


CHILD WELFARE LEAGUE OF AMERICA
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Child Care

ACTION

- Increase the number of children receiving subsidized child care by supporting the amendment by Senators Olympia Snowe (R-ME) and Christopher Dodd (D-CT) to increase mandatory child care funding as part of the reauthorization of the Child Care and Development Fund (CCDF).
- Increase discretionary child care funding by $1 billion in FY 2005. Child care funding has been frozen or cut in fiscal years 2003 and 2004.
- 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.
- Support legislation and 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 services, and stabilize the child care workforce.
- Maintain current federal law that sets maximum child care eligibility at 85% of a state's median income. This standard makes clear that CCDF's mission is to address the needs of those families receiving cash assistance and low-income families not associated with Temporary Assistance for Needy Families (TANF).

HISTORY

In 2004, Congress will once again consider reauthorizing CCDF. Congress considered several proposals in 2002 and 2003, but never completed action.

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 and Development Block Grant (CCDBG).

In FY 2004, $4.8 billion is available to states from CCDF. This funding has been frozen since FY 2002. In addition, states are no longer increasing the amount of TANF funds spent on child care. These TANF funds are spent on child care when a state either transfers funds from TANF to CCDF or spends TANF funds directly on child care. In 2001, the use of TANF funds for child care peaked at slightly less than $4 billion. In the last two years, the use of TANF funds for child care has decreased—down to $3.5 billion in 2003.[1] The demand for these TANF block grant dollars from other programs, such as child welfare services, and the effect of inflation on a fixed TANF block grant will make it more difficult for states to use TANF dollars for child care over the next few years.

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. Between 1996 and 2002, the matching funds for states increased each year. These increases in matching funds stopped in fiscal years 2003 and 2004, with the federal government providing $1.5 billion in matching funds each of the last two years.

States also receive CCDBG discretionary funds. CCDBG funding increased from $1 billion to $2.1 billion between FY 1997 and FY 2002. These funds do not require a state match. The increases in these discretionary funds have also stopped and have remained at the same level in FY 2003 and FY 2004. States can transfer up to 30% of their federal TANF block grant into CCDF, or spend funds for child care directly out of TANF.

Despite federal and state investments, numerous recent studies indicate a tremendous need still exists for greater child care services and improvements.

States have flexibility in setting eligibility standards. A state can designate as eligible for a child care subsidy any family earning up to 85% of the state median income. 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 better quality, the debate has been limited to funding levels. The Administration has proposed no increases in child care funding in either mandatory or discretionary spending since 2002. The House of Representatives passed legislation in both 2002 and 2003 (H.R. 4) that would have increased the authorization for mandatory child care funding by just $200 million in the first year, then frozen funding at that level for the remaining four years.

The Senate Finance Committee approved legislation late in 2003 that would have increased mandatory child care funding by the same amount. This funding was included in the Senate TANF reauthorization bill referred to as the PRIDE Act (Personal Responsibility and Individual Development for Everyone Act; Senate substitute for H.R. 4). Senator Snowe voted in support of the committee bill, despite her support for more child care funding, only after receiving a commitment from the Senate leadership that she would be allowed to propose the first amendment offered to the TANF bill on the Senate floor. That amendment, which has strong support, including Senators Dodd and Jeff Bingaman (D-NM), will propose an increase of $5 billion to $6 billion, in addition to the funding already included in the bill.

The Senate Health, Education, Labor, and Pensions Committee passed S. 880 in 2003. This legislation reauthorizes the discretionary part of child care funding, as well as all the regulations and federal requirements that govern the child care block grant.

The TANF and child care reauthorization bills will be merged as one bill and will come to the Senate floor early in 2004 for a debate and vote. The Senate- and House-passed bills will then be reconciled by a House-Senate conference committee and become a conference report. That conference report will then be voted on one last time by the Senate and House.

KEY FACTS

- In FY 2000, states were able to serve approximately 14%, or one in seven, of the federally eligible children with child care needs.[2]
- Since 2001, child care funding through CCDF and the TANF block grant has peaked, with mandatory funding frozen at $2.7 billion, discretionary spending frozen at 2002 levels, and TANF child care funding declining.[3]
- Under the House- and Senate-passed TANF reauthorization bills, the limited increases in mandatory child care funding will mean that at least 360,000 children receiving child care subsidies will lose that coverage by 2008. This loss does not take into account any effect that may result from changes to the TANF work requirements that would require TANF recipients to work additional hours.[4]
- 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.[5]
- 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 younger than age 6 were working.[6]
- The child care workforce faces serious challenge. A 2001 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.[7]

- Reimbursement rates that states pay child care providers affect parents' ability 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. The U.S. General Accounting Office found that in some areas, families receiving state child care subsidies had access to as few as 6% of child care programs.[8]
- 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 rest is used for training, safety, and equipment improvements; incentives for accreditation; and other activities.[9]

SOURCES

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