

Report for Congress

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Child Care Issues in the 108th Congress

Updated April 10, 2003

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Summary

The 108th Congress inherited several child care-related agenda items from the previous Congress: possible reauthorization of both the Child Care and Development Block Grant (CCDBG) and the welfare block grant (Temporary Assistance for Needy Families (TANF), and FY2003 appropriations for many programs, including child care-related programs under the Departments of Health and Human Services (HHS) and Education. In addition to the variety of federal programs administered by HHS and the Department of Education that support child care or related services, there are tax provisions to assist families with the cost of child care.

The task of passing an FY2003 appropriations measure was completed in the form of the Consolidated Appropriations Resolution 2003, signed into law (P.L. 108-7) on February 20, 2003. Among other funding, the law includes \$2.1 billion (subject to a rescission of \$13.6 million) in discretionary funds for the CCDBG and \$6.668 billion for Head Start. Moreover, the law extends mandatory child care funding and TANF block grant funding (both of which expired at the end of FY2002) for a third quarter of FY2003 (at the same rate of funding as in FY2002), while each program anticipates reauthorization by this Congress.

Two weeks prior to the signing of the FY2003 appropriations law, the Administration released the President's budget request for FY2004. The Administration proposes to maintain level funding for the CCDBG, TANF, and the Social Services Block Grant (SSBG), while providing increases for Head Start, Early Reading First, and Individuals with Disabilities Education Act (IDEA) grants for infants and families. The budget requests cuts in funding for the 21st Century Community Learning Centers and Even Start.

In addition to the requested funding levels, the budget includes proposals to transfer the Head Start program from HHS to the Department of Education, and to offer states the opportunity to administer the Head Start program. These proposals would require congressional approval, and are expected to be addressed during consideration of Head Start reauthorization, which is anticipated this year.

Other changes to the Head Start program, including a Strategic Teacher Education Program (STEP) and a national reporting system for assessing programs' effectiveness in producing positive outcomes for children with respect to school readiness, are currently underway, in keeping with the Administration's Good Start, Grow Smart Early Childhood Initiative, initially announced in April of 2002.

This report will be updated to reflect legislative activity.

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Child Care Issues in the 108th Congress

Recent Developments

On April 2, 2003, the Senate Health, Education, Labor, and Pensions (HELP) Committee approved the “**Caring for Children Act of 2003**,” which would amend and reauthorize the Child Care and Development Block Grant (CCDBG). Among other things, the bill (number not yet available) authorizes annual discretionary funding at \$2.3 billion for FY2004, rising by \$200 million increments to \$3.1 billion for FY2008. In addition, it increases the percentage of funds that must be used for quality activities (newly specified in the proposal) from 4% to 6%, and instructs states to use not less than 70% of funds remaining after quality and administrative set-asides for direct services (as defined by states). (For more details about other provisions included in the HELP committee’s Caring for Children Act of 2003, see *Legislative Activity in the 108th Congress*, infra.).

The Consolidated Appropriations Resolution 2003 (H.J.Res. 2/ H.Rept. 108-10) was signed into law (P.L. 108-7) by President Bush on February 20, 2003. Up until that point, funding for programs included in 11 of the 13 appropriations bills for FY2003 had yet to pass, and had continued on a temporary basis through a series of continuing resolutions (the ninth – and final – being H.J.Res. 18/P.L. 108-5). The law includes an across-the-board rescission for many of the discretionary programs discussed in this report. For a discussion of the funding levels provided for child care and related programs in the FY2003 law, and the amounts of the rescissions, see *FY2003 Appropriations*, infra.

Federal Child Care-Related Programs and Tax Provisions

Several federal programs support child care or related services, primarily for low-income working families. In addition, the tax code includes provisions specifically targeted to assist families with child care expenses. Descriptions of those programs and tax provisions follow, as does **Table 1**, which shows funding (or estimated revenue loss or obligations where applicable) for the programs and tax provisions for the past 5 years. In many cases, other Congressional Research Service (CRS) reports are referenced as sources for more detailed information about individual programs. Several programs are up for reauthorization this year (i.e., CCDBG, TANF, Head Start, and IDEA), and readers should be aware that this report does not attempt to cover all issues connected with each of those reauthorizations.

Child Care and Development Block Grant (CCDBG).¹ The primary federal grant program funding child care is the CCDBG, which was created in 1990, and reauthorized and substantially expanded in 1996, as part of welfare reform. The CCDBG was up for reauthorization during the second session of the 107th Congress. However, reauthorization legislation did not pass last year, and remains on the agenda for the 108th Congress. The CCDBG is administered by HHS, and provides formula block grants to states, which use the grants to subsidize the child care expenses of families with children under age 13, if the parents are working or in school and family income is less than 85% of the state median. (In practice, many states establish income eligibility levels that are lower than this federal threshold.²) Child care services are provided on a sliding fee scale basis, and parents may choose to receive assistance through vouchers or certificates, which can be used with a provider of the parents' choice, including sectarian providers and relatives.

States receiving CCDBG funds must establish child care licensing standards, although federal law does not dictate what these standards should be or what types of providers must be covered. In addition, states must have health and safety requirements applicable to all providers receiving CCDBG subsidies that address prevention and control of infectious diseases, building and physical premises safety, and health and safety training for care givers. However, federal law does not dictate the specific contents of these requirements.

The CCDBG is funded through both discretionary and capped entitlement grants (referred to in combination as the Child Care and Development Fund, or CCDF), and state maintenance-of-effort (MOE) and matching requirements apply to part of the entitlement funds.³ States must use at least 4% of their total funds to improve the quality and availability of child care, and according to statute, must target 70% of entitlement funds on welfare recipients working toward self-sufficiency or families at risk of welfare dependency. However, because all families falling below the 85% of state median income requirement can be categorized as "at risk," the 70% targeting of the welfare and at-risk population does not necessarily mean welfare families must be served. In theory, all funds may be used for low-income, non-welfare, working families. However, state plans indicate that many states guarantee child care to welfare families. No more than 5% of state allotments may be used for state administrative costs.

For FY2003, the consolidated appropriations act (P.L. 108-7) provides \$2.1 billion (minus a rescission of \$13.65 million) in discretionary funding for the Child Care and Development Block Grant. Mandatory (or "entitlement") CCDBG funding

¹ For more information, see CRS Report RL30785, *The Child Care and Development Block Grant: Background and Funding*, by Alice Butler and Melinda Gish.

² For more information on states' Child Care and Development Fund (CCDF) plans, see CRS Report RL31605, *Child Care: State Programs Under the Child Care and Development Fund*, by Melinda Gish and Shannon Harper.

³ For more detailed information on the CCDF financing structure and spending trends, see CRS Report RL31274, *Child Care: Funding and Spending Under Federal Block Grants*, by Melinda Gish.

for FY2003 is temporarily provided (through June 30, 2003 – P.L. 108-7) at the FY2002 rate (\$2.717 billion for the year).

Temporary Assistance for Needy Families (TANF). TANF, created in the 1996 welfare reform law (P.L. 104-193), provides fixed block grants (\$16.5 billion annually through FY2002, and extended through June 30, 2003, by P.L. 108-7) for state-designed programs of time-limited and work-conditioned aid to needy families with children. Child care is one of many services for which states may use TANF funding. In FY2002, HHS reports that states spent \$1.6 billion in federal TANF funds for child care within the TANF program, and \$1.9 billion in state TANF and separate state program (SSP) MOE funds. In addition, states may transfer up to 30% of their TANF allotments to the CCDBG (CCDF), to be spent according to the rules of that program (as opposed to TANF rules). The FY2002 transfer from the FY2002 TANF allotment to the CCDBG totaled \$2.1 billion (representing 12% of the FY2002 TANF allotment).⁴

Child and Adult Care Food Program (CACFP). The CACFP provides federal funds (in some cases commodities) for meals and snacks served in licensed child care centers, family and group day care homes, and Head Start centers. Child care providers that are exempt from state licensing requirements must comply with alternative state or federal standards. Children under 12, migrant children under 15, and children with disabilities of any age may participate, although most are preschoolers. Eligible providers are usually public and private nonprofit organizations. The CACFP is an open-ended entitlement, administered by the Department of Agriculture. For FY2003, obligations are estimated to be \$1.9 billion.⁵

Social Services Block Grant (SSBG). Title XX of the Social Security Act authorizes Social Services Block Grants, which may be used for social services at the states' discretion. There are no federal income eligibility requirements, targeting provisions, service mandates, or matching requirements. An HHS analysis of state expenditures in FY2000 indicates that 6% of total SSBG expenditures made in FY2000 (\$165 million) were for child care in that year (compared to 13% (or \$395 million) in FY1999, and just under 10% – \$279 million – in FY1998). Title XX is a capped entitlement, and state allocations are based on relative population size. It should be noted that although the SSBG has an entitlement ceiling, appropriations may not always abide by it. For example, the ceiling in FY2001 was at the current level of \$1.7 billion; however, Congress appropriated \$1.725 billion for that year, despite the ceiling. The Consolidated Appropriations Resolution, 2003 (P.L. 108-7) provides \$1.7 billion for the SSBG.⁶

⁴ For more information on use of TANF funding for child care, see CRS Report RL31274, *Child Care: Funding and Spending Under Federal Block Grants*, by Melinda Gish.

⁵ See CRS Report RL31577, *Child Nutrition and WIC Programs: Background and Funding*, by Joe Richardson.

⁶ See CRS Report 94-953, *Social Services Block Grant (Title XX of the Social Security Act)*, by Melinda Gish.

Head Start. Head Start provides comprehensive early childhood education and development services to low-income preschool children, typically (but not always) on a part-time basis. The Head Start program is due to be considered for reauthorization this year. Under current law, Head Start funds are provided directly by HHS to local grantees, which must comply with detailed federal performance standards. However, the Administration's FY2004 budget proposes to give *states* the opportunity to administer Head Start, provided they demonstrate how Head Start will be coordinated with other preschool programs and services to emphasize developing skills and behaviors including language development; pre-reading skills; numeracy; and social and emotional competence, while meeting state-established accountability standards. The President's proposal also discusses the Administration's plan to fully transfer authority over the Head Start program from HHS to the Department of Education by FY2005. The most recent available data show funded enrollment for Head Start in FY2002 to have totaled 912,345 children (of whom almost 64,000 were under age 3, participating in Early Head Start). The Consolidated Appropriations Resolution, 2003 (P.L. 108-7) provides \$6.668 billion for Head Start, of which \$1.4 billion becomes available in FY2004.⁷ (Note: unlike other HHS discretionary programs, the Head Start funding is *not* subject to the offset.)

21st Century Community Learning Centers (21st CCLC). The 21st Century Community Learning Centers program is administered by the Department of Education and is authorized under the Elementary and Secondary Education Act (ESEA), as amended in 2002 by the No Child Left Behind Act (P.L. 107-110).⁸ Funding for the 21st CCLC program is provided to states under a formula grant, based on states' shares of Title I, Part A funds. States then use their allocations to make competitive awards to local educational agencies, community-based organizations, or consortia of public or private agencies who primarily serve students who attend schools with concentrations of poor students or low-performing schools. The focus of the program is to provide after-school academic enrichment opportunities for children in these communities. The appropriation provided by the FY2003 Consolidated Appropriations Resolution (P.L. 108-7) is \$1 billion (minus a rescission of \$6.5 million).

Even Start. The Department of Education administers the Even Start program, which provides grants for family literacy projects that include early childhood education.⁹ Appropriations for FY2003 are \$250 million (minus a rescission of \$1.625 million).

Individuals with Disabilities Education Act (IDEA) Programs. The Individuals with Disabilities Education Act (IDEA) authorizes an early intervention program for infants and toddlers with disabilities and their families, and preschool

⁷ For more information, see CRS Report RL30952, *Head Start Issues in the 108th Congress*, by Alice Butler and Melinda Gish.

⁸ For more information, see CRS Report RL31240, *21st Century Community Learning Centers in P.L. 107-110: Background and Funding*, by Gail McCallion.

⁹ For more information, see CRS Report RL30448, *Even Start Family Literacy Programs: Background and Reauthorization Issues*, by Gail McCallion.

grants for children with disabilities.¹⁰ Congress is considering reauthorizing IDEA this year. FY2003 appropriations for the IDEA infants and toddlers program are \$437 million (minus a rescission of \$2.841 million), and the funding level for the preschool grants program is \$390 million (minus a rescission of \$2.535 million).

Early Learning Fund/Early Learning Opportunities Act Program.

This HHS program (referred to by both names), authorized by the FY2001 Consolidated Appropriations Act (P.L. 106-554), provides grants to communities to enhance school readiness for children under 5; specifically by funding efforts to improve the cognitive, physical, social, and emotional development of these children. Although authorized at \$600 million, FY2002 funding for the program was set at \$25 million, and the President's FY2003 budget proposed to eliminate the program. However, P.L. 108-7 included \$38 million (minus a rescission of \$0.221 million) for the Early Learning Fund.

Early Reading First. The Early Reading First program, authorized by the Elementary and Secondary Education Act of 1965 (as amended), supports local efforts to enhance the school readiness of young children – particularly those from low-income families – through scientific research-based strategies and professional development that are designed to enhance the verbal skills, phonological awareness, letter knowledge, and pre-reading skills of preschool age children.¹¹ The program provides competitive grants to eligible local educational agencies (LEAs) and to public or private organizations or agencies that are located in eligible LEAs. The Department of Education may award grants for up to 6 years. In FY2003, this program received an appropriation of \$75 million (minus a rescission of \$0.488 million).

Early Childhood Educator Professional Development. The Department of Education provides competitive grants to partnerships to improve the knowledge and skills of early childhood educators who work in communities that have high concentrations of children living in poverty. In FY2003, \$15 million (minus a rescission of \$0.098 million) were appropriated for these grants.

Loan Forgiveness for Child Care Providers. Authorized under the Higher Education Act amendments of 1998, the loan forgiveness for child care providers program aims to retain and encourage more highly trained individuals to enter into the early child care profession. "Early child care" covers activities and services provided for the education and care of children from birth through age 5. Under this program, borrowers who have earned a degree in early childhood education, and work for 2 full years as a child care provider in a low-income community, may have a portion of their federal program loan obligations forgiven. FY2001 marked the first year that this program was funded, at \$1 million – the same amount appropriated for FY2003 (minus a rescission of \$6,000).

¹⁰ For more information, see CRS Report RL31273, *Individuals with Disabilities Education Act (IDEA): Early Childhood Programs (Section 619 and Part C)*, by Richard Apling.

¹¹ For more information, see CRS Report RL31241, *Reading First and Early Reading First: Background and Funding*, by Gail McCallion.

Child Care Access Means Parents in School (CAMPIS). Authorized under the Higher Education Act amendments of 1998, and first funded for FY1999 at \$5 million, the CAMPIS program is designed to support the participation of low-income parents in post-secondary education through campus-based child care services. Discretionary grants of up to 4 years in duration are awarded competitively to institutions of higher education, to either supplement existing child care services, or to start a new program. Funding for FY2003, as included in the Consolidated Appropriations Resolution, is \$16 million (minus a rescission of \$0.106 million).

Dependent Care Tax Credit (DCTC). The DCTC is a non-refundable tax credit for employment-related expenses incurred for the care of a dependent child under 13 or a disabled dependent or spouse, under Section 21 of the tax code.¹² Beginning in tax year 2003, the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) increases the maximum credit rate to 35% of expenses up to \$3,000 for one child (for a credit of \$1,050), and up to \$6,000 for two or more children (for a credit of \$2,100). The 35% rate will apply to taxpayers with adjusted gross incomes of \$15,000 or less. The rate will decrease by 1% for each additional \$2,000 increment (or portion thereof) in income until the rate reaches 20% for taxpayers with incomes over \$43,000. The current estimated revenue loss for FY2003 is \$3.2 billion, as determined by the Joint Committee on Taxation (JCT).

Dependent Care Assistance Program (DCAP). Under Section 129 of the tax code, payments made by a taxpayer's employer for dependent care assistance may be excluded from the employee's income and, therefore, not be subject to federal income tax or employment taxes.¹³ The maximum exclusion is \$5,000. Section 125 of the tax code allows employers to include dependent care assistance, along with other fringe benefits, in nontaxable flexible benefit or "cafeteria" plans. The estimated revenue loss associated with this income exclusion was \$800 million in FY2003.

¹² For more information, see CRS Report RS21466, *Dependent Care: Current Tax Benefits and Legislative Issues*, by Christine Scott.

¹³ *ibid.*

Table 1. Funding for Federal Child Care and Related Programs, FY1999-FY2003

(\$ in millions)

| Program | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|--------------------|--------------------|--------------------|--------------------|----------------------|
| CCDBG (discretionary portion) ^a | \$1,000 | \$1,183 | \$2,000 | \$2,100 | \$2,086 ^b |
| CCDBG (entitlement portion) | 2,167 | 2,367 | 2,567 | 2,717 | 2,717 |
| TANF ^b | ^b | ^b | ^b | ^b | ^b |
| Child and Adult Care Food | 1,599 ^c | 1,690 ^c | 1,742 ^c | 1,831 ^c | 1,925 ^c |
| Social Services Block Grants ^d | 1,909 ^d | 1,775 ^d | 1,725 ^d | 1,700 ^d | 1,700 ^d |
| Head Start | 4,658 | 5,267 ^e | 6,200 ^e | 6,538 ^e | 6,668 ^f |
| 21 st Century Community Learning Centers | 200 | 454 | 846 | 1,000 | 994 ^h |
| Even Start | 135 | 150 | 250 | 250 | 248 ^h |
| IDEA Infants and Families | 370 | 375 | 384 | 417 | 434 ^h |
| IDEA Preschool Grants | 374 | 390 | 390 | 390 | 387 ^h |
| Early Learning Fund / ELOA | - | - | 20 | 25 | 34 ^h |
| Early Reading First | n/a | n/a | n/a | 75 | 75 ^h |
| Early Childhood Educator Prof. Develop. | - | - | 10 | 15 | 15 ^h |
| Loan forgiveness for child care providers | - | - | 1 | 1 | 1 ^h |
| Child care Access Means Parents in School | 5 | 5 | 25 | 22 ⁱ | 16 ^h |
| Dependent Care Tax Credit | 2,455 ^g | 2,200 ^g | 2,500 ^g | 2,500 ^g | 3,200 ^j |
| Dependent Care Assistance Program | 400 ^g | 400 ^g | 500 ^g | 600 ^g | 800 ^g |

Source: Table prepared by the Congressional Research Service (CRS).

^a The CCDBG discretionary amounts shown in each column reflect the appropriated funding to be made available for that given year, taking the advance funding into account.

^b TANF funds (\$16.5 billion annually) may be used for child care, but are not specifically appropriated as such. HHS reports that states spent \$1.6 billion in federal TANF funds for child care within the TANF program in FY2002. Also, the FY2002 transfer from the FY2002 TANF allotment to the CCDBG totaled \$2.1 billion (representing 12% of the TANF allotment).

^c Estimated obligations, Department of Agriculture.

^d Total SSBG appropriation amount shown. In FY2000 (most recent data available), \$165 million in SSBG expenditures were for child care.

^e In each of these years, \$1.4 billion is advance appropriated for the following year.

^f Of the \$6.668 billion, \$5.268 billion is available for FY2003, and \$1.4 billion becomes available in FY2004. The \$6.668 billion is exempt from rescissions (or "offsets") included in P.L. 108-7.

^g Estimated revenue loss, Joint Committee on Taxation.

^h Amount reflects rescission included in P.L. 108-7. See text for precise amount of rescission.

ⁱ This amount excludes \$3 million in unobligated funds transferred to the Program Administration account to help offset a \$3.7 million rescission in administrative and related expenses pursuant to section 803 of the FY2002 Supplemental Appropriations Act.

^j Estimated revenue loss, Joint Committee on Taxation. Note: The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) raised the limit on expenses allowed for the credit, beginning in tax year 2003.

n/a not applicable, program not authorized prior to FY2002.

FY2003 Appropriations

For FY2003, Congress did not pass an individual bill making appropriations for the Departments of Labor, HHS, and Education. Instead, with 11 of 13 appropriations bills yet to be completed at the close of the 2002 fiscal year (September 30, 2002), followed by the end of the calendar year and Congressional session, the new 108th Congress undertook the task of passing an omnibus appropriations bill. They ultimately passed a consolidated resolution (H.J.Res. 2/H.Rept.108-10), and it was signed into law (P.L. 108-7) by the President on February 20, 2003. Funding for the Departments of Labor, HHS, and Education is included in Division G of the law, and those levels are reflected in the FY2003 column of **Table 1**.

Readers should be aware that the Consolidated Appropriations Resolution, 2003 (P.L. 108-7), includes provisions (Division N, Title VI) to cut a percentage (0.65%) of discretionary funding provided in specified Divisions (A-K), as an offset to increased spending in the law. The FY2003 amounts shown in **Table 1** reflect the “across-the-board” cut, however, in some cases the rescinded portion is small enough to not affect the rounded total. See program descriptions in the earlier text for the precise amount of each rescission. Of the programs addressed in this report, only Head Start receives discretionary funding from this act that is specifically exempted from the percentage reduction.¹⁴

In the period between the beginning of FY2003 and enactment of P.L. 108-7, funding for programs lacking FY2003 appropriations measures was extended on a temporary basis via a series of continuing resolutions (CRs). A total of nine CRs were signed into law (the final being H.J.Res. 18/P.L. 108-5) before the Consolidated Appropriations Resolution, 2003 (H.J.Res. 2) was enacted (P.L. 108-7).

Table 2, on the following page, shows the FY2003 appropriation levels for select child care and related programs for comparison with the FY2002 appropriations, and the President’s requested funding levels for FY2003 and FY2004.

¹⁴ The provision to exempt Head Start from any across-the-board rescission was proposed by Senator Dodd as an amendment to H.J.Res. 2, and was accepted by the Senate.

Table 2. Comparison of Recent Appropriations and President's Funding Requests for Select Child Care and Related Programs
(\$ in millions)

| Program | FY2002 appropriation(P.L. 107-116) | FY2003 President's request | FY2003 appropriation (P.L. 108-7) | FY2004 President's request |
|--|------------------------------------|----------------------------|-----------------------------------|----------------------------|
| CCDBG discretionary | \$ 2,100 | \$ 2,100 | \$ 2,086 | \$ 2,100 |
| CCDBG mandatory | 2,717 | 2,717 | 2,717 | 2,717 |
| SSBG | 1,700 | 1,700 | 1,700 | 1,700 |
| Head Start | 6,538 | 6,668 | 6,668 | 6,816 |
| 21st CCLC | 1,000 | 1,000 | 994 | 600 |
| Even Start | 250 | 200 | 248 | 175 |
| IDEA infants | 417 | 437 | 434 | 447 |
| IDEA Preschool | 390 | 390 | 387 | 390 |
| Early Learning Fund | 25 | 0 | 34 | 0 |
| Early Childhood Educator Professional Development | 15 | 15 | 15 | 15 |
| Early Reading First | 75 | 75 | 75 | 100 |
| Child Care Access Means Parents in School (CAMPIS) | 22 ^a | 15 | 16 | 15 |
| Loan Forgiveness for child care providers | 1 | 1 | 1 | 0 |

Source: Table prepared by the Congressional Research Service (CRS).

Note: The amounts listed in the FY2003 Appropriations column reflect the amounts included in P.L. 108-7, *with* adjustment for the law's offset provisions. See text for precise amounts of rescissions.

^a This amount excludes \$3 million in unobligated funds transferred to the Program Administration account to help offset a \$3.7 million rescission in administrative and related expenses pursuant to Section 803 of the FY2002 Supplemental Appropriations Act.

President Bush's FY2004 Budget Proposals

President Bush released his Administration's proposed budget for FY2004 on February 3, 2003. The following is a summary of child care-related funding and initiatives proposed in the budget documents. The last column of **Table 2** shows the proposed funding levels as included in the President's budget.

CCDBG. The Administration's FY2004 budget includes a request for the same *rounded* levels of CCDBG discretionary and mandatory ("entitlement") funding as were appropriated for FY2003¹⁵ (and FY2002): \$2.1 billion in discretionary funding, and \$2.717 billion in mandatory funding. Likewise, the budget request proposes that

¹⁵ P.L. 108-7 provides FY2003 funding for the mandatory portion of the CCDBG through June 30, 2003 at the same rate of funding provided in FY2002 (\$2.717 billion annually). Funding for the final quarter of FY2003 has not actually been appropriated.

the same set-asides be reserved from the discretionary funding total: \$19 million for child care resource and referral (of which \$1 million would be dedicated for the Child Care Aware hotline); \$273 million for quality child care activities (of which \$100 million would be dedicated to improving infant and toddler care); and \$10 million for child care research and evaluation.

Social Services Block Grant. The President's FY2004 budget proposes to continue funding the SSBG at its authorized level of \$1.7 billion. The Administration also proposes to maintain states' authority to transfer up to 10% of their TANF allotments to the SSBG if they so choose.

Head Start. The Administration's FY2004 budget request includes a funding increase for Head Start of \$148 million, taking its total to \$6.816 billion (of which \$1.4 billion would be advance appropriated for FY2005). The Administration expects that in FY2004 almost 923,000 children will receive Head Start services, including 62,000 in Early Head Start. Budget documents also state that the increased funding, coupled with the President's proposed changes allowing *states* to administer Head Start in coordination with other preschool programs, will enable the program to maintain current service levels and increase enrollment by up to 10,500 children. The budget explains that "in order to improve coordination between Head Start and other federal, state, and local programs affecting pre-school children, the President plans to move responsibility for managing the Head Start program from the Department of Health and Human Services to the Department of Education."¹⁶ It proposes that this transition begin in 2004, with the Department of Education assuming full responsibility for the program in 2005.

21st Century Community Learning Centers. The Administration requests \$600 million for 21st CCLC, a decrease of \$394 million from the FY2003 level. In the explanation of the request for less funding, the budget justification cites "disappointing initial findings from a rigorous evaluation of the centers funded in the program's first three years" (1999-2001).

Even Start. The Administration requests \$175 million for Even Start in FY2004, which marks a decrease of \$73 million from the FY2003 funding level. The Department of Education's budget justifications cite the results from national evaluations of Even Start as support for decreasing the program's funding level. Furthermore, Even Start was among programs rated as "ineffective" by the Office of Management and Budget's new "Program Assessment Rating Tool" (PART). According to the Administration, the PART identified several weaknesses in Even Start, including lack of numerical targets to demonstrate progress toward short-term and long-term goals, and also cited findings from the aforementioned national evaluations.

IDEA Grants for Infants and Families. The Administration requests \$447 million for the IDEA grants for infants and families in FY2004, which is an increase of almost \$13 million above the FY2003 funding level. The Administration asserts that the proposed funding level is to help states in meeting rising costs associated

¹⁶ See *Fiscal Year 2004 Budget of the U.S. Government: Analytical Perspectives*, p. 251.

with implementing statewide systems, expanding child-find activities, serving larger numbers of children, increasing the focus on providing services in natural environments, and improving transition services for children with disabilities and their families.

IDEA Preschool Grants. The Administration requests \$390 million for the IDEA preschool grants in FY2004 – the same rounded level as appropriated in FY2003 prior to the rescission, which decreased funding by about \$2.5 million. In 2002, the preschool grant program served 617,394 children aged 3 through 5 years, and the Department of Education predicts that the number of children that are served will continue to increase in 2003 and 2004, by 2.5 % each year.

Early Learning Fund/Early Learning Opportunities Act Program. The Administration requests no funds in its FY2004 budget for this program. Instead, the President proposes to fund similar activities through the Early Reading First program and the Early Childhood Education Professional Development Grant.

Early Childhood Educator Professional Development. The Administration requests \$15 million for supporting Early Childhood Educator Professional Development in FY2004, the same level provided in FY2003, prior to the \$98,000 rescission. According to budget justifications, the request would support a new round of grants for use in helping local communities (especially those with high concentrations of young children in poverty) to improve the knowledge and skills of early childhood educators and care givers.

Early Reading First. The Administration requests \$100 million for the Early Reading First program in FY2004, an increase of \$25 million over the FY2003 funding level. The proposed increase would support efforts in additional low-income communities to develop model programs for fostering the school readiness of young children. As mentioned above, the Administration proposes to eliminate the Early Learning Opportunities Act program (also known as the Early Learning Fund) to fund similar programs through the Early Reading First program and the Early Childhood Education Professional Development Grant (see above).

Child Care Access Means Parents in School (CAMPIS). The Administration requests \$15 million in FY2004 for CAMPIS. This marks a decrease of slightly over \$1 million from the FY2003 appropriation level. The Administration states that the FY2004 funds would be used for the continuation of grants first funded in FY2001 and FY2002. No funds are requested for new grant awards.

Loan Forgiveness for Child Care Providers. The Administration requests no funding for this program in FY2004. According to the Department of Education's budget justifications, "funding at the current level [\$994,000] is not cost-effective to administer and does not support a broad enough pool of recipients from which representative data on the effectiveness of loan forgiveness can be assessed." The same document notes that the elimination of funding will not affect existing recipients, because funds have already been obligated to support them through the 5-year forgiveness period.

Administration's Early Childhood Initiative

Proposals included in the FY2004 budget and other efforts already underway reflect the goals outlined in **Good Start, Grow Smart: The Bush Administration's Early Childhood Initiative**, first announced by the President in April of 2002. Good Start, Grow Smart focuses on three overall areas: 1) strengthening Head Start; 2) partnering with states to improve early childhood education; and 3) providing information to teachers, care givers, and parents. As mentioned above, the President's FY2004 budget proposes to transfer the Head Start program to the Department of Education, as well as to provide states with the option to administer the program. Both of these proposals are expected to elicit debate as Congress embarks on the Head Start reauthorization process. Both proposals require congressional approval.

The Administration has moved ahead with two additional efforts that are in keeping with the Good Start, Grow Smart initiative, but that do not require legislative changes to the Head Start Act. One is the Strategic Teacher Education Program, also known as Project STEP, described by the Head Start Bureau as "a comprehensive, multi-faceted, sequential professional development endeavor to ensure teachers use research-based strategies to implement early and emergent literacy." As part of this development, during the summer and fall of 2002, 3,000 Head Start staff and 100 state child care administrators received 32 hours of training in strategies to support children's emerging literacy. Those who were trained are expected to serve as "mentor coaches" for staff within their respective Head Start programs.

The second effort is the development of a national reporting system that can be used to assess the effectiveness of Head Start programs in achieving successful outcomes for children in terms of school readiness – particularly the areas of literacy and number knowledge. This national reporting system is scheduled to be implemented this fall, and will reportedly assess Head Start 4- and 5-year olds twice a year on educational performance measures – using indicators that were included in legislation as part of the 1998 reauthorization of Head Start.

Legislative Activity in the 108th Congress

Child Care and Welfare Reauthorization. Several bills pertaining specifically to TANF and CCDBG reauthorization were introduced in the latter part of the 107th Congress, however, none were passed into law. Therefore, the reauthorizations of both programs remain on the agenda for the 108th Congress. Following are brief summaries of the child care provisions included in bills that have been introduced in the House and Senate thus far this Congress.

The Caring for Children Act of 2003 (ordered reported by Senate HELP Committee, April 2, 2003). This bill (number not yet available) was approved in committee with bipartisan support. Title I of the bill would amend and reauthorize the Child Care and Development Block Grant (CCDBG). It includes provisions that would authorize discretionary funding at \$2.3 billion in FY2004, increasing by \$200 million increments to a level of \$3.1 billion in FY2008; increase the percentage of funds that must be used for quality activities (newly specified in the

proposal) from 4% to 6%; instruct states to use not less than 70% of funds remaining after quality and administrative set-asides for direct services (as defined by states); add three new goals to the act: 1) improving the quality of child care, 2) promoting school preparedness through developmentally and age-appropriate activities in child care, and 3) promoting parental and family involvement in the education of young children in child care settings; eliminate the federal eligibility maximum limit of 85% of state median income (SMI); require states to describe in their state plans how they will coordinate with other early childhood programs such as Head Start, state pre-kindergarten, and IDEA to expand accessibility to and continuity of care; require states to conduct statistically valid market rate surveys within 2 years preceding their state plans, and to set rates in accordance with the results (without reducing the number of children served); expand data collection requirements; and require states beginning in FY2004 to submit a plan addressing the quality of child services provided. Title II of the bill contains provisions to enhance security at child care centers in federal facilities, and Title III establishes a small business child care grant program, through which competitive grants would be awarded to states for establishment and operation of employer-operated child care programs.

H.R. 4, by Representative Pryce (introduced February 4, 2003, passed the House February 13, 2003). The Personal Responsibility, Work, and Family Promotion Act of 2003 mirrored the welfare and child care reauthorization bill passed by the House last Congress,¹⁷ with respect to the bill's child care provisions. H.R. 4 would set mandatory child care funding at \$2.917 billion in each of FY2004-2008 (for an increase of \$1 billion over 5 years above current funding). The authorized level for the discretionary portion of Child Care and Development Block Grant (CCDBG) funding would be increased by \$200 million annually beginning in FY2004 (\$2.3 billion), reaching \$3.1 billion in FY2008.

This bill would also increase the child care quality set-aside from 4% to 6%, and would amend state child care plan requirements to encourage states to improve the quality of child care available to families, and to promote school readiness by encouraging the exposure of children in care to nurturing environments and developmentally-appropriate activities. Likewise, the bill would allow states to establish CCDBG income eligibility limits at any level (prioritized by need), eliminating current law's federal limit of 85% of state median income. Lastly, the bill would require that aggregated statistics on child care supply, demand, and quality be included in biennial reports to Congress.

S. 5, by Senator Talent (introduced February 14, 2003). The Compassion and Personal Responsibility Act contains identical child care provisions (Title II of the bill) to those included in H.R. 4 (see above).

S. 261, by Senator Bingaman (introduced January 30, 2003). The Children First Act of 2003 includes provisions that would increase mandatory funding for child care (\$3.967 billion in FY2004, rising to \$5.967 billion in FY2008).

¹⁷ For more detailed information on previous legislative activity during the 107th Congress, see CRS Report RL30944, *Child Care Issues in the 107th Congress*, by Melinda Gish.

In addition, it would increase the child care quality set-aside from 4% to 10%. The bill would also amend Title IV-A of the Social Security Act to exclude child care assistance from the determination of the 5-year limit on TANF assistance.

Comprehensive Child Care Legislation. The largest and most comprehensive child care-related bill introduced thus far (this Congress) is the Leave No Child Behind Act of 2003 (S. 448/H.R. 936), introduced by Senator Dodd and Representative George Miller. The bill is a reintroduced version of last year's legislation, and features proposals that would: increase the CCDBG discretionary funding authorization to \$3.5 billion in FY2004, rising to over \$20 billion for FY2013; increase the Head Start authorized funding level to \$7 billion in FY2004, rising to \$20 billion in FY2013; allocate 5% of total CCDBG funds in FY2004 (rising to 10% in 2009) to improve and expand infant child care; expand the set-aside for Early Head Start; require states to pay child care providers at least the 100th percentile of the market rate for care; create a program to improve wages and skills of child care staff; increase the CCDBG quality set-aside from 4% to 12%; and require all providers receiving CCDBG, or who work in programs receiving CCDBG funding, to have training in early childhood development.

Another broad-reaching bill, the Right Start Act of 2003 (S. 18), was introduced by Senator Daschle, and includes increased funding authorization for Head Start (\$7.5 billion in FY2004, rising to \$10.5 billion in FY2008) as well as increased mandatory funding for child care (\$3.7 billion in FY2004, rising to \$6.7 billion in FY2008). This bill would also increase the child care quality set-aside from 4% to 10%.

Other Child Care-Related Legislation. Other bills that have been introduced in the 108th Congress include H.R. 895 (McCarthy), a bill to provide for the construction and renovation of child care facilities; S. 668 (Reed), a bill to improve quality and access to CCDF child care by increasing provider payment rates; S. 388 (Roberts), a bill to expand the dependent care tax credit and the dependent care assistance program; and S. 405 (DeWine), a bill to provide loan forgiveness for preschool teachers in a variety of educational and child care settings. Also pertaining to loan forgiveness is S. 140 (Feinstein), which would extend loan forgiveness to Head Start teachers for certain types of loans.

Hearings

- On March 12, 2003, the Senate Finance Committee held a hearing, "Welfare Reform: Building on Success," which featured discussion of child care funding in the context of welfare reform.
- On March 6, 2003, the House Education and Workforce Committee's Subcommittee on Education Reform held a hearing, "Head Start: Working Towards Improved Results for Children." Testimony can be accessed at [\[http://edworkforce.house.gov/hearings/108th/edr/headstart030603/wl030603.htm\]](http://edworkforce.house.gov/hearings/108th/edr/headstart030603/wl030603.htm).