form ACF-196 Line Items:	5 CASH AND WORK BASED ASSISTANC	6 WORK ACTIVITIES	7 CHILD CARE	8 ADMINISTRATION	8(a) SYSTEMS	9 TRANSITIONAL SERVICES	10 OTHER EXPENDITURES	11 TOTAL EXPENDITURES
Alabama			6,896,417					6,896,417
Alaska								-
Arizona			10,065,324				1,821,710	11,887,034
Arkansas	-							-
California	-							-
Colorado	45,687		406,927				6,541,639	6,994,253
Connecticut	-							-
Delaware	-							-
District of Columbia	-							-
Florida	7,571,410						1,002,019	8,573,429
Georgia								-
Hawaii	10,060,193							10,060,193
Idaho	-							-
Illinois	8,398,178		25,000,000	421,891	7,834			33,827,903
Indiana							1,265,176	1,265,176
Iowa			7,829,957				4,950,959	12,780,916
Kansas								-
Kentucky								-
Louisiana	-							-
Maine							2,212,878	2,212,878
Maryland	-							-
Massachusetts	-		44,918,343					44,918,343
Michigan	13,277,398							13,277,398
Minnesota	-							-
Mississippi	-							-
Missouri								-
Montana	-							-
Nebraska	-							-
Nevada	-							-
New Hampshire	-							-
New Jersey	-							-
New Mexico	-							-
New York								-
North Carolina	-							-
North Dakota	-							-
Ohio	-							-
Oklahoma	-							-
Oregon								-
Pennsylvania	-							-
Rhode Island							628,239	628,239
South Carolina	-							-
South Dakota	-							-
Tennessee	250,167							250,167
Texas	-							-
Utah								-
Vermont								-
Virginia	3,721,849		14,076,986					17,798,835
Washington	-							-
West Virginia	-							-
Wisconsin	10,647,305							10,647,305
Wyoming			1,553,781					1,553,781
State Total	53,972,187	-	110,747,735	421,891	7,834	-	18,422,620	183,572,267

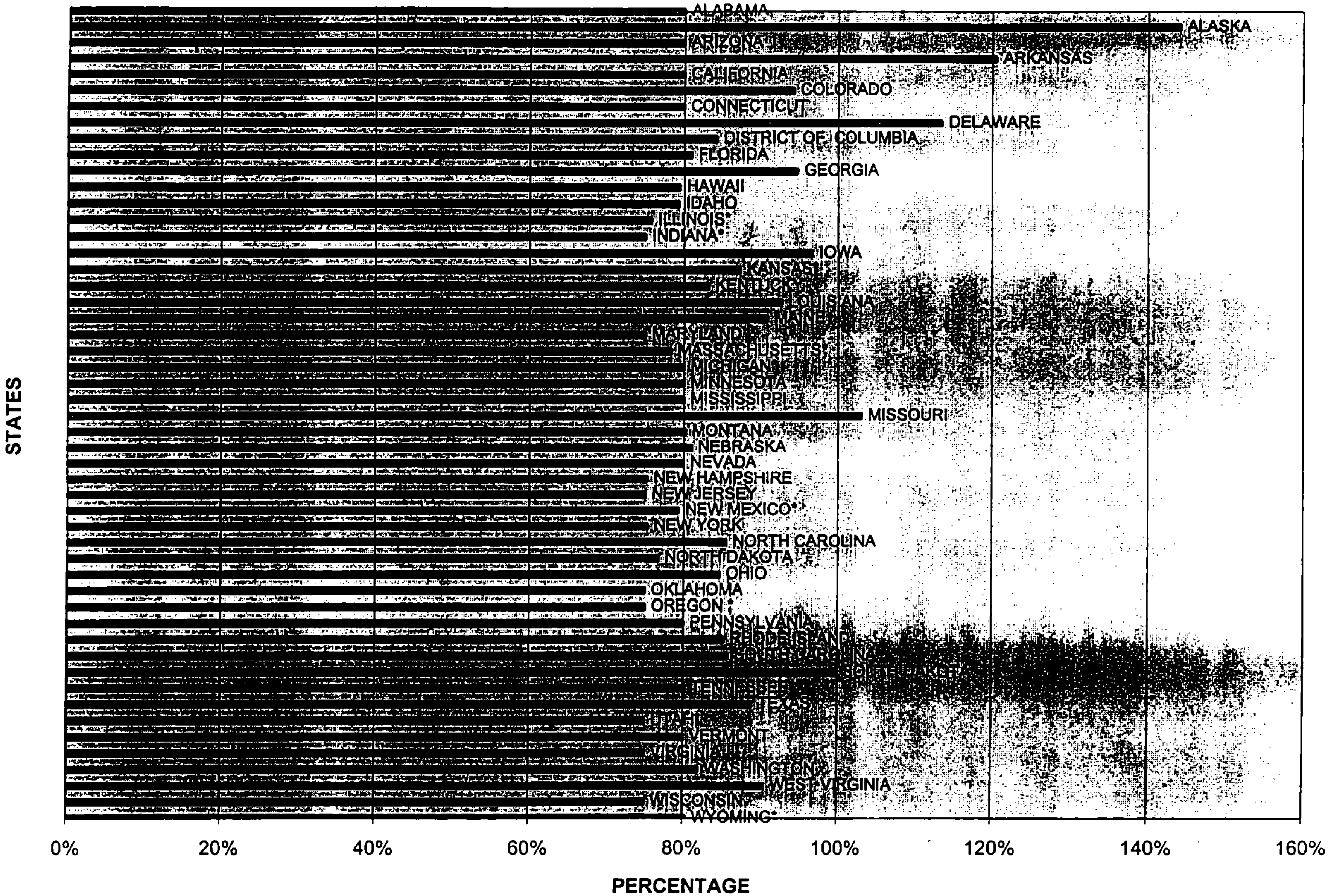
GENERAL NOTES:

This table shows information exactly as reported by States in column C on the quarterly TANF report (Form no. ACF-[illegible]. The first time States [illegible] required to submit TANF fi[illegible]l data on this form [illegible] 11/14/97. This table shows how States used their own funds in separate State programs. Funding a separate [illegible] TANF program entirely with [illegible] is one of the options available to States. Of the 41 States who have submitted [illegible] to date, twelve have reported the expenditure of funds [illegible] separate State program. States may use such expenditures to [illegible] the MOE level of State expenditures required by statute.

Chart 2

TANF PROGRAM

EXPENDITURE OF STATE FUNDS IN FY 1997 AS % OF MOE



Data as of February 27, 1998

Chart prepared by U.S. Dept. of Health and Human Services
Administration for Children and Families

Table D

STATE TANF MAINTENANCE OF EFFORT
EXPENDITURES OF STATE FUNDS IN FY-1997

Data reported by Stat in Columns B & C on ACF-196 Line Items:	11 TOTAL STATE TANF EXPENDITURES	12 SEPARATE STATE PROGRAM TOTAL EXPENDITURES	COMBINED STATE EXPENDITURES (Col. 11 + Col. 12)	STATE	COMBINED EXPENDITURE AS % OF MOE	TANF IMPLEMENTATION DATE	NO. OF DAYS IN FY-1997 UNDER TANF	PRORATED MOE AT 100%
Alabama	29,775,051	6,896,417	36,671,468	ALABAMA	80%	11/15/96	320	45,839,335
Alaska	23,700,904	-	23,700,904	ALASKA	144%	7/1/97	92	16,448,223
Arizona	89,475,820	11,887,034	101,362,854	ARIZONA	80%	10/1/96	365	126,703,568
Arkansas	8,440,314	-	8,440,314	ARKANSAS	121%	7/1/97	92	7,003,410
California	2,467,399,984	-	2,467,399,984	CALIFORNIA	80%	11/26/96	309	3,084,249,980
Colorado	19,264,713	6,994,253	26,258,966	COLORADO	94%	7/1/97	92	27,850,675
Connecticut	195,649,127	-	195,649,127	CONNECTICUT	80%	10/1/96	365	244,561,409
Delaware	18,515,355	-	18,515,355	DELAWARE	114%	3/10/97	205	16,303,449
District of Columbia	46,416,346	-	46,416,346	DISTRICT OF CO	84%	3/1/97	214	55,072,422
Florida	392,002,156	8,573,429	400,575,585	FLORIDA	81%	10/1/96	365	494,558,734
Georgia	163,807,468	-	163,807,468	GEORGIA	95%	1/1/97	273	172,893,545
Hawaii	9,434,998	10,060,193	19,495,191	HAWAII	79%	7/1/97	92	24,527,109
Idaho	3,647,662	-	3,647,662	IDAHO	79%	7/1/97	92	4,597,053
Illinois	75,432,902	33,827,903	109,260,805	ILLINOIS*	76%	7/1/97	92	144,182,239
Indiana	112,260,002	1,265,176	113,525,178	INDIANA*	75%	10/1/96	365	151,366,637
Iowa	46,987,489	12,760,916	59,748,405	IOWA	97%	1/1/97	273	61,793,509
Kansas	71,881,528	-	71,881,528	KANSAS*	87%	10/1/96	365	82,332,751
Kentucky	71,313,590	-	71,313,590	KENTUCKY	83%	10/18/96	348	85,704,593
Louisiana	51,238,065	-	51,238,065	LOUISIANA	93%	1/1/97	273	55,263,305
Maine	39,676,485	2,212,878	41,889,363	MAINE	91%	11/1/96	334	46,092,044
Maryland	143,511,702	-	143,511,702	MARYLAND	75%	12/9/96	296	191,348,936
Massachusetts	330,147,478	44,918,343	375,065,821	MASSACHUSETT	78%	9/30/96	365	478,596,697
Michigan	486,491,978	13,277,398	499,769,376	MICHIGAN*	80%	9/30/96	365	624,691,167
Minnesota	48,326,032	-	48,326,032	MINNESOTA	80%	7/1/97	92	60,407,540
Mississippi	23,172,595	-	23,172,595	MISSISSIPPI	80%	10/1/96	365	28,965,744
Missouri	137,617,096	-	137,617,096	MISSOURI	103%	12/1/96	304	133,394,395
Montana	11,123,543	-	11,123,543	MONTANA	80%	2/1/97	242	13,869,732
Nebraska	26,064,254	-	26,064,254	NEBRASKA	81%	12/1/96	304	32,172,899
Nevada	22,495,377	-	22,495,377	NEVADA	80%	12/3/96	302	28,119,222
New Hampshire	32,255,076	-	32,255,076	NEW HAMPSHIRE	75%	10/1/96	365	42,820,131
New Jersey	201,526,664	-	201,526,664	NEW JERSEY	75%	2/1/97	242	268,702,219
New Mexico	9,986,781	-	9,986,781	NEW MEXICO*	79%	7/1/97	92	12,586,081
New York	1,426,655,531	-	1,426,655,531	NEW YORK	75%	12/2/96	303	1,893,592,594
North Carolina	131,557,706	-	131,557,706	NORTH CAROLIN	86%	1/1/97	273	153,753,364
North Dakota	2,339,028	-	2,339,028	NORTH DAKOTA	77%	7/1/97	92	3,047,968
Ohio	440,958,427	-	440,958,427	OHIO	85%	10/1/96	365	520,734,467
Oklahoma	61,250,306	-	61,250,306	OKLAHOMA	75%	10/1/96	365	81,667,075
Oregon	92,254,841	-	92,254,841	OREGON *	75%	10/1/96	365	122,921,435
Pennsylvania	252,231,970	-	252,231,970	PENNSYLVANIA	80%	3/3/97	212	315,289,962
Rhode Island	28,134,139	628,239	28,762,378	RHODE ISLAND	85%	5/1/97	153	33,739,390
South Carolina	39,753,118	-	39,753,118	SOUTH CAROLIN	86%	10/12/96	354	46,345,726
South Dakota	9,743,871	-	9,743,871	SOUTH DAKOTA	100%	12/1/96	304	9,743,871
Tennessee	88,330,540	250,167	88,580,707	TENNESSEE*	80%	10/1/96	365	110,413,171
Texas	252,712,836	-	252,712,836	TEXAS	89%	11/5/96	330	284,161,244
Utah	25,290,550	-	25,290,550	UTAH*	75%	10/1/96	365	33,720,733
Vermont	27,363,633	-	27,363,633	VERMONT	80%	9/20/96	365	34,204,541
Virginia	67,181,733	17,798,835	84,980,568	VIRGINIA	75%	2/1/97	242	113,307,423
Washington	215,183,482	-	215,183,482	WASHINGTON	82%	1/10/97	264	262,371,084
West Virginia	28,445,496	-	28,445,496	WEST VIRGINIA	91%	1/11/97	263	31,416,888
Wisconsin	158,581,427	10,647,305	169,228,732	WISCONSIN	75%	9/30/96	365	225,617,781
Wyoming	6,993,656	1,553,781	8,547,437	WYOMING*	80%	1/1/97	273	10,636,106
			-					
State Total	8,763,980,825	183,572,267	8,947,553,092					

Bruce/Cynthia/Jen –
This is interesting and should be very useful for the NGA speech. Elena

File- WR – NGA speech P.02
and
Family – child care

Policy Briefing
July 18, 1997

Welfare-To-Work And Child Care

A Survey Of The Ten Big States

Margy Waller

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

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

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

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

Meanwhile, Ferguson's child care costs have increased from $65 a month (her copayment with the subsidy), to $400 a month. "I'm really glad [President] Clinton wants to do this welfare refor...

identical to Christine's.

Lacking a federal model for work-based welfare reform, states are experimenting -- and the results are decidedly mixed. A few states have moved a long way in the direction ... of child care for all low-wage workers; Illinois has the best of creating a universal system of child care for the [illegible]

model. Two states, and possibly a third, will reduce state funding for child care this year, while others have made a significant new state investment as they attempt to reach more families. Many states prioritize child care support to families currently receiving welfare or transitioning from welfare to work. Most states have created incentives to child care providers who fill gaps in delivery to infants and workers with a nontraditional schedule.

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

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

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

The Background

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

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

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

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

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

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

The Child Care Crunch

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

Welfare recipients who leave welfare for low-wage positions need the support of child care assistance to retain the new jobs. A GAO report on the impact of welfare reform on child care needs, says that a former welfare recipient may be unable to keep a job and earn enough to support her family without assistance, if her child care subsidy ends before she has moved up the career ladder to self-sufficiency.[9] Two earlier reports for state welfare departments found that at least twenty percent of mothers in transition from welfare to work who lost child care assistance returned to welfare.[10]

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

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

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

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

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

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

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

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

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

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

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

PPI's survey asked whether states intend to guarantee assistance for child care to any groups. PPI defined a guarantee as a promise to all who met eligibility criteria that child care assistance would be available, no matter how many families apply during the year. (We did not ask whether the guarantee is an entitlement by state law.) Two states, Ohio and Georgia, plan to guarantee child care to welfare recipients and those in transition to work, while making assistance available to other working poor, "if funding permits." Texas will guarantee assistance only to families in transition from welfare to work.

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

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

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

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

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

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

However, when it comes to child care for the working poor (as in other categories where support is not guaranteed), it is critical to distinguish between eligibility for, and access to, services. States with a high income ceiling may not provide services to many of the families below the ceiling. In the past, states often were forced to close intake for services, and many states maintained long waiting lists. One state administrator commented that children would be in college before they reached the top of a waiting list.

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

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

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

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

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

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

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

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

PPI'S Five Action Steps for States

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

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

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

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

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

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

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

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

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

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

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

Most states are increasing state funding (PPI's definition of state funds does not include transfers from federal block grants) for child care. The only exceptions are Ohio and Pennsylvania which will probably experience a decrease from the prior year's state spending. In Ohio, the state chose not to continue spending $10 million from caseload reduction savings that was incorporated into the state's budget for the prior year when counties began to run out of funds for the working poor. Given Ohio's "guarantee" of assistance to families with a recent connection to the welfare system, working poor families will experience a reduction in available child care slots. In New York, Governor Pataki proposes a 5.4 percent decrease, while the legislature proposes a 13.6 percent increase. Pennsylvania's reduction is less than 1 percent of state funding.

Conclusion

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

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

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Cynthia A. Rice 12/01/97 05:30:24 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Jennifer L. Klein/OPD/EOP

cc: Diana Fortuna/OPD/EOP, Andrea Kane/OPD/EOP, Emily Bromberg/WHO/EOP, Keith J. Fontenot/OMB/EOP

Subject: State FY '97 welfare and child care spending

HHS has sent me tables showing how much each state has spent of its federal TANF and child care block grants. HHS intends to make these data public this week (by providing copies to GAO and APWA which have requested them). I will send you all copies. I don't see anything reason for us to orchestrate the release -- do you? Here's a quick summary:

FY '97 TANF Spending: Most states have spent shockingly little of their FY 1997 federal TANF block grants, perhaps because caseloads have fallen so much. On average, states spent 72% of their FY 1997 block grant in FY '97:

1 state (NM) spent 100% of its FY 1997 block grant in FY '97.
3 states (CT, IL, and NC) spent between 90% and 100%.
9 states (AZ, HI, IA, KY, MA, NH, OR, SC, VT) spent between 80% and 90%.
11 states (CA, DE, FL, GA, ME, MO, MS, NJ. TX, UT, WA) spent bet. 70% and 80%.
19 states spent between 40% and 70%
7 states plus D.C. (AR, CO, ID, IN, ND, WV, WY) spent less than 40%, including Idaho at 18%, Wyoming at 14% and Colorado & D.C. at 0% (I'm checking this out).

The data show how much of the federal funds states spent, not how much of their own state funds they spent as MOE. Because states may reserve federal funds for future years, they have an incentive to use only what they need. Thus, this could mean that states are saving for a rainy day; or it could mean that they are not investing in welfare to work.

An unrelated survey by the National Conference of State Legislatures asked states about planned state MOE spending in FY '98 found that most states planned to spend enough state dollars to qualify for their entire federal block grant (which could be saved for later years). Of the 44 states that responded, 35 planned to spend at least 80% of historic state spending, guaranteeing them their entire federal block grant, and 9 states plan to spend between 75 and 80 percent (which, if they meet the work rates, will be enough to get their entire block grant).

FY '97 Child Care Spending: There are two ways to look at the child care data. One is that states obligated (spent or legally committed to spend) 99.8% of the FY '97 mandatory and matching funds -- these are funds which must be spent in FY '97 or they will be distributed to other states (only ID, MS, and NH fell below the mark). However, when mandatory, matching, and discretionary funds are combined, states spent only 72% of FY '97 funds. States have up to an additional year to spend discretionary funds. I assume folks at HHS are thinking about the best way to describe this in the context of our new child care proposal.

ADMINISTRATION FOR CHILDREN AND FAMILIES
EXPLANATION OF OBLIGATION AND OUTLAY TABLES

Obligation/Outlay Status of FY97 TANF Funds:

This table shows the status of FY 1997 TANF funds by State as of September 30, 1997. The column entitled "Federal Obligations" represents the total grant awards issued by the Administration for Children and Families to States for FY 1997. The third column entitled "Outlays" represents the cash drawdown of grant awards by States (also referred to as "disbursements") as reported by the HHS Payment Management System (PMS). The fourth column entitled "% Outlaid" represents the percentage of the total grant award that a State has drawn down. Outlays differ from actual expenditures made by States, which will be reported separately on the ACF-196 financial report. As specified by statute, TANF funds granted to States for a fiscal year are available until expended and thus may be reserved for future fiscal years.

Obligation/Outlay Status of FY97 Child Care & Development Funds:

This table shows the status of FY 1997 CCDF funds by State. The left section of the table shows Federal Obligations and Outlays (as defined above) as of September 30, 1997 for all three components of the CCDF: the Mandatory and Matching Funds, as well as the $19 million in Discretionary Funds appropriated for FY 1997. Discretionary Funds are included in the Federal Obligation and Outlay columns because States did not differentiate between the three funding sources when reporting outlays to PMS. Since outlays for the Mandatory and Matching funds alone could not be identified, all three funding sources are included for comparability purposes. For all three parts of the CCDF, States have at least one year beyond the first year of the grant award to expend (liquidate) funds.

The right section of the table shows Federal and State Obligations for the Mandatory and Matching Funds only. The column entitled "State Obligations" represent amounts obligated by States from their Mandatory and Matching Funds, as reported on the ACF 696 financial report. State obligations reflect the amount of binding contracts and agreements which will require the State to make an expenditure and outlay at some later time. The fourth column entitled "% Obligated" represents the percentage of the total grant award that a State has obligated. For those States receiving Matching Funds, both Mandatory and Matching Funds must be obligated by the end of the first year of the grant award. Matching Funds not obligated by States by the end of the first year of the grant award are realloted to other States.

OBLIGATION/OUTLAY STATUS OF FY97 TANF FUNDS As of September 30, 1997

STATE	FEDERAL OBLIGATIONS (GRANT AWARDS)	OUTLAYS	% OUTLAID
AK	18,759,063	12,785,918	68.2%
AL	81,313,004	56,401,923	69.4%
AR	19,936,461	7,515,108	37.7%
AZ	222,419,988	191,340,118	86.0%
CA	3,147,715,829	2,502,923,453	79.5%
CO	45,627,939	0	0.0%
CT	266,788,107	242,672,414	91.0%
DC	61,048,692	0	0.0%
DE	14,564,516	11,045,570	75.8%
FL	562,340,120	419,762,373	74.6%
GA	254,339,628	202,690,272	79.7%
HI	28,631,202	23,845,694	83.3%
IA	105,169,272	89,644,313	85.2%
ID	10,600,557	1,878,530	17.7%
IL	134,004,829	129,004,829	96.3%
IN	206,799,109	72,773,531	35.2%
KS	101,931,061	57,480,098	56.4%
KY	170,006,205	148,525,190	87.4%
LA	139,757,495	68,679,724	49.1%
MA	459,371,116	397,322,279	86.5%
MD	183,017,827	114,880,839	62.8%
ME	72,476,874	56,741,860	78.3%
MI	775,352,858	536,270,207	69.2%
MN	111,835,618	44,842,180	40.1%
MO	187,838,524	134,287,863	71.5%
MS	86,767,578	66,144,357	76.2%
MT	31,784,030	18,923,497	59.5%
NC	225,973,410	206,625,422	91.4%
ND	11,066,221	3,106,922	28.1%
NE	49,340,853	25,182,511	51.0%
NH	38,521,261	33,670,378	87.4%
NJ	293,107,925	207,264,333	70.7%
NM	31,991,934	31,991,934	100.0%
NV	34,008,078	22,572,015	66.4%
NY	1,982,294,198	1,353,033,317	68.3%
OH	727,968,260	486,665,134	66.9%
OK	148,013,558	90,669,957	61.3%
OR	167,808,448	145,772,362	86.9%
PA	418,343,381	249,915,633	59.7%
RI	46,025,651	26,180,318	56.9%
SC	93,872,849	77,233,494	82.3%
SD	18,759,543	11,537,251	61.5%
TN	191,523,797	120,396,945	62.9%
TX	431,610,974	322,606,743	74.7%
UT	76,829,219	58,090,502	75.6%
VA	114,733,567	73,777,187	64.3%
VT	47,353,181	41,717,782	88.1%
WA	289,298,269	220,549,307	76.2%
WI	318,159,462	179,618,467	56.5%
WV	82,155,212	31,128,527	37.9%
WY	19,215,579	2,603,712	13.6%
TERR	44,519,238	9,607,075	21.6%
TOTAL	13,402,691,570	9,639,899,368	71.9%

NOTE: Outlays represent cash drawdowns of grant awards as reported by the Payment Management System (PMS). Totals do not include Tribal funds.

OBLIGATION/OUTLAY STATUS OF FY97 CHILD CARE & DEVELOPMENT FUNDS

As of September 30, 1997

TOTAL CCDF 1/			
STATE	FEDERAL OBLIGATIONS (GRANT AWARDS)	OUTLAYS	% OUTLAID
AL	27,926,853	18,329,649	65.6%
AK	5,610,115	4,720,799	84.1%
AZ	33,009,317	31,453,685	95.3%
AR	12,156,237	5,743,278	47.2%
CA	191,419,162	83,686,052	43.7%
CO	20,670,842	9,904,849	47.9%
CT	27,436,190	23,353,949	85.1%
DC	6,045,074	0	0.0%
DE	7,120,013	6,261,946	87.9%
FL	79,950,897	55,649,835	69.6%
GA	57,341,557	45,336,879	79.1%
HI	8,614,735	8,356,481	97.0%
ID	6,458,213	3,397,358	52.6%
IL	93,357,853	72,796,280	78.0%
IN	41,822,487	32,535,258	77.8%
IA	16,353,592	10,866,603	66.4%
KS	17,133,537	15,581,573	90.9%
KY	26,909,331	22,171,508	82.4%
LA	27,090,865	14,605,828	53.9%
ME	6,327,589	4,186,601	66.2%
MD	37,221,533	28,576,145	76.8%
MA	60,625,908	44,930,622	74.1%
MI	58,858,804	58,858,804	100.0%
MN	36,489,141	24,192,624	66.3%
MS	14,382,687	6,818,062	47.4%
MO	39,275,586	27,634,777	70.4%
MT	5,623,488	3,381,476	60.1%
NE	15,983,845	11,937,142	74.7%
NV	6,957,737	2,276,531	32.7%
NH	8,203,100	7,607,314	92.7%
NJ	52,995,377	45,128,630	85.2%
NM	14,097,126	14,097,126	100.0%
NY	154,582,535	63,626,914	41.2%
NC	89,130,000	86,195,818	96.7%
ND	4,271,224	1,504,161	35.2%
OH	100,676,759	96,242,949	95.6%
OK	34,196,929	33,005,422	96.5%
OR	27,789,219	25,078,034	90.2%
PA	86,275,355	54,490,569	63.2%
RI	9,211,348	8,454,520	91.8%
SC	20,020,772	16,610,181	83.0%
SD	3,866,368	3,090,306	79.9%
TN	51,658,408	51,658,408	100.0%
TX	118,659,031	87,026,560	73.3%
UT	19,608,284	19,140,224	97.6%
VT	5,699,454	4,977,134	87.3%
VA	38,749,634	25,884,423	66.8%
WA	57,071,362	44,734,934	78.4%
WV	13,120,981	6,049,528	46.1%
WI	38,656,278	29,383,686	76.0%
WY	4,193,464	1,759,249	42.0%
TERR	573,904	13,365	2.3%
TOTAL	$1,941,480,100	$1,403,304,049	72.3%

MANDATORY & MATCHING FUNDS 2/			
STATE	FEDERAL OBLIGATIONS (GRANT AWARDS)	STATE OBLIGATIONS	% OBLIGATED
AL	27,538,930	27,538,930	100.0%
AK			
AZ	32,654,444	32,654,444	100.0%
AR	11,928,191	11,928,191	100.0%
CA	189,109,829	189,109,829	100.0%
CO	20,458,829	20,458,829	100.0%
CT	27,297,695	27,297,695	100.0%
DC			
DE	7,079,533	7,079,533	100.0%
FL	78,991,515	78,991,515	100.0%
GA	56,725,095	56,725,095	100.0%
HI	8,544,528	8,544,528	100.0%
ID	6,360,048	3,809,277	59.9%
IL	92,635,041	92,635,041	100.0%
IN			
IA	16,176,667	16,176,667	100.0%
KS			
KY	26,565,371	26,565,371	100.0%
LA	26,579,410	26,579,410	100.0%
ME			
MD	36,968,426	36,968,426	100.0%
MA	60,349,955	60,349,955	100.0%
MI			
MN	36,230,665	36,230,665	100.0%
MS	14,049,912	13,624,205	97.0%
MO	38,926,173	38,926,173	100.0%
MT	5,561,904	5,561,904	100.0%
NE			
NV			
NH	8,153,892	7,338,226	90.0%
NJ	52,638,058	52,638,058	100.0%
NM	13,916,036	13,916,036	100.0%
NY	153,480,403	153,480,403	100.0%
NC	88,590,381	88,590,381	100.0%
ND	4,226,635	4,226,635	100.0%
OH	100,003,527	100,003,527	100.0%
OK	33,904,916	33,904,916	100.0%
OR	27,598,040	27,598,040	100.0%
PA	85,648,280	85,648,280	100.0%
RI	9,159,194	9,159,194	100.0%
SC	19,673,401	19,673,401	100.0%
SD	3,805,883	3,805,883	100.0%
TN			
TX	116,877,750	116,877,750	100.0%
UT			
VT			
VA	38,380,459	38,380,459	100.0%
WA	56,766,466	56,766,466	100.0%
WV	12,973,006	12,973,006	100.0%
WI	38,370,188	38,370,188	100.0%
WY	4,162,276	4,162,276	100.0%
TOTAL	$1,689,060,952	$1,685,268,808	99.8%

1/ Includes grant awards and outlays from Mandatory & Matching Funds, as well as the $19 million in Discretionary Funds for FY97. Outlays represent cash drawdown of grant awards as reported by the Payment Management System (PMS). When reporting to PMS, States did not differentiate between outlays from the three funding sources of the CCDF. For all three parts of the CCDF, States have at least one year beyond the year of the grant award to liquidate funds.

2/ Based on State financial reports received to date (40). State obligations represents amounts obligated by States from their Mandatory & Matching Funds. Matching Funds not obligated by States during the year of the grant award are reallotted to other States.

POLITICS & POLICY

U.S. Funds From Overhaul of Welfare Fatten States

By DANA MILBANK
Staff Reporter of THE WALL STREET JOURNAL

Federal welfare overhaul is producing big benefits for one not-so-needy group: the nation's states.

With welfare rolls down, many states are taking advantage of federal welfare aid to cut their own spending and use the funds to help pay for tax cuts and other popular projects. The falling rolls have given the states a windfall of $3 billion to $4 billion, says Jack Tweedie, welfare analyst for the National Conference of State Legislatures. And they are free to spend about $2 billion of that in areas unrelated to poverty if they wish.

As states send the first accounting of their compliance with new welfare requirements to Washington today, it appears many have dropped their own welfare spending to a level at or near the minimum allowed by law. Only a handful are still spending as much of their own money as they had before the federal-law changes, which were designed to get people off welfare and into jobs.

The new federal welfare grants to states, known as Temporary Assistance for Needy Families, or TANF, total $16.5 billion a year and are based on peak caseloads. But because welfare rolls are off 25% from those peak levels, states are getting a windfall. Some of the money is being used to expand child care, job programs and a variety of initiatives. But the windfall is also being used to displace states' own welfare outlays. "Welfare reform has become, in part, fiscal relief for the states," says Ed Lazere, an analyst with the Center on Budget and Policy Priorities in Washington.

According to a new study by the National Conference of State Legislatures, 20 of the 44 states surveyed are spending 80% or less of the amount they previously spent on welfare. The federal welfare law, enacted last year, allows states to reduce their own spending, or "maintenance of effort," to 75% or 80% of past levels, depending on caseload reductions. Only five are spending at or above prior totals.

Using a Surplus

The larger the state and the larger its caseload decline, the more extra money it has to put to nonwelfare uses. New York, which has dropped its welfare spending to 75% of previous levels, plans to use $268 million of surplus welfare funds for what it calls "state and local fiscal relief."

Texas, according to an analysis by the Austin-based Center for Public Policy Priorities, is siphoning off $152 million of federal welfare funds for other purposes; the state quarrels with that analysis but acknowledges it has dropped its own spending to 80% of previous levels. Ohio's human-services director, Arnold Tompkins, says earlier welfare savings contributed as much as $200 million toward a state income-tax cut.

Even Wisconsin, widely regarded as a state willing to spend to make welfare changes work, dropped its "maintenance of effort" to the minimum 75% of previous levels, freeing some $60 million for other uses. "We feel we're appropriately investing in the program," says Jean Rogers, who runs Wisconsin's welfare-to-work program.

States, of course, would have cut their own spending as rolls fell even if Washington had not changed the rules. Also, despite the cuts in state funding, the federal windfall is large enough that per-capita spending on welfare-related services has risen virtually everywhere. As a result, states say, they have enough funds for innovative new public-assistance efforts while boosting state reserves at the same time.

More Funds for Child Care

New Jersey has enough surplus to spend $100 million more than it would have spent on an equivalent welfare population under the old law—while still putting aside another $100 million for other state uses. New Jersey has extended postwelfare child care to two years from one year, and boosted spending on teaching English to immigrants, vocational training and feeder routes to public buses. "If you're going to reform welfare, you've got to spend more on clients," says William Waldman, the human-services commissioner.

But even with the increased services, the states are using the new federal welfare law as a cash cow. A spokesman for the U.S. Health and Human Services Department, to which the states will submit their accounting, says it's "probably the case" that states aren't spending much more than the minimum needed to avoid federal penalties.

The law generally requires the federal TANF funds to be used for welfare and not such things as roads or prisons. But it also allows states to convert a small percentage of this money into federal grants classified for use on more general social services. Mr. Lazere says states sometimes use these transfers to save on what they otherwise would spend on these services.

It is difficult to track this money directly because the savings simply wind up in a state's general fund. Mr. Lazere says Connecticut transferred $24 million from its TANF block grant into its social services block grant and then withdrew an equivalent amount from its social services spending to return to its general fund. A spokeswoman for the state's welfare agency says she doesn't know the specifics of the transfer, but concedes, "We have used the federal dollars to replace state dollars that had been funding programs for kids."

'Rainy Day Fund'

Ohio has used its federal surplus to invest $75 million in a "Human Services Rainy Day Fund," and it is one of the few states to increase cash welfare benefits—by 6%. It also has extra funds for new training programs and other welfare-related areas. But even after these increases, dropping its welfare spending to 80% of previous levels has freed up about $100 million for other state uses, most likely education, Mr. Tompkins says.

In Wisconsin, the spending per welfare family climbed to $15,000 this year from $12,000 in 1996—even as the state's welfare spending, reflecting the falling caseload, dropped to 75% of levels earlier in the decade. Wisconsin has used its windfall to intensify its case management by assigning welfare workers fewer families.

But spending more than it already does on welfare, says Ms. Rogers, would be wasteful. "The key in being fiscally responsible," she says, "is to spend enough

THE WALL STREET JOURNAL
FRIDAY, NOVEMBER 14, 1997

State MOE Spending for the TANF Block Grant FY98

States at or over 100% MOE

Nebraska
Arkansas
Mississippi
Kentucky
South Dakota

States between 90 and 99% MOE

Kansas
Hawaii
Tennessee
Florida
Georgia
Minnesota
Arizona

States between 81% and 89% MOE

Delaware
Illinois
Connecticut
Nevada
Washington
Maryland
Rhode Island
Maine
Montana
Alaska
Alabama
Colorado

States between 76% and 80% MOE

Texas
California
Louisiana
North Dakota
Iowa
Idaho
Wyoming
New York
Vermont
Massachusetts
Pennsylvania

State MOE Spending for the TANF Block Grant FY98

States at 75% MOE

West Virginia
Michigan
Virginia
Oklahoma
Indiana
New Hampshire
New Jersey
New Mexico
Utah

States that have not yet responded to survey

District of Columbia
Missouri
North Carolina
Ohio
Oregon
South Carolina
Wisconsin
Puerto Rico

Information from a survey by the National Conference of State Legislatures

CHILD CARE - RESCISSION

1. *The President is committed to increasing child care assistance for working families. In FY 1994 and FY 1995, the President's Budget included increases of $100-200 million for the Child Care and Development Block Grant. In addition, the President's welfare reform proposal also included critical child care assistance to enable welfare recipients to move into work.*

2. *The Congress proposes to rescind $8.4 million in already appropriated spending from the Child Care and Development Grant [FY 1995 appropriation: $934,642,000 (before any rescission]. This means* ***more than 5,000 fewer children will receive federal child care assistance.***

3. *While Congress is considering cutting child care support, the child care needs of working families continue to grow:*

   o *There are an estimated 21 million children below 200% of the poverty level. About 8 million of these children lived with a single parent who worked at least part-time or with two parents who both worked at least part-time.* ***These 8 million children are in working families whose incomes qualify them for assistance with child care.*** *Only about 750,000 children received federal child care assistance in FY 1993.*

   o *If low-income mothers have child care assistance, they are more likely to work.*

   o *With child care assistance, some families can't afford to work. Low-income families are already paying 27 percent of their income on child care.*

   o *All across the country, parents who are struggling to keep jobs are having to turn around and go back to welfare.*

   o *All across the country, parents are on waiting lists for child care assistance. The General Accounting Office noted lengthy waiting lists for working poor families in its May 1994 report to the Committee on Education and Labor. Five out of six sites they visited had waiting lists. They reported a list of 40,000 children in Texas and 255,000 in California.*

For further information contact:
Ann Rosewater, Deputy Assistant Secretary
Administration for Children and Families, DHHS
(202) 401-5180

THE WHITE HOUSE

WASHINGTON

February 22, 1995

Dear Friends:

I am pleased to have this opportunity to send greetings to the National Association of Child Care Resource and Referral Agencies.

As you meet today, you remind each of us that working families want to be just that -- families that work -- families that nurture and protect their children; families that thrive in the dignity of independence and self-sufficiency. I am grateful for organizations such as yours that work to ensure that parents who work have safe and affordable child care. As you strengthen families in communities throughout our nation, you strengthen the fiber of the nation itself.

Please accept my best wishes for an enjoyable evening.

Sincerely yours,

Hillary Rodham Clinton

Hillary Rodham Clinton

NA RRA

National Association of Child Care Resource and Referral Agencies

c R - We are in ~~Canada~~ Canada

February 8, 1995

Mrs. Clinton
The White House
By Fax

Options for 2 events

Dear Mrs. Clinton:

Yes, it has been a difficult few months! As advocates for children and families, we have been standing at the brink of seeing the dismantling of everything that had been gained over time. As you can imagine, it has been difficult not to wonder whether we are waging a battle that has no chance of being won. Your remarks at today's Priority One luncheon just hit the right note with a measure of reality, determination, vision and commitment. I found later that many of my colleagues also discovered in your words their own pathways, if not to hope, at least to not giving up without a smart fight.

I had brought you Shirley, a cardboard doll, with the story of a three-year old child in Pennsylvania whose family needs child care subsidy in order to work and survive. On February 23rd, over six hundred of such dolls, each with a state-by-state, district-by-district story of a real family, will be delivered, to each member of Congress to dramatize the very real needs of children and families for good care and education. Over 700 families and grassroots activists from every state will be boarding planes, trains and busses, with dolls in tow, to talk to Congress and the press about children and their need for good care.

Mrs. Clinton, if at all possible, we should not miss the opportunity to give heart to these community catalysts. Given the effect you had today on a bunch of Beltway-burned advocates, you, better than anyone else, can inspire people who care about children!

There are many different ways in which you could acknowledge and encourage the troops in the hard fight ahead. You could address the bipartisan press event - **Working Families Meet the 104th Congress** - February 23rd, at noon on Capitol steps, the opening celebration at the ANA Hotel that evening, speak at our policy symposium on the 24th or 25th, or host some kind of event for them at the White House. Please choose any one- it will make a great deal of difference! 1 2

Sincerely,

Yasmina S. Vinci

Yasmina S. Vinci
Executive Director

1319 F Street, NW • Ste 810 • Washington, DC 20004-1106
Tel: (202) 393-5501 Fax: (202) 393-1109

NACCRRA

National Association of Child Care Resource and Referral Agencies

EMBARGOED RELEASE
February 23, 1995
~~12:00~~ noon 11:40

CONTACTS: Amy Shenker
202-452-9513
Renu Shukla
202-393-5501

WORKING FAMILIES URGE CONGRESS TO PROTECT CHILD CARE RESOURCES

Washington, D.C. -- As welfare reform takes center stage in Congress, over 600 child care professionals and parents from every state joined to urge legislators to recognize that child care is a workforce issue and that parents cannot go to work without safe, affordable child care. The event, "Working Families Meet the 104th Congress," was sponsored by the National Association of Child Care Resource and Referral Agencies (NACCRRA). Keynote speakers included Senator Christopher J. Dodd (D-CT), Senator Edward M. Kennedy (D-MA), Representative Nancy Pelosi (D-CA), nationally recognized child care expert Patty Siegel, and Travelers Foundation President Dee Topol.

"Child care is critical to welfare reform and working families. If child care is not affordable and accessible to low-income families, welfare reform is destined to fail, and children and families will suffer," stated Senator Dodd, who authored the Child Care Development Block Grant (CCDBG) in 1990 and, with Senator Kennedy, will soon introduce a broad child care bill addressing access and quality issues.

"If we are serious about promoting work and strengthening families, instead of punishing them, we must deal with the essential issue of child care," explained Senator Kennedy.

As the number of working parents increases, so does the number of children who need child care. In 1994, 12 million (or 55 percent of) children under age six had working parent(s) and required child care. In addition, 17.1 million school-aged children, ages six through 13, have employed mothers. In FY 1993, states and territories received a total of $1.5 billion in federal child care funds, which helped provide child care for nearly 8.5 million children.

Federal child care funding is the subject of debate in Congress. This month, House Republicans have introduced a new version of the Personal Responsibility Act, called the Welfare Reform Consolidation Act of 1995, which would consolidate all federal child care funds into one block grant available to states. This bill would allow states to use federal dollars with increased flexibility, resulting in wide variation in state child care availability and standards.

"Any welfare reform that is adopted needs to ensure that people who need child care most have access to it," said Representative Pelosi, a longtime supporter of child care legislation. "Two-thirds of families receiving AFDC have at least one pre-school age child. We need to think about what happens to these children if their parents go to work."

"Cost is a tremendous barrier for low-income families," explained Siegel, Executive Director, California Child Care Resource and Referral Network. "If parents cannot afford to keep their children in day care, they will simply leave the workforce."

In fact, families earning less than the federal poverty level spent an average of one-quarter of their income on child care in 1990, compared with the six percent spent by upper-income families. A 1991 study of single parents receiving AFDC in Illinois found that one in five women who left work and returned to welfare in 1991 had done so due to child care problems.

Today, 6,000 companies nationwide offer child care benefits to their employees -- a 400 percent increase over the past ten years. "While there has been a dramatic increase in the number of companies that have invested in child care, businesses alone cannot afford to provide for employee child care. The benefits of child care are clear -- increased worker productivity and retention and decreased absenteeism," explained Dee Topol, President of the Travelers Foundation.

Following the Capitol Hill briefing, hundreds of people presented life-size cardboard dolls, which were crafted by parents and children from communities nationwide, to each member of Congress. Each doll represents a child from a working family and carries a personal story about the importance of accessible, quality child care.

Following NACCRRA's "Day on the Hill," child care professionals and parents will attend a NACCRRA policy symposium February 24-25 at the ANA Hotel.

NACCRRA is the national member organization for over 450 community-based child care resource and referral agencies. These agencies provide parents with the information they need to make good child care choices. Each year, NACCRRA members help nearly 750,000 parents choose child care from over 250,000 providers on their data bases. They also help recruit and train new child care providers and collect data on the supply and demand for child care.