

**REPORT OF THE
DEPARTMENT OF SOCIAL SERVICES**

**Funding of Child Day Care
for Low-Income Families**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



SENATE DOCUMENT NO. 5

**COMMONWEALTH OF VIRGINIA
RICHMOND
2001**



COMMONWEALTH of VIRGINIA

DEPARTMENT OF SOCIAL SERVICES

October 1, 2000

TO: The Honorable James S. Gilmore, III

and

The General Assembly of Virginia

The report contained herein is pursuant to House Joint Resolution 200 and Senate Joint Resolution 258 as passed by the 2000 General Assembly.

This is a report on the Department of Social Services study on the funding of child day care for low-income families. It contains an analysis of the child day care needs for former recipients of Temporary Assistance for Needy Families (TANF) and low-income families. The study recommends caution in increasing the number of families given government subsidized child day care services. It suggests that a more permanent solution to meeting the growth in child day care is needed. This solution would require changes to public policy that would build on the community infrastructure and support comprehensive economic development systems.

The report cost the Commonwealth of Virginia an estimated \$26,000 to complete. This estimate includes the contracted services costs of the Virginia Polytechnic Institute and State University and an estimated 200 hours of Department of Social Services staff time to write the report, research and analyze the data, and develop the data tables.

Respectfully Submitted,

A handwritten signature in black ink that reads "Sonia Rivero".

Sonia Rivero
Commissioner

Report on the
Funding of Child Day Care for Low-Income Families

TABLE OF CONTENTS

Preface

Executive Summary **Page i**

Background **Page 1**

Child Day Care Program Administration and Funding **Page 5**

**Estimate of the Number of
Eligible Families and Costs** **Page 6**

**Options for Addressing the Additional Need
for Day Care** **Page 9**

Recommendation **Page 13**

Appendices

Appendix I
House Joint Resolution 200 and Senate Joint Resolution 258

Appendix II
**Local Departments Listed According to Income Eligibility
and Metropolitan Statistical Area Grouping**

Appendix III
Methodology

Appendix IV
**Virginia Statewide Low-Income Child Care Survey
- 2000: Transitional and Fee Day Care Income
Eligible Families**

Appendix V
**Distribution of Families and Children Income Eligible for
Transitional and Fee Day Care**

Report on the Funding of Child Day Care for Low-Income Families

Preface

House Joint Resolution 200 and Senate Joint Resolution 258 as passed by the 2000 Virginia General Assembly requests the Department of Social Services to study the funding of child day care for former Temporary Assistance for Needy Families (TANF) recipients and low-income families. Additionally, the Department was to recommend ways to ensure child day care needs are met and low-income families can remain economically independent.

A significant and progressive reduction in the TANF caseload has resulted in a reduction of expenditures by more than 50 percent between June 1995 and June 2000. Monthly expenditures for TANF benefits dropped from \$18,448,804 to \$7,289,420. Caseloads dropped from 70,797 cases to 30,452.

The increased levels of employment in the TANF caseload has led to increases in the number of families needing child day care services. This report provides the results of the study of funding of child day care services for low-income families, which was conducted by the Department of Social Services.

Report on the Funding of Child Day Care for Low-Income Families

Executive Summary

House Joint Resolution 200 and Senate Joint Resolution 258 as passed by the 2000 Virginia General Assembly requests the Department of Social Services to study the funding of child day care for former Temporary Assistance for Needy Families (TANF) recipients and low-income families. Additionally, the Department was to recommend ways to ensure child day care needs are met so that the families can remain economically independent.

The success of Virginia's welfare reform initiative has resulted in significant and progressive reduction in the benefits paid under the TANF caseload. Between June 1995 and June 2000, TANF caseloads dropped from 70,797 cases to 30,452. There was a concomitant reduction in expenditures of more than 50 percent during that same period, dropping from \$18,448,804 to \$7,289,420 per month.

As expected, the decline in the TANF caseload reduced the demand for TANF-funded child day care and created an increased demand for Transitional Day Care and Fee Day Care subsidies. In order to estimate the need and demand for subsidized child day care, the Department of Social Services considered several dynamics. These included the frequency and duration of receipt of Transitional Day Care subsidies by former TANF recipients, the increase in the number of Fee Day Care subsidies, and the unmet need for child day care subsidies.

The Department of Social Services recommends that no additional new funds be appropriated for Fee Day Care subsidies. The Department recommends continued full utilization of current appropriations for child day care and development of policies to increase the number of families that can be served with existing funds. This recommendation is primarily based on the likely reduction in the size of the TANF grant when reauthorization is debated in Congress in 2002. Building a large subsidy program that cannot be sustained would lead to severe hardship for families that become accustomed to the subsidy.

Child care is an important component of welfare reform; however, it should not be an ongoing government support for working families. Rather, elected officials at the federal, state, and local levels must engage in discussions of alternate public policies to support low-income workers as they move from dependency on government interventions to self-sufficiency. Policies are needed that recognize and support families, community infrastructure, and comprehensive economic development programs.

Report on the Funding of Child Day Care for Low-Income Families

Background

STUDY CHARGE

House Joint Resolution 200 and Senate Joint Resolution 258 (see **Appendix I**) as passed by the 2000 session of the General Assembly requests the Virginia Department of Social Services to:

" . . . study the funding of child day care for low-income families. The study shall include an analysis of child day care needs of former TANF recipients and low-income families and recommendations to ensure that low-income families have the child day care services that they need to become and remain economically independent . . ."

In order to estimate the relative need and demand for subsidized child day care, the Department of Social Services (the Department) considered several dynamics. Among these were: available funding for child care; the success of welfare reform in reducing the Temporary Assistance for Needy Families (TANF) caseload; the frequency and duration of participation of current and former TANF recipients in day care subsidy programs; the large expansion of Fee Day Care expenditures; and the unmet demand for subsidized child day care.

CHILD DAY CARE SUBSIDY PROGRAMS

The goal of the Department of Social Services' Child Day Care Program is to provide temporary child care assistance to working low-income families in order to permit them to gain and maintain economic independence. Providing limited day care subsidies is key to the success of Virginia's welfare reform initiative. The Department provides day care subsidies for three groups, or program categories, of Virginia's low-income population: TANF recipients, former TANF recipients, and other low-income families. A total of 31,131 families received day care subsidies in state fiscal year (SFY) 2000 through these programs. Some families received subsidies under more than one program category.

ELIGIBILITY FOR AND RECEIPT OF CHILD DAY CARE SUBSIDIES

The Department of Social Services has three program categories for which it provides day care subsidies. Each has different eligibility criteria as well as different funding sources. Each of these program categories is described below.

TANF Day Care is funded with TANF monies and is an entitlement. No co-payment is required for this low-income group. About 12,141 families received TANF Day Care in SFY 2000. TANF day care subsidies are provided when the child needing the day care is:

1. in a family receiving TANF benefits, his needs are included in the TANF payment, and the day care is needed because the adult is employed or is in approved education and training activities, or
2. eligible for TANF but is not included in the TANF payment because he receives Supplemental Security Income and the day care is needed because the adult is employed or is in approved education and training activities.

Transitional Day Care is funded directly with TANF monies and is an entitlement for all eligible children. Income eligibility is determined on the basis of family size and geographic area as described under Fee Day Care below. When a TANF recipient stops receiving a TANF payment, he or she may receive up to 12 months of Transitional Day Care subsidies. Transitional Day Care subsidies are provided to income eligible former TANF recipients when:

1. child day care is needed to allow adults to work, and
2. the family makes a co-payment equal to 10 percent of gross income.

The number of families receiving Transitional Day Care subsidies in SFY 2000 was 5,795. Experience with this low-income group indicates that:

- On average, families receive Transitional Day Care subsidies for seven months.
- Of the families receiving Transitional Day Care subsidies, 14 percent receive it for the full 12 months for which they are eligible.
- Of the families who received Transitional Day Care subsidies in SFY 1998, 44 percent also received a child day care subsidy in SFY 1998, 1999, or 2000 under the Fee Day Care category.

Fee Day Care, unlike TANF Day Care and Transitional Day Care, Fee Day Care is not an entitlement. Generally, families are eligible for Fee Day Care on a first-come, first-served basis as long as funds are available. Like Transitional Day Care, Fee Day Care requires a co-payment equal to 10 percent of gross family income. Fee Day Care subsidies are provided to:

1. former TANF recipients who have exhausted their 12 months of eligibility for Transitional Day Care subsidies, and
2. income eligible low-income working families.

Income eligibility for Fee Day Care and Transitional Day Care is based on geographic area and family size. The 1998 General Assembly assigned local departments of social services to assistance groupings based on Standard Metropolitan Statistical Areas in order to reflect cost of living indicators statewide. This resulted in the three groups of maximum (gross) income limits for Fee Day Care shown in Table 1. Each group is adjusted for family size. The limits are based on three different percentages of the federal poverty index: 150 percent, 160 percent, and 185 percent. These data are adjusted annually based on federal revisions of the poverty index. (See **Appendix II** for a list of localities in each group.)

Family Size	Federal Monthly Poverty (FPL) Guidelines	Locality Group I 150% of FPL	Locality Group II 160% of FPL	Locality Group III 185% of FPL
1		\$1,044	\$1,114	\$1,288
2	\$ 938	\$1,407	\$1,501	\$1,735
3	\$1,179	\$1,769	\$1,886	\$2,181
4	\$1,421	\$2,132	\$2,274	\$2,629
5	\$1,663	\$2,495	\$2,661	\$3,077
6	\$1,904	\$2,856	\$3,046	\$3,522
7	\$2,146	\$3,219	\$3,434	\$3,970
8	\$2,388	\$3,582	\$3,821	\$4,418

DAY CARE CASELOAD GROWTH

The success of Virginia's welfare reform initiative has resulted in a significant and progressive reduction in the TANF caseload by more than 50 percent. While

the TANF caseload declined, TANF recipients went to work in increasing numbers. This created an increased need for TANF-related day care subsidies. At the same time, non-TANF low-income working families also sought day care subsidies in record numbers.

The Department's total child day care subsidy expenditures have grown along with the increased demand for subsidies from \$49,661,876 in SFY 1995 to more than \$117,290,870 in SFY 2000. (See Table 2.)

Table 2	
VDSS TOTAL DAY CARE SUBSIDY EXPENDITURES FOR SFY 1995 TO SFY 2000	
Fiscal Year	Day Care Subsidy Expenditures
1995	\$49,661,876
1996	\$55,541,002
1997	\$61,415,199
1998	\$78,119,327
1999	\$109,516,660
2000	\$117,290,870

These increased expenditures have enabled the Commonwealth to more than double the number of families receiving subsidies from about 14,000 families in SFY 1995 to about 31,000 families in SFY 2000. Most of the increase was in the Fee Day Care subsidies where the number of families served almost tripled from the 7,000 families served in SFY 1997 to 19,300 families served in SFY 2000.

Initially the increased expenditures reduced the overall waiting list for Fee Day Care subsidies. As more funds became available and families learned of that availability, however, the number of families applying for these subsidies increased. Thus, by January 2000 the waiting list had increased to 8,381. (See Table 3.)

Table 3					
STATEWIDE WAITING LIST SURVEY RESULTS					
<i>JAN 97</i>	<i>JAN 98</i>	<i>AUG 98</i>	<i>FEB 99</i>	<i>JUL 99</i>	<i>JAN 00</i>
10,214	6,354	2,421	2,238	2,863	8,381

(Note: Not all local departments of social services maintain a waiting list, and there is no standard methodology required for maintaining one. These numbers are used as an indicator, not a direct measure, of demand.)

Child Day Care Program Administration and Funding

Child day care programs administered by the Department of Social Services are funded from federal, state, and local monies. There are two federal sources, the TANF Block Grant and the Child Care and Development Fund (CCDF).

Additionally, the General Assembly appropriates funds, as do local governments. There is no requirement that local governments report all day care expenditures to the Department; consequently, the full amount of local expenditures for day care is not available to the Department.

CHILD CARE AND DEVELOPMENT FUND

In 1996 and 1997, Congress attempted to simplify federal funding of state child day care programs by creating the Child Care and Development Fund. This fund combined and unified five separate funding sources into three funding streams. (See Table 4.) A "mandatory" funding stream replaced the federal share of Title IV-A funding and required no state match. A "matching" funding stream was made available to states. A "discretionary" funding stream replaced the Child Care and Development Block Grant and is distributed to states according to an allocation formula. To be eligible for the "matching" funds, states must obligate all "mandatory" funds; maintain or exceed the 1996 state child care expenditure level; request the funds; and provide the necessary state match.

<i>Table 4</i>	
CHILD CARE SUBSIDY FUNDING STREAMS	
Mandatory funds	100% federal funds authorized by section 418(a)(1) of the Social Security Act.
Matching funds	Federal funds that are available to states pursuant to section 418(a)(2) of the Social Security Act. The funds are available on a matching basis. State, local, and donated funds may be used for the match. The current match rate is 51.67% federal and 48.33% state. The state, depending on dollars available, may match any portion of available federal matching funds.
Discretionary funds	100% federal funds authorized in section 658B of the Child Care and Development Block Grant Act. The Discretionary funds were formerly referred to as the Child Care and Development Block Grant.

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS

In addition to Temporary Assistance to Needy Families (TANF) funds used to provide benefits and services for TANF recipients, federal regulations allow, at

state option, the transfer of up to 30 percent of the federal TANF grant to the Child Care and Development Fund (CCDF). Virginia has exercised this option in each of the federal fiscal years (FFY) 1998, 1999, and 2000, as shown in Table 5. The Department will also exercise this option in FFY 2001 and FFY 2002 in order to meet the funding levels appropriated by the General Assembly.

<i>Funding Category</i>	<i>FFY 1998</i>	<i>FFY 1999</i>	<i>FFY 2000</i>
Mandatory	\$21,328,766	\$21,328,766	\$21,328,766
Discretionary	\$19,523,277	\$19,413,679	\$22,717,260
Matching	\$19,992,241	\$22,316,833	\$26,811,173
Maintenance of Effort	\$21,328,766	\$21,328,766	\$21,328,766
TANF Transfer	\$8,385,000	\$17,343,003	\$18,418,740
Total	\$90,558,050	\$101,731,047	\$110,604,705

Included in the \$18.4 million appropriated TANF transfer funds is \$8.5 million the General Assembly authorized for a one-time use to cover child day care cost overruns experienced by local departments of social services. An additional \$11,749,255 above the SFY 2000 allocation has also been allocated for Fee Day Care in SFYs 2001 and 2002.

Long term funding for child day care through TANF is tenuous because congressional reauthorization of the federal TANF Block Grant is scheduled for 2002. The debate at the federal level on TANF is expected to revolve around the 50 percent national decline in the cash assistance caseload. Congress may be inclined to similarly cut the block grant.

Additionally, congressional cuts in the Social Services Block Grant (SSBG) have been offset by the ability to alternately fund services with transfers from the TANF Block Grant. A decrease in the total TANF grant, combined with decreases in the SSBG, strains the ability to continue to transfer TANF funds to the CCDF.

Estimate of the Number of Eligible Families and Costs

Three data sources were used to estimate the number of eligible families potentially needing child day care subsidies and the cost of providing funding for these subsidies. (See **Appendix III.**) These sources were:

1. United States Census data from the Current Population Survey (CPS) for Virginia and the U.S. for 1997, 1998, and 1999, derived from a specific data request covering employed families with children under 13 years old;
2. DSS administrative data on numbers of families and children served by the Department's day care subsidy programs; and
3. Survey of Low-Income Families Eligible for Transitional and Fee Day Care (Virginia Tech Survey) conducted by Virginia Polytechnic Institute and State University's Survey Research Center and the Institute for Policy Research the Center in the School for Public Administration and Policy. (See **Appendix IV.**)

ESTIMATES OF ELIGIBLE FAMILIES

In SFY 2000, based on the federal Current Population Survey (CPS), an estimated 103,893 Virginia families with a child under 13 years of age and an employed adult were income eligible for day care subsidies provided by the Department. (See **Appendix V.**) Of these families, 67 percent (69,608) had employment situations that could potentially require day care services. (See Table 6.) Some families, primarily two-parent families, had employment situations that did not require day care.

Of the families with employment situations that could require day care services, 15 percent of the Virginia Tech survey respondents said they did not need day care services, primarily because they cared for their child while at work or only worked while their child was in school. Thus, an estimated 59,167 families were in a position to need both day care services and subsidies.

Of these 59,167 families, based on Department administrative data, 31,131 received child day care subsidies in SFY 2000 from the Department, leaving 28,036 families who did not receive subsidies for which they were potentially eligible.

Based on responses to the Virginia Tech survey, 46 percent of these eligible families did not want or need subsidies or were already receiving day care at no cost from other sources. They commonly expressed the view that they preferred to have family members help with their day care needs. Some also said other families needed the subsidies more than they did. The remaining 54 percent are families who might want or need the child day care subsidies available through the Department.

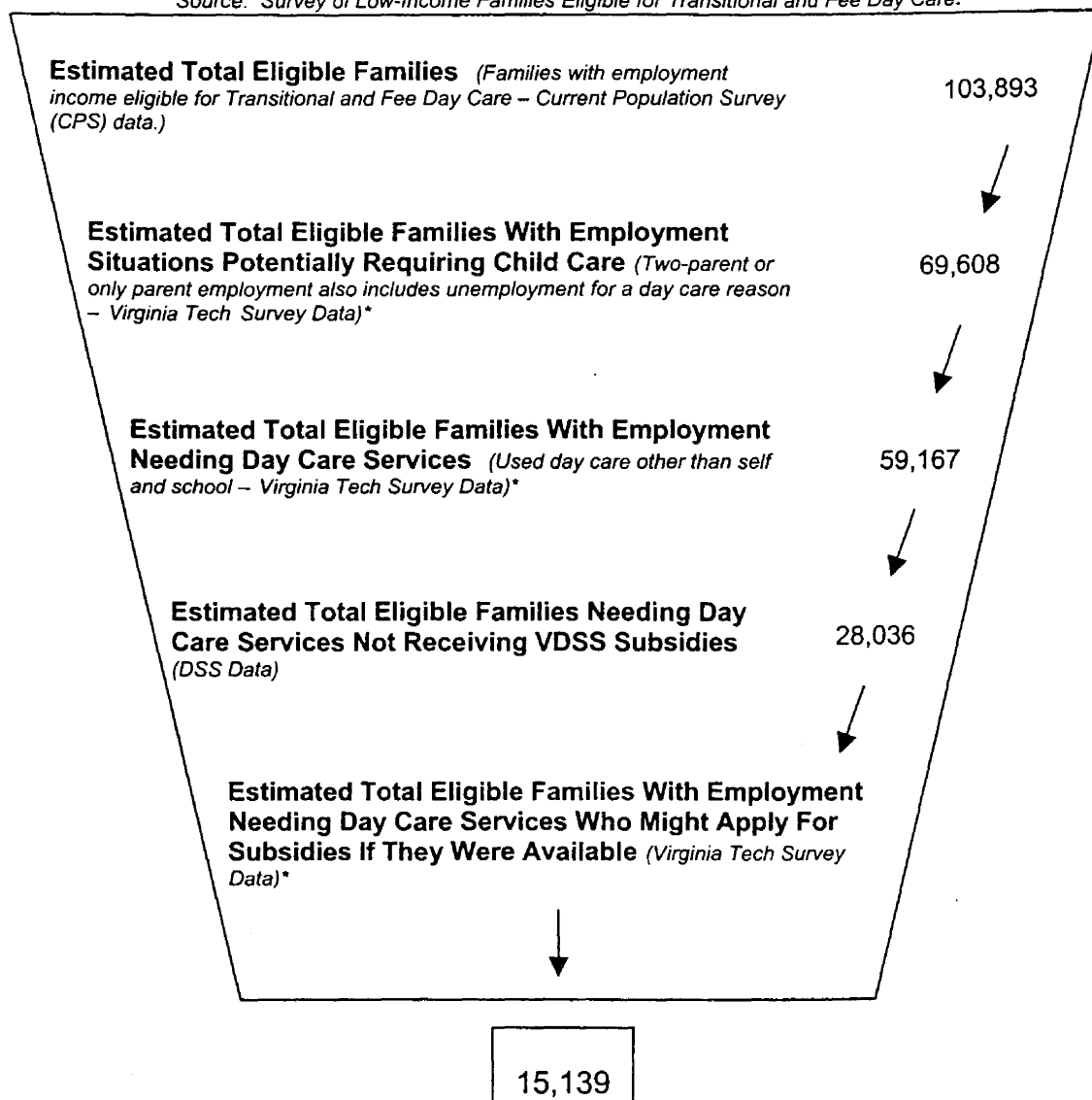
Survey respondents indicated that their overall satisfaction with current day care arrangements was high (92 percent) and most respondents (73 percent) had not changed their day care arrangement in the past year. When they did change

the arrangement, the move was primarily related to changes in the child's life or adult's employment situation, not specifically a day care reason.

Thus, for SFY 2000 an estimated additional 15,139 eligible families needed day care services might potentially apply for subsidies if they were available. This estimate is about double the number on the Department's existing waiting list for child day care subsidies, indicating that the existing waiting list may not fully identify the population eligible for and interested in day care subsidies.

Table 6
ESTIMATED NUMBER OF INCOME ELIGIBLE FAMILIES,
WITH EMPLOYMENT,
NEEDING DAY CARE SERVICES,
NOT RECEIVING OTHER SUBSIDIES/ASSISTANCE AND
LIKELY TO SEEK SUBSIDIES

**Source: Survey of Low-Income Families Eligible for Transitional and Fee Day Care.*



ESTIMATES OF COSTS

On average, Fee Day Care families received subsidies for 6.3¹ months at a monthly subsidy rate of \$449 per family, or \$2,827 per year per family. Based on this, an estimated \$42,797,953 would be needed to provide funds for the estimated 15,139 unserved families.

Fourteen percent of this population are former TANF recipients and would be eligible for Transitional Day Care subsidies, which terminates after 12 months. Following their 12 months of Transitional Day Care, they may apply for Fee Day Care subsidies. Thus, most eligible families will be Fee Day Care families.

Options for Addressing the Additional Need for Day Care

Broad public support for funding day care to prevent welfare dependency has resulted in child day care expenditures reaching historic levels. Fee Day Care accounts for the largest portion of these increased expenditures. The Department does not support either increased government funding of Fee Day Care, increased income eligibility limits, or reduced parent co-pay requirements as a desirable method of meeting child day care needs. The Department plans to develop strategies to assist with child care costs cautiously ensuring that family self-reliance is not altered. Perverse incentives must be avoided that would inadvertently encourage families, who in the past looked to other sources such as family and friends for help with child care, to now seek government assistance. Serious and deliberate consideration is needed of the causal effect Fee Day Care subsidies may have on the demand for and reliance on government funding.

Long term, the goal is to avoid another entitlement program that leads to dependency on government funding and may not be supported if there is a downturn in the current robust economy. The long-term solution includes sources outside of the social services system. For example, one of the policy issues anticipated to be debated by policy makers is the role of the employer in either establishing and operating day care centers for employees' children or assisting employees with the costs of child day care or co-payments.

Short term, the Department is working to ensure that expenditures for Fee Day Care remain within budgeted limits. Some limited policy changes could help to cover eligible families who need child day care subsidies. Other existing federal and state programs can also help fill the gap. The department is exploring a number of options that shift the Fee Day Care program away from sole reliance on the social services system. Some of these options are: increasing the co-payment

¹ While families used the Fee Day Care subsidies for an average total of 14 months over three years, during SFY 2000 the average usage was 6.3 months.

from 10 percent to 15 percent of gross income; limiting the time a family is eligible for a child day care subsidy; requiring cooperation in the collection of child support payments; encouraging families to take advantage of the Earned Income Tax and the Child Tax Credit; and encouraging private sector investment in child day care.

Not all of the following options have definable cost savings. For those that can be estimated, the expected cost savings would serve 61 percent of the unserved eligible population if policy modifications are made. (See Table 7.) Promotion of increased use of the Earned Income Tax Credit and the Child Tax Credit could make more money available to families that might be used toward the purchase child day care services.

ADDITIONAL ALLOCATION FOR FEE DAY CARE FOR SFY 2000 AND 2002

The 2000 General Assembly increased the base appropriation for Fee Day Care by \$28,934,209 (\$175,000 General Funds) for SFY 2001. This appropriation allowed the Department to increase SFY 2001 allocations by \$11,749,255 over expenditures in SFY 2000. The difference between the appropriation and the actual increase is due to spending down prior year balances in SFY 2000, which did not affect base appropriation. Based on SFY 2000 average annual expenditures for Fee Day Care of \$2,827, an estimated 4,156 of the 15,139 unserved families can receive subsidies with these additional dollars in SFY 2001.

CO-PAYMENT POLICY

Typically, a family receiving Transitional or Fee Day Care subsidy pays a co-payment equal to 10 percent of monthly gross income. State policy could be changed to require families to absorb more of the day care costs by increasing the co-payment to 15 percent.

The potential impact of increasing the co-payment to 15 percent is estimated as follows:

In SFY 2000, an estimated 20,235 Transitional Day Care and Fee Day Care cases made co-payments. The Virginia Tech Survey showed that families receiving day care subsidies have average annual incomes of \$17,000, or \$1,417 per month. The 10 percent co-payment would therefore be \$142 per month.

On average, Fee Day Care families received subsidies for 6.3 months during SFY 2000. Thus, each family paid \$895 per year (6.3 months x \$142). If the co-payment were increased to 15 percent, families receiving Transitional or Fee Day Care subsidies would pay 50 percent more, or a total of \$1,342 per year. The difference between the 15 percent and 10 percent is \$447 per year. (It

should be noted that these families would be able to claim a larger credit for child care expenses on their federal income tax using the Child and Dependent Care Credit.) The increase in the co-payment for the 20,235 families receiving Transitional Day Care and Fee Day Care would provide a total \$9,045,045 in additional dollars for subsidies. These dollars could provide subsidies for 3,800 of the estimated 15,139 unserved families.

\$447	increased co-payment
x 6.3	average service months
<u>x 20,235</u>	families
\$ 9,045,045	available dollars

TIME LIMITED SUBSIDY

State policy could limit the length of time a given family may receive the Fee Day Care subsidy. Currently, local departments of social services have the option of limiting Fee Day Care subsidy to five years per family. The time limit for receipt of day care could be mandated statewide rather than remaining as an option and a shorter time limit of three years could be established.

Caseload analysis for Fee Day Care subsidies from SFY 1995 to the present show that 95 percent of cases receive Fee Day Care subsidies for three years or less. If the length of eligibility were less than three years, an estimated 5 percent reduction in Fee Day Care expenditures might be realized. In SFY 2000, 19,298 families received Fee Day Care subsidies; the annual average subsidy was \$2,827 per family. If 965 fewer families received subsidies, there would be \$2,728,055 funds available for unserved families.

19,298	Fee Day Care families
x .05	population using Fee Day Care subsidies > 3 years
<u>965</u>	families exceeding 3 year limit
x \$2,827	average annual subsidy
\$2,728,055	available dollars

REQUIRED COOPERATION WITH CHILD SUPPORT ENFORCEMENT

The State Board of Social Services is promulgating regulations that will require day care applicants to pursue child support from an absent responsible parent. A Fee Day Care subsidy eligibility requirement to cooperate in establishing and enforcing a child support obligation is consistent with the view that family resources should be utilized before seeking public benefits.

Implementation of such a policy would make an estimated 285 of the families currently receiving day care subsidies ineligible, thus allowing the Department to serve a possible 285 of the 15,139 unserved families. This estimate is based on

the fact that 47 percent of the Virginia Tech Survey respondents were in single-parent families. An estimated 3 percent of these parents would not cooperate with child support enforcement. The 3 percent estimate is based on the percent of the TANF population that did not cooperate with child support enforcement when the same policies were implemented with welfare reform in SFY 1996. Thus, of the 20,235 Transitional and Fee Day Care families, 47 percent, or 9,510 are single parent families and an estimated 3 percent, or 285 of them would not receive subsidies due to failure to cooperate with child support enforcement. This would result in savings of \$805,695 or 285 times the \$2,827 average annual subsidy.²

<i>Option</i>	<i>Estimated No. of Families Served</i>	<i>Cost</i>
Total estimated unserved families	15,139	\$ 42,797,953
Additional allocation/SFYs 01 & 02	4,156	\$ 11,749,225
Co-payment adjustment/10% to 15 %	3,800	\$ 9,045,045
Limit subsidy time to three years	965	\$ 2,728,055
Required child support cooperation	285	\$ 805,695
Balance	5,933	\$18,469,933

EARNED INCOME TAX CREDIT

Families will be encouraged to take advantage of the Earned Income Tax Credit (EITC). This is a special credit for certain employed individuals. The credit reduces the amount of the tax owed (if any). Its intent is to offset some living expenses and social security taxes. Working people with one child in the home and family income of less than \$26,928 in 1999 could get a tax credit of up to \$2,312. Working families with more than one child and family income of less than \$30,580 could get a tax credit of up to \$3,816. The amount of the credit or return varies from family to family and cannot be projected. Statewide, it is expected that most families receiving Transitional Day Care or Fee Day Care subsidies have incomes that would make them eligible for the EITC. In tax year 1998, 433,094 Virginia families received the EITC, totaling \$677,990,000.

CHILD TAX CREDIT

Families will be encouraged to take advantage of the Child Tax Credit. The Taxpayer Relief Act of 1997 authorized the Child Tax Credit and the Additional Child Care Tax Credit. The Child Tax Credit allows families to deduct \$500 from

² For those that do cooperate, it is anticipated that, through the establishment and enforcement of child support payments, these single-headed families also will be more able to contribute to the cost of child day care.

the federal income tax they owe for each qualifying child under the age of 17.³ If a taxpayer has three or more children, he or she also may claim the Additional Child Care Tax Credit. These credits are refundable, meaning families can get the dollars even if no tax is owed.

EMPLOYER SUPPORT

Day care makes it possible for parents to pursue and retain employment. Employers have a vested interest in facilitating the availability of a viable work force. Employers that have already made investments in day care for employees have reported positive impact on reduced absenteeism, turnover, and training costs. The Department suggests a public relations campaign encouraging employers to assist employees in using tax benefits, to include day care in employee benefit packages, and to provide on-site or nearby day care facilities.

Recommendation

The Department of Social Services recommends that no additional new funds be appropriated for Fee Day Care subsidies despite the uncertainty in the eventual fate of federal funding for the TANF program. Rather the Department suggests full utilization of current appropriations for child day care and development of policies to increase the number of families that can be served with existing funds.

This recommendation is primarily based on the likely reduction in the size of the TANF grant when reauthorization is debated in Congress in 2002. Building a large subsidy program that cannot be sustained would lead to severe hardship for families that become accustomed to the subsidy.

The Department further recommends that ongoing government support for working families, including child day care, not be part of a welfare program. Rather, elected officials at the federal, state, and local levels should engage in discussions of alternate public policies to support low-income workers as they move from dependency on government interventions to self-sufficiency. Policies that recognize the interconnectedness of a strong community, family support systems, and comprehensive economic development programs must be developed.

³ This includes a son, daughter, adopted child, grandchild, stepchild, or foster child -- as long as they are claimed as that taxpayer's dependent.

APPENDIX I

Study Mandate
House Joint Resolution 200
and
Senate Joint Resolution 258

GENERAL ASSEMBLY OF VIRGINIA -- 2000 SESSION

HOUSE JOINT RESOLUTION NO. 200

Requesting the Department of Social Services or, under certain conditions, the Commission on Early Childhood and Child Day Care Programs to study the funding of child day care for low-income families.

Agreed to by the House of Delegates, March 6, 2000

Agreed to by the Senate, March 2, 2000

WHEREAS, persons who receive Temporary Assistance for Needy Families (TANF) frequently need subsidized child day care services as they work toward securing employment and terminating such assistance; and

WHEREAS, low-income families currently receiving or on the waiting lists to receive subsidized child day care services have either secured employment and left the TANF caseload or are one step away from needing TANF assistance; and

WHEREAS, the continued success of welfare reform is closely linked with the ability to adequately fund child day care programs because if parents miss work because of inadequate or unstable child care, they often risk losing their jobs; and

WHEREAS, in 1999 the Department of Social Services reported the demand for child day care for low-income families exceeded the funding available, and received requests from localities throughout the Commonwealth in excess of \$20 million to continue the funding of current day care cases and \$18 million to serve the waiting list; and

WHEREAS, the Department of Social Services has requested that some localities not open any new subsidized day care cases to accommodate waiting lists; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Department of Social Services be requested to study the funding of child day care for low-income families. The study shall include an analysis of child day care needs of former TANF recipients and low-income families and recommendations to ensure that low-income families have the child day care services that they need to become and remain economically independent; and, be it

RESOLVED FURTHER, That if the General Assembly does not appropriate additional funds to the Department of Social Services to assist low-income families in meeting child care needs, the Commission on Early Childhood and Child Day Care Programs be directed to conduct this study.

All agencies of the Commonwealth shall provide assistance to the Department or the Commission, upon request.

The Department or the Commission shall complete its work in time to submit its findings and recommendations by October 1, 2000, to the Governor and the 2001 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

2000 SESSION

ENROLLED

SENATE JOINT RESOLUTION NO. 258

Requesting the Department of Social Services or, under certain conditions, the Commission on Early Childhood and Child Day Care Programs to study the funding of child day care for low-income families.

Agreed to by the Senate, February 15, 2000

Agreed to by the House of Delegates, March 8, 2000

WHEREAS, persons who receive Temporary Assistance for Needy Families (TANF) frequently need subsidized child day care services as they work toward securing employment and terminating such assistance; and

WHEREAS, low-income families currently receiving or on the waiting lists to receive subsidized child day care services have either secured employment and left the TANF caseload or are one step away from needing TANF assistance; and

WHEREAS, the continued success of welfare reform is closely linked with the ability to adequately fund child day care programs because if parents miss work because of inadequate or unstable child care, they often risk losing their jobs; and

WHEREAS, in 1999 the Department of Social Services reported the demand for child day care for low-income families exceeded the funding available, and received requests from localities throughout the Commonwealth in excess of \$20 million to continue the funding of current day care cases and \$18 million to serve the waiting list; and

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APPENDIX II

Local Departments Listed According to Income Eligibility and Metropolitan Statistical Area Grouping

METROPOLITAN STATISTICAL AREA GROUPINGS

FIPS	LOCALITY	INCOME CAP GROUP
001	Accomack	I
005	Alleghany	I
007	Amelia	I
009	Amherst	I
011	Appomattox	I
015	Augusta	I
017	Bath	I
019	Bedford County/City	I
021	Bland	I
023	Botetourt	I
520	Bristol	I
025	Brunswick	I
027	Buchanan	I
029	Buckingham	I
031	Campbell	I
033	Caroline	I
035	Carroll	I
037	Charlotte	I
560	Clifton Forge	I
580	Covington	I
045	Craig	I
049	Cumberland	I
590	Danville	I
051	Dickenson	I
057	Essex	I
063	Floyd	I
067	Franklin County	I
620	Franklin City	I

069	Frederick County	I
640	Galax	I
071	Giles	I
077	Grayson	I
081	Greensville/Emporia	I
083	Halifax	I
660	Harrisonburg	I
089	Henry	I
091	Highland	I
097	King & Queen	I
101	King William	I
103	Lancaster	I
105	Lee	I
109	Louisa	I
111	Lunenburg	I
680	Lynchburg	I
113	Madison	I
690	Martinsville	I
117	Mecklenburg	I
119	Middlesex	I
121	Montgomery	I
125	Nelson	I
131	Northampton	I
133	Northumberland	I
720	Norton	I
135	Nottoway	I
137	Orange	I
139	Page	I

141	Patrick	I
143	Pittsylvania	I
147	Prince Edward	I
155	Pulaski	I
750	Radford	I
157	Rappahanock	I
159	Richmond County	I
770	Roanoke	I
161	Roanoke County	I
163	Rockbridge/Buena Vista/Lexington	I
165	Rockingham	I
167	Russell	I
169	Scott	I
171	Shenandoah	I
173	Smyth	I
175	Southampton	I
790	Staunton	I
181	Surry	I
183	Sussex	I
185	Tazewell	I
191	Washington	I
820	Waynesboro	I
193	Westmoreland	I
840	Winchester	I
195	Wise	I
197	Wythe	I
003	Albemarle	II
036	Charles City	II

540	Charlottesville	II
041	Chesterfield/Colonial Heights	II
550	Chesapeake	II
053	Dinwiddie	II
065	Fluvanna	II
073	Gloucester	II
075	Goochland	II
079	Greene	II
650	Hampton	II
085	Hanover	II
087	Henrico	II
670	Hopewell	II
093	Isle of Wight	II
095	James City	II
115	Mathews	II
127	New Kent	II
700	Newport News	II
710	Norfolk	II
730	Petersburg	II
740	Portsmouth	II
145	Powhatan	II
149	Prince George	II
760	Richmond City	II
800	Suffolk	II
810	Virginia Beach	II
830	Williamsburg	II
199	York-Poquoson	II

510	Alexandria	III
013	Arlington	III
043	Clarke	III
047	Culpeper	III
059	Fairfax City/County	III
061	Fauquier	III
630	Fredericksburg	III
099	King George	III
107	Loudoun	III
683	Manassas City	III
685	Manassas Park	III
153	Prince William	III
177	Spotsylvania	III
179	Stafford	III
187	Warren	III

APPENDIX III

Methodology

Methodology

Three data sources were used to estimate the number of eligible families potentially needing child day care subsidies and the cost of providing funding for these subsidies. These sources were:

- (1) U.S. Census data from the Current Population Survey for Virginia for 1997, 1998, and 1999, derived from a specific data request covering employed families with children under 13 years old;
- (2) VDSS administrative data on numbers of families and children already served by the day care subsidy programs; and
- (3) a survey of low-income families eligible for Transitional or Fee Day Care conducted by Virginia Tech's Survey Research Center and the Institute for Policy Research Center in the School for Public Administration and Policy.

A. Current Population Survey Data

The estimate for the number of family units and number of children eligible for child day care were designed to follow Transitional and Fee day care eligibility policy based on locality groupings and family size. Thus, an estimate was derived for each of the family unit sizes within each locality grouping. Data for this estimate came from U.S. Census Current Population Survey (CPS). Virginia's CPS data for 1997, 1998, and 1999 was requested from the U.S. Census Bureau in a custom data run. These CPS data tables show the number of families by family size, employment status, age of children, and income levels. This data was used to estimate the number of potentially eligible families with children under 13 in the appropriate income levels with employment any time in the prior year. This population closely mirrors the population who uses Fee and Transitional Day Care.

B. VDSS Administrative Data

The VDSS database identifies the number of families and children who received a child day care subsidy, the average per family costs of these subsidies, the average number of children receiving a subsidy per family, and the average number of months families receive subsidies. Usage data is maintained in the VDSS Day Care Interim System. This database contains all records of day care subsidy for all subsidy programs. The data includes case specific information for all day care subsidy payments including service month, payment month, type of service, and place of service. While the Interim System is used to count unduplicated day care usage over a state fiscal year, total day care expenses are derived from VDSS financial systems.

C. Survey of Low-Income Families Eligible for Transitional and Fee Day Care Subsidies

The Virginia Tech Survey Research Center conducted a survey of low-income families eligible for Transitional or Fee Day Care. The survey addressed eligibility, current day care usage, and potential interest in and/or need for day care subsidies. A stratified sample of families who were income eligible for VDSS' Transitional and Fee day care subsidy programs was purchased from Survey Sampling Inc. (SSI). The sample was drawn to be representative of each of the three locality eligibility groups (150% of poverty, 160% of poverty, and 185% of poverty). Respondents were screened to ensure that their families were income eligible by both income and family size. An over sample of former TANF recipients was also drawn from the population of TANF cases that closed between January and December 1999. All data was weighted based on the distribution of cases across locality groups as estimated from the CPS data and by the distribution of former TANF and non-TANF found in the SSI sample.

A total of 1631 families were interviewed, with a response rate of 57 percent of all valid phone numbers in the sample, and an 80 percent non-refusal rate of all households reached. Interviewers asked to speak with the adult in the family responsible for child care or making child care arrangements in the family. Of these, 979, or 60 percent were employed. An additional 7 percent, or 108 cases were unemployed at the time of the interview for what the respondent perceived to be a day care reason. Analysis is based on the families where the person responsible for child care was employed or currently unemployed for a day care reason.

APPENDIX IV

Virginia Statewide Low-Income Child Care Survey – 2000

Transitional and Fee Day Care Income Eligible Families

VIRGINIA STATEWIDE LOW INCOME CHILDCARE SURVEY- 2000
Transitional and Fee Day Care Income Eligible Families

Hello, my name is _____ and I'm calling from Virginia Tech on behalf of the Commonwealth of Virginia. I need to speak with the parent or guardian who takes care of the children in your household the most. Would that be you? [IF NOT: "may I please speak with that person?"]

INTERVIEWER: If respondent takes care of children jointly with another household member, complete interview with respondent.

YES 1
NO [CODE DISPOSITION] 2
DK/RF [CODE DISPOSITION] 3

Q1. We are conducting a brief survey about the day care needs of Virginians. If you qualify for and complete the survey, we will send you a check for twenty dollars. First, how many children under the age of twelve live in your household currently?

DK/RF [GO TO END1] 99

IF Q1=0 GO TO END1

Q2. Are you the parent or guardian for the [INSERT RESPONSE FROM Q1] children under twelve?

YES [GO TO Q4] 1
NO 2
DK/RF 3

Q3. For how many children under age twelve are you the parent or guardian?

DK/RF [GO TO END1] 99

Q4. Is your total household income under [INSERT INCOME CRITERIA]?

YES 1
NO [GO TO END1] 2
DK/RF [GO TO END1] 3

Q5. Are you or your children currently receiving TANF (Temporary Assistance to Needy Families) benefits?

YES 1
NO [GO TO Q6] 2
DK/RF 3

END 1: I'm sorry, for the purposes of this study, we need to speak only with Virginians who meet the criteria for our study. Therefore, you are not eligible to receive twenty dollars for participating in the study. Thank you for your time and have a nice [Ci3 INSERT DAY/AFTERNOON/EVENING].

Q6. Are you currently employed for pay?

YES [GO TO Q12] 1
NO 2
DK/RF 3

Q7. Is it your choice to be unemployed?

YES 1
NO [GO TO Q9] 2
DK/RF [GO TO Q9] 3

Q8. Why do you choose to be unemployed?

CHOOSE ALL THAT APPLY
prefers to stay at home to be with children 1
does not need income (specify reason: _____) 2
other (please specify: _____) 3
DK/RF 4

Q9. When were you last employed for pay?

MM/YYYY
DK/RF 12/1912

Q10. Does child care have anything to do with why you are not working?

YES 1
NO [GO TO Q50] 2
DK/RF [GO TO Q50] 3

Q11. How did child care affect your work situation?

GO TO Q34

Q12. Please tell me the first name of one of the children under twelve for whom you are the parent or guardian so that we can talk about each child separately.

_____ Child Name 1,2,3...

Q12-Q14 will loop according to number provided in Q1 or Q3

Q13. What is [INSERT CHILD'S NAME]'s relationship to you?

BIOLOGICAL CHILD 1
ADOPTED CHILD 2
STEP CHILD 3
FOSTER CHILD 4
GRANDCHILD/GREAT GRANDCHILD 5
NIECE/NEPHEW 6
OTHER RELATED CHILD 7
OTHER UNRELATED CHILD 8
DK/RF 9

Q14. How old is [INSERT CHILD'S NAME]?

DK/RF 99

Q15. During a typical week, how many different child care providers or arrangements do you use for all of the children we just discussed, so that you can go to work? Please include school if any of your children attend school while you are working.

DK/RF=99

Q16-Q23 loops for number provided in Q15

Q16. Please tell me what one of your arrangements is -- counting school if your child(ren) attend(s), so that we can talk about each one separately.

- RESPONDENT CARES FOR CHILD WHILE WORKING 1
- CHILD CARES FOR SELF 2
- CHILD'S BIOLOGICAL PARENT 3
- CHILD'S STEP-PARENT 4
- CHILD'S GRANDPARENT/GREAT GRANDPARENT 5
- CHILD'S SIBLING/HALF-SIBLING 6
- CHILD'S OTHER RELATIVE 7
- BABYSITTER OR NON-RELATIVE 8
- OTHER (PLEASE SPECIFY: _____) 9
- PRE-SCHOOL/NURSERY SCHOOL 10
- DAY CARE CENTER 11
- HEAD START 12
- EXTENDED-DAY, BEFORE/AFTER SCHOOL PROGRAM/COMMUNITY PROGRAM 13
- CHURCH-SPONSORED PRE-SCHOOL/NURSERY SCHOOL 14
- CHURCH-SPONSORED DAY CARE CENTER 15
- SUMMER DAY CARE, CAMP 16
- SCHOOL 17
- DK/RF 18

Q17. [ASKED ONLY FOR Q16 OPTIONS 1-9] With this child care arrangement, is/are the child(ren) typically cared for in your home, outside of your home or both?

- IN HOME 1
- OUT OF HOME 2
- BOTH 3
- DK/RF 4

Q18. How many of your children have this child care arrangement?

DK/RF 99 [GO TO Q20]

Q19. How old is each child in this arrangement?

_____, _____ ...
DK/RF 99

Ci3 will allow ages for 10 children

Q20. [ASKED ONLY FOR Q16 OPTIONS 1-16] How many hours do you use this arrangement so that you can work in a typical week?

DK/RF 99

Q21. [ASKED ONLY FOR Q16 OPTIONS 1-16] What are the reasons you chose this child care arrangement?

- CHOOSE ALL THAT APPLY
- inexpensive cost of care 1
- free care 2
- provider accepts subsidies/state reimbursement 3
- provider uses sliding scale based on income 4
- provider is loving and attentive to child(ren) 5
- provider is someone respondent knows 6
- provider has good reputation 7
- provider is licensed 8
- provider offers educational activities 9
- setting is safe and healthy 10
- offers social interaction for child(ren) 11
- small number of children per caregiver 12
- location is convenient 13
- hours work well for respondent 14
- other (please specify: _____) 15
- DK 16
- RF 17



COMMONWEALTH of VIRGINIA

DEPARTMENT OF SOCIAL SERVICES

ERRATA PAGE **SENATE DOCUMENT No. 5 (2001)**

October 1, 2000

TO: The Honorable James S. Gilmore, III

and

The General Assembly of Virginia

The report contained herein is pursuant to House Joint Resolution 200 and Senate Joint Resolution 258 as passed by the 2000 General Assembly.

This is a report on the Department of Social Services study on the funding of child day care for low-income families. It contains an analysis of the child day care needs for former recipients of Temporary Assistance for Needy Families (TANF) and low-income families. The study recommends caution in increasing the number of families given government subsidized child day care services. It suggests that a more permanent solution to meeting the growth in child day care is needed. This solution would require changes to public policy that would build on the community infrastructure and support comprehensive economic development systems.

The report cost the Commonwealth of Virginia an estimated \$260,000* to complete. This estimate includes the contracted services costs of the Virginia Polytechnic Institute and State University and an estimated 200 hours of Department of Social Services staff time to write the report, research and analyze the data, and develop the data tables.

Respectfully Submitted,

A handwritten signature in cursive script, reading 'Sonia Rivero'.

Sonia Rivero
Commissioner

* This is the corrected item.

