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GAO Finds State Child Care Assistance Limits Disproportionately Impact Low-Income, Working, Non-TANF Families and Children

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A recent report by the U.S. General Accounting Office (GAO) found that, since January 2001, 23 states have adopted policies that reduce the overall availability of child care assistance for low-income working families. The GAO's "findings indicate that entry into and remaining in the child care assistance may be less possible for families, *particularly for families not associated with the welfare system.*"¹ Not all states have decreased access to child care assistance. Not all states have limited access for low-income working families who are not receiving TANF or are transitioning off of TANF assistance. However, the majority of states that cannot serve all eligible families have made the decision to limit assistance for non-TANF families.

States are experiencing unprecedented fiscal crises, which are resulting in cutbacks to crucial services for low-income families and children. Severely limited resources are forcing states to make difficult policy trade-offs among equally deserving groups of eligible families. It is not unreasonable for a state to conclude that TANF families, subject to work requirements and five-year time limits, or families transitioning off of TANF should get priority over families who have not received welfare. However, as a result of these decisions, many vulnerable, low-income, working families who need child care assistance will not be able to support their families and remain off welfare.

These cutbacks run counter to the intent of Congress when it enacted the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. In PRWORA, Congress combined four child care programs into one block grant. Of the four programs, one was for welfare recipients, one was for families transitioning from welfare to work, one was for families "at risk" of welfare receipt (but could be used broadly for low-income working families), and one could be used for any families below 75 percent of state median income needing child care for work or education. In consolidating these programs, Congress eliminated any guarantees or entitlements for particular groups of families. Instead, Congress required that: (1) states should ensure that the majority of child care funds (70 percent) be spent on families receiving welfare, transitioning off of welfare, and at risk of welfare receipt and (2) "a substantial portion" of the remaining funds should be spent on other low-income families. At the same time,

Congress broadened income eligibility so that child care funding could be used for families with incomes below 85 percent of state median income.² Thus, it was clearly not the intent of Congress to limit child care assistance to families receiving or leaving welfare.

Below are several state policy decisions identified by the GAO that will tend to make it more difficult for low-income families without a current or recent TANF connection to obtain or keep child care assistance.

Low-income working families without current or recent TANF connections have lower priority for assistance when resources are insufficient. Twenty-six states told the GAO that they cannot serve all eligible families who apply for assistance. In 23 of those states, “other low-income working families (those not on TANF or transitioning off of TANF) are generally the lowest priority.”³

- Fourteen states give TANF families higher priority than transitioning families or low-income families not receiving or transitioning off of welfare; and
- Nine states give TANF families and transitioning families higher priority than other low-income families.

As a result of these priorities, when resources are insufficient to serve all families, low-income families leaving TANF can lose child care assistance or their eligibility for assistance immediately upon leaving TANF or after the expiration of a transition period. If such a family is a new applicant for child care assistance, the family is more likely to be put on a waiting list or to not be able to apply than families receiving TANF or transitioning off of TANF.

Leaving TANF or ending the transition period off of TANF can result in a loss of assistance or eligibility for assistance in some states.

- Families leaving TANF can lose child care assistance in Montana and Indiana.
- Families ending their transition period from TANF can lose child care assistance (while still eligible) in four states (Arkansas, Indiana, Nevada, and South Carolina) and can lose their eligibility for assistance in three states (Nebraska, New Mexico, and Tennessee).

Low-income working families without current or recent TANF connections who apply for child care assistance are more likely to end up on waiting lists or not be able to receive child care assistance than other low-income families.⁴ Since January 2001, 12 states, including the District of Columbia, started keeping waiting lists for—or have stopped providing child care subsidies to—low-income working families who are not receiving TANF.⁵ (See Table 1 for specifics about these and other states that have made policy changes decreasing the availability of child care assistance.)

- In two states (Colorado and the District of Columbia), families transitioning off of welfare and other low-income, non-TANF families are placed on waiting lists or cannot apply for child care assistance.
- One state (Maryland) stopped enrolling new families except TANF families and those who received TANF within two months of applying for child care subsidies.
- Nine states (Alabama, Arizona, Connecticut, Kentucky, Montana, Nevada, New Jersey, Pennsylvania, and Tennessee) started waiting lists for—or stopped accepting applications from—low-income working families but did not do the same for TANF families or families transitioning off of TANF.
- Only three states (Alaska, Iowa, and South Carolina) have eliminated their waiting lists or started enrolling other low-income families.

Conclusion

As long as child care resources are constrained, states will need to make difficult policy trade-offs when allocating child care assistance among needy families. Increased federal child care funding is needed to effectuate Congressional intent and ensure that more vulnerable, low-income, working families receive the child care assistance they need to support their families and stay off of public assistance.

**Table 1:
23 States Made Changes Decreasing Access to Child Care Subsidies¹
(Since January, 2001)**

	Changed income eligibility thresholds to narrow coverage	Changed other eligibility factors to narrow coverage	Restricted access by starting waiting list and/or stopping enrollment of new families ²		Increased copayments
			Impacts transitioning families and other low-income working families ³	Impacts only other low-income working families ⁴	
Arizona				X	
Connecticut	X			X	
Colorado	X	X	X		
District of Columbia			X		
Idaho					X
Indiana	X				
Kansas	X				
Kentucky	X	X		X	X
Missouri	X				
Montana				X	X
Nebraska	X	X			X
New Jersey				X	
New Mexico	X				
Nevada				X	
North Carolina					X
North Dakota	X				
Ohio ⁵	X				X
Oregon	X	X			X
Pennsylvania				X	
Tennessee				X	
Texas	X	X			X
Washington	X				X
West Virginia	X				X

¹ The GAO reports that nine states (Alaska, Georgia, Iowa, Massachusetts, New York, Oklahoma, South Carolina, South Dakota, and Wyoming) made changes that increase the availability of child care assistance. Furthermore, three states (Alabama, Louisiana, and Maryland) made a mix of changes that both increased and decreased the availability of child care assistance.

² Alaska and Iowa eliminated their waiting lists; South Carolina resumed enrollment of new families into the assistance program

³ In January 2003, Maryland stopped enrolling new families except TANF families and those who received TANF within two months of applying for child care subsidies.

⁴ In October 2002, Alabama stopped enrolling new low-income working families in the child care assistance program.

⁵ Ohio is scheduled to implement these changes later in 2003.

Source: U.S. General Accounting Office (2003). *Child Care: Recent State Policy Changes Affecting the Availability of Assistance for Low-Income Families*. Washington, DC: Author, at pp. 27-29, 34-35.

Endnotes

¹ Emphasis added. This quotation and all other information are from the U.S. General Accounting Office (2003). *Child Care: Recent State Policy Changes Affecting the Availability of Assistance for Low-Income Families*. Washington, DC: Author. See the full report for a complete list and description of state child care policy changes since January 2001.

² Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Sections 603(b), 605 & 614.

³ GAO, 2003. Three states did not provide complete information to the GAO.

⁴ The fact that only 12 states started keeping waiting lists or freezing enrollment for low-income working families since January 2001 does not mean that the remaining states were able to fully meet the child care needs of families. First, other states had imposed waiting lists or frozen enrollment prior to January 2001. Second, not all states and localities keep waiting lists; some just stop conducting outreach to families when they can't meet additional demand. Third, states often address the inability to serve all families by imposing restrictive eligibility rules rather than by creating waiting lists or freezing enrollment of eligible families.

⁵ A recent report by the Children's Defense Fund indicates that more than one-third of states currently have waiting lists or are not accepting applications. Children's Defense Fund. (2003, March). *State Budget Cuts Create a Growing Child Care Crisis for Low-Income Working Families*. Washington, DC: Author.