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Hearing on *Examining Quality and Safety in Child Care: Giving Working Families Security, Confidence, and Peace of Mind*
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Good morning, Chairwoman Mikulski, Senator Burr, and members of the Subcommittee on Children and Families. Thank you for inviting me to testify today on quality and safety in child care.

I am Eric Karolak, Executive Director of the Early Care and Education Consortium (ECEC), an alliance of America's leading national, regional, and independent providers of quality early learning programs. Consortium members operate more than 7,500 centers enrolling nearly 1 million children in all 50 states and the District of Columbia. Our members include private non-profit organizations and for-profit companies who offer full-day/full-year programs for children birth through age 12, state-funded prekindergarten, before- and afterschool programs, extended day, and summer programs in licensed centers with enrollments that reflect the rich diversity of our communities and nation.

ECEC's members share a commitment to providing quality child development and early learning programs at scale – across the member locations of a state association, across the hundreds of centers of a modern corporation, across the affiliates of a national non-profit. Everything we do is devoted to assuring that the children in our care are happy and successful, and develop to their full potential as students, future employees, and citizens.

This commitment to quality shows in results from a recent survey of our membership,[i] which found that:

- six out of 10 ECEC member centers surveyed were accredited or seeking accreditation;
- more than 70 percent of ECEC member centers participate in their state's quality rating and improvement system – more than a quarter at the highest quality rating possible;
- more than 60 percent of our lead teachers have 5 or more year's experience, and nearly one-third have 10 or more year's experience.

ECEC is the largest national organization of licensed child care centers; of centers participating in the child care subsidy program and in the Child and Adult Care Food Program; of community-based providers of state-funded prekindergarten; and of providers of employer-sponsored child care programs – all signs of the confidence public and private consumers place in ECEC's members as providers of high quality child care and early learning programs.

However, ECEC members represent only about seven percent of the more than 110,000 licensed child care centers operating nationwide, and none of the nearly 200,000 licensed family child care homes, nor any of the countless unlicensed providers.[ii] Quality varies widely in this diverse industry. And too often, the care that is bought with public subsidies is of lower quality than it should be. Still, for the families who receive help with the cost of child care, this assistance is nothing short of an economic lifeline.

Child care is a vital resource for America's families, our communities, and our nation's future. Parents need child care so they can go to work. With child care, families can get ahead because parents have the support and peace of mind they need to be productive at work. Children in child care learn and develop skills they need to succeed in school and in life. The most recent findings from the National Institute of Child Health and Human Development's study of child care show that the positive effects of high-quality child care on academic achievement and behavior in a child's early years last at least through adolescence.[iii] And numerous economic analyses detail the substantial return on investment expenditures on quality early childhood education and care have, up to a return of $8 for each $1 spent.[iv] This two-generation impact – benefits to the child and to the parent – helps our nation stay competitive, with a stronger workforce now and in the future.

It's impossible to talk about any component of child care in isolation. Health and safety requirements are the foundation for quality. Quality has an impact on the cost of care, which affects program access and affordability. And all are affected by the available resources.

The child care market is in reality countless local markets with wide variations in the quality of care provided. Some local markets operate well, others imperfectly with resulting shortages or other dysfunctions. No matter the market, quality costs. Some parents enter these markets with college degrees, "9-to-5" jobs, and healthy incomes; others have fewer advantages, work non-traditional-hour jobs in our 24/7 economy, and live in underserved areas. Over the last 15 years, I've heard from many parents in a variety of socio-economic circumstances, from Philadelphia attorneys to Toledo factory workers, anguished about whether they've found the best possible child care arrangement for their child.

Since 1990, the Child Care and Development Block Grant (CCDBG) has helped literally millions of low-income working Americans pay for child care, care they otherwise might not be able to afford but which they need to work or to attend job training or educational programs. While CCDBG has helped low-income working families *afford* child care, its requirements and funding levels have been limited.

We all know that strong health and safety requirements are the foundation of quality programming, but at the time CCDBG was created states strongly opposed national standards in this area. States were required to have health and safety regulations, but what those requirements were was left to the discretion of the states. CCDBG also was designed to help states improve the quality of child care. States must spend at least four percent of their block grant award on activities that improve the quality of care. On average, states spend nearly seven percent on these quality initiatives; along with additional funds targeted for other quality activities and improvements in infant/toddler care and school age care, state spending on quality activities in 2009 approached one billion or about 11 percent of CCDBG expenditures.[v] New health and safety requirements, like new quality initiatives, will come with added costs to the states and to providers.

Over the last decade, federal funding has not kept pace with the growth in demand or the rise in the cost of child care.[vi] As a result, during this period, the number of children living in low-income families that may be eligible for child care assistance rose while the number of children helped through CCDBG actually fell.[vii] Today, only one in six eligible children receives assistance through CCDBG.[viii]

Stagnant funding has brought a dramatic erosion in the buying power of CCDBG, with hardships for families and participating providers. In 2001, 22 states reimbursed child care at the federally recommended 75th percentile of the state's market rate survey. In other words, in nearly half the states, a parent with CCDBG's assistance could choose to buy child care from three out of every four providers in her community. In 2010, only six states reimbursed at the 75th percentile, and many states pay far below that essential level.[ix] This dramatic reduction in reimbursement rates means parents are less able to access high quality care; providers participating in the subsidy program have fewer resources with which to deliver quality programming; and other providers are deterred from participating in the subsidy program.

And in the last few years, we've seen the impact of the economic downturn, compounded by state budget cuts. Family budgets have been squeezed, and many states have cut back general fund appropriations for child care. North Carolina's waiting list for child care assistance increased from 37,900 in 2010 to 46,700 in 2011; in Maryland, funding for the Child Care Resource Network, a vital support for training and quality improvement, was cut by nearly 20 percent; Arizona has cut the number of children receiving child care assistance from 48,000 to 29,000 since February 2009; and in Denver, Colorado they've stopped accepting applications for child care assistance altogether.[x]

As a result, ECEC members have seen families receiving child care assistance forced to leave our programs and seek cheaper, lower quality arrangements. And many providers have been forced to make difficult decisions regarding whether to continue enrolling families receiving child care subsidies and even whether to keep centers open especially in low-income neighborhoods.[xi]

Families are under huge stresses in our rapidly changing economy. With two-income families now the norm, child care is as vital to the family economy as it is to the economy of our communities and our nation. For many parents, if they lose child care assistance, they have no alternative but to buy cheaper care that is less safe and less stable, making it harder for parents to work, and less supportive of their child's healthy growth and development. As a Tehachapi, California bank employee, facing the loss of child care assistance told us recently, "I am very concerned of who my children will be with on a day-to-day basis as I will not have a stable child care for them."[xii]

It is important to keep this context in mind as you examine ways to improve the Child Care and Development Block Grant. Congress has a number of options to consider, drawing on innovations pioneered in states with CCDBG funds and benefiting from a rich body of research in early childhood education. What improvements specifically can be accomplished is a function of the level of resources that can be brought to bear in reauthorization.

For example, with few new resources, CCBDG reauthorization could require states to lengthen the eligibility period for child care assistance to one year, and to create different initial and continuing income eligibility limits. Already 25 states have annual eligibility determination, and 11 states allow families to remain in the subsidy program at a higher income level than the threshold for initial eligibility. [xiii] This would enhance quality by assuring continuity of care, insulating children from abrupt changes in their care arrangements caused by temporary or modest changes in family circumstances, and providing an added measure of stability for low-income families and the providers who serve them.

With robust additional funding, states could develop voluntary quality rating and improvement systems (QRIS) that provide a framework for parents to understand different levels of quality and for programs to be rewarded and compensated for the additional costs of achieving and maintaining higher levels of quality. Already half of the states have a QRIS; however, most do not include adequate resources for provider supports and financial incentives that are essential to make meaningful and sustained quality improvements. In fact, most do not even pay at the 75th percentile for higher quality care.[xiv] Adequately-funded, QRIS can create a roadmap to quality for programs, help parents navigate the market, and move more low-income children into quality programs.

In between these ends of a reform continuum, there are many potential improvements and a few that deserve consideration include:

- **Incentivizing quality in reimbursement policies.** Ultimately, states should be required to raise rates over time at least to the 75th percentile of currently valid market rates. This would increase the buying power of CCDBG and allow parents to access higher quality providers.
- **Strengthening health and safety requirements and making them more uniform across states and among providers.** Many minimum standards vary widely from state to state and by type of provider. These fundamental elements of quality should not be subject to the accident of location or the choice of provider. We support basic, consistent child protections in health and safety regulations. With appropriate funding, changes could be made that would fundamentally improve quality by, for example, requiring annual inspections and setting minimum pre-service and on-going training requirements for providers.
- **Moving toward requiring all providers paid through CCDBG funds to meet minimum licensing standards.** The government requires states to regulate child care, but in practice unlicensed providers have become an important part of the subsidy system in a number of states, accounting for 1 in 5 children served overall.[xv] This trend has arisen because of the lack of supply of licensed care in underserved areas, the prevalence of shift work and non-traditional hours, and other factors. Changing the trend is a long-term goal that will require significant and targeted additional resources and strategies to

address its causes. One first step is to require states to address in their block grant plans how they are aligning policies and reimbursements to support this goal.

- **Establishing payment policies that mirror generally accepted payment practices providers use with private paying parents (those not receiving CCDBG assistance).** For example, parents typically pay to enroll their child in a child care program and if their child misses a day their tuition isn't reduced. The program provider has to pay staff and other costs regardless. However, in many state subsidy programs providers are paid based on attendance, with a complicated process of downward adjustment in reimbursements for absent days. Steps such as this one would harmonize CCDBG's interface with the child care market, reduce distinctions between children based on their participation in the subsidy program, and encourage more licensed providers to participate in state child care assistance programs.

Each of these improvements and the others we're discussing today promises improvements in the quality of care accessible to children of low-income working families. Each comes with a cost. Pursuing any of these reforms without adequate funding will mean either the anticipated improvement in quality will not materialize, or that fewer children will be served through CCDBG and working parents will lose access to care, to that economic lifeline so critical for families, communities, and our nation. We cannot afford either of these options.

Thank you for the opportunity to discuss these issues with you today.

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[i] *ECEC Child Care Provider Survey 2009* (Early Care and Education Consortium, May 2011). Available online at http://ececonsortium.org/ChildCareProvSurvey.pdf.

[ii] The 2007 Child Care Licensing Study (National Child Care Information and Technical Assistance Center and the National Association for Regulatory Administration, February 2009), pp. 8-9. Available online http://www.naralicensing.org/2007_Licensing_Study.

[iii] Vandell, D., Belsky, J., Burchinal, M., Steinberg, L., Vandergrift, N., & the NICHD Early Child Care Research Network. (2010). Do effects of early child care extend to age 15 years? Results from the NICHD Study of Early Child Care and Youth Development. Child Development, 81(3), 737-756.

[iv] Art Rolnick and Rob Grunewald, "The Economics of Early Childhood Development as Seen by Two Fed Economists," *Community Investments* (Fall 2007), pp. 13-14. This overview and numerous other works exploring the economic returns from investing in high quality early childhood programs are available from the website of the Minneapolis Federal Reserve Bank at http://www.minneapolisfed.org/publications_papers/studies/earlychild/.

[v] Hannah Matthews, *Child Care Assistance in 2009* (Center on Law and Social Policy, March 2011), p.3. Available online at www.clasp.org/admin/site/publications/files/childcareassistance2009.pdf.

[vi] Base year funding for CCDBG has remained essentially flat since 2000. The American Reinvestment and Recovery Act of 2009 included $2 billion in funds for the Child Care and Development Block Grant, but states have expended these one-time monies.

[vii] Hannah Matthews, *Child Care Assistance: A Program that Works* (Center for Law and Social Policy, 2009), p. 2. Available on at http://www.clasp.org/admin/site/publications/files/0452.pdf.

[viii] U.S. Department of Health and Human Services, Office of Human Services Policy, Office of the Assistant Secretary for Planning and Evaluation, *Estimates of Child Care Eligibility and Receipt for Fiscal Year 2006* (April 2010). Available online at http://aspe.hhs.gov/hsp/10/cc-eligibility/ib.shtml.

[ix] Karen Schulman and Helen Blank, *State Child Care Assistance Policies 2010: New Federal Funds Help States Weather the Storm* (National Women's Law Center, September 2010). Available online at http://www.nwlc.org/sites/default/files/pdfs/statechildcareassistancepoliciesreport2010.pdf.

[x] "Additional Child Care Funding Is Essential to Prevent State Cuts" (National Women's Law Center, August 18, 2011). Available online at http://www.nwlc.org/resource/additional-child-care-funding-essential-prevent-state-cuts.

[xi] *ECEC Child Care Provider Survey 2009* (Early Care and Education Consortium, May 2011), p. 10.

[xii] "CalWORKS Stage 3 Funding is Crucial for Families, Child Care Providers and the Economy" (Early Care and Education Consortium, Updated December 8, 2010). Available online at http://action.ececonsortium.org/site/DocServer/ECEC_Cal_Parent_Stories_updated_12.8.10.pdf.

[xiii] *Child Care and Development Fund Report of State and Territory Plans, FY2010-2011* (Child Care Bureau, Administration for Children and Families, U.S. Department of Health and Human Services, n.d.). Available online at http://nccic.acf.hhs.gov/files/resources/sp1011full-report.pdf. For states with tiered income eligibility levels, the most recent census is included in *Child Care and Development Fund Report of State and Territory Plans, FY 2008-2009* (Child Care Bureau, Administration for Children and Families, U.S. Department of Health and Human Services, n.d.). Available online at http://nccic.acf.hhs.gov/pubs/stateplan2008-09/index.html.

[xiv] NAEYC Quality Rating and Improvement Systems Toolkit (National Association for the Education of Young Children, July 2010). Available online at http://www.naeyc.org/policy/statetrends/qris.

[xv] Office of Child Care, "FFY 2009 CCDF Data Tables (Preliminary Estimates)," Table 4 – Percent of Children Served in Regulated Settings vs. Settings Legally Operating without Regulation. Available online at http://www.acf.hhs.gov/programs/ccb/data/ccdf_data/09acf800_preliminary/table4.htm.