



ACTION

- Reauthorize the Child Care and Development Fund (CCDF).
- Continue efforts to increase the number of children receiving subsidized child care from the current level of 2 million by increasing mandatory child care funds by \$11.2 billion over the next five years.
- Continue to recognize child care's dual mission as a child development program and a support for working families by increasing federal funding and raising the child care quality set-aside within CCDF from the current level of 4%. This will expand services and improve quality of care.
- Strengthen current child care law to clarify that children in the foster care system have the same status and eligibility for child care as children in the child protection system. This change will complement current law that makes all children in protective services categorically eligible for but not entitled to child care regardless of a parent's work or income status.
- Maintain current federal law that sets maximum child care eligibility at 85% of a state's median income. This standard makes clear that the mission of the child care fund is to address the needs of those families receiving cash assistance and low-income families not associated with Temporary Assistance for Needy Families (TANF).
- Support legislation—or include requirements in child care reauthorization—to increase the reimbursement rates that child care providers receive. Increasing reimbursement rates will boost salaries, improve the quality of child care services, and stabilize the child care workforce.

HISTORY

Congress will reauthorize CCDF this year. Congress considered several proposals in 2002 but never completed action. Much of the debate in 2002 focused on funding levels.

The 1996 welfare reform law, which fundamentally changed the way the federal government provides funding to the states for child care, created CCDF by combining child care funds under the old Aid to Families with Dependent Children program with the annual discretionary Child Care Development Block Grant (CCDBG).

For FY 2003, states have available more than \$4.8 billion from CCDF, the same level of funding available in FY 2002. In addition, states have used some \$4 billion in federal and state TANF funds to help subsidize their child care programs. These TANF funds may not be available for child care in the future as states redirect funds to address their budget shortfalls. Despite federal and state investments, numerous recent studies indicate a tremendous need still exists for greater child care services and improvements.

The 1996 welfare law provided states with approximately \$1.1 billion annually in mandatory child care funds. States receive additional funds if they match the federal dollars with state dollars. In FY 2003, the federal government has provided \$1.5 billion in matching funds. States also receive CCDBG discretionary funds. CCDBG funding increased from \$1.1 billion to \$2 billion in FY 2001, and to \$2.1 billion in FY 2002. These funds do not require a state match. States can transfer up to 30% of their federal TANF block grant into CCDF, or spend funds directly out of TANF for child care.

States have flexibility in setting eligibility standards. A state may make any family earning up to 85% of the state median income eligible for a child care subsidy. Children must be younger than 13, and their parents must be in work, training, or school. Children in the protective services system or in need of protective services are eligible regardless of their parents' eligibility. A child in foster care, however, qualifies only if a state indicates in its child care plan that the foster care system is considered part of its child protection system.

High turnover within the child care workforce affects the quality of services. Many states report difficulty retaining workers in the child care field due to extremely low wages.

Despite the great need to address child care workforce issues, provider reimbursement rates, and the enhanced quality, the debate in 2002 was limited to funding levels. The Administration opposed any increases in child care funding. The House of Representatives passed a bill that would have increased the authorization for discretionary child care funding by just \$200 million in the first year, then frozen funding at that level for the next four years. The Senate Finance Committee approved legislation that would have increased child care funding by \$1 billion in the first year and a total of \$5.5 billion over five years. Other Senators supported legislation that would have increased child care funding to \$11.2 billion. The debate over funding will continue this year.

KEY FACTS

- Only 12% of all potentially eligible children, or 1.8 million, received CCDF subsidized child care in 1999.¹
- In fiscal year 2000, states were able to serve approximately 14%, or one in seven, of the federally eligible children with child care needs.²
- Under CCDF, states can, at their option, cover families up to 85% of the state median income. Few states provide benefits at this level, however.³
- A report commissioned by HHS and published in December 2000 studied states' increased child care spending. For the 17 states studied, between 1997 and 1999, the median spending increase was 78%. Nonetheless, these states were serving 20% or fewer of eligible families.⁴
- In 1996, three out of four mothers with children ages 6–17 were working, compared with one in four in 1965. In 1996, two-thirds of mothers with children under age 6 were working.⁵
- The child care workforce faces serious challenge. A recent study found that 75% of all teaching staff and 40% of all directors in 1996 were no longer on the job when those centers were revisited in 2000.⁶
- Reimbursement rates that states pay child care providers affect the ability of parents to obtain child care and the ability of providers to pay their workforce. Low rates set by the state may cause some providers to limit whom they can serve. A GAO study indicated that in some areas, families receiving state child care subsidies had access to as few as 6% of child care programs.⁷
- Child care quality funds can be spent on a range of services, including teacher training, enhanced reimbursements, safety and health measures, and increased compensation for workers. States must spend at least 4% of their child care funds on quality. In addition to this 4% set-aside for quality, the federal government provides \$100 million for infant and toddler quality, \$19 million for school-age resource and referral, and \$172 million for general quality enhancements. Of these total funds, 20% is spent on resource and referral, 14% for enhanced inspections, 13% for meeting state standards, and 12% for caregiver compensation. The remainder is used for training, safety, and equipment improvements; incentives for accreditation; and other activities.⁸

SOURCES

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