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Families Will Lose Child Care Assistance Under House Ways and Means Committee Welfare Reauthorization Bill

On October 26, the House Ways and Means Committee approved a budget reconciliation bill that includes provisions to reauthorize the Temporary Assistance for Needy Families (TANF) program. This bill provides only \$500 million in new child care funding over five years, despite estimates by the Congressional Budget Office (CBO) staff that keeping pace with inflation will cost \$4.8 billion over five years. In addition, the bill significantly increases work requirements for families receiving public assistance, making the need for child care even greater. This level of funding, if enacted, would force states to cut child care assistance for low-income working families over the coming years.

States will need significant new child care resources to cover the costs of inflation and meet the work requirements in the new House Ways and Means Committee bill.

CBO staff has preliminarily estimated that \$4.8 billion in total funding (federal and state) would be needed to sustain 2005 service levels over the next five years, even if TANF work participation requirements did not change. However, the committee has proposed increasing the work participation rates without a corresponding rise in child care funding. CBO estimates that the combined work and child care costs of meeting these increased participation requirements would be \$8.3 billion. After allowing for overlap, the resulting preliminary staff estimate is that the additional cost of sustaining current child care service levels and paying for the increased work and child care costs would be \$12.5 billion.

Yet the bill passed out of committee includes less than 4 percent of the funds needed to meet these requirements—only \$500 million in new funds over five years. Without significantly greater resources, states will be unable to meet the new requirements *and* continue to serve the low-income working families not on the welfare rolls that they currently help. As a result, states will no longer be able to help these families, leaving parents few options for affordable child care in order to work or forcing them to return to welfare.

Even without new work requirements, states already lack adequate child care resources.

There are two principle sources of funding for child care: the Child Care and Development Block Grant (CCDBG) and the TANF block grant. CCDBG has been funded at the same level since 2002. Further, since 2000, states have decreasingly used TANF funds for child care.

Between 1996 and 2000, the number of low-income children receiving child care assistance rose from 1 million to 2.4 million, and funds available for CCDBG tripled. Since 2002, there have

been no further increases in federal child care funding, causing the program to lose value each year due to inflation.

When TANF caseloads declined, states were able to redirect TANF funding to child care. In 2000, states redirected \$4 billion in TANF funds to child care. However, child care funding through TANF fell to \$3.3 billion in 2004, and it is doubtful that states will be able to sustain this funding level, since they are spending their TANF reserve funds to pay for current child care service levels. These reserve funds will eventually be depleted.

With flat funding at the federal level and declining state expenditures, the number of children whose families receive any help paying for child care through either CCDBG or TANF funds has fallen. Since 2003, 100,000 children have been cut from the program, and the Bush Administration estimates that another 300,000 will be cut by 2009 if funding remains stagnant.¹

Overall, total child care spending fell in 2004 for the first time since welfare reform was passed in 1996. States spent \$11.9 billion on child care, a decline of 4 percent or \$450 million from the previous year. Thirty states cut their child care programs. To implement these cuts, states are making fewer families eligible for help, paying providers less, raising parent fees, and limiting investments in quality. Yet the costs of child care continue to rise, as providers are seeing increases in rents, heat and lighting, and the cost of toys and other necessary equipment.

TANF reserves are not adequate to pay for child care.

The Administration has justified the lack of significant new funds for child care on the premise that states can use TANF funds for child care. Yet, for the last three years, state TANF spending levels have exceeded annual block grants, meaning states are using their reserve funding. Thus, state reserves have fallen sharply. While welfare caseloads were falling rapidly, TANF was, in effect, a source for “new” child care funds each year. As caseload decline slowed or stopped, states have increasingly faced the pressures resulting from a block grant set at mid-1990s funding levels and not adjusted for inflation. Some states now have no carryover funds; for most states, the amount of carryover funds represents less than one-quarter of the state’s annual block grant funding level. Thus, most states cannot simply use reserve funds to expand child care services without creating deeper deficits for future years.

Further, Administration representatives have suggested that enacting their TANF reauthorization proposal would free up \$2 billion for states to use for child care. The basis for these statements appears to be the fact that under current law, unobligated TANF carryover funds (i.e., uncommitted prior-year funds) can only be spent for “assistance,” while under the Administration’s proposal, such funds could be used for any allowable TANF expenditure, including child care. As of the end of 2003, states had \$2.3 billion in unobligated carryover funds. Letting states use unobligated funds for any allowable TANF expenditure *would* provide administrative simplification, but would *not* result in any new funds becoming available for child care, because the vast majority of states can *already* effectively use their unobligated funds for child care by rearranging how current and carryover funds are spent.

These new requirements and lack of resources come at a time of budget cuts that have already resulted in fewer families getting the child care help they need.

These cuts hurt low-income working families the hardest. Research shows that when families are not able to access child care assistance, they may go into debt; return to welfare; choose lower quality, less stable child care; or make untenable choices in their household budgets to pay for child care.² The Government Accountability Office released a report earlier this year showing that 19 states have made policy changes that made it more difficult for low-income working families to get child care assistance.³ A recent report from the National Women's Law Center captured the difficulties families face when states make cuts:

- One parent in Georgia on the waiting list for help reported that she left her infant and school-age child in the care of their grandmother while the mother worked—even though the grandmother was in a wheelchair. The baby's diaper was not changed until the eight-year-old came home from school.
- A mother in Montgomery County, Maryland with two boys in need of child care reported that if she was unable to get help paying for their care, she would be forced to quit her job and return to welfare—a path that she did not want to take.⁴

Yet child care is critical to helping parents find and keep the jobs they need to support their children.

Child care helps families work and gives children access to quality settings that support their well-being and healthy development. Research has shown that:

- Compared to mothers on waiting lists for child care assistance, mothers receiving subsidies for their child's care were more likely to be employed, spent half as much of their income on child care, and were less likely to be very poor. Compared to children on waiting lists, children receiving subsidies for child care were more likely to be in a formal licensed child care center, have more stable care, and have mothers who were more satisfied with their child care arrangement.⁵
- Data from the 1990s show that single mothers who receive child care assistance are 40 percent more likely to still be employed after two years than those who do not receive any help paying for child care.⁶
- Former welfare recipients with young children are 82 percent more likely to be employed after two years if they receive help paying for child care.⁷
- High-quality child care has positive benefits for children, in math, language and social skills, well into their school years. Children in the study who were found to be in lower quality care did not demonstrate these same benefits.⁸

Child care funding must grow significantly to support working families.

In March, the Senate Finance Committee passed its TANF reauthorization bill—the bipartisan PRIDE bill—that includes \$6 billion in new federal funds for child care assistance. The bill recognizes the important role that child care plays in helping families reach self-sufficiency.

Congress must provide new funds for child care to both keep pace with inflation and meet the cost of reasonable work requirements. Low-income working families are struggling every day to make ends meet, to keep their jobs, and to ensure that their children are safe. The Senate has taken a moderate, balanced approach; in contrast, the House bill abandons the very families that most need help and will cause hundreds of thousands of children to lose the child care help their families need to work and succeed. We urge the House Committee to reconsider this legislation and to make significant new investments in child care for low-income families.

¹ *Analytic Perspectives, Budget of the United States Government, Fiscal Year 2006, Table 25-4. Beneficiary Projections for Major Benefit Programs* (2005). p. 405. Washington, DC: U.S. Government Printing Office.

² Greater Minneapolis Day Care Association. *Valuing Families: The High Cost of Waiting for Child Care Sliding Fee Assistance*. 1995; Shlick, Deborah, Daly, Mary and Bradford, Lee. *Faces on the Waiting List: Waiting for Child Care Assistance in Ramsey County*. 1999; Coonerty, Casey and Levy, Tamsin. *Waiting for Child Care: How Do Parents Adjust to Scarce Options in Santa Clara County?* 1998; Coltoff, Philip, Torres, Myrna and Lifton, Natasha. *The Human Cost of Waiting for Child Care: A Study*. 1999; Philadelphia Citizens for Children and Youth. *Use of Subsidized Child Care by Philadelphia Families*, 1997; Gulley, Jennifer and Hilbig, Ann. *Waiting List Survey: Gulf Coast Workforce Development Area*. 1999; Lyons, Jeffrey D., Russell, Susan D., Gilgor, Christina and Staples, Amy H. *Child Care Subsidy: The Costs of Waiting*, 1998.

³ U.S. Government Accountability Office. (2005). *Child Care: Additional Information is Needed on Working Families Receiving Subsidies*. Washington, DC: U.S. Government Accountability Office.

⁴ Schulman, K. and Blank, H. (2005) *In Their Own Voices: Parents and Providers Struggling with Child Care Cuts*. Washington, DC: National Women's Law Center.

⁵ Brooks, F., Risler, E., Hamilton, C. and Nackerud, L. (2002). "Impacts of child care subsidies on family and child well-being." *Early Childhood Research Quarterly*, 17, 498-511. (See also Errata to "Impacts on child care subsidies on family and child-well-being." *Early Childhood Research Quarterly*, 18(1), Spring 2003, 159.)

⁶ Boushey, H. (2002). *Staying Employed After Welfare: Work Supports and Job Quality Vital to Employment Tenure and Wage Growth*. Washington, DC: Economic Policy Institute.

⁷ Danziger, S.K. Oltmans Ananat, E. and Browning, K.G. (March 2004). "Childcare subsidies and the transition from welfare to work. Forthcoming in *Family Relations*, 52(2).

⁸ Peisner-Feinberg, E., et al. (1999). *The Children of the Cost, Quality and Outcomes Study Go to School*. Chapel Hill, NC: Frank Porter Graham Child Development Center, University of North Carolina, Chapel Hill.