

Child Care

ACTION

- Support substantial increases in annually appropriated child care funds in FY 2007. These funds have not increased since 2002.
- Strengthen child care law to clarify that children in foster care have the same status and eligibility for child care as do children in the child protection system. This change will complement current law that makes children in protective services categorically eligible for, but not entitled to, child care, regardless of a parent's work status.
- Support legislative efforts to improve and increase reimbursement rates that child care providers receive. Increased reimbursement rates improve salaries and the quality of services, and stabilize the child care workforce.
- Reject proposals to meet the increased need for child care by merely allowing states more flexible use of their Temporary Assistance for Needy Families (TANF) funds.

THE CHILD CARE DEVELOPMENTAL FUND (CCDF)

The 1996 welfare reform law fundamentally changed the way the federal government provides funding to states for child care. The law created CCDF by combining child care funds previously available from the Aid to Families with Dependent Children (AFDC) program with the annually appropriated Child Care and Development Block Grant (CCDBG).

In FY 2006, the CCDF provided states with approximately \$5 billion for child care, a slight increase of \$200 million. The \$5 billion is allocated to the states as \$1.1 billion in mandatory funds, \$1.8 billion in matching funds, and just under \$2.1 billion in discretionary or annually appropriated funds.

Funding for CCDF has remained at nearly the same rate since FY 2002 due to White House opposition to increasing funding and the lack of Congressional support. The 1996

welfare law guaranteed states approximately \$1.1 billion annually in guaranteed or mandatory child care funds. States receive additional funds if they match federal dollars with state dollars. Matching funds for states increased each year between FY 1997 and FY 2002, with no increases in 2003, 2004, and 2005. The federal government is providing \$1.8 billion in matching funds in FY 2006. The Deficit Reduction Omnibus Reconciliation Act of 2005, passed in February 2006, reauthorizes the program for five years. The reauthorization includes a \$200 million increase for FY 2006 and then holds child care matching and mandatory funding at that level until 2010.

States also receive CCDBG discretionary funds that do not require a state match. CCDBG funding increased from \$1 billion to \$2.1 billion between FY 1997 and FY 2002, but has since decreased, with Congress continually freezing funding at the previous year's total. Yearly additional, across-the-board spending cuts for social service programs have taken away even more funding. In 2006, child care discretionary funding is \$2.06 billion.

States can transfer up to 30% of their federal TANF block grant into CCDF, or spend funds for child care directly out of TANF. With TANF funding remaining at the same rate as in 1996, states are facing dwindling reserve funds to use for child care. Federal TANF funds used for child care fell to \$3.3 billion in 2004 after staying at a relatively flat level of \$3.5 billion in 2001. In 2004, 30 states cut child care funding, compared to 19 states in 2003.

States do have flexibility in setting child care eligibility standards. A state can designate any family earning up to 85% of the state median income as eligible for a child care subsidy. In the past, this 85% ceiling has been used to determine all the children potentially eligible for child care and then matching that number against the number of children who do receive child care.

To be eligible for child care assistance, children must be younger than 13, and their parents must be working, receiving

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training, or in school. Children in the protective services system or in need of protective services are eligible, regardless of their parents' eligibility (work status). 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 with 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 Congressional child care debate has been limited to funding levels.

CHILD CARE SERVICES

Flexibility of TANF funding has created competition for dedicated resources for several human service programs. TANF represents approximately 20% of federal child welfare spending nationally and, at times, nearly half of child care spending comes from TANF. As inflation erodes TANF funding, child care services and child welfare services paid for with TANF funds are reduced.

White House budget projections for fiscal year 2005 show the number of children receiving child care fell by 100,000 in 2003. Additionally, these same White House projections assume the number of children receiving child care services will decline from 2.5 million children in 2003, to 2.2 million children in 2009. Child care advocates forecast an even greater loss in child care services, estimating child care services will decline by at least 447,000 children between 2003 and 2009. The recent changes enacted to the TANF program will increase this shortfall. The TANF reauthorization that was included in the Deficit Reduction Omnibus Reconciliation Act will require states to dramatically increase the number of adults receiving TANF who have to work. This increase in work requirements was not accompanied by an increase in child care funding.

THE 2006 DEBATE

In 2005, Congress resumed the debate over the reauthorization of CCDF along with the reauthorization of the TANF block grant. Congress has considered several proposals in the last several years, but has not been able to complete action. The White House has proposed no increases in child care funding in either mandatory or discretionary spending since 2002.

The Senate Finance Committee approved child care legislation in 2005 that would have provided an additional \$5 billion in child care mandatory funds. This came as a result of an amendment offered by Senator Olympia Snowe (R-ME). The full Senate never considered the Committee-passed bill. Meanwhile, child care funding was actually reduced from 2002 through 2005. Congress provided a slight increase of less than 5% in 2006, with mandatory funding frozen from 2007 through 2010.

The TANF reauthorization added stringent new work requirements for TANF recipients, with only a slight increase in child care funding. The law made no other changes to the child care program.

KEY FACTS

- In FY 2000, states served approximately 14%, or 1 in 7, of the federally eligible children with child care needs—a high point in child care services.
- Under CCDF, states have the option to cover families at up to 85% of the state median income. Between 2001 and 2004, nearly three-fifths of the states reduced their income eligibility level, thus decreasing the number of eligible families.
- States establish an income level at which a family can qualify for a child care subsidy and an income cut-off level which is the maximum income a family can receive before losing the subsidy. In two-thirds of states, the income cutoff level was lower as a percentage of the federal poverty level in 2005 than it was in 2001.
- The child care workforce faces a 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.
- In 2005, nearly 75%, or 37 states, used rates (the amount paid to child care providers) based on outdated market rate surveys. This is higher than the 29 states with outdated surveys in 2001. In fact, at least 10 states had not updated their reimbursement rates since 2000 or earlier.
- States can spend child care quality funds on a range of services, including teacher training, enhanced reimbursements, safety and health measures, inspections, and increased compensation for workers. States must spend at least 4% of their child care funds on quality. In addition to this set-aside, 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.

Sources for statistical information are provided in the online version of this fact sheet. See www.cwla.org/advocacy/2006legagenda.htm.

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