

DOCUMENT RESUME

ED 330 470

PS 019 527

AUTHOR Blank, Helen
 TITLE The Child Care and Development Block Grant and Child Care Grants to States under Title IV-A of the Social Security Act: A Description of Major Provisions and Issues To Consider in Implementation.
 INSTITUTION Children's Defense Fund, Washington, D.C.
 PUB DATE 14 Jan 91
 NOTE 110p.
 PUB TYPE Legal/Legislative/Regulatory Materials (090) -- Reports - Descriptive (141)

EDRS PRICE MF01/PC05 Plus Postage.
 DESCRIPTORS At Risk Persons; Check Lists; Comparative Analysis; *Day Care; Decision Making; Early Childhood Education; *Expenditures; Family Involvement; Federal Aid; *Federal Legislation; Federal Programs; Fees; Guidelines; Planning; Selection; State Programs
 IDENTIFIERS Child Care and Development Block Grant; *Child Protective Services; Medicaid; Social Security Act Title IV A; Social Security Act Title XX

ABSTRACT

The Child Care and Development Block Grant (CCDBG) and Grants to States under Title IV-A of the Social Security Act for At-Risk Child Care are two recently passed federal child care bills. These bills offer states a unique opportunity to review the ways state and federal child care and early childhood programs work together to support children and families. This paper identifies key issues and questions that child care advocates and states will face in implementing the statutes. Contents present the details of the legislation and illustrate the challenges that states will face as they seek to take full advantage of the new federal funds. Topics including: the challenges of planning effectively, using funds appropriately, building a coordinated child care system, protecting children in child care, reimbursing parents or paying for services, improving programs, and selecting clients are all discussed. A checklist of key steps in implementation is provided. Appendices offer guiding principles for sliding fee scales, estimated state allocations under the CCDBG and the Title IV-A amendments, Medicaid state matching rates, and a comparison of four federal child care programs. (RH)

 * Reproductions supplied by EDRS are the best that can be made *
 * from the original document. *

ED330470

PS 019527

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

This document has been reproduced as received from the person or organization originating it.

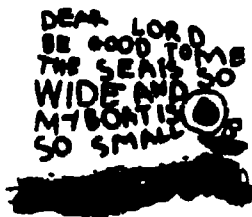
Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

THE CHILD CARE AND DEVELOPMENT BLOCK GRANT AND CHILD CARE GRANTS TO STATES UNDER TITLE IV-A OF THE SOCIAL SECURITY ACT:

A Description of Major Provisions and Issues to Consider in Implementation

Helen Blank
January 14, 1991



"PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY

Helen Blank

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC)."

Copyright © 1991
Children's Defense Fund
122 C Street, N.W., Washington, D.C. 20001

Thanks to the many people at the Children's Defense Fund who helped to prepare this paper, including Cliff Johnson, Nancy Ebb, Sherrie Lookner, Gina Adams, Donnell Gudger, Ruth Massie, and Monica Greenfield.

Table of Contents

INTRODUCTION

SUMMARY OF NEW FEDERAL CHILD CARE LEGISLATION

Child Care and Development Block Grant

Grants to States -- Title IV-A Amendments for
At-Risk Child Care

DISCUSSION OF KEY IMPLEMENTATION ISSUES

A Checklist for Implementation of New Federal
Child Care Programs

What Steps Should States Take to Ensure an Effective
Planning Process?

How Can States Ensure that the New Federal Funds Are Used
To Expand and Improve Child Care Services?

How Can States Build A Coordinated Child Care System That
Meets the Needs of Children, Parents, and Providers?

What Steps Should States Take to Protect Children in
Child Care?

How Should States Reimburse Parents and/or Pay for
Services?

How Can States Strike a Balance Between Improvements in the
Affordability, Quality and Supply of Child Care?

Which Families Should States Seek to Serve Under the New
Federal Child Care Programs?

APPENDICES

Guiding Principles for Sliding Fee Scales

Estimated State Allocations Under the Child Care and
Development Block Grant

Estimated State Allocations Under the Title IV-A
Amendments

Medicaid State Matching Rates

Comparison of Four Federal Child Care Programs

INTRODUCTION

The recently passed federal child care bills--the Child Care and Development Block Grant and Grants to States under Title IV-A of the Social Security Act for At-Risk Child Care offer states a unique opportunity to step back and review how the myriad of state/federal child care early childhood programs work together to support children and families. While new federal funds will only begin to respond to states' child care needs, they can be used as the stimulus for rethinking and reshaping the child care map. A state plan for use of Child Care and Development Block Grant funds could be the impetus to put in place a coordinated child care system that maximizes existing federal/state resources and expands access to high quality child care for low-income families. This is a time for advocates as well as state policymakers to think creatively and broadly about their visions for a child care system.

While not intended as a comprehensive analysis of steps that states should or must take to implement the new child care statutes, this paper does identify some of the key implementation issues and questions that child care advocates and states will face. Given that a number of implementation issues are still unclear, we will continue to work closely with advocates and states in the months ahead to provide further guidance as the process unfolds.

The pages that follow present the details of the legislation and illustrate the many challenges that states will face as they seek to take full advantage of the new federal funds. A checklist is also included which provides a quick reference guide to key steps as advocates and states launch their implementation efforts.

Child Care and Development Block Grant

Funding Issues

The Block Grant authorizes \$750 million for FY 1991, \$825 million for FY 1992, \$925 million for FY 1993, and such sums as deemed necessary by Congress for FY 1994 and 1995. Congress appropriated \$731.9 million for FY 1991, but these funds will not be released to the states until September 7, 1991. The federal government must obligate the funds by September 30, 1991.

The amount of funds states will receive under the Block Grant is determined by a formula that includes the number of children younger than age 5 in the state, the number of children receiving free- and reduced-price lunch, and the state per capita income. Up to three percent of the funds are set aside for grants and/or contracts with Indian tribes and tribal organizations, while 0.5 percent is reserved for the territories, including Guam, American Samoa, the U.S. Virgin Islands, the Northern Marianas and the Pacific Trust Territory. The District of Columbia and Puerto Rico are considered states for allocation purposes.

States are not required to provide matching funds in order to receive federal funds under the Block Grant. A state may carry over part or all of the previous fiscal year's funding to the next fiscal year.

Funds must be used only to supplement, not to supplant, the amount of federal, state, and local funds spent for child care services and related programs.

Use of Funds

Twenty-five percent of Block Grant funds are reserved for activities to improve quality and to expand the availability of before and after-school care and early childhood development services.

Seventy-five percent of Block Grant funds must be used to make child care more affordable or to improve quality and availability. The legislation gives states broad latitude in deciding what activities to undertake with these funds. The Congressional authors of the Block Grant expressed their intent that any quality improvement activities undertaken with 75 percent funds should be of the same nature as those described as eligible activities under the portion of 25 percent funds reserved for quality improvements. They also expressed their intent that a preponderance of the Block Grant be spent specifically on child care subsidies and a minimum amount on other activities.

Reserve for Before- and After-School and/or Early Childhood Development Services

Of the 25 percent, three-fourths (or 18.75 percent of total funding) must be spent to establish or expand and operate, through grants and contracts, early childhood development and before- and after-school programs. These funds may be used for start-up costs, but cannot be used for construction of new facilities. Both public and private providers are eligible for these funds. They are not targeted on a specific provider such as public schools. Priority will be given to those areas eligible to receive concentration grants under Chapter 1 or other areas with concentrations of poverty.

Reserve for Improved Quality

At least 20 percent of the 25 percent reserve (or 5 percent of total funding) must be spent on quality improvement activities. The remaining 5 percent of the 25 percent (or 1.25 percent of total funding) may be used either for quality improvements or expanded early childhood development and/or before- and after-school activities. Allowable quality improvement activities include:

- o Developing, establishing, expanding, operating or coordinating resource and referral services;
- o Providing grants or loans to help providers meet applicable state and local standards;
- o Monitoring compliance with licensing and regulatory requirements;
- o Providing training and technical assistance in areas appropriate to the provision of child care services such as training in health and safety, nutrition, first aid, the recognition of communicable diseases, child abuse detection and prevention, and the care of children with special needs; and
- o Improving salaries and benefits of staff (full- and part-time) who provide child care in funded programs.

Families Eligible for Child Care Financed With 75 Percent Funds

Families are eligible to receive child care assistance if their children are younger than age 13 and their family income is less than 75 percent of the state median income. However, states have the option of restricting eligibility to families at lower income levels. Priority is to be given for services to children in very low-income families (taking into consideration family

size) and to children with special needs. Parents must be working or attending a job training or educational program. Children who are receiving or need to receive protective services and those in foster care also are eligible for child care aid.

Issues Concerning Standards

Any child care provider must comply with applicable state and local requirements and be licensed, regulated, or registered before they can receive Block Grant funds. Providers who are 18 and over who care only for grandchildren, nieces, or nephews must be registered and comply with any state requirements for relative care.*

- o All providers receiving Block Grant funds not caring for relatives previously described and receiving funds under the Act must meet all applicable licensing and regulatory requirements as well as a set of specific health and safety requirements imposed by the state. At minimum, states must establish standards in areas of: prevention and control of infectious disease, including immunizations; building and physical premises safety requirements; and minimal health and safety training appropriate to the setting for providers.
- o Parents must have unlimited access to their children in care during normal hours of program operation in programs receiving funding under the Act.
- o States are free to impose more stringent requirements on programs receiving Block Grant funds.
- o States must have monitoring and enforcement procedures in place to ensure that providers receiving funds under the Act comply with all applicable standards.
- o If states reduce licensing or regulatory requirements, they must explain why in their annual report to the Secretary of the federal Department of Health and Human Services.

* The new federal registration requirement for relative care under the Block Grant may be confusing in states which have a registration system for family day care or other providers that does not apply to relatives. Relatives who "register" to receive Block Grant funds do not necessarily have to comply with state requirements imposed under a state registration system for family day care providers, but they do have to meet any requirements already imposed on relative care by the state.

- o States must conduct a one-time review of their licensing and regulatory requirements, including compliance monitoring and enforcement procedures, unless such a review has been completed in the last three years.

Consumer Education

A consumer education program must be established, providing parents and the public with information regarding licensing and regulatory requirements and complaint procedures. The state must maintain a list of substantiated parental complaints and make it available upon request.

Reimbursement Rates and Payment Mechanisms for Child Care Financed With 75 Percent Funds

The state plan must provide assurances that payment rates for child care are sufficient to ensure equal access for eligible children to comparable child care services in the state or substate area that are provided to children whose parents are not eligible to receive assistance under the Block Grant or other federal or state programs. The rates must take into account the variations in the costs of providing child care in different settings, to children of different age groups and the additional costs for special needs children.

Families must be offered the choice of a contract or a certificate and states must honor parents' choice of provider to the maximum extent practicable. States must establish a sliding fee scale which provides for cost-sharing by parents. The Congressional authors expressed their intent that states be allowed to provide services at no cost to families whose income is at or below the poverty level.

State Planning and Administration

The Governor is responsible for selecting a lead agency to administer child care activities supported under the Block Grant. Congressional authors of the Block Grant program emphasized that, to the maximum extent practicable, the lead agency should be a state entity in existence on or before the enactment of the bill that has experience in the administration of child care programs. The lead agency is required to coordinate the Block Grant with other federal, state, and local child care programs.

States must prepare an initial plan covering a three-year period and subsequent plans for a two-year period. In conjunction with the development of the state plan, the lead agency must hold at least one hearing in the state to provide to the public an opportunity to comment on the provision of child

care services under the state plan. States must consult with local governments in the drafting of the state child care plan.

Reporting Requirements

States must make annual reports to the Secretary of Health and Human Services who must report to Congress annually. The reports must include available information concerning:

- o The number of children being assisted with funds under the Block Grant, and under other federal child care and preschool programs;
- o The type and number of child care programs, child care providers, caregivers, and support personnel in the state;
- o Salaries and other compensation paid to full- and part-time staff who provide child care services; and
- o Activities in the state to encourage public-private partnerships that promote business involvement in meeting child care needs.

The report must also describe the extent to which affordability and availability of child care services has increased. If applicable, the report must present the findings of the review of state licensing and regulatory policies and include a description of actions taken by the state in response to the review, an explanation of any state action to reduce the level of child care standards, and a description of the standards and health and safety requirements applicable to child care providers in the state, including a description of state efforts to improve the quality of child care.

Prohibition on Construction

Funds cannot be used to purchase or improve land, or for the purchase, construction, or permanent improvement (other than minor remodeling) of any building or facility. Sectarian agencies may only use remodeling funds to bring their child care facility into compliance with health and safety requirements imposed under the Block Grant.

Limitations on Tuition

No financial assistance for services provided to students enrolled in grades one through twelve may be expended for:

- o Any services provided to students during the regular school day;
- o Any services for which students received academic credit toward graduation; or
- o Any instructional services which supplant or duplicate the academic program of any public or private school.

Provisions Regarding Sectarian Care and Religious Discrimination

Nothing in the Block Grant shall be construed to modify or affect the provisions of any other federal law or regulation pertaining to discrimination in employment except that a sectarian organization may require that employees adhere to the tenets and teachings of the organization and may require that employees adhere to rules forbidding the use of drugs or alcohol.

Parents using grants or contracts, either for early childhood development and before-and after-school services or for child care provided under the 18.75 percent set-aside, may not use funds for child care which includes any sectarian purpose or activity including sectarian worship or instruction. However, parents using certificates financed by the 75 percent funds for affordability, quality, and supply-building may choose child care that includes a religious education component.

In general, a child care provider (other than a family day care provider) that receives assistance under the Block Grant cannot discriminate against any child on the basis of religion in providing child care services.

All providers receiving funds under the Act cannot discriminate in employment on the basis of the religion of the prospective employee if the employee's primary responsibility is or will be working directly with children in the provision of child care services.

If assistance under the Block Grant and any other Federal or State program amounts to 80 percent or more of the operating budget of a child care provider receiving such assistance, the provider cannot receive Block Grant funds unless the grant or contract relating to the financial assistance, or the employment and admissions policies of the provider specifically provides that no person with responsibilities in the operation of the child care program, project or activity of the provider will discriminate against the employee if the employee's primary responsibility is or will be working directly with children in the provision of child care or admissions because of the religion of the individual.

A child care provider who does not fall under the 80 percent limit may:

- o Select children for child care slots that are not funded directly with assistance provided under the Block Grant because such children or their family members participate on a regular basis in other activities of the organization that owns or operates such provider; and
- o If two or more prospective employees are qualified for any position with a child care provider receiving Block Grant funds, nothing prohibits the child care provider from employing a prospective employee who is already participating on a regular basis in other activities of the organization that owns or operates the provider.

The Act provides that it may not be construed to supersede or modify any provisions of a state constitution or state law prohibiting expenditure of public funds in or by sectarian institutions but that no provision of a state constitution or state law may be construed to prohibit a sectarian institution from expending the federal funds provided under the Act.

Grants To States -- Title IV-A Amendments For At-Risk Child Care

Funding Levels

A total of \$300 million per year for each of the next five years will be made available to states through an expansion of Title IV-A of the Social Security Act. Title IV-A currently provides for child care help for families receiving AFDC who are working or in approved education or training programs as well as one-year of transitional child care assistance for those moving off of AFDC due to increased earnings. This amendment will provide additional funds for non-AFDC families who are at risk of becoming eligible for AFDC.

The new Title IV-A funds are authorized as a capped entitlement, and therefore do not require an annual appropriation by Congress. The money is now available to states with the funds directed to the state agency that administers programs under the Family Support Act.

Eligible Families

Families are eligible for assistance who:

- o Are not eligible to receive child care assistance under the Family Support Act of 1988;
- o Need child care in order to work; and
- o Would be at risk of becoming eligible for AFDC.

State Match Requirement

States must provide a match with state or local funds (other federal funds, such as Title XX cannot be used as a match). A representative from the Department of Health and Human Services has said orally that states may use existing child care funds (serving the same target population) as the match. The federal match is the same as a state's medicaid matching rate and ranges from 50 percent to 79.8 percent.

The IV-A funds may not be used to supplant any other Federal or State funds used for child care services. States may carry over funds from one fiscal year to the following fiscal year.

Reimbursement Rates and Payment Mechanisms

Providers will be reimbursed in an amount that is the lesser of the actual cost of care and the applicable local market rate as determined by the State in accordance with regulations issued by the Secretary of Health and Human Services.

States may provide care directly, use contracts or vouchers/certificates, provide cash or vouchers in advance to the family, reimburse the family, or use other arrangements. Sliding fee scales based on family's ability to pay must be offered to parents.

Standards Governing Subsidized Child Care

All providers receiving funds must be licensed, regulated, or registered by the State unless the provider is a family member caring solely for members of his or her family. All providers must allow parental access.

Reporting Requirements

States must submit annual reports to the Secretary of Health and Human Services which include the following information concerning children served by the Grants to States for Child Care:

- o Showing separately for center-based child care services, group home child care services, family day care providers, and relative care providers, the number of children who received services and the average cost of services.
- o The criteria used to determine eligibility for assistance or priority for receiving services, and sliding fee schedules.
- o The child care licensing, regulatory, and registration requirements in effect in the State for child care centers, family day care homes, group child care homes, and relatives who provide child care.
- o The enforcement policies and practices in the State which apply to licensed, regulated, and registered child care providers.

Funds to Improve Quality

A program authorized under the Family Support Act which authorized \$13 million annually to states for improving licensing and registration requirements and monitoring child care for children receiving assistance under the approved state IV-A plan is expanded to \$50 million annually beginning in FY 1992. Funds are not available in FY 1992 unless they are appropriated, and states must provide a 10 percent match in order to receive any

funds. Not less than 50 percent of these funds are to be used for training child care providers, including but not limited to those receiving Title IV-A funds. New language also permits money to be used to improve licensing and registration requirements and procedures and to enforce standards with respect to all child care providers receiving Title IV-A funds.



A Checklist for Implementation of New Federal Child Care Programs

- ___ Establish a broad-based state advisory group which enables advocates, parents, providers, and others concerned with child care and early childhood development to help to develop the state plan required under the Block Grant;
- ___ Monitor state compliance with the requirement that federal funds supplement, not supplant, state and local child care funds;
- ___ Ensure that states provide matching funds necessary to qualify for federal funds under the Title IV-A amendments;
- ___ Select a lead agency with experience in child care and/or child development to administer the Block Grant;
- ___ Promote common policies and practices in all programs and develop mechanisms for interagency collaboration to create a coordinated state child care and early childhood delivery system;
- ___ Consider the use of resource and referral programs to facilitate consumer education and coordination efforts;
- ___ Apply the basic protections mandated under the Block Grant to all children in licensed or regulated child care programs in the state;
- ___ Conduct a thorough review of state licensing and regulatory policies as well as enforcement policies;
- ___ Seek opportunities to fund enhanced or comprehensive services for low-income children enrolled in Block Grant, Title IV-A and other state/federal programs;
- ___ Select payment mechanisms and reimbursement rates that promote a stable supply of quality child care;
- ___ Establish sliding fee scales that are fair and reasonable, with co-payments at levels that are within the reach of low-income families;
- ___ Use the preponderance of Block Grant funds to help families pay for child care;
- ___ Develop eligibility criteria for the Title IV-A program to ensure that the funds are fully utilized and appropriately targeted to low-income families;
- ___ Set-aside more than the required five percent of funds to strengthen the quality of child care;
- ___ Limit the amount of funds devoted to state administrative costs; and
- ___ Establish a strong system for gathering information needed to guide planning and policy decisions.

What Steps Should States Take to Ensure an Effective Planning Process?

Many key implementation decisions are likely to be made in most states during the next several months. An early focus on the state planning process--including steps to ensure broad participation by advocates and the broader child care community--can provide a strong foundation for raising critical issues and help shape the direction of state child care policy for years to come. Two issues in particular are essential:

- o Establishing an advisory group to assist in developing the state plan; and
- o Making full use of public hearings to explore major issues concerning the plan.

Support the Creation of an Advisory Group to Assist in Developing the State Plan

One of the first steps advocates should take is to push for the formation of a broad-based advisory group to work on the development of the state plan required by the new legislation. Many states may already have similar planning or advisory groups in place. Such a group can help states develop a full and accurate picture of their diverse child care needs and provide a wealth of experience to draw upon when facing tough choices regarding funding priorities, coordination efforts, and program structure.

An advisory group should include representatives of state agencies concerned with child care, early childhood development, education and children's services as well as zoning, health, and fire or building code officials. Representatives outside of

state government should include: provider organizations representing child care centers, family day care homes, early childhood development, Head Start and Chapter 1 preschool programs; public school representatives; parents, including low-income parents; resource and referral programs; advocates; voluntary organizations; labor unions; private employers; and health professionals.

Even in the absence of an advisory committee, however, it is essential that advocates have input into the state plan. The groups that have worked in coalition for the passage of the federal child care legislation should continue to meet and to develop their proposals for implementation to share with state officials.

Make the Best Use of Public Hearings

If not undertaken on merely a pro forma basis, a public hearing process can facilitate additional input into the plan. In complying with the Block Grant's requirement that the state hold at least one public hearing on the state plan, it is important that the lead agency provide adequate notice to the groups affected by the plan. In order to maximize public input, states should be encouraged to hold several hearings in different geographic locations throughout the state.

Groups such as child care provider associations, parents, resource and referral agencies, child development experts, children's organizations, child advocates, zoning officials, local health departments, public school representatives, and

other agencies concerned with children should receive a copy of the plan and be informed about the date and place of all hearings in a timely manner.

Of course, advocates should seek to use public hearings as a forum to raise major issues and concerns. Planning meetings among advocates in advance of the public hearings can be particularly useful in developing a common agenda and identifying witnesses who can address key issues. Once hearing dates are set, advocates should make sure that the media know about the time and place of the hearing and major issues that should be covered.

Public hearings also are only one of many opportunities to communicate with state officials involved in the development of the state plan. Regardless of whether they are represented on a formal advisory committee, advocates should seek early and frequent meetings with state planners to raise and pursue critical issues.

How Can States Ensure that the New Federal Funds Are Used To Expand and Improve Child Care Services?

The enactment of major federal child care legislation in 1990 represented an important victory for children, one which has the potential to expand and improve child care services in every state. Yet new investments in child care will be diminished or eliminated if states succumb to temptations to use these new federal funds to alleviate state or local budget pressures. For this reason, it is essential that the federal child care funds not be viewed as a replacement for state or local child care spending, or as an excuse for halting or delaying the expansion of state funding for child care. It is also critical that states allocate matching funds for the new Title IV-A program so that they can draw down their full allotment of new federal funds.

Under both new federal child care programs, states are required to use new federal child care funds to supplement, and not to replace or supplant, existing state and local child care funding. However, in the face of growing budget deficits, many states may seek to circumvent this prohibition against supplanting state and local child care dollars with federal funds. To the extent that states use new federal funds to replace current state and local child care funds, gains promised by the federal legislation will be lost.

To maximize the benefits of the new federal legislation in every state, advocates should take three key steps:

- o Seek to ensure state compliance with the federal supplementation requirement;

- o Encourage the state to provide the matching funds necessary to secure its full share of Title IV-A funds; and
- o Begin building the case for future federal and state investments in child care.

Ensure State Compliance with Federal Law

There is no assurance that the federal government alone will enforce the requirement that federal funds be used to supplement and not supplant state or local funds. Much of the responsibility for maintaining state spending for child care in the face of growing state deficits will rest with child care advocates.

Advocates should act quickly to:

- o Develop baseline data concerning how much their state is spending for child care and early childhood development programs, how many children are served on a full-time equivalent basis, and how much new federal funding will be received under the Block Grant; (The federal legislation does not choose a base year against which to measure future state and local spending and determine whether the non-supplanting requirement is being met. Until federal regulations are published, advocates should use data from 1990 or the most recent year prior to 1990 for which data are available.)
- o Identify good sources of budget information (e.g., state agency reports or key state administrators and legislators);
- o Examine the full range of programs providing child care and early childhood development as part of baseline data, including those financed under Title XX, the Family Support Act and state subsidized child care programs as well as expenditures for preschool and early intervention programs, grant and loan programs, resource and referral programs, child care licensing, and supportive services funds for child care used in public housing, job training, and economic development programs;
- o Assure that states are using a common definition so that future comparisons will be valid (e.g., full-time equivalent slots to count children served); and
- o Pay particular attention to those programs in which there is the greatest risk that states will use new federal funds to

replace state commitments (e.g., the Title XX/Social Services Block Grant).

Once these data are assembled, advocates can seek to ensure state compliance with the federal supplementation requirement by educating public officials and working with the media to encourage them to publicize current child care funding patterns. Thorough efforts to bring the state data and federal requirements to the attention of key agency and legislative staff will strengthen the arguments of officials within state government who support full compliance with the federal law. Equally as important, efforts to publicize these data and requirements in the news media can increase pressure on state officials to use new federal funds to supplement state and local child care spending as they were intended.

Child care has received considerable attention from the media in the past several years. Many advocates are now on familiar terms with local editorial boards and child care news and feature reporters. These relationships will be particularly helpful in raising public awareness of the supplementation requirement and generating stories about individual families who are waiting for child care assistance. Advocates should consider drawing media attention to other problems that limit families' child care options as well--for example, the effect of low caregiver salaries on the recruitment and retention of child care staff.

Push for State Matching Funds to Maximize Title IV-A Funds

While there is no requirement that states provide matching funds to receive Block Grant funds, they are required to do so to draw down new federal funds available under Title IV-A. In a time of tight state budgets, some states may be unwilling to allocate the state funds necessary to obtain the Title IV-A funds. At the same time, many of these states are facing child care shortfalls that the new Block Grant funds alone cannot eliminate. Failure to invest state funds to bring in the new Title IV-A child care money means that a state forgoes a major source of help for meeting child care needs.

Advocates should work to ensure that state matching funds are included in this year's state budget so that the state does not forfeit federal Title IV-A funds to which it would otherwise be entitled. To meet federal requirements, the matching funds are likely to have to be under the administrative control of the state's Title IV-A (welfare) agency.

Officials at the federal Department of Health and Human Services (HHS) have expressed orally their intent to allow states to use existing state child care funds for the match (although formal rules to this effect have not yet been issued). This means that states now using state revenues to provide child care to very low-income families may be able to "double their money" by using their state dollars to claim new federal matching funds (the results could be even more striking in a state with a more favorable matching rate).

For child care advocates, the best scenario would be that states allocate new state money to generate the required match, rather than using previously allocated state dollars to do so. However, if states are unable to generate new state funds to provide the required match, advocates should work to ensure that states claim existing funds already devoted to child care for the target population as the required match for the new Title IV-A funds.

Lay the Groundwork for Future Expansion of Child Care Funding

It is not too soon to consider how to begin building the case for additional child care funds in the future. If states gather the kinds of data included in the reporting requirements for both the Block Grant and the Title IV-A amendments, they will have a solid base to not only build a case for expansion but also make rational decisions about priorities for funding. Since the Block Grant only requires that states report available data, advocates will need to both encourage states to develop new systems to gather data and to work among themselves to collect the data. Without good data about the number of families who need child care services or the most pressing child care problems facing parents and providers, advocates will find it difficult to argue effectively for future federal or state investments in child care in years to come.

Advocates should urge states to establish as comprehensive a data collection and reporting system as possible. The cost of collecting relevant data on all child care providers or all families using child care services within the state frequently

will prove prohibitive, but states still should be encouraged to use sampling techniques to obtain representative data on major issues. The Child Care Employee Project (CCEP) has developed a set of resources to assist those interested in conducting salary surveys. States and advocates also should contact the Children's Defense Fund, as CDF will be working with a group of experts to provide technical assistance on data collection efforts.

Furthermore, resource and referral programs are already a good source of local data concerning supply and demand for child care.

Advocates also should seek creative ways to dispel notions that, with the passage of the new federal legislation, current federal and state spending for child care now is adequate. While the federal child care initiatives represent a significant infusion of new funds for child care, they will by no means allow states to address fully the host of child care issues that need attention. Careful attention to outreach, consumer education, and development or expansion of resource and referral agencies which gather current data on local supply and demand (as well as information about other child care issues) can help to ensure that families' child care needs are not overlooked.

Waiting lists can be a particularly important and useful device for indicating demand for child care assistance. States and counties that do not maintain waiting lists should begin to do so. Some determination of families' eligibility for child care subsidies should be made before they are added to the waiting list. Obviously, waiting lists are by no means a precise gauge of the need for child care assistance: families may not

bother to sign up for help if no funds are currently available or may not take their names off the list if they no longer need such help. However, waiting lists still remain one of the few ways state and local officials and advocates can gain at least a rough sense of how many families are seeking child care assistance. To develop waiting lists, agencies may want to develop a streamlined telephone eligibility prescreening process rather than requiring parents to come in and file a written application. It is counterproductive to require parents to take time off from work to file a complete application if the agency does not have child care funds available.

How Can States Build A Coordinated Child Care System That Meets the Needs of Children, Parents, and Providers?

The new federal child care legislation offers states a unique opportunity to take stock of their current child care programs and use new federal funds to build a coordinated child care system. At the same time, the new legislation poses additional and potentially difficult challenges for coordination at state and local levels, adding two new federal child care programs to the current mix of services provided under Title XX, the Family Support Act, Head Start, and other federal and state child care and early childhood development programs.

The promise of the new federal child care legislation will not be fulfilled unless states make concerted efforts to build consistency between and linkages among these new and existing child care programs. Such efforts are essential in order to avoid duplication and ensure that these combined efforts meet the needs of low-income children and parents. For this reason, the federal legislation requires that activities supported with new Block Grant funds be coordinated with other federal, state and local child care and early childhood programs.

The development of a coordinated state child care system should be a major goal of advocates during implementation of the new federal legislation. Coordination efforts should include:

- o Selection of a lead state agency to administer new Block Grant funds that is capable of identifying possibilities for coordination of the full range of federal and state programs as well as collaboration among relevant state agencies;

- o Development of interagency agreements between agencies with child care responsibilities to facilitate coordination and uniformity; and
- o Development of solutions to key coordination issues.

Select a Lead Agency Which Will Facilitate Coordination

The lead agency as designated by the Governor under the new Block Grant program will play a key role in a state's coordination efforts. The selection of a lead agency will affect the speed and direction of implementation efforts, the general focus of the program, the accessibility of child care subsidies, and the success of child care programs in competing for future state funding, as well as the relative ease or difficulty of coordinating various child care programs.

Some states may want to establish a new agency with a single focus on child care or children to administer the Block Grant and other federal and state child care programs. For example, while Virginia did not create a new agency, it has decided that a relatively new agency, originally set up to coordinate services to preschool-age children, will serve as the lead agency for the Block Grant.

Advocates should seek to ensure that the designation of lead agency goes to a state agency that has experience in child care and early childhood development and staff familiar with issues relating to child care, including child care subsidies. It would be most effective to locate as many different programs as possible--including existing state and federal Title XX programs, the new Title IV-A funds, and the new Block Grant--under the aegis of a single agency.

Consider Interagency Agreements or Working Groups

In the event that it is impossible to administer all major child care programs through a single child care agency, states should consider two other approaches to facilitate coordination. The first is the development of interagency agreements. While the Title IV-A funds must be administered by the state agency responsible for programs under the Family Support Act, it is possible that this agency can enter into an interagency agreement with the major child care agency in the state which would allow the child care agency to administer the Title IV-A funds (so long as the IV-A agency kept administrative control over such issues as defining who should be eligible for Title IV-A funds, and how eligibility is determined). States should be encouraged to explore this possibility.

Congressional authors of the Block Grant program expressed their intent that states be allowed to assign responsibility for the administration of early childhood development and before- and after-school programs (funded under the 18.75 percent set-aside) to an agency other than the lead agency. Coordination efforts may be strengthened by placing these reserved funds under the jurisdiction of the lead agency, with interagency agreements with other agencies to administer specific early childhood development or before- and after-school components. For example, a state that designates its Department of Human or Social Services as the lead agency could keep overall responsibility for these reserve funds in the lead agency but could use an interagency agreement

to transfer funds to the Department of Education (or other agency administering a state preschool program) in order to extend the hours of part-day programs supported through state-funded Head Start or preschool initiatives.

At a minimum, states should consider a second approach, which is to establish an interagency working group or task force representing the various agencies with responsibility for administering child care and early childhood development programs. Such a task force can discuss problems that prevent families from receiving the child care services they need, identify inequities in the system, and provide a forum for the development of solutions to these problems. Strong leadership by the Governor is often essential to the success of such efforts. In addition, without consolidating all child care programs the Governor can require that the lead agency review or approve the annual plans or budgets of other agencies involved in child care to ensure further coordination.

Identify Key Issue Areas Where Coordination Should Be Improved

The need for coordination assumes greater urgency when attention is focused on inequities across existing programs, destructive communication breakdowns, or other barriers that prevent families from receiving the child care services they need. Key coordination issues that should be examined by advocates and raised as priorities for early resolution by the lead agency or interagency task force include:

- Sliding Fee Scales--Do different programs use different sliding fee scales which may require families in the same circumstances to make different co-payments depending on the program that they are using?
- Full Day Services--Is the range of child care and early childhood development programs coordinated in a way to ensure that children enrolled in part-day, part-year programs have easy access (at the same site if possible) to complementary child care services that in combination provide the family with full-day, full-year services? Are new child care funds as well as Family Support Act funds set aside specifically to provide such complementary child care so that families that need full-time child care can take advantage of part-time Head Start and state-funded part-day early childhood programs?
- Standards--Do families enjoy different protections or quality assurances depending on which program they are using? Similarly, do providers have to comply with different standards depending on the funding sources that they receive?
- Monitoring and Enforcement--Are all programs protected by a similar set of monitoring and enforcement guidelines and practices?
- Reimbursement Rates--Do the various programs offer widely disparate reimbursement rates which result in unequal access to child care for families?
- Attendance and Enrollment Policies--Do programs have different policies regarding whether providers are reimbursed for holidays and children's absences? Conflicting policies are an administrative nightmare for providers, and it is difficult to operate a program and pay staff if the state does not pay providers for days when children are absent.
- Intake--Is there a single place or process through which families can find out about and apply to all programs for which they may be eligible? If not, is there at least a standardized application and a process for referring families from one agency to another so that families do not fall through the cracks when they lose eligibility for one program but should be eligible for another?
- Training--Do providers working in different state programs have different pre-service or ongoing training requirements? Are training opportunities coordinated so that they are available to as many providers as possible?

- o Salaries--Do providers participating in different state programs (for example, child care, preschool, and Head Start programs) receive vastly different salaries? Are differences related to educational background or professional experience?
- o Eligibility--Is eligibility coordinated so that all low-income families needing child care for work, training, or education, or as a result of the social service or special needs of their children, are covered? Are there common eligibility criteria for all programs?
- o Resource and Referral--Are all families eligible to use one R & R system, if it exists, or do families receiving AFDC go to one place and low-income working families another? Can families not only find out about various programs but also apply for subsidies at resource and referrals if local R & R's are interested in providing this service?
- o Continuity for Children and Families--As eligibility changes, can a family continue to keep its child in the same program, avoiding disruptions in care as a family moves from one eligibility category to another? Does the family have to undergo a cumbersome reapplication process?
- o Payment Mechanisms--Is there a mixture of payment mechanisms (certificates, contracts, etc.) to allow for development of new resources where needed and for flexibility in offering parental choice and meeting the needs of the family? Are billing procedures similar so that the same types of information are required and reports or claims can be easily completed by providers?

Use Resource and Referral Programs to Facilitate Coordination

Finally, states which do not currently invest public funds in a resource and referral network which is accessible to all families (especially low-income families) should consider using a portion of the quality money for resource and referral programs. Resource and referral programs can serve as the hub of a local community's child care system and a locus for coordinating efforts. Resource and referral programs can play a unique role by offering a common point of access for families of all income

levels and diverse service needs. For example, some non-welfare families may be discouraged from going to state or county offices to seek child care assistance, assuming that only welfare families are eligible for such help. Some resource and referral agencies provide a more accessible and less intimidating place for families to apply for their child care help. While others do not take application for child care subsidies, they offer families a central place to find out about their child care option.

Resource and referral programs also can perform other essential functions. They can:

- o Educate parents about the elements of good quality care, support parents in their efforts to improve quality, and help parents understand the licensing system and what to do if they are concerned about the safety or quality of their children's facility;
- o Document parents' needs for a variety of child care options, identify child care providers' needs for assistance and support, and propose strategies to meet these needs;
- o Provide technical assistance and training to new and experienced providers, and help them take full advantage of available training opportunities, grant and loan programs, equipment lend-or-lease programs, subsidies under the Child Care Food Program, and other potential sources of support; and
- o Improve the supply and retention of high-quality child care by recruiting providers and providing them with training and solutions such as public-private partnerships and employer-supported child care initiatives.

What Steps Should States Take to Protect Children in Child Care?

States have no greater responsibility as they build new child care systems than to protect the health, safety, and well-being of children in child care. The new federal legislation contains important new requirements to ensure that states fulfill this basic obligation--for example, all child care programs receiving Block Grant funds must meet minimum health and safety requirements and guarantee unlimited parental access, and all relatives who are reimbursed for child care services under the Block Grant must be registered and meet applicable state and local standards. At the same time, however, the new federal legislation leaves primary responsibility for protecting the health and safety of children in child care in the hands of the states.

The new federal legislation does provide both the impetus and the opportunity for states to do a better job in protecting children. By strengthening protections that are applied to some programs, the federal law gives advocates the chance to argue--for the sake of equity and consistency as well as health and safety--for the extension of these protections to all children in child care. In addition, by requiring that states review their current standards, the federal law offers advocates an additional opportunity to draw attention to the most serious weaknesses in their states' licensing systems. States should take this opportunity to:

- o Apply basic protections to all children in licensed and regulated child care;
- o Explore ways of improving protections for low-income children;
- o Conduct a thorough review of state licensing and regulatory requirements;
- o Maintain strong protections for children regardless of program auspices; and
- o Use consumer education programs to strengthen parents' understanding of quality.

Apply Basic Protections to All Children in Licensed or Regulated Child Care

At a minimum, states must establish basic health and safety standards for all providers (except providers who are 18 and over who care for grandchildren, nieces, or nephews). These standards must address the prevention and control of infectious diseases, including immunizations, building and physical premises safety, and health safety training for providers. While the federal mandates for minimum health and safety standards apply only to child care programs receiving Block Grant funds, states can avoid confusing or inconsistent regulatory policies and also strengthen their regulatory systems by extending these basic protections to all children in child care.

In every state, the new federal law requires that states offer parents the option of a certificate (voucher) which they may use to purchase child care services from a provider of their choice. As a result, it will be difficult and frequently counterproductive for states to try to create different and wholly separate purchase of care standards just for providers who receive federal Block Grant funds. For example, if programs

receiving Block Grant funds are required to meet higher standards as a condition of participating, programs serving only a small number of children receiving federal subsidies through certificates may be unwilling to enroll such children because they do not want to make changes in order to accommodate a few children. For these reasons, as well as on their merits as essential protections for children, advocates should encourage states to extend the health and safety standards set forth in the Block Grant program to all children in child care.

The new federal requirements will affect state protections for children in important ways. For example, 13 states currently do not require children to be immunized before they enter family day care. The new legislation will require these states to set immunization standards for children in family day care when the services they receive are paid for in part or in full with Block Grant funds. For simplicity and safety, these states should extend these immunization requirements to all children in regulated family day care programs.

Similarly, 19 states currently do not guarantee unlimited access to parents whose children are enrolled in child care centers and 29 states do not guarantee such access to parents whose children are in family day care homes. The federal legislation provides powerful new reasons for states to ensure that all licensed, regulated, or registered child care programs offer unlimited parental access during normal hours of operation, whether or not they receive public funds.

Encourage States to Improve Their Protections for Low-Income Children

In the preceding section we urge states to improve their child care protections across-the-board, including for unsubsidized children. Uniform standards are a desirable goal. However, protections for low-income children should not be watered down as the price of uniformity.

Under the Block Grant states can impose more stringent requirements than those set by general licensing laws. They should be encouraged to do so if they believe that general licensing laws do not provide adequate protections for low-income children or if improvements in the general laws are infeasible. States such as California, Florida, and Massachusetts now impose more stringent requirements on many programs receiving public funds. States also can seek to encourage higher quality child care by paying higher reimbursement rates to programs which meet the National Association for the Education of Young Children's (NAEYC) accreditation standards. Additionally, they can provide the funds necessary to support comprehensive services (such as those offered by Head Start) in child care and preschool programs serving low-income children.

A similar set of issues, as well as obvious needs for consistency and coordination, face states as they decide what protections to extend to programs serving children under the new Title IV-A program. States should strive to have providers

receiving Title IV-A funds meet the same requirements imposed on providers receiving Block Grant funds.*

Under the Block Grant, relatives must be registered and meet whatever standards currently apply to relative care. The new federal legislation does not specify what constitutes registration for relatives. (A number of states currently use registration systems for family day care providers. Although they are not precluded from doing so, states are not required to impose the same requirements for relatives as they impose for family day care providers.) Thus, unless there is additional guidance in federal regulation, states will have to define for themselves what registration means. Advocates should seek to ensure that registration includes more than recording a relative's name and address. At a minimum, relatives receiving public funds should be required to have a basic medical examination and emergency first aid training. Ideally, the registration process also should include steps to ensure that a home is absent of health and safety hazards and that relatives receive general health and safety training as well as training in the prevention of child abuse.

Under the new Title IV-A amendments, the only child care providers who are not required to be licensed or registered are

*The question as to whether states can set standards for child care paid for with Title IV-A funds, if they do not apply the same standards to care that is not subsidized, is currently under review by HHS.

those who care solely for members of their own family. However, states should encourage such relatives to meet similar registration requirements if they do not already do so.

Conduct a Thorough Review of State Licensing and Regulatory Requirements

The Block Grant requirement that states conduct a review of their standards provides state policymakers and advocates an opportunity to examine licensing and regulatory requirements that apply to a range of programs, and to identify those areas of state licensing that are in greatest need of improvement.

The review will be more effective if:

- o An advisory group consisting of representatives similar to those recommended for the advisory committee to develop the state plan is set up to help conduct this review;
- o It examines the range of requirements and agencies that affect child care providers (such as zoning laws, and building and fire codes) rather than only those of the state licensing agency and the extent to which the requirements of these different agencies are contradictory; and
- o It looks at the extent to which child care programs monitored by other agencies (e.g., those "regulated" by the Department of Education) are regulated, the standards they are required to meet, and the extent to which these requirements are enforced. (The consistency and coordination between these requirements and those of the state child care licensing agency also should be examined).

There are a number of licensing and regulatory policies that states should review. In addition to those required under the federal legislation (such as health and safety practices), states should examine the full range of state licensing policies and practices, including those that determine which programs are

exempt and those which set the standards which regulated programs must meet. Examples include:

- o Full and partial exemptions for specific types of child care programs from state licensing or regulation;
- o Child-staff ratios and group sizes in child care centers and family day care homes, including the maximum number of infants and toddlers that can be cared for in such homes;
- o Pre-service qualifications and in-service training requirements for staff in child care centers and for family day care providers;
- o Provisions pertaining to care for children with special needs; and
- o Policies designed to promote and encourage parental involvement.

Yet even the most comprehensive state regulations designed to protect children are meaningless if the state fails to ensure that child care providers adhere to these rules. Enforcement issues should be included in any licensing review. Areas that should be examined include:

- o How often do programs, centers, family day care homes, and group homes receive announced and unannounced visits?
- o Does the licensing agency have enough staff to conduct the licensing and enforcement activities required by state law?
- o Are all regulated programs inspected prior to operation?
- o Does the licensing agency have the legal authority and staff expertise necessary to enforce compliance for programs that are in violation of state law?
- o How many centers and homes are each licensing staff responsible for?
- o What training are licensing enforcement staff offered or required to complete?

- o Are enforcement staff responsible only for child care or children's services or must they also inspect other facilities such as nursing homes?
- o Is the licensing agency accessible to parents? For example, are child care programs required to post a phone number that parents can call when they have complaints or questions?
- o How do states respond to complaints?
- o Are programs subject to multiple and possibly conflicting monitoring by different agencies?

In the process of reviewing these policies and practices, states should identify those areas in which they are most deficient. In particular, states can compare their standards to various models, including the soon-to-be-published model standards prepared by the American Public Health Association and the American Academy of Pediatrics, as well as standards developed by other national organizations (such as the National Association for the Education of Young Children and the Child Welfare League of America) and federal agencies (such as the Department of Defense). While not all of these standards may be applicable, they do provide goals against which states can evaluate their policies.

For more information about standards, monitoring, and enforcement, as well as other initiatives to strengthen quality, advocates should consult Who Knows How Safe?, a recent Children's Defense Fund publication on state policies that ensure and promote the quality of child care.

Maintain Strong Protections for Children Regardless of Program Auspices

It is equally important that federal provisions that allow registered as well as licensed and regulated programs to receive Block Grant funds are not used as an excuse to reduce protections for children. States, for the most part, now require centers that receive public funds to be licensed. This is true even in the relatively few states which exempt programs run by religious institutions from licensing. Advocates need to work to ensure that states do not move backwards by allowing religious-based programs and family day care providers to receive public funds by meeting a set of lower standards than those required by state licensing requirements.

Use the Consumer Education Provisions to Strengthen Parents' Understanding of Quality

Quality also can be improved by helping parents identify and demand improved child care services. While polls reveal that parents are deeply concerned about the quality of child care their children receive--97 percent of parents surveyed in a 1989 Harris poll cited "quality" as their top priority in child care--many parents do not have the information necessary to seek better protections for their children.

The Block Grant's requirement for consumer education programs provides an opportunity to inform parents not only about quality but also about other child care issues. Several studies show that parents may not always understand the elements of quality that make a difference in the lives of their children.

- o States should use consumer education efforts to inform parents about their eligibility for child care subsidies and their right to unlimited access to their children's programs as well as the key components of a quality child care program and current state regulatory and enforcement policies.
- o Campaigns that include print and media materials should be supplemented by requirements that regulated facilities provide parents with information about state regulations or proof that they are regulated. One approach is to require facilities to post their license or certificate of compliance in a visible place. Information about how to contact the state licensing agency with complaints is also useful, for example, by requiring facilities to post a "hot line" complaint number on the premises.
- o In order to maximize the effectiveness of consumer education efforts, states should consider contracting with resource and referral programs who have significant experience in working with parents to sponsor these efforts.

How Should States Reimburse Parents and/or Pay for Services?

The effectiveness of the new federal child care programs in meeting the needs of low-income families will depend in part on the "nuts-and-bolts" of how states pay for child care services, what reimbursement rates they establish, and what co-payments they require families to make. Advocates should seek to ensure that states:

- o Use payment mechanisms that promote quality child care options;
- o Seek reimbursement rates to allow high quality care for children; and
- o Establish sliding fee scales that are fair and reasonable.

Use Payment Mechanisms That Promote Quality Child Care Options

States' choice of payment mechanism can make an enormous difference in how easily parents are able to obtain care, how well that care meets their needs, and how willing providers are to accept children receiving public funds.

The Block Grant requires that every parent be given the choice of a certificate or contract. A number of states already use contracts in a manner which allows the same flexibility as certificates: a parent chooses child care that meets state standards and the state then signs a contract for a single slot with the provider.

While certificates do offer parents a great deal of flexibility, excessive reliance on this kind of contract or certificate also can create problems for providers and families,

particularly in low-income neighborhoods. While more "traditional" contracts (where the state contracts for a sizable number of slots with a single provider) provide a stable funding base on which programs can operate, start, or expand services, a certificate or voucher system often does not give providers enough assurance of families' ability to pay for child care to hire staff and keep their doors open. For this reason, a mix of certificates and "traditional" contracts often is necessary to guarantee that parents in low-income neighborhoods have access to child care centers.

The Block Grant requires that every parent be offered the choice of a contract or a certificate. The intent of Congress clearly seems to be to allow and encourage states to provide services through a mix of contracts and certificates. However, the unpredictability of demand for certificates may make it very difficult for states or communities to reserve substantial Block Grant funds for traditional contracts that involve purchasing a significant number of slots in a single program. States that already have "traditional" contract programs in place may find it less cumbersome simply to continue operating a contracted program with state funds, using Block Grant funds to provide certificates for parents who choose to use them. In other states, it may be that states can satisfy the requirement that they offer a choice between certificates and contracts by offering a contract that works like a purchase of service arrangement--a payment arrangement negotiated with a provider for a single slot when a parent chooses the provider.

In deciding which payment mechanism to use, states should consider other criteria that affect the quality of child care which include:

- o Is payment made in advance or does the state agency make the parent wait for reimbursement? A low-income parent cannot pay \$200 or \$300 for child care a month and then wait two months to be reimbursed by the state. Retrospective reimbursement generally means parents are forced to spend less for child care and may be pushed into inappropriate or unsafe arrangements.
- o Does the payment mechanism encourage good quality providers to participate in the program? Many providers are reluctant to accept poor children if payment comes from the parent rather than the state agency, since they believe low-income parents will be less reliable in making regular payments out of their minimal salaries.
- o Does the payment mechanism encourage monitoring and improvement of child care providers by creating ongoing contact between the provider and the state agency? For example, if parents are reimbursed directly in cash, the state agency is likely to have no contact with the provider that they select. The more contact there is between agency and caregiver, the more opportunities there are for the agency to provide technical assistance that helps a provider improve the quality of care, or for the agency to identify problems.

Set Reimbursement Rates To Allow High Quality Care for Children

Reimbursement rates in subsidized child care programs, if set unreasonably low, can force families to purchase poor quality child care and discourage higher quality providers from participating in such programs. For example, a Washington State Department of Social and Health Services study in 1986 found that many providers refused to accept DSHS-subsidized children, and 60 percent of those that did accept such children indicated that they limited the number of subsidized children they accepted, typically because the subsidized rates were too low.

The Block Grant is designed to ensure that rates are realistic and give subsidized children equal access to quality child care. The Block Grant provides that "the state plan shall provide assurances that payment rates for the provision of child care services...are sufficient to ensure equal access for eligible children to comparable child care services...." It is important for advocates to monitor reimbursement rates to ensure that they do indeed give subsidized children equal opportunity. Advocacy on this issue is particularly important in light of experience under the Family Support Act. Currently, federal FSA regulations limit federal reimbursement for child care expenditures to rates that do not exceed the 75th percentile of the local market rate for that type of care. It is likely that HHS will attempt to place a similar limitation on reimbursement rates under the new Title IV-A program. If these restrictions are imposed, states should consider using state funds to pay higher Title IV-A reimbursement rates (as Minnesota and Massachusetts are currently doing for FSA child care) where necessary to ensure that parents have access to a wide range of quality child care programs in their community.

Arbitrary restrictions on reimbursement rates pose particular problems for child care providers who offer comprehensive services to low-income and special needs children. As discussed previously, to support and encourage such comprehensive services, states should consider using Block Grant funds to supplement all state, and federal child care programs which offer enriched services.

Several states are considering ways to enhance the quality of care that low-income children receive. One approach is to provide enough funds to all programs serving low-income, preschool-age children to allow them to offer the comprehensive services that are included in Head Start. A second approach is to provide higher reimbursement rates to programs willing to provide such comprehensive services.

In calculating local market rates for child care, states also should provide additional reimbursement to cover the costs of transportation when it is offered as part of the child care service. Given that low-income families often do not have or cannot afford transportation to child care programs, the costs of transportation should be included in the development of the reimbursement rates in order to ensure equal access to child care services. States also should increase rates when necessary to cover additional provider charges for items like meals, diapers, registration, and supplies.

Establish Sliding Fee Scales That Are Fair and Reasonable

Both the Block Grant and the new Title IV-A program require that states establish sliding fee scales under which families contribute to the cost of their child care. Under the Block Grant the contribution must be based on family income and size; under the Title IV-A amendments, it must take into account the family's ability to pay. The Congressional authors of the Block Grant clearly expressed their intent that states not be required

to collect co-payments from families with incomes at or below the poverty level.

State policies regarding the structure of sliding fee scales are very important because co-payments imposed on very poor families can effectively deny them access to child care assistance. For example, under the Family Support Act, Montana established a sliding fee scale that requires a family of three with a gross income equal to the federal poverty level to pay 38 percent of that income as its contribution toward the cost of child care for two children. Co-payments at such high levels are simply beyond the means of many low- and even moderate-income families.

Even sliding fee scales that seem more reasonable may be plagued by inequities and counterproductive features. If not constructed with great care, sliding fee scales can penalize families that choose certain types of child care arrangements or families that have more than one child in care. Poorly designed scales also may inadvertently penalize families for their work effort, increasing co-payments too rapidly when their earnings rise.

While the design of sliding fee scales may seem technical and complex, it is essential that advocates pay close attention to sliding fee scales for the new child care programs to ensure that they are both reasonable and equitable. A detailed list of guiding principles for sliding fee scales, designed to help advocates and state officials identify key issues for review, appears in the Appendix of this paper.

How Can States Strike a Balance Between Improvements in the Affordability, Quality and Supply of Child Care?

Finding the right balance which allows states to address the most pressing problems of affordability, quality and supply of child care will be a major challenge in every state. The direct provision of child care services to low- and moderate-income families was the primary focus of the new federal legislation. Yet quality issues--including lack of staff training, high turnover stemming from low salaries, lack of resource and referral programs and inadequate monitoring and enforcement of state standards--and pressing needs to expand the supply of child care in some areas also clamor for state attention. With too little new federal money to do everything, states and advocates must make hard choices and set clear priorities for the use of new federal child care funds.

Some key principles to guide state choices include:

- o Make helping families pay for child care the top priority;
- o Use funds to pay for full-day, full-year child care;
- o Spend more than five percent of Block Grant funds on quality;
- o Consider steps to expand the supply of child care; and
- o Keep state administrative costs within reasonable limits.

Make Helping Families Pay for Child Care The Top Priority

Large numbers of low-income families now receive no help in paying for child care in most states. For example, New Jersey currently serves approximately four percent of all families in the state who are eligible for child care assistance. In addition, Congressional authors of the Block Grant clearly expressed their intent that a preponderance of the Block Grant funds be spent specifically on child care subsidies and a minimum amount on other authorized activities. For both of these reasons, the bulk of Block Grant funds should be used by states for direct child care assistance to low- and moderate-income families.

Use funds to pay for full-day, full-year child care

The emphasis on direct assistance to families is appropriate not only for the 75 percent of Block Grant funds allocated for child care services, but also for the 18.75 percent of total Block Grant funds (75 percent of the 25 percent set-aside of the Block Grant) reserved for before- and after-school care and/or early childhood development services. Most low-income families continue to lack the resources necessary to obtain these types of care. A 1986 study of state and local school-age child care initiatives by the Children's Defense Fund found that low-income children typically do not have access to school-age services unless parents have help in paying the costs. Funds often are available to help start new before- and after-school care programs.

In considering the use of the 18.75 percent funds set aside for preschool and before- and after-school programs, advocates should seek to ensure that additional investments in such programs are structured to meet the needs of children of parents who work outside the home. Both Head Start and a growing number of state preschool programs offer part-day early childhood development services that are good for children but only partially meet their parents' need for child care. Using a portion of Block Grant funds for grants or contracts to allow Head Start and state-funded preschool programs to offer full-day, full-year services (rather than increasing the number of part-day programs) would give low-income children greater access to full-day preschool experiences and help these programs meet the needs of employed parents.

In states that have already invested large portions of existing federal, state, and local funds in preschool programs, nothing in the Block Grant precludes the use of the 18.75 percent funds for early childhood development services for infants and toddlers. Since programs for these age groups are in short supply and more costly (because infants and toddlers require more frequent attention and lower child-staff ratios), states with well-developed preschool programs should consider targeting these additional dollars on very young children.

Spend More Than Five Percent of Block Grant Funds on Quality

Given the pressing need to improve the quality of child care and the lengthy list of areas that need attention, states should supplement the minimal five percent set-aside for quality improvements under the Block Grant by using some of the 75 percent funds for quality. Congressional authors intended that additional quality funds be targeted for the same areas outlined in the five percent set aside. States should, to the maximum extent possible, target these quality improvement funds on programs serving a high proportion of low- and moderate-income children eligible for services under the Block Grant or other state-administered programs serving low-income children.

Decisions on how to allocate quality funds must be based on an assessment of the most pressing needs in each particular state. Problem areas are likely to include:

- o Salaries: The low salary levels of child care staff are creating a crisis in the quality and supply of care. Good teachers cannot afford to remain in the profession because they cannot support themselves, and fewer qualified teachers are entering the profession. States can use quality funds to increase reimbursement rates and target the increase to salaries, or to create a grant program to increase salaries for providers serving low-income children.
- o Training: Training has been shown to be one of the most critical elements of good quality care, yet far too few child care providers have received training and far too few states help providers to obtain such assistance. States can help providers receive training by offering financial assistance, making training opportunities accessible and available, and improving the quality of training assistance. Educational and training institutions should be encouraged to offer training opportunities.

- Low Reimbursement Rates: Low reimbursement rates limit the quality of care received by children in subsidized care, and prevent providers from improving the quality of care they provide. Funds from the Block Grant can be used to raise reimbursement rates for other publicly funded child care programs, or to help programs serving low-income children pay for comprehensive services.
- Lack of Funds for Quality Improvements: Providers serving low-income children often have little ability to improve the quality of their programs because of financial barriers. They typically are unable to pay for such improvements because they are earning poor wages and the parents they serve are unable to pay more if they raise the cost of care. Federal funds can be used to create grant and low-interest loan programs that help providers make quality improvements.
- Licensing Exemptions: Nationally, an estimated 43 percent of all children in child care are in unregulated settings. This is in large part due to state policies which exempt certain types of child care settings--such as smaller family day care homes and child care programs operated by schools--from regulation. Block Grant funds can be used to offset the costs of expanding regulatory coverage, and helping unregulated providers meet licensing requirements.
- Resource and Referral Programs: These programs can play a number of roles to improve the quality of child care in a community, including helping parents make informed decisions about quality child care programs and helping providers obtain training.
- Low Standards: State standards that are designed to protect children all too often fall below levels broadly recognized as necessary to ensure children's health, safety, and development. Block Grant funds can be used to help providers meet higher standards that better protect children in child care.
- Inadequate Enforcement: The lack of funds for enforcement staff in many states has seriously affected their ability to adequately protect children and to ensure compliance with licensing requirements. States can use Block Grant funds to hire additional enforcement staff or to provide training to inspectors.

[For further information on the current status of state policies in these areas, as well as various efforts that states are making to address each of these problems, see the recent CDF

publication, Who Knows How Safe? The Status of State Efforts to Ensure Quality Child Care.]

Another potential source of funds to help states improve the quality of child care is a separately authorized program under the Family Support Act that provided \$13 million for this purpose in FY 1991 and has been expanded to authorize up to \$50 million annually beginning in FY 1992. All of these funds are to be used to improve the quality of child care, although at least 50 percent of these funds must be used to train child care providers. Remaining funds are targeted for improving licensing and registration requirements and procedures and enforcing standards with respect to child care provided under Title IV-A. If Congress appropriates these additional funds for FY 1992, states should include in their budgets the 10 percent state match required to claim the funds. They should use the new money to plan expanded training efforts and seek to coordinate them with other quality improvement activities funded under the new Block Grant program.

Consider Steps to Expand the Supply of Child Care

Not every state or community faces serious shortages of child care providers, particularly when assistance is available to help families pay for child care. Yet in some areas an inadequate supply of providers may pose a major barrier that must be overcome in order to meet the child care needs of low- and moderate-income families.

A broad range of strategies can be employed to increase the general supply of child care providers as well as the supply of those willing to serve children receiving subsidies. Approaches that advocates should consider in the event of an inadequate supply of providers willing to take subsidized children include:

- o raising child care reimbursement rates;
- o streamlining payment practices and reducing paperwork;
- o choosing more reliable payment mechanisms (such as vouchers and contracts) that assure providers will receive regular payment, rather than using payment forms that are less attractive to providers (such as retrospective reimbursement of the parent, who in turn pays the provider); and
- o providing funds to help family day care providers in low-income neighborhoods make modest home improvements that will enable them to meet licensing or registration requirements.

Approaches to expand the supply of child care to low-income parents in general include:

- o recruiting and training new providers;
- o assisting previously "underground" providers to meet licensing or regulatory requirements for family day care;
- o providing grants or low-interest loans to help with the costs associated with starting new child care programs; and
- o providing funds to half-day programs serving low-income children (such as preschool programs and Head Start) to allow them to offer full-day, full-year child care services; and
- o exploring ways to ease local zoning requirements so that family day care is considered as a permissible use of property in residential neighborhoods.
- o providing funds to help family day care providers in low income neighborhoods; make modest home improvements that will enable them to meet licensing or registration requirements.

Keep State Administrative Costs Within Reasonable Limits

Given that the new federal legislation contains no limit on state administrative costs, it will be important to ensure that states use no more than a minimal (albeit reasonable) portion of the 75 percent set aside for administration. The block grant represents a compromise that was negotiated between the Bush Administration and Congress, and does not specify the amount it is appropriate to spend on administration. However, an earlier House-Senate version of the legislation (which provided more direction to states) did include a five percent limit on administrative costs. This limit is a useful benchmark for states planners and advocates to use, although a precise limit is hard to determine.

Which Families Should States Seek to Serve Under the New Federal Child Care Programs?

Both the Block Grant and the new Title IV-A program give states broad latitude in setting priorities and deciding which families to serve. The Block Grant allows states to provide child care assistance to families earning up to 75 percent of the state median income. The Title IV-A program restricts eligibility to those families "at risk" of receiving welfare, presumably focusing assistance on low-income families with limited resources. In making decisions about who to serve with their funds, states should:

- o Give priority to low-income families with Block Grant funds;
- o Continue assistance to such families as their income increases; and
- o Set broad eligibility categories for the new Title IV-A program.

Give Priority to Low-Income Families Under the Block Grant

Even though states have considerable flexibility in the use of new federal funds within these eligibility limits, they must give priority to low-income families in need of child care assistance. There are a number of ways in which states can prioritize their services. For example, states or communities that currently do not maintain any form of waiting lists could do so in order to establish priorities for service. Another approach that can be used to target assistance is to initially limit eligibility to very-low income families. In order to serve

the next highest income group, localities can be required to demonstrate that they have adequately reached out to the poorest families through a range of outreach efforts. Such efforts could include:

- o Using public service announcements to promote the availability of child care subsidies;
- o Putting flyers in low-income communities, focusing on those places frequently used by low-income families such as laundromats and grocery stores;
- o Asking agencies and organizations who serve low-income families, such as health and mental health agencies, WIC programs, child protective services agencies, public schools, local housing authorities, and churches, to inform families about the availability of child care subsidies; and
- o Canvassing households door-to-door to inform them about the availability of subsidies.

Continue Assistance to Families As Their Income Increases

While initial targeting efforts to give priority to low-income families are important, it is equally important that families be allowed to continue receiving assistance on a sliding fee basis as their income increases. Such a policy is necessary to preserve strong work incentives for low-income families, ensuring that they are not penalized for small increases in wages or additional work effort, and to ensure continuity of care for the children.

With limited funds, some states may want to cut off initial eligibility for child care assistance under the Block Grant at a point below 75 percent of the state median income. If this is necessary, families who enter the program and subsequently

increase their earnings should be allowed to remain eligible for assistance as long as their income remains below the 75 percent limit established in federal law. Such a policy does not necessarily divert significant resources away from assistance for poor families. In Massachusetts, a state which allows families to remain eligible for assistance until they earn 115 percent of the state median income, a 1986 study found that only five percent of families receiving help earned above 70 percent of the state median income.

A number of states currently offer child care assistance to families who earn above 75 percent of the state median income. While Block Grant funds cannot be used for this purpose, states can continue to use state and Title XX/Social Services Block Grant funds to extend the sliding fee scale beyond the 75 percent level.

Set Broad Eligibility Categories for the New Title IV-A Program

The new Title IV-A funds give states an opportunity to serve families not eligible for child care assistance under the Family Support Act, but who need child care in order to work and who would otherwise be at risk of becoming eligible for AFDC. States have considerable latitude in defining what families are "at risk" of becoming eligible for AFDC. For example, families in which employed parents work in low-wage jobs are an obvious target group for states to consider, as a job loss in many cases forces such families on to the welfare rolls. Families whose gross incomes are below 185 percent of the poverty level--the

standard in a number of contexts used to extend Medicaid eligibility to poor and near-poor families--who need child care are an appropriate priority group for assistance under Title IV-A even if they are eligible for other available child care funds. In addition, Title IV-A funds can be used to assist families who have been on AFDC in the past, but currently are not eligible for child care assistance under the Family Support Act. States should consider targeting families such as:

- o Families not eligible for transitional child care because they go off AFDC due to circumstances which make them ineligible for such transitional assistance, including:
 - families who voluntarily have their cases closed instead of waiting to have them closed;
 - families who lose AFDC due to the loss of the child care disregard instead of the earned income disregard;
 - families who need child care for a child not in the AFDC unit;
 - families who did not receive AFDC for at least three of the six months preceding the month in which the case is closed; and
 - families not meeting monthly reporting or child support requirements;
- o Families who need child care while seeking employment;
- o Families who have received 12 months of transitional child care after they leave the AFDC rolls, but who need continuing help with child care in order to remain employed; and
- o Teen parents not on AFDC who are both working and enrolled in high school and need child care assistance.

Guiding Principles for Sliding Fee Scales

As states develop their scales, both planners and advocates should try to ensure that they incorporate the following principles:

Fee scales should be simple and consistent across programs

Fee scales should not require such complex calculations that workers and clients have difficulty calculating the correct co-payment. Where possible, they should be consistent for all subsidized child care programs. Consistency is valuable to ensure that families' co-payments do not swing wildly if a family moves from one program to another and so that workers can administer more than one subsidized benefit without the increased danger of errors from different sliding fee calculations.

In trying to ensure consistency, however, states should ensure that whatever fee scale they choose is a fair one. If pre-existing scales are outdated, or were not developed through a careful planning process and therefore are seriously flawed, they should not be extended to new programs. Rather, the development of a scale for the new programs should offer the chance to evaluate whether existing scales should be changed as well.

Fee scales should use a simple measure of income that does not require excessive client documentation.

Burdensome documentation requirements mean that assistance may be delayed or denied for reasons unrelated to a family's need, and that workers are burdened with excessive paperwork. Many states have chosen to use gross income in their FSA sliding fee scales. A similarly straightforward measure of income may be desirable for the new programs as well.

A family's contribution should reflect ability to pay, varying both by income and by the number of persons in the household.

A family with \$10,000 in income may be above or below poverty level, and may or may not be able to contribute to the cost of child care, depending on how many household members that income must provide for. At least one state does not consider family size in determining a family's fee for child care under the FSA.

Co-payment requirements should not increase if a family has more than one child in care.

If a sliding fee contribution for care for one child is calculated based on a family's ability to pay, then it should not double if a family has two children in care. Yet, similar

policies are a significant problem in the Family Support Act, where 18 states simply multiply the required co-payment by the number of children in care. In some states, the added costs are staggering. In Wyoming, for example, a family at the federal poverty level with one child in care would pay \$116 a month for one child in care 45 hours/week, and \$232 for two children. For families with more than one child in care, fees under such a system clearly are beyond the family's ability to pay.

Very poor families should not be charged any fee.

Families at or below the federal poverty line simply do not have income to spare, and should be exempted from the co-payment requirement when possible. Congressional authors of the Block Grant expressed their intent that states have the option not to assess a fee on the poorest families who receive services under the Block Grant program. CDF recommends that states do not require families with income at or below the poverty line to make any co-payment under the Block Grant program.

Whether states have the option to waive co-payments for poor families who receive child care services funded under Title IV-A is less clear. Current federal regulations implementing the transitional child care program under the Family Support Act require states to charge at least a token fee from even the poorest families receiving FSA child care. Unless regulations implementing the new Title IV-A program take a different position from that reflected in the FSA regulations, states may be required to collect at least token co-payments from all Title IV-A families. Yet even in this case states can and should keep such co-payments at nominal levels. Nevada, for example, charges FSA families with incomes under the poverty level \$1 per month, while Rhode Island, New York, Indiana, and West Virginia charge \$1 per week.

Sliding fee scales should have income categories and reporting periods broad enough so that they do not require constant recalculation of co-payments

States should choose a reporting period--for example, six months--that is long enough so families do not constantly have to report income and workers do not constantly have to recalculate fee obligations. Similarly, income ranges for fees should be broad enough so that small fluctuations in income do not require frequent recalculations of the fee. A system that charges a fee that is a percent of gross income, for example, is undesirable because it requires a new calculation every time there is a slight change in income.

Fee increases should be gradual so that a small change in family income does not result in a huge increase in the family's co-payment.

In some existing fee scales, at certain income levels the increase in the amount of the fee from one income category to another is greater than the increase in income that moves a family to the new fee category. Fees should increase gradually, avoiding unintended disincentives to work.

Fee schedules also should be structured so that families' child care costs do not jump dramatically when they lose their eligibility for child care assistance. Gradual increases in co-payments and continuing eligibility to reasonable income levels can ensure that parents who are no longer eligible for child care assistance are already accustomed to paying a reasonable amount for child care.

Families should not be required to pay the full cost of care at unrealistically low income levels.

Some state FSA programs require families to pay the entire cost of care when they are at or near the federal poverty level. Such a policy clearly does not reflect the requirement that the fee take into account the family's ability to pay, and should be avoided in the new fee schedules. The new Block Grant legislation represents a policy statement that families cannot be expected to pay the full cost of care until their income is at 75 percent of state median income. Sliding fee scales should not undermine that policy. Moreover, some states currently provide child care help to families who earn above 75 percent of state median income. Such states may wish to consider using state funds to continue providing assistance to such families.

Fee scales should not penalize families by charging higher co-payments depending on the type or cost of care they choose.

Some states have sliding fee scales that require parents to contribute a set percentage of the cost of care. This percentage approach penalizes families for choosing more costly, and often higher quality, care. Similarly, some states have higher co-payment requirements for families that choose center-based care rather than informal or family day care. These policies effectively restrict parent choice and should be avoided.

States should establish clear and uniform fee collection policies.

It is crucial that it be clear to parents and providers when fees are due and when they are considered delinquent. Is payment denied when a child is absent, or does state policy recognize that payment should be made to cover reasonable absences?

States also should implement procedures which require that receipts be given to parents for co-payments received. This is essential for resolving any discrepancies as well as potential documentation for tax benefits to parents.

STATE ALLOCATIONS UNDER CHILD CARE AND DEVELOPMENT BLOCK GRANT

State Allocations	FY 1991 \$731.9 millions	FY 1992 \$825 millions	FY 1993 \$925 millions
Alabama	17.6	19.9	22.3
Alaska	1.3	1.5	1.7
Arizona	9.9	11.2	12.5
Arkansas	9.3	10.5	11.8
California	67.6	76.2	85.5
Colorado	7.6	8.6	9.6
Connecticut	5.1	5.7	6.4
Delaware	1.4	1.6	1.8
District of Columbia	1.6	1.8	2.0
Florida	29.4	33.2	37.2
Georgia	21.8	24.6	27.6
Hawaii	3.2	3.6	4.0
Idaho	3.7	4.2	4.7
Illinois	29.5	33.2	37.3
Indiana	13.9	15.6	17.5
Iowa	7.9	9.0	10.0
Kansas	6.5	7.3	8.2
Kentucky	14.6	16.5	18.5
Louisiana	22.4	25.3	28.3
Maine	3.5	4.0	4.4
Maryland	8.8	9.9	11.1
Massachusetts	10.2	11.5	12.9
Michigan	21.9	24.7	27.7
Minnesota	10.1	11.3	12.7
Mississippi	14.7	16.6	18.6
Missouri	13.9	15.7	17.6
Montana	2.7	3.0	3.4
Nebraska	4.5	5.1	5.7
Nevada	1.8	2.0	2.2
New Hampshire	1.8	2.0	2.3
New Jersey	14.0	15.8	17.7
New Mexico	7.0	7.9	8.8
New York	41.9	47.3	53.0
North Carolina	21.8	24.6	27.6
North Dakota	2.2	2.5	2.8
Ohio	28.2	31.8	35.7
Oklahoma	11.1	12.6	14.1
Oregon	7.2	8.1	9.1
Pennsylvania	27.0	30.4	34.1
Rhode Island	2.1	2.3	2.6
South Carolina	14.5	16.4	18.4
South Dakota	3.0	3.3	3.7
Tennessee	16.5	18.5	20.8
Texas	57.5	64.8	72.6
Utah	7.1	8.0	8.9
Vermont	1.4	1.5	1.7
Virginia	13.3	14.9	16.8
Washington	10.8	12.2	13.6
West Virginia	6.9	7.8	8.8
Wisconsin	11.8	13.3	14.9
Wyoming	1.5	1.7	1.9
Puerto Rico	23.9	26.9	30.2
Territories	3.7	4.1	4.6
Native American Programs	29.3	33.0	37.0
U.S. Total	731.9	825.0	925.0

(Estimates prepared by the Children's Defense Fund)

State Allocations Under the Title IV-A Amendments
(At Risk Child Care)

	FY 1991 ALLOCATION
Alabama	\$ 4,935,969
Alaska	808,156
American Samoa	74,600
Arizona	4,606,490
Arkansas	2,903,146
California	36,603,257
Colorado	4,053,214
Connecticut	3,456,422
Delaware	777,073
District of Columbia	677,608
Florida	13,235,111
Georgia	8,112,645
Guam	205,147
Hawaii	1,361,432
Idaho	1,392,515
Illinois	13,670,272
Indiana	6,539,848
Iowa	3,226,408
Kansas	3,070,993
Kentucky	4,295,661
Louisiana	5,905,757
Maine	1,367,649
Maryland	5,364,914
Massachusetts	6,123,337
Michigan	11,003,357
Minnesota	5,246,798
Mississippi	3,456,422
Missouri	5,967,922
Montana	1,007,087
Nebraska	1,952,008
Nevada	1,305,483
New Hampshire	1,280,617
New Jersey	8,292,926
New Mexico	2,119,856
New York	19,936,591
North Carolina	7,335,571
North Dakota	839,239
Ohio	12,737,784
Oklahoma	3,910,233
Oregon	3,195,325
Pennsylvania	12,812,383
Puerto Rico	5,402,213
Rhode Island	1,056,820
South Carolina	4,295,661
South Dakota	913,838
Tennessee	5,594,927

Texas	23,020,017
Utah	2,996,394
Vermont	646,525
Virgin Islands	93,249
Virginia	6,769,862
Washington	5,650,877
West Virginia	2,001,741
Wisconsin	5,756,558
Wyoming	634,092
TOTAL	\$300,000,000

Medicaid State Matching Rates

<u>STATE</u>	<u>FEDERAL MATCHING RATE</u> <u>FY 1989</u>
Alabama	73.10
Alaska	50.00
Arizona	62.04
Arkansas	74.14
California	50.00
Colorado	50.00
Connecticut	50.00
Delaware	52.60
District of Columbia	50.00
Florida	55.18
Georgia	62.78
Hawaii	53.99
Idaho	72.71
Illinois	50.00
Indiana	63.71
Iowa	62.95
Kansas	54.93
Kentucky	72.89
Louisiana	71.07
Maine	66.68
Maryland	50.00
Massachusetts	50.00
Michigan	54.75
Minnesota	53.07
Mississippi	79.80
Missouri	59.96
Montana	70.62
Nebraska	60.37
Nevada	50.00
New Hampshire	50.00
New Jersey	50.00
New Mexico	71.54
New York	50.00
North Carolina	68.01
North Dakota	66.53
Ohio	58.98
Oklahoma	66.06
Oregon	62.44
Pennsylvania	57.42
Rhode Island	55.88
South Carolina	73.08
South Dakota	71.02
Tennessee	70.17
Texas	59.04
Utah	73.86
Vermont	63.92
Virginia	51.20
Washington	53.06
West Virginia	76.14
Wisconsin	59.31
Wyoming	62.61

Comparison of Four Federal Programs Providing Child Care Funding

	<u>Child Care Block Grant</u>	<u>Title IV-A Amendments (At-Risk Child Care)</u>	<u>Title IV-A</u>	<u>Title XX Social Services Block Grant</u>
Federal Administrative Agency	Family Support Administration, Department of Health and Human Services	Family Support Administration, Department of Health and Human Services	Family Support Administration, Department of Health and Human Services	Office of Human Development Services, Department of Health and Human Services
State Lead Agency	Designated by Governor. Statement of Managers says that managers intend, to the maximum extent practicable, the lead agency be a state agency in existence on or before the date of enactment of the bill, with experience in the administration of appropriate child care programs.	State IV-A agency (agency may be able to contract out services).	State IV-A agency (agency may contract out services, but must retain administrative control).	Office of Human Services/Social Services
Total Dollars Available	FY 1991 \$750 million (\$731.9 is appropriated and available September 7, 1991) FY 1992 \$825 million FY 1993 \$925 million FY 1994 Such sums FY 1995 Such sums	FY 1991 \$300 million (available January 1991) FY 1992 \$300 million FY 1993 \$300 million FY 1994 \$300 million FY 1995 \$300 million	Federal matching funds on an entitlement basis for: o Individuals receiving AFDC who need child care in order to work and for Individuals who are in approved education or training programs. o Assistance available for one year after a parent is no longer eligible for AFDC due to increased earnings or a loss of earned income disregard.	Of the total appropriation of \$2.8 billion, approximately \$600 million is used for child care. The amounts spent for child care out of the \$2.8 billion are at state discretion.
Provisions for Carrying Over Funds	Funds may be carried over to the next fiscal year.	Funds can be carried over to the immediately succeeding fiscal year.	Not applicable.	Funds may be carried over to the succeeding fiscal year.

	<u>Child Care Block Grant</u>	<u>Title IV-A Amendments (At-Risk Child Care)</u>	<u>Title IV-A</u>	<u>Title XX Social Services Block Grant</u>
Administrative Costs	No ceiling.	Reimbursed at federal Medicaid matching rate up to state's share of \$300 million.	AFDC administrative costs are reimbursed at 50 percent state match. Some counseling and referral activities may be reimbursed at higher JOBS rate. No ceiling. Administrative funds may be used to pay for counseling re: child care services, resource and referral services, state IV-A staff development training, local market rates, sliding fee scales and payment of reimbursement systems, and coordinating with other child care delivery systems.	Allowable. No cap.
Formula for Distribution	State allocations are determined by a formula that includes the number of children younger than age 5 in the state, the number of children receiving free and reduced-price lunch, and the state per capita income.	The ratio of the number of children under age 13 residing in the state in comparison to the number of children under age 13 in the United States.	Funds are available on an entitlement basis for all eligible families.	Based on population.
Indian Tribes	Secretary shall reserve not more than 3 percent of the money appropriated in each fiscal year to be used for grants and contracts with Indian tribal organizations.	No such provision.	No such provision.	No such provision.

	<u>Child Care Block Grant</u>	<u>Title IV-A Amendments (At-Risk Child Care)</u>	<u>Title IV-A</u>	<u>Title XI Social Services Block Grant</u>
Territories	Secretary shall reserve not to exceed one half of one percent of the amount appropriated in each fiscal year for payments to Guam, Amer. Samoa, Virgin Islands and the trust territory of the Pacific Islands to be allotted in accordance with their respective needs.	Funds are allocated to the territories. Number of children based on 1980 census.	Child care reimbursement is part of jurisdiction's overall JOBS allotment and is matched at 75 percent rate.	The allotment for any fiscal year to each of the jurisdictions of Puerto Rico, Guam, the Virgin Islands and the Northern Mariana Island shall bear the same ratio to the amount as the FY 1981 allotment bore to \$2.9 billion.
State Match Requirement	No match required.	Medicaid matching rate (state share between 20.2 in the poorest state and 50 percent in the wealthiest). Match cannot be in-kind. States apparently can use existing child care funds for the match.	Medicaid matching rate (state share between 20.2 in the poorest state and 50 percent in the wealthiest). Match cannot be in-kind.	No match required.
Maintenance of Effort	Funds to be used only to supplement, not to supplant, the amount of federal, state, and local funds otherwise expended for the support of child care services and related programs in the state.	Funds may not be used to supplant any other federal or state funds for child care services.	General JOBS provision prohibits supplantation of federal funds and requires maintenance of effort at FY 1986 levels.	No provision.
Requirement for a State Plan	The lead agency shall develop a state plan to be submitted to the Secretary that addresses the policies and procedures of the state. The initial plan will cover the first three years of the program while subsequent state plans will be for two-year periods.	No such provision in the law but see Title IV-A.	Regulations require that states prepare a separate plan for supportive services including child care.	Prior to expenditure by a state of payments made to it for any fiscal year, the state shall report on the intended use of the payments including information on the types of activities to be supported and the categories and characteristics of individuals to be served.

	<u>Child Care Block Grant</u>	<u>Title IV-A Amendments (At-Risk Child Care)</u>	<u>Title IV-A</u>	<u>Title XX Social Services Block Grant</u>
Consultation with Local Governments	States must consult with local governments in the drafting of the state child care plan.	No requirement.	No requirement.	No requirement.
Requirement for a Public Hearing	In conjunction with the development of the state plan, the lead agency must hold at least one hearing annually in the state to provide to the public an opportunity to comment on the provision of child care services under the state plan.	No requirement in legislation but see Title IV-A.	Federal regulations required states to prepare an initial supportive services plan and an updated plan every two years. States must publish updated plans for review and approval.	No requirement.
Coordination	Lead agency must coordinate block grant services with other federal, state, and local child care and childhood development programs.	Child care funded under the AFDC program must be coordinated in each state with existing early childhood education programs, including Head Start, Chapter I and school and non-profit child care programs, including those designated for handicapped children.	Child care funded under the AFDC program must be coordinated in each state with existing early childhood education programs, including Head Start, Chapter I and school and non-profit child care programs, including those designated for handicapped children.	No provision.

Child Care Block Grant

Early Childhood and School-Age Set Aside

Of the total funds allocated to a state, 25 percent must be used (1) for early childhood development or before- and after-school programs and (2) for activities to improve the quality of child care. 18.75 percent of total funds (75 percent of the 25 percent set-aside) are reserved to establish or expand and operate through grants and contracts early childhood development and before- and after-school programs. Highest priority shall be given to geographic areas within the state that are eligible to receive grants under the Elementary and Secondary Education Act of 1965 and then to any other areas with concentrations of poverty and any areas with very high or very low population densities.

Title IV-A Amendments (At-Risk Child Care)

No such provision.

Title IV-A

No such provision.

Title XX Social Services Block Grant

No such provision.

Child Care Block Grant

Title IV-A Amendments
(At-Risk Child Care)

Title IV-A

Title XI Social Services Block Grant

Reserve for Improved Quality

Five percent of total funding (20 percent of the 25 percent set-aside) must be spent on quality improvement activities. 1.25 percent of the total bill (5 percent of the set-aside) may be used either for quality improvements or expanded early childhood development and/or before- and after-school activities. Allowable quality improvement activities include:

- o Developing, establishing, expanding, operating or coordinating resource and referral services;
- o Providing grants or loans to help providers meet applicable state and local standards;
- o Monitoring compliance with licensing and regulatory requirements;
- o Providing training and technical assistance in areas appropriate to the provision of child care services such as training in health and safety, nutrition, first aid, the recognition of communicable diseases, child abuse detection and prevention, and the care of children with special needs;
- o Improving compensation of staff (full- and part-time) who provide child care in funded programs.

A \$13 million authorization is increased to \$50 million for FY 1992. Half of funds must be used for training child care providers who are not limited to those receiving Title IV-A funds. A 10 percent match is required to help states improve quality. Funds can be used to improve licensing and registration requirements and procedures. In addition, funds can be used to enforce standards with respect to all of child care provided under Title IV-A.

A \$13 million authorization is increased to \$50 million for FY 1992. Half of funds must be used for training. A 10 percent match is required to help states improve quality. Funds can be used to improve licensing and registration requirements and procedures. In addition, funds can be used to enforce standards with respect to all of child care provided under Title IV-A.

No set-aside.

Child Care Block Grant

Basic Funding for Services

Seventy-five percent of funds must be used to make child care more affordable or to improve quality and availability. Congressional authors expressed their intent that a preponderance of the block grant funds be spent specifically on child care subsidies and a minimum amount on other activities.

Title IV-A Amendments
(At-Risk Child Care)

All funds are targeted for child care services except allowable administrative costs.

Title IV-A

All funds are targeted for child care services except allowable administrative costs.

Title XX Social Services Block Grant

Funds are allocated on a block grant basis. However, no funds may be allocated for uses such as:

- o the purchase or improvement of land, or the purchase, construction or permanent improvement (other than minor remodeling) of any building or other facility;
- o the provision of cash payments for costs of subsistence or for the provision of room and board (other than costs of subsistence during rehabilitation, room and board provided for a short term as an integral, but subordinate part of a social service, or temporary emergency shelter provided as a protective service);
- o the payment of the wages of any individual as a social service (other than payment of the wages of welfare recipients employed in the provision of child day care services);

Child Care Block Grant

Title IV-A Amendments
(At-Risk Child Care)

Title IV-A

Title XX Social Services Block Grant

Basic Funding for Services
(continued)

- c the provision of medical care (other than family planning services, rehabilitation services, or initial detoxification of an alcoholic or drug dependent individual) unless it is an integral, but subordinate part of a social service for which grants may be used under Title XX;
- o social services (except services to an alcoholic or drug dependent individual or rehabilitation service) provided in and by employees of any hospital, skilled nursing facility, intermediate care facility, or prison, to any individual living in such institution;
- o the provision of any educational service which the State makes generally available to its residents without cost and without regard to their income;
- o the provision of cash payments as a service (except as otherwise provided).

**Eligible Children
and Families**

Child Care Block Grant

Under the 75 percent portion of the Block Grant, children who are less than 13 whose family income does not exceed 75 percent of their state median income and who reside with parent(s) who are working or attending a job training or education program. In addition, children are eligible if they are receiving or need to receive protective services. Foster children are eligible for assistance.

**Title IV-A Amendments
(At-Risk Child Care)**

Low-income working families who need child care in order to work and who would be at risk of becoming eligible for AFDC if child care were not provided.

Title IV-A

The state agency must guarantee child care for children less than 13 if it is determined necessary for individuals who are working or who are participating in education and training programs (including, but not limited to, JOBS program activities), provided the state approves the education or training program and determines the individual is satisfactorily participating in the activity.

A family that loses AFDC due to increased hours of, or income from, employment or because of loss of the earnings disregard is eligible for the child care transition, provided the family has received AFDC in at least three of the six months immediately preceding the month it became ineligible for AFDC, and has a dependent child (or a child who would be considered dependent if the child were needy). A family is eligible for transitional child care for twelve months after the last month for which the family was eligible for AFDC.

Title XX Social Services Block Grant

Determined by state. No federal limit.

Child Care Block Grant

Title IV-A Amendments
(At-Risk Child Care)

Title IV-A

Title XX Social Services Block Grant

Eligible Children
and Families (continued)

A family will become ineligible for transitional child care if it terminates its employment without good cause or fails to cooperate with the state in establishing and enforcing child support obligations.

Payment Mechanisms

States must offer parents the choice of a certificate or a contract for the 75% of the money that is not set aside for early childhood and before- and after-school programs and quality improvements.

State agency may:

- o provide care directly;
- o arrange care through providers by purchase of service contracts or vouchers;
- o provide cash or vouchers in advance to the family;
- o reimburse a family; or
- o adopt other arrangements the agency deems appropriate.

State agency may:

- o provide care directly;
- o provide cash or vouchers in advance to the family;
- o pay providers through purchase of service contracts or vouchers;
- o reimburse a family; or
- o adopt other arrangements the agency deems appropriate;
- o use the child care disregard for working parents.

State option.

**Reimbursement Rates to
Child Care Providers**

Child Care Block Grant

Payment rates must be sufficient to ensure equal access for eligible children to comparable child care services in the state or substate area that are provided to children whose parents are not eligible to receive assistance under the Block Grant or under other federal or state programs. Payment rates shall take into account the variations in the costs of providing child care in different settings and to children of different age groups and the care for children with special needs. The act states that this provision does not create a private right of action to enforce this requirement.

**Title IV-A Amendments
(At-risk Child Care)**

The state agency must reimburse an individual for actual child care expenses up to a maximum set by the state. If regulations follow FSA precedent, in order to be eligible for federal reimbursement, that maximum cannot be less than \$175 per child per month for children age two and over or \$200 per child per month for children under age two, unless a local market rate survey supports a lower maximum. States can pay more than the \$175/\$200 limits if they do a local market rate survey that supports a higher rate. However, federal regulations for FSA only permit reimbursements by the federal government up to the 75th percentile of the local market rate. States must also set a statewide limit on child care (which can be the highest local market rate).

Title IV-A

The state agency must reimburse an individual for actual child care expenses up to a maximum set by the state. In order to be eligible for federal reimbursement, that maximum cannot be less than \$175 per child per month for children age two and over or \$200 per child per month for children under age two, unless a local market rate survey supports a lower maximum. States can pay more than the \$175/\$200 limits if they do a local market rate survey that supports a higher rate. However, federal regulations only permit reimbursements by the federal government up to the 75th percentile of the local market rate. States must also set a statewide limit on child care (which can be the highest local market rate).

Families that use the child care disregard can claim their actual child care expenses up to \$175 per child per month for children age two and over and \$200 for children under age two.

Title XX Social Services Block Grant

States determine.

Child Care Block Grant

**Title IV-B Amendments
(At-Risk Child Care)**

Title IV-A

Title XX Social Services Block Grant

**Required Standards for Child Care
Services**

Providers receiving assistance under the Act must comply with applicable state and local licensing or regulatory (including registration) requirements.

Providers not required to be licensed or regulated under state or local law are required to be registered with the state before receiving assistance under the Act.

- o Registration procedures must enable states to give providers information about available health and safety training, technical assistance and state regulatory requirements.
- o Providers must be able to register after being selected by parents of eligible children.
- o Providers (who are 18 and over) who care for grandchildren, nieces, or nephews must be registered and comply with any state requirements for relative care.

Child care programs must meet applicable state and local laws. Unless a provider is a relative who provides care solely to relatives, the provider must be licensed, regulated, or registered.

All child care, to be eligible for federal reimbursement, must meet applicable standards of state and local law. In addition, the state must establish procedures to ensure that all center-based care that is exempt from those standards at least be subject to state and local requirements for basic health and safety protections, including fire safety. The state must also endeavor to develop basic health and safety requirements that would apply to all family day care, including that which is exempt from existing standards.

Applicable state and local standards.

Child Care Block Grant

Title IV-A Amendments
(At-Risk Child Care)

Title IV-A

Title XX Social Services Block Grant

**Required Standards for
Child Care Services (continued)**

- o All providers (other than relatives cited above) receiving funds under the Act must meet a set of specific health and safety requirements imposed by the state. Standards must address prevention and control of infectious disease, including immunizations; building and physical premises safety requirements; and health and safety training for providers.

- o States are free to impose more stringent requirements on child care providers receiving assistance under the Block Grant.

	<u>Child Care Block Grant</u>	<u>Title IV-A Amendments (At-Risk Child Care)</u>	<u>Title IV-A</u>	<u>Title XX Social Services Block Grant</u>
Reduction of Standards	If states reduce their standards, they must explain the rationale for the reduction in their annual report to the Secretary.	No such provision.	No such provision.	No such provision
Licensing Study	States must conduct a one-time review of state licensing and regulatory requirements and policies unless a review has been conducted within the previous three years.	No such provision.	No such provision.	No such provision.
Sliding Fee Scale	States must establish by state rule and periodically revise a sliding fee scale based on income and family size, with priority given for services provided to children of families with very low incomes and to children with special needs. The sliding fee scale must provide for cost-sharing by parents. However, the Statement of Managers is clear that nothing in the Act is intended to prohibit the provision of services at no cost to families whose income is at or below the poverty level.	States must establish sliding fee scales based on a family's ability to pay.	For transitional child care, states must establish sliding fee scales based on a family's ability to pay. Federal regulations take the position that even the poorest families must make some payment.	No such provisions.

	<u>Child Care Block Grant</u>	<u>Title IV-A Amendments (At-Risk Child Care)</u>	<u>Title IV-A</u>	<u>Title XX Social Services Block Grant</u>
Consumer Education and Parental Rights	Parents must have unlimited access to their children during normal hours of operation in care in programs receiving funding under the Act. A consumer education program must be established, providing parents and the public with information regarding licensing and regulatory requirements and complaint procedures. The state must maintain a list of substantiated parental complaints and make it available upon request.	Providers must allow parental access.	Providers must allow parental access. States must inform JOBS participants that assistance is available to help them select appropriate child care and, on request, provide that assistance. States may offer similar counseling for non-JOBS AFDC recipients and for parents receiving transitional child care.	No such provisions.
Construction of Facilities	No funds shall be expended for the purchase or improvement of land, or for the purchase, construction or permanent, improvement (other than minor remodeling) of any building or facility. In the case of a sectarian agency or organization, no funds made available may be used for construction except to the extent that renovation or repair is needed to bring the facility into compliance with health and safety standards.	Funds cannot be used for construction.	Funds cannot be used for construction.	Funds may not be used for the purchase or improvement of land or the purchase, construction or permanent improvement (other than minor remodeling) of any building or other facility.

Child Care Block Grant

**Title IV-A Amendments
(At-Risk Child Care)**

Title IV-A

Title XX Social Services Block Grant

Reporting Requirements

States must make annual reports to the Secretary of Health and Human Services who must report to Congress annually. The reports must include available data on the manner in which child care needs of the families in the state are being fulfilled, including information concerning--

- o The number of children being assisted with funds under the block grant, and under other federal child care and preschool programs;
- o The type and number of child care programs, child care providers, caregivers, and support personnel in the state;
- o Salaries and other compensation paid to full- and part-time staff who provide child care services; and
- o Activities in the state to encourage public-private partnerships that promote business involvement in meeting child care needs.

States must submit annual reports to the Secretary of Health and Human Services which include the following information concerning children served by the Grants to States for Child Care:

- o Showing separately for center-based child care services, group home child care services, family day care providers, and relative care providers, the number of children who received services and the average cost of services.
- o The criteria used to determine eligibility for assistance or priority for receiving services, and sliding fee schedules.
- o The child care licensing, regulatory, and registration requirements in effect in the State for child care centers, family day care homes, group child care homes, and relatives who provide child care.
- o The enforcement policies and practices in the state which apply to licensed, regulated, and registered child care providers.

Each State IV-A agency is required to provide such child care information and data as are determined to be necessary by the Secretary to ensure the effective implementation of the child care provisions of the JOBS program.

The uniform reporting requirements include, at a minimum:

- o The average monthly number of families served and the types of such families;
- o The amount expended with respect to families assisted;
- o The types of paid child care arrangements; and
- o The length of time for which such families are assisted.

Information and data for families is to be separately stated with respect to families who have earnings and those who do not and with respect to families who are receiving aid under Title IV-A and those who are not.

States must make annual reports to the Secretary of Health and Human Services which include, for the fiscal year covered:

- o The number of individuals who received services paid for by Title XX showing separately the number of children and the number of adults who received such services and the types of services and circumstances involved.
- o The amount spent on providing each type of service, including the amount spent per child and per adult recipient.
- o The criteria applied in determining eligibility for services.
- o The methods by which services were provided showing separately the services provided by private and public agencies.

Child Care Block Grant

**Title IV-A Mandates
(At-Risk Child Care)**

Title IV-A

Title XI Social Services Block Grant

**Reporting Requirements
(continued)**

The report must also describe the extent to which affordability and availability of child care services has increased. If applicable, the report must present the findings of the review of State licensing and regulatory policies and include a description of actions taken by the state in response to the review, an explanation of any state action to reduce the level of child care standards, and a description of the standards and health and safety requirements applicable to child care providers in the state, including a description of state efforts to improve the quality of child care. The first report is due by December 31, 1992.

The first report is due for FY 1993. By November 5, 1991, the Secretary must establish uniform reporting requirements for use by the state in preparing the information required in the annual reports, and make such other provisions as may be necessary or appropriate to ensure that compliance with the reporting requirements is not unduly burdensome on the states.

Report by Secretary

Not later than July 31, 1993 and annually thereafter, the Secretary shall prepare and submit to Congress a report that contains a summary and analysis of the data and information provided to the Secretary in the states' reports. Such report shall include an assessment and where appropriate, recommendations for Congress concerning efforts that should be undertaken to improve the access of the public to quality and affordable child care in the U.S.

The Secretary shall annually compile and submit to Congress the State reports transmitted to the Secretary.

By October 1, 1992, the Secretary shall report to Congress on the nature and content of state and local standards for health and safety.

No requirement.

The Secretary must also conduct a study to determine whether families who exhaust their transitional child care are recycling onto AFDC in order to requalify for child care.

	<u>Child Care Block Grant</u>	<u>Title IV-A Amendments (At-Risk Child Care)</u>	<u>Title IV-A</u>	<u>Title XX Social Services Block Grant</u>
Limitations on Tuition	<p>No financial assistance for services provided to students enrolled in grades one through twelve may be expended for:</p> <ul style="list-style-type: none"> o Any services provided to students during the regular school day; o Any services for which students received academic credit toward graduation; o Any instructional services which supplant or duplicate the academic program of any public or private school. 	No language.	No language.	No language.
Provisions Related to Sectarian Child Care and Religious Discrimination	<p>Nothing in the block grant shall be construed to modify or affect the provisions of any other federal law or regulation that relates to discrimination in employment except that a sectarian organization may require that employees adhere to the religious tenets and teachings of the organization and may require that employees adhere to rules forbidding the use of drugs or alcohol.</p>	No language.	No language.	No language.

**Provisions Related to
Sectarian Child Care and
Religious Discrimination
(continued)**

Child Care Block Grant

Parents using grants or contracts either for early childhood development and before- and after-school services or for child care provided under the 25 percent set aside may not use funds for child care which includes any sectarian purpose or activity including sectarian worship or instruction. However, under the 75 percent of funds, parents using certificates may choose child care that includes a religious education component.

In general, a child care provider (other than a family day care provider) that receives assistance under the Block Grant cannot discriminate against any child on the basis of religion in providing child care services.

All providers receiving funds under the Act cannot discriminate in employment on the basis of the religion of the prospective employee if the employee's primary responsibility is or will be working directly with children in the provision of child care services.

**Title IV-A Amendments
(At-Risk Child Care)**

Title IV-A

Title XX Social Services Block Grant

Child Care Block Grant

Title IV-A Amendments
(At-Risk Child Care)

Title IV-A

Title XX Social Services Block Grant

**Provisions Related To
Sectarian Child Care and
Religious Discrimination
(continued)**

If assistance under the Block Grant and any other federal or state program amounts to 80 percent or more of the operating budget of a child care provider receiving such assistance, the provider cannot receive Block Grant funds unless the grant or contract relating to the financial assistance, or the employment and admissions policies of the provider specifically provides that no person with responsibilities in the operation of the child care program, project or activity of the provider will discriminate against an employee if the employee's primary responsibility is or will be working directly with children in the provision of child care or admissions because of the religion of the individual.

A child care provider who does not fall under the 80 percent limit may:

Provisions Related to
Sectarian Child Care and
Religious Discrimination
(continued)

Child Care Block Grant

Title IV-A Amendments
(At-Risk Child Care)

Title IV-A

Title XX Social Services Block Grant

- o Select children for child care slots that are not funded directly with assistance provided under the Block Grant based on the participation of such children or their family members on a regular basis in other activities of the organization that owns or operates such provider.
- o If two or more prospective employees are qualified for any position with a child care provider receiving Block Grant funds, nothing prohibits the child care provider from employing a prospective employee who is already participating on a regular basis in other activities of the organization that owns or operates the provider.

The Act provides that it may not be construed to supersede or modify any provisions of a state constitution or state law prohibiting expenditure of public funds in or by sectarian institutions but that no provision of a state constitution or state law may be construed to prohibit a sectarian institution from expending the federal funds provided under the Act.