

**STATEMENT BY
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**BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY
AND FAMILY POLICY
OF THE COMMITTEE ON FINANCE
UNITED STATES SENATE**

MARCH 19, 2002

Chairman Breaux, Chairman Dodd, and members of the Committee, I am pleased to appear before you today to talk about child care and its role in advancing our welfare reform agenda. Promoting child well-being and parents' ability to work, particularly in the context of welfare reform, are two essential priorities for this Administration and child care plays a key role in both. Parents need access to affordable and safe child care in order to succeed in the workplace. And children need quality care that promotes their healthy development and literacy skills so that they can succeed in school and later life. Secretary Thompson recognized these fundamental links during his experience as Governor when designing the innovative Wisconsin welfare program and his commitment to child care remains clear.

The President's budget seeks to continue funding child care at its current historically high level within the existing flexible framework of the discretionary Child Care and Development Block Grant and the mandatory Child Care funding as well as other critical funding sources such as Head Start. The Administration is committed to preserving the key aspects of the discretionary and entitlement child care programs: support for work and job training; healthy development and school readiness for children in care; parental choice; and administrative flexibility for States and Tribes. The major restructuring of the Federally-funded child care programs under PRWORA provides a statutory foundation that remains an efficient method for distributing child care funds to States, and an effective mechanism for making these resources available to parents.

I would like to spend my time today sharing information on each of these key aspects of the program and the solid support they provide for entering the next phase of welfare reform. I'd like to begin by briefly discussing our commitment to a high level of child care

funding.

Child Care Funding Commitment

The President's FY 2003 budget includes \$2.1 billion for the Child Care and Development Block Grant and \$2.7 billion for the mandatory Child Care funding -- a total of \$4.8 billion for what is referred to as the Child Care and Development Fund or CCDF. This continues the significant funding commitment these programs have witnessed in the last several years. In fact, the amount appropriated for the discretionary Child Care and Development Block Grant is more than double the amount currently provided for in the authorizing statute. Over the last decade, Federal funding specifically appropriated for child care has tripled -- from \$1.6 billion in 1992 to \$4.8 billion this year.

But these funds are only part of the picture. Funding for child care is also available through the Temporary Assistance for Needy Families program, or TANF block grant, the Social Services Block Grant, or SSBG, and other sources. Looking at recently available historical data on State and Federal dollars associated with CCDF, TANF and SSBG, we estimate that about \$11 billion dollars will be invested in child care through these three block grants alone. The Head Start program, which I will speak to in greater detail later, provides another \$6.5 billion for early childhood education in FY 2002.

TANF is now a major source of child care funding. In 2000, States transferred \$2.3 billion from TANF to CCDF and directly spent \$1.4 billion of TANF funds for child care -- almost equaling the amount of Federal dollars available through CCDF that year. Under our welfare reform proposal, States continue to have flexibility to transfer up to 30 percent

of TANF funds to CCDF and to spend additional TANF dollars directly for child care.

The SSBG, a \$1.7 billion program which funds a broad range of social services, is another significant Federal funding source for child care. In 2000, 43 States reported spending \$165 million in SSBG funds for child care, accounting for 9.3 percent of the total \$1.775 billion SSBG expenditures that year.

Funding available through CCDF and TANF transfers alone will provide child care assistance to an estimated average 2.2 million per month children this year. This is a significant increase over the number served just a few years ago (in 1998 about 1.5 million children received subsidized care) and does not take into account additional children that will be served by the Social Services Block Grant and TANF direct spending for child care.

In addition to these Federal funds, States contribute significant resources to child care. A study of 17 States found a median increase of 78 percent in State child care spending between 1997 and 1999. In order to access the total Federal CCDF and TANF funds available, States must provide maintenance of effort (MOE) expenditures and matching funds. In fact, State spending accounts for about a quarter of total State and Federal child care expenditures under the CCDF. In 2000, States reported spending almost \$2 billion in State funds under the CCDF, exceeding the amount required to draw down Federal funds. States spent at least an additional \$774 million dollars in State TANF funds for child care in 2000. It is clear from these significant Federal and State funding commitments that we all recognize the importance of child care.

I'd like to turn now to the key aspects of CCDF that form the framework of the Administration's child care program: supporting work and job training; promoting child development and literacy; promoting parental choice and State flexibility.

Supporting Work and Job Training

Our child care reauthorization proposal complements the expectation under the TANF reauthorization that an increasing number of families will be engaged in work and other meaningful activities by ensuring that resources are available to support safe, affordable child care when necessary. Child care is a critical support for working families and studies in several communities and States show that receipt of child care subsidies substantially increases the likelihood of employment. Eighty-three percent of all families who received child care subsidies in 1999 did so because the parents were employed (with most of the other parents receiving subsidies while in training or education).

Promoting Child Development

In addition to supporting working parents, quality child care promotes early childhood development and literacy skills to help prepare children for school and life. To improve quality and support the child development component of child care, States engage in a range of strategies and we manage a broad portfolio of training and technical assistance activities to support these State efforts.

According to the latest plans submitted by States, the most common approaches include: grants and loans to providers for specific quality improvements; training and technical assistance for providers and staff; monitoring of compliance with State regulatory

requirements; improving retention and compensation of child care providers; and a special focus on improving the quality of care for infants and toddlers. One recent trend is for States to provide higher reimbursement rates to providers that meet quality benchmarks, such as accreditation standards. One study showed that in States that provided greater financial incentives, this approach was successful in encouraging providers to seek accreditation.

The President's budget maintains funding for quality child care. A minimum of four percent of the CCDF must be spent on activities to promote quality. States often invest in child care quality in amounts that go beyond that requirement. Overall, States spent \$275 million to improve the quality of child care services in FY 2000. At 6.1 percent, that is approximately 50 percent more than is required by the statute. In addition, the statute provides set-asides for infant and toddler care, school-age care and resource and referral services; additional quality expenditures; and ongoing research to identify and promote effective child care practices. Also, we are providing technical assistance to equip States to make the best use of their quality funds, including activities that promote literacy.

Parental Choice

Our Nation's child care system is built on the foundation of parental choice -- recognition that parents, not government agencies, should decide what is best for their children. In CCDF, we support parental choice through vouchers and access to a wide range of child care providers -- including relatives, neighbors, child care centers, faith-based programs, and after-school programs. In FY 2000, over 78 percent of CCDF subsidy payments were made using certificates or vouchers. Using these vouchers and other child care payments, 56 percent of children were cared for in a child care center, while 31 percent were in

family child care homes, four percent were in group homes, and nine percent were cared for in the child's own home.

It is important to recognize that we also support parental choice by equipping parents with the information and tools they need to make well-informed choices for their children.

States are required to provide consumer education under the Child Care and Development Fund. In 1999, States reported that they provided consumer education to over 9.8 million families through a variety of means, including materials, information on child care licensing, knowledge of the State's parental complaint and monitoring processes, and resource and referral agencies.

Resource and referral agencies are a key component of efforts around the country to provide child care consumer education. In recent years, Congress has earmarked a portion of the CCDBG, \$19.1 million, for school-age services and resource and referral services. Funded with a combination of both public and private dollars, there now is a network of over 800 resource and referral agencies around the country. The local resource and referral agencies focus on helping parents meet their child care needs, but they also provide general parenting information through newsletters, web sites, phone consultations, and other outreach mechanisms.

For the past two years, Congress has provided a national gateway for child care consumer education by earmarking money for *Child Care Aware*, a national hotline and web site, operated by the National Association for Child Care Resource and Referral Agencies. Child Care Aware links parents to their local resource and referral agency that can identify specific child care providers in the family's local community and provide informal counseling on choosing child care that meets the family's needs. The Administration is

committed to supporting parental choice through consumer education and will fund both the resource and referral set-aside and funding for *Child Care Aware* in the FY 2003 budget request.

The parental choice component in the child care subsidy program allows parents to choose any provider--including a faith based program. In communities across the country, faith-based programs provide preschool and other child care programs. Of the children from birth to age five who are cared for in center-based programs, 28 percent are cared for in a church, synagogue, mosque or other religious institution.

Allowing for State and Tribal Flexibility

The CCDF is administered by all 50 States, five Territories, the District of Columbia, and 262 Tribal Grantees (representing approximately 500 Indian Tribes). These grantees have significant flexibility to decide how child care funds will be used and what will be emphasized in achieving the overall goals of improving the accessibility and quality of care. Within basic Federal requirements, States determine eligibility criteria and co-payments for families as well as provider reimbursement rates. States also determine the amount of TANF funds that will be transferred or directly spent for child care. Several States have taken advantage of this State flexibility to create a single integrated system with affordable co-payments that serves low-income families, regardless of welfare status.

The statute reserves "not less than one percent and no more than two percent" of the aggregate Child Care and Development Fund for Indian Tribes and we have elected to reserve the full two percent set-aside. In FY 2002, 262 tribal grantees, representing approximately 500 federally recognized Indian Tribes and Alaska Native Villages were

awarded over \$96 million in CCDF funds. Tribes receive CCDF funding either directly or through consortium arrangements. With few exceptions, tribal CCDF grantees are located in rural, economically challenged areas. In tribal communities, CCDF plays a critical role in offering affordable, accessible and quality child care options to parents as they move toward economic self-sufficiency. There is a strong emphasis on traditional culture and language in tribal child care settings, which is usually reflected in a Tribe's overall program activities.

It is for these reasons that the Administration believes the current framework for child care is the right strategy for the future. Now I would like to highlight other important early childhood strategies supported by the Administration.

Looking Beyond CCDF in Meeting the Needs of Parents

Looking beyond State and Federal spending under the block grants, other resources also support child care in the context of early childhood strategies -- including Head Start, State-funded pre-kindergarten programs, and 21st Century Community Learning Centers. Head Start, a \$6.5 billion dollar program, provides comprehensive developmental services for low-income preschool children and social services for their families. Early Head Start serves low-income families with children under three, and pregnant women. While originally designed as a part-day program, a growing number of Head Start programs have expanded to provide full-day services -- which further helps meet the child care needs of working families. Head Start served 905,000 children in 2001, many of them in full-day, full-year programs. Much of the expansion to full-day, full-year programs has been accomplished through collaboration with child care. And many States supplement Federal funds to serve additional children through Head Start.

State-funded pre-kindergarten, or pre-K, programs are another key investment in early childhood education. About 40 States fund pre-K programs for at least some of their preschool-aged children, an increase from about 10 States in 1980. According to *Education Week*, State spending for pre-K programs now exceeds \$1.9 billion annually and serves over 760,000 children in a school year. Most of these programs provide part-day services for a subgroup of preschool children, usually those from low-income families or with other risk factors. Nevertheless, they are an important support for working families and for promoting child development -- and can be a key partner to other early childhood providers.

Recognizing the similar goals of these programs, the Administration is promoting collaboration across the different programs in the early childhood and education field-- including child care, Head Start and pre-kindergarten programs. Programs in communities across the country have led the way by working together to share facilities, professional development activities and other resources. For example, Massachusetts' pre-K initiative provides services through local partnership councils that include public schools, Head Start agencies, and private child care providers. When collaboration works, as it should, families receive comprehensive, quality services on a full-day, full-year basis that meets the needs of working parents. At the Federal level, we are providing technical assistance to publicize and share collaborative models with communities across the country.

One excellent example of our collaborative efforts is the focus on promoting early literacy efforts across early childhood programs. Last summer, the First Lady hosted a White House Summit on Early Childhood Cognitive Development. At the summit, we learned that effective early language and cognitive development strategies are available that can be used at home and in child care settings to ensure that children, even those at-risk of failure,

can enter their first classroom ready to read and ready to learn. Risk factors that presage academic failure can be trumped by the efforts of child care providers armed with solid information about how best to engage children in the use of language and the joy of reading, and how to do it systematically. Many States and private organizations already are taking creative steps to incorporate early literacy into their programs. We will be seeking additional way to strengthen cognitive development components of learning in early childhood and child care programs. And many of you played a major role in enacting the President's No Child Left Behind Act, which authorized a new \$75 million Department of Education program called Early Reading First, which supports early literacy efforts for preschool-aged children.

Finally, as we prepare younger children to read, we cannot forget about older children or youth. Some studies show troublesome outcomes for adolescents when their parents are in welfare-to-work programs, including increased behavioral problems and lower academic achievement. The Administration's response includes our positive youth development initiative, an approach toward all youth that builds on their assets and potential and helps counter the problems that may affect them. Many public and private organizations, such as after-school programs, are already engaged in a wide array of positive activities to help young people acquire the competencies, character, and protection they need to seize the opportunities that lie ahead. For example, Head Start agencies are supporting youth apprenticeship models that allow older siblings to share in and benefit from the family's Head Start experience.

Further, quality after-school programs provide a safe haven and enriching activities that promote academic performance, social adjustment, self-esteem and appropriate conduct in school. Thirty-seven percent of the children receiving CCDF subsidies are school-aged

children under age 13. Some States are using TANF funds for after-school programs for older children. The No Child Left Behind Act authorizes new flexibility for after-school programs through the Department of Education's 21st Century Community Learning Centers. These Centers are focused on providing academic enrichment opportunities during non-school hours; but they also offer an array of additional activities such as youth development, drug and violence prevention, counseling, art, music, recreation, technology education and character education. This program currently funds about 6,800 Centers in 1,600 communities, providing services for 1.2 million children and 400,000 adults. These numbers are sure to increase, since funding has increased by 18 percent, to \$1 billion this year.

Conclusion

In closing, the Administration clearly recognizes that a strong commitment to child care is fundamental to our self-sufficiency strategy for low-income families. As I have highlighted, our commitment is founded on a multi-faceted approach that includes a high level of Federal resources and collaboration through child care, child development, youth development, and educational opportunities at the State and local levels.

Within this context, our proposal for reauthorizing child care is straightforward -- maintain the current high level of Federal support for working families this Administration is providing and the flexible approach that supports maximum parental choice, healthy development and school readiness for children, and State and tribal flexibility.

I would be pleased to answer your questions.