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Child Care Issues in the 109th Congress

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Summary

Federal support for child care comes in many forms, ranging from grant programs to tax provisions. Some programs serve as specifically dedicated funding sources for child care services (e.g., the Child Care and Development Block Grant, or CCDBG), while for others (e.g., Temporary Assistance for Needy Families, or TANF), child care is just one of many purposes for which funds may be used. In many cases, federal programs target low-income families in need of child care assistance, but in the case of certain tax provisions, the benefits reach middle- and upper-income families as well. This report provides an overview of federal child care and related programs as they were addressed by the 109th Congress.

The 109th Congress inherited several child care-related agenda items from the previous Congress(es), but resolved only a few. Efforts to reauthorize the CCDBG and TANF block grants, as well as the Head Start program, had started in the 108th Congress, and ultimately, in February 2006, after 12 temporary extensions, the TANF block grant and the mandatory portion of child care funding was reauthorized for a five-year period via the Deficit Reduction Act (P.L. 109-171). Whereas bills to reauthorize the Child Care and Development Block Grant itself (H.R. 240 and S. 525) and the Head Start Program (H.R. 2123 and S. 2206) failed to make their way to enactment in law, and remain on the agenda for the 110th Congress.

Funding for many child care and related programs is provided each year as part of the annual appropriations process for the Departments of Health and Human Services (HHS) and Education (ED). Fiscal Year 2007 appropriations bills for those departments (among most others) did not receive floor action in the House or Senate during the 109th Congress, although the 2007 fiscal year began on October 1, 2006. The process extended into the 110th Congress, with a third continuing resolution (P.L. 109-383) temporarily funding government operations (through February 15, 2007) at rates based on the FY2006 funding levels. The FY2006 appropriations (P.L. 109-149) included funding slightly below FY2005 amounts for most child care and related programs, as a result of an across-the-board rescission of 1% applied to most discretionary programs. Additional targeted funding for Head Start and the Social Services Block Grant—supplemental funding targeted specifically in response to needs arising from the Gulf Coast hurricanes of 2005—was included in the FY2006 Defense Appropriations Act (P.L. 109-148).

The President's FY2007 budget proposals in areas related to child care and early childhood development were framed in the context of the Administration's Early Childhood Initiative—"Good Start, Grow Smart"—which was initially launched in April 2002. The initiative emphasized the importance of promoting school readiness, a key focus of the President's Head Start reauthorization proposals. In efforts to promote school readiness among pre-school children, there has also been a growing emphasis on better coordination of early childhood programs, including most of the federal programs described in this report, as well as state pre-kindergarten programs and other state-funded efforts.

This is the final update of this report; the 109th Congress has adjourned.

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Final Developments

Third Continuing Resolution Extends Funding into FY2007 (and into the 110th Congress)

The 109th Congress adjourned with the FY2007 appropriations process still under way. A third continuing resolution (CR), P.L. 109-383, signed into law December 9, 2006, provided funding for government operations (including the Departments of Health and Human Services and Education) through February 15, 2007, based on the FY2006 rate.

For information on FY2007 Labor-HHS-Education the appropriations bills that were approved by House and Senate committees, but did not receive floor action, see the section "FY2007 Appropriations Process," later in this report.

Final Rule on Head Start Transportation Waivers

On October 4, 2006, a final rule was published in the Federal Register[1] authorizing, effective November 1, 2006, the Department of Health and Human Services to issue waivers to Head Start grantees from two of the provisions of the Head Start Transportation Regulation (45 CFR Part 1310). These two requirements are that children be secured in age- and weight-appropriate child restraint systems, and that there be at least one monitor onboard any bus transporting Head Start children.[2]

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 five years. In many cases, other Congressional Research Service (CRS) reports are referenced as sources for more detailed information about individual programs. Several programs were due for reauthorization in the 109th Congress (i.e., Child Care and Development Block Grant and Head Start), but remained unauthorized at the end of the 109th Congress, whereas others (TANF and mandatory child care funding) were reauthorized in the second session. 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)[3]

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 has been due to be reauthorized since the end of FY2002, and remained an incomplete agenda item at the close of the 109th Congress. (See the "Legislative Activity in the 109th Congress" section of

[1] *Federal Register*, Vol. 71, No. 192, October 4, 2006, pp. 58533-58536.

[2] On August 28, 2006, the Government Accountability Office (GAO) released *Head Start: Progress and Challenges in Implementing Transportation Regulations* (GAO-06-767R), a report conveying information provided by GAO to requesting Congressional staff on May 16, 2006. The report may be accessed at http://www.gao.gov/new.items/d06767r.pdf.

[3] For more information, see CRS Report RL30785, *The Child Care and Development Block Grant: Background and Funding*, by Melinda Gish.

this report for more on the unsuccessful reauthorization efforts.) The CCDBG is administered by the Department of Health and Human Services (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.) 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 (CCDF)), and state maintenance-of-effort (MOE) and matching requirements apply to part of the entitlement funds.[4] 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 or 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.

The FY2006 Appropriations Act for the Departments of Labor, HHS, and Education (P.L. 109-149) included roughly $2.1 billion in discretionary funding for the CCDBG. (An across-the-board rescission of 1% brought the precise total to $2.062 billion.) For FY2005, the Consolidated Appropriations Act (P.L. 108-447) provided $2.083 billion. Mandatory (or "entitlement") CCDBG funding beginning in FY2003 through FY2005 was provided at the FY2002 rate ($2.717 billion for the year), under a series of funding extensions. Ultimately, funding for a longer, five-year period (FY2006-FY2010) was included in the Deficit Reduction Act of 2005, a budget spending reconciliation bill (S. 1932), which was signed into law (P.L. 109-171) on February 8, 2006. This law provides $2.917 billion annually for each of FY2006-2010.

Temporary Assistance for Needy Families (TANF)

TANF, created in the 1996 welfare reform law (P.L. 104-193), provides fixed block grants for state-designed programs of time-limited and work-conditioned aid to needy families with children. The original legislation provided $16.5 billion annually through FY2002, and after a series of twelve temporary extensions, Congress included several welfare provisions (and mandatory child care funding) in its spending budget reconciliation bill (S. 1932) which was signed into law (P.L. 109-171) on February 8, 2006. The law maintains the TANF block grant at $16.5 billion for FY2006-2010. Child care is one of many services for which states may use TANF funding. In FY2005, HHS reports that states spent $1.3 billion in federal TANF funds for

[4] 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.

child care within the TANF program, and $1.92 billion in state TANF and separate state program (SSP) MOE funds. (Of that $1.92 billion in state spending, approximately $858 million could be "double counted" as state spending toward the CCDF MOE requirement.)[5] 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 transfer from the FY2005 TANF allotment to the CCDBG totaled $2.0 billion (representing 12% of the FY2005 TANF allotment).

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 FY2005, obligations are estimated to have been $2.066 billion, increasing to $2.174 billion in FY2006.[6]

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. The most recently published HHS analysis of state expenditures indicates that 10% *of total SSBG expenditures* made in FY2004 ($254 million) were for child care in that year, an increase from those made for child care in FY2003 ($165 million). 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 $1.7 billion; however, Congress appropriated $1.725 billion for that year, despite the ceiling. The FY2006 Appropriations Act for the Departments of Labor, HHS, and Education (P.L. 109-149) included identical provisions to the FY2005 appropriations: $1.7 billion for the SSBG and states' authority to transfer up to 10% of their TANF block grants to the SSBG. (Note: the SSBG is not a discretionary program, and thus was not affected by the across-the-board rescission.) In addition to the regular SSBG funding, an additional $550 million was provided in the Defense Appropriations Act (P.L. 109-148), targeted for needs arising from the Gulf Coast Hurricanes of 2005.[7]

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 Act has been due to be reauthorized since the end of FY2003, but remained an unfinished legislative agenda item at the close of the 109th Congress. Funding has nevertheless been provided through the appropriations process. Under current law, Head Start funds are provided directly by HHS to local grantees, which must comply with detailed federal performance standards. In its budget request for FY2006, the Administration proposed to give up to nine *states* the opportunity to

[5] For more information on states' use of TANF funds, see CRS Report RL32748, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF Financing and Federal Requirements*, by Gene Falk.

[6] See CRS Report RL33307, *Child Nutrition and WIC Programs: Background and Recent Funding*, by Joe Richardson.

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

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. This proposal proved controversial in both the House and Senate during the 108th Congress, and was not proposed in either the reauthorization bill passed in the House (H.R. 2123) or the Senate bill approved in committee (S. 1107) during the 109th Congress; nor did the President propose it with his budget for FY2007.[8]

The available data show funded enrollment for Head Start in FY2005 to have totaled 906,993 children (10% of whom were under age 3, participating in Early Head Start). The FY2006 Appropriations Act for the Departments of Labor, HHS, and Education (P.L. 109-149) provided $6.786 billion (post-rescission of 1%) for Head Start, a decrease from the FY2005 funding level (post-rescission of 0.8%) of $6.843 billion. In addition, as mentioned earlier, the Defense Appropriations Law (P.L. 109-148) provided $90 million in Head Start funding to be used specifically for grantees serving children displaced by last year's Gulf Coast hurricanes, and to help with costs of renovating Head Start facilities that were affected by the storms.

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).[9] 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 that 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 1% rescission applied to the appropriation provided by the FY2006 Appropriations Act (P.L. 109-149) dropped the funding level to $981 million ($10 million less than FY2005 funding).

Even Start

The Department of Education administers the Even Start program, which provides grants for family literacy projects that include early childhood education.[10] The appropriation for FY2006 was $99 million (post-rescission), a cut of $126 million from the FY2005 funding level of $225 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 grants for children with disabilities.[11] IDEA was reauthorized during the 108th Congress. FY2006 appropriations (post-

[8] For more information, see CRS Report RL30952, *Head Start: Background and Issues*, by Melinda Gish.

[9] For more information, see CRS Report RL31240, *21st Century Community Learning Centers: Background and Funding*, by Gail McCallion.

[10] For more information, see CRS Report RL30448, *Even Start Family Literacy Programs: An Overview*, and CRS Report RL33071, *Even Start: Funding Controversy*, by Gail McCallion.

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

rescission) for the IDEA infants and toddlers program were $436 million, and the funding level for the preschool grants program was $381 million.

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.[12] 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 six years. The FY2006 Appropriations Act (P.L. 109-149) funded this program at $103 million (post-rescission).

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. For each of FY2006 and FY2005, approximately $15 million was appropriated for these grants.

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 four 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 FY2006 was $15.8 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) was last funded in FY2005 at $36 million. The FY2006 Appropriations Act includes no funding for this program. When funded, the program provided grants to communities to enhance school readiness for children under five, 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; FY2003 funding was set at $34 million (despite the President's FY2003 budget proposal to eliminate the program) and for FY2004, P.L. 108-199 included $34 million for the Early Learning Fund.

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

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

code.[13] Beginning in tax year 2003, the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) increased 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 applies to taxpayers with adjusted gross incomes of $15,000 or less. The rate decreases 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 Joint Committee on Taxation's estimated revenue loss for 2005 is $3 billion, and $2.2 billion for 2006.

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.[14] 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 is $1 billion in 2005 and $1.1 billion for 2006.

Table 1. Funding for Federal Child Care and Related Programs, FY2002-FY2006

($ in millions)

Program (federal admin. agency)	2002	2003	2004	2005	2006
CCDBG -discretionary portion (HHS)	$2,100	$2,086[h]	$2,087[k]	$2,083[l]	$2,062[m]
CCDBG -entitlement portion (HHS)	2,717	2,717[b]	2,717[b]	2,717[b]	2,917[n]
TANF[a] (HHS)	[a]	[a]	[a]	[a]	[a]
Child and Adult Care Food (USDA)	1,831[c]	1,915[c]	2,056[c]	2,066[c]	2,174[c]
Social Services Block Grant (HHS)	1,700[d]	1,700[d]	1,700[d]	1,700[d]	1,700[d,p]
Head Start (HHS)	6,538[e]	6,668[f]	6,775[e,k]	6,843[e,l]	6,786[m,o]
21st Century Community Learning Centers (ED)	1,000	994[h]	999[k]	991[l]	981[m]
Even Start (ED)	250	248[h]	247[k]	225[l]	99[m]
IDEA Infants and Families (ED)	417	434[h]	444[k]	441[l]	436[m]
IDEA Preschool Grants (ED)	390	387[h]	388[k]	385[l]	381[m]
Early Learning Fund / ELOA (HHS)	25	34[h]	34[k]	36[l]	0
Early Reading First (ED)	75	75[h]	94[k]	104[l]	103[m]
Early Childhood Educator Professional Development (ED)	15	15[h]	15[k]	15[l]	14.5[m]
Child Care Access Means Parents in School (ED)	22[i]	16[h]	16[k]	16[l]	15.8[m]
Dependent Care Tax Credit (Treasury)	2,500[g]	3,200[j]	3,100[j]	3,000[j]	2,200[j]
Dependent Care Assistance Program (Treasury)	600[g]	800[g]	800[g]	1,000[g]	1,100[g]

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

a. TANF funds ($16.5 billion annually) may be used for child care, but are not specifically appropriated as such. HHS reports that states spent $1.3 billion in federal TANF funds for child care within the TANF program in

[13] See CRS Report RS21466, *Dependent Care: Current Tax Benefits and Legislative Issues*, by Christine Scott and Janemarie Mulvey.

[14] Ibid.

FY2004 (the most recent data available). Also, the FY2005 transfer from the FY2005 TANF allotment to the CCDBG totaled $2.0 billion (representing 12% of the FY2005 TANF allotment).

b. Funding for TANF and the mandatory portion of CCDBG funding for FY2003 was provided (at the FY2002 rates) through a series of temporary extensions. For FY2004, funding was also provided via extensions (P.L. 108-262 carried funding through Sept. 30, 2004). For FY2005, P.L. 108-308 extended funding at this same rate through Mar. 31, 2005. P.L. 109-4 extended funding through June 30, 2005, and P.L. 109-19 extended funding through September 30, 2005.

c. Obligations (actual for 2002-2004; estimated for 2005-2006), Department of Agriculture.

d. Total SSBG appropriation amount shown. In FY2004 (most recent data available), $254 million in SSBG expenditures was for child care. In FY2003, the comparable figure was $165 million, and in FY2002, it was $205 million.

e. In FY2002 and FY2004, $1.4 billion was advance appropriated for the following year. In FY2005, $1.389 billion of the $6.843 billion was advance appropriated for FY2006.

f. Of the $6.668 billion, $5.268 billion was available for FY2003, and $1.4 billion was available in FY2004. The $5.268 billion was exempt from rescissions (or "offsets") included in P.L. 108-7. However, the advance appropriation of $1.4 billion for FY2004, included in P.L. 108-7, was subject to the 0.59% rescission included in the FY2004 appropriations law (P.L. 108-199).

g. Revenue loss, Joint Committee on Taxation.

h. Amount reflects rescission included in P.L. 108-7.

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. 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.

k. These discretionary programs were subject to an across-the-board rescission of 0.59% included in P.L. 108-199. For the larger programs, the listed amount reflects the rescission, whereas for the smaller programs, the use of rounding in the table masks the decrease in the actual appropriation.

l. The omnibus appropriations law (P.L. 108-447) included an across-the-board rescission of 0.8% for these discretionary programs. The numbers in the table reflect the offset. (For the smaller programs, the use of rounding in the table masks the decrease in the actual appropriation.)

m. This amount reflects the 1% across-the-board rescission that applies to discretionary programs included in this appropriations act (P.L. 109-149).

n. P.L. 109-171 provides $2.917 billion for mandatory child care funding in each of fiscal years 2006-2010.

o. Of the $6.786 billion (post-rescission), $1.386 billion became available in FY2007. In addition to the amount shown in the table, the Defense Appropriations Act (P.L. 109-148) provided $90 million in additional funding for Head Start, to be used specifically for grantees serving children displaced by last year's Gulf Coast hurricanes, and to help with costs of renovating Head Start facilities that were affected by the storms.

p. In addition to the $1.7 billion appropriated in the Labor, HHS, Education law (P.L. 109-148), the Defense Appropriations Act (P.L. 109-149) provided $550 million in SSBG funds, specifically targeted for needs arising from the Gulf Coast Hurricanes of 2005.

FY2006 Appropriations

Following a lengthy appropriations process that included three continuing resolutions[15] and consideration of two conference reports,[16] a bill making appropriations for the Departments of

[15] The first continuing resolution (H.J.Res. 68/P.L. 109-77) extended funding through November 18, 2005. The second (H.J.Res. 72, P.L. 109-105) continued the funding through December 17, 2005), and the third (H.J.Res. 75, P.L. 109-128) through December 31, 2005.

[16] On November 17, 2005, the House failed to approve the first Conference Report (H.Rept. 109-300) on H.R. 3010. A second Conference Report (H.Rept. 109-337) was subsequently approved by the House on December 14, 2005 (by vote of 215-213), and by unanimous consent in the Senate on December 21, 2005. Head Start provisions in the two did not differ.

Labor, HHS, and Education (H.R. 3010) was ultimately signed into law (P.L. 109-149) on December 30, 2005.

Table 2 shows how the funding levels included in the conference agreement (and ultimately approved and signed into law), compare to the levels requested by the Administration and approved in the House and Senate versions of H.R. 3010, discussed below. An across-the-board rescission of 1% was applied to discretionary programs funded under P.L. 109-149, and the numbers in the table reflect that.

President's FY2006 request

On February 7, 2005, President Bush released his budget request for FY2006, which proposed to fund most, but not all, child care and related programs at the same rounded levels provided in FY2005. Exceptions included Head Start, for which a $45 million increase was proposed, and Even Start and the Early Learning Fund, both of which the Administration proposed to eliminate. **Table 2** provides the Administration's proposed funding levels for child care and related programs for FY2006. (The President's proposed funding levels for FY2007 were released February 6, 2006 and are discussed later in this report.)

House

On June 24, 2005, the House amended and passed H.R. 3010, a bill to make FY2006 appropriations for the Departments of Labor, Health and Human Services, and Education. House-proposed funding levels for FY2006 matched the levels requested in the President's FY2006 budget, with the exception of the Head Start and Even Start programs, which the House proposed to fund at higher levels than proposed by the President.

Senate

On July 14, 2005, the Senate Appropriations Committee approved and reported its own version of H.R. 3010 (S.Rept. 109-103). Proposed funding levels mirrored those proposed in the House bill, with the following exceptions: Head Start funding was proposed at a level $25 million less than in the House bill; Even Start would have been eliminated (as proposed by the Administration); and the IDEA Infants and Toddlers Program would have been provided with $3 million more than proposed in the House version.

Table 2. FY2006 Appropriations Compared with House- and Senate-Passed Levels, and President's FY2006 Request

($ in millions)

Program	President's FY2006 Request	House-passed H.R. 3010	Senate-passed H.R. 3010	P.L. 109-149[a] (Conf. Report 109-337)
CCDBG discretionary (HHS)	$2,083	$2,083	$2,083	$2,062
SSBG (HHS)	1,700	1,700	1,700	1,700
Head Start (HHS)	6,888	6,899	6,874	6,786
21st CCLC (ED)	991	991	991	981
Even Start (ED)	0	200	0	99
IDEA Infants and Families (ED)	441	441	444	436
IDEA Preschool (ED)	385	385	385	381

Program	President's FY2006 Request	House-passed H.R. 3010	Senate-passed H.R. 3010	P.L. 109-149[a] (Conf. Report 109-337)
Early Learning Fund (HHS)	0	0	0	0
Early Childhood Educator Professional Development (ED)	15	15	15	15
Early Reading First (ED)	104	104	104	103
Child Care Access Means Parents in School (CAMPIS) (ED)	16	16	16	16

Source: Table prepared by the Congressional Research Service.

a. An across-the-board rescission of 1% was applied to discretionary programs funded under P.L. 109-149, and these numbers reflect that rescission. For the smaller programs (i.e. Early Childhood Educator Professional Development and CAMPIS) the use of rounding masks the decrease in the appropriation.

President Bush's FY2007 Budget Request

On February 6, 2006, President Bush released his budget request for FY2007, which proposed to fund most, but not all, child care and related programs at the same levels provided in FY2006. The exceptions included the Social Services Block Grant, which he proposed be cut from $1.7 billion to $1.2 billion, and the Even Start program, which the Administration proposed to eliminate. **Table 3** provides the Administration's proposed funding levels for child care and related programs compared to the levels approved in House and Senate committees in 2006. Note that the FY2007 appropriations process was still under way at the close of the 109th Congress, with funding being provided (through February 15, 2007) under a third continuing resolution (P.L. 109-383) at the programs' FY2006 rate. Supplemental funding, like that provided to Head Start and SSBG to target needs arising from the 2005 Gulf hurricanes, is not considered in determining the rate for FY2007. (See "FY2007 Appropriations Process," later in this report).

CCDBG

The President proposed to maintain both the discretionary and mandatory portions of funding for the child care block grant (referred to in combination as the Child Care and Development Fund (CCDF)) at the same levels provided for FY2006: $2.062 billion and $2.917 billion, respectively. The budget proposal did not include a plan for maintaining current service levels. According to budget documents, the number of children projected to receive child care services funded through CCDF, TANF (transfers and direct child care spending) and the SSBG will decrease by 300,000 over the next five years (from 2.1 million estimated to be served in FY2006, to 1.8 million in FY2011.)[17]

TANF

The President proposed to maintain TANF in FY2007 at the level agreed upon in the Deficit Reduction Act (P.L. 109-171), which provides $16.5 billion annually for FY2006-2010. These funds may continue to be used for child care, at states' discretion. The President's budget also proposed to maintain states' authority to transfer up to 10% of their TANF grants to the SSBG.

[17] *Analytical Perspectives*, Budget of the United States, FY2007, p. 363.

SSBG

The SSBG, a potential source of funding for child care, would have experienced a cut under the President's proposal. The President proposed to provide $1.2 billion for the SSBG in FY2007, a decrease of $500 million from the $1.7 billion provided in the FY2006 HHS Appropriations Act. The Administration contended that "while SSBG provides State flexibility, as the Congress intended, it fails to ensure that funds are directed towards activities that achieve results." In addition, it argued that "the purposes of SSBG overlap substantially with other categorical and flexible Federal social service programs." (Note: the FY2006 Defense Appropriations Act (P.L. 109-148) provided an additional $550 million in special SSBG hurricane relief funding for FY2006, which was largely directed towards the affected Gulf states.)

Head Start

The President proposed to maintain Head Start funding at a level of $6.786 billion (the same amount included—post-rescission—in the FY2006 HHS Appropriations Act (P.L. 109-149)). In its Justification of Estimates for the Appropriations Committees, the Administration (HHS) contended that by allowing a greater portion of Head Start funds to be shifted away from training and technical assistance and into direct service grants, the number of children estimated to be served by Head Start (and Early Head Start) would increase to approximately 917,000 (an increase of roughly 10,000 children from FY2006 estimates).[18]

21st Century Community Learning Centers

The President recommended that the 21st CCLC program be funded in FY2007 at the same level as in FY2006: $981 million. The Administration contended that the request would enable districts to provide after-school learning opportunities to more than 1.3 million students in 2,900 after-school programs.

IDEA Grants for Infants and Families and Preschool Grants

The President proposed to maintain the same level of funding for these grants as provided in FY2006: $436 million for grants to infants and families, and $381 million for preschool grants. The Administration stated that the budget request for infants and families grants would provide support to 57 state agencies serving approximately 315,400 infants and toddlers with disabilities, and their families. It contended that the request for preschool grants would provide an estimated $502 per child for approximately 759,000 children.

Even Start

For the third year in a row, the Administration proposed to eliminate the Even Start program, which, despite the previous year's Presidential request, was funded at a level of $99 million in FY2006, making steps towards eliminating much but not all, of the program.[19] The FY2007 request—for no funding—would complete the process. The President has argued that limited resources are better spent in early childhood programs such as **Reading First** and **Early Reading First**, which, according to the Administration "are better structured to implement proven research

[18] For more details on the President's FY2007 Budget proposals for Head Start, see CRS Report RL30952, *Head Start: Background and Issues*, by Melinda Gish.

[19] For more discussion regarding the proposal to eliminate the Even Start program, see CRS Report RL33071, *Even Start: Funding Controversy*, by Gail McCallion.

and to achieve the President's literacy goals." (The FY2007 budget request proposed no increase for **Early Reading First** ($103 million program) or **Reading First** ($1 billion program).

Child Care Access Means Parents in School (CAMPIS)

The President proposed to continue funding the CAMPIS program at the same level as in FY2006 (post-rescission), which is $15.8 million. The Administration estimated that the FY2007 request would fund 181 existing projects.

FY2007 Appropriations Process

The FY2007 appropriations process, still under way at the close of the 109th Congress, has consisted of a series of continuing resolutions, the third of which (P.L. 109-383) is to provide funding through February 15, 2007, at the FY2006 annual rate. The 2006 fiscal year concluded with Congress failing to pass most of its appropriations bills for FY2007, including a bill making appropriations for the Departments of HHS, Labor, and Education. Therefore, in order to continue funding government operations into FY2007, Congress passed the first of three continuing resolutions (CR), attaching it to the Defense Appropriations Conference Report (H.Rept. 109-676), and it was signed into law (P.L. 109-289) on September 29, 2006. As of this writing, a third CR (P.L. 109-383) provides funding through February 15, 2007, at programs' FY2006 rate. (Supplemental funding, like that provided to Head Start and SSBG to target needs arising from the 2005 Gulf hurricanes, was not included in determining the FY2006 rate for the FY2007 appropriations.)

While neither the House nor Senate passed a bill in the 109th Congress making FY2007 appropriations for the Departments of Labor, Health and Human Services, and Education, their respective Appropriations Committees did pass bills. The House committee reported H.R. 5647 (H.Rept. 109-515) on June 20, 2006, and the Senate committee reported S. 3708 (S.Rept. 109-287) one month later. The committees' proposed funding levels for child care and select related programs are shown in **Table 3**, alongside the funding levels requested by the President.

Table 3. President's FY2007 Funding Request Compared to FY2007 Funding Levels Approved by Committees in House (H.R. 5647) and Senate (S. 3708)

($ in millions)

Program	President's request FY2007	House Committee-passed (H.R. 5647)	Senate Committee-passed (S. 3708)
CCDBG discretionary (HHS)	$2,062	$2,062	$2,062
SSBG (HHS)	1,200	1,700	1,700
Head Start (HHS)	6,786	6,789	6,789
21st CCLC (ED)	981	981	981
Even Start (ED)	0	70	0
IDEA Infants and Families (ED)	436	436	436
IDEA Preschool (ED)	381	381	381
Early Childhood Educator Professional Development (ED)	15	15	15
Early Reading First (ED)	103	103	100

Program	President's request FY2007	House Committee-passed (H.R. 5647)	Senate Committee-passed (S. 3708)
Child Care Access Means Parents in School (CAMPIS) (ED)	16	16	16

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

The Administration's Early Childhood Initiative

Good Start, Grow Smart: The Bush Administration's Early Childhood Initiative, was first announced by the President in April of 2002 and has been reflected in budget proposals and program initiatives since that date. Not all the proposals have been adopted, however. 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. In the President's FY2004 budget, he proposed to transfer the Head Start program to the Department of Education, as well as to provide states with the option to administer the program. The Head Start reauthorization bill passed by the House during the 108th Congress (H.R. 2210) did not include the proposal to transfer the program to ED, but did include provisions to allow a maximum of eight states to administer the program (provided they meet designated requirements). The Head Start reauthorization bills of this (109th) Congress (H.R. 2123 and S. 2206) emphasized increased coordination among early childhood programs, but neither proposed either a departmental transfer of the program or state demonstration projects.

The Administration has moved ahead with two other efforts that are in keeping with the Good Start, Grow Smart initiative, but that did 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 summer and fall 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 and implementation 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 was implemented starting in the fall 2003, and assesses 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 109th Congress

Child Care and Welfare Reauthorizations[20]

Both the CCDBG and TANF were due to be reauthorized at the end of FY2002, and on February 8, 2006, following 12 temporary extensions, the Deficit Reduction Act was signed into law (P.L.

[20] For more information on welfare reauthorization, including the child care component, see CRS Report RL33418, *Welfare Reauthorization in the 109th Congress: An Overview*, by Gene Falk, Melinda Gish, and Carmen Solomon-Fears and CRS Report RS22369, *TANF, Child Care, Marriage Promotion, and Responsible Fatherhood Provisions in the Deficit Reduction Act of 2005 (P.L. 109-171)*, by Gene Falk.

109-171), finally reauthorizing TANF and the mandatory portion of child care funding for FY2006-2010. Essentially, select provisions pertaining to welfare and child care reauthorizations were adopted from broader, free-standing reauthorization legislation (H.R. 240) into the Deficit Reduction Act (S. 1932).

With respect to child care, the budget reconciliation act (S. 1932/P.L. 109-171) increases mandatory child care funding by $200 million annually for FY2006-FY2010, raising total annual mandatory funding from $2.717 billion to $2.917 billion (i.e. a $1 billion increase over five years). This provision was initially included in the welfare and child care reauthorization bill introduced in the House (H.R. 240). Though less than the proposed increase of $6 billion over five years included in the Senate committee-passed welfare reauthorization bill (S. 667), the $1 billion reflected twice the amount proposed by the House Ways and Means Committee in its *initial* budget reconciliation recommendations ($500 million over five years) to the Budget Committee. However, the reconciliation measure does *not* include a reauthorization of the CCDBG Act itself (i.e. the program rules and the authorized level of *discretionary* child care funding), which was addressed by H.R. 240 and S. 525 (as passed by the Senate HELP Committee, but never considered by the full Senate). Brief summaries of those bills can be found below.

H.R. 240, by Representative Pryce (Approved by Ways and Means Subcommittee, March 15, 2005; Amended and Approved by Education and Workforce Committee, October 20, 2005)

The Personal Responsibility, Work, and Family Promotion Act of 2005 resembled the welfare and child care reauthorization bill passed by the House in the 108th Congress, with respect to the bill's child care provisions. H.R. 240 would have set mandatory child care funding at $2.917 billion in each of FY2006-FY2010, for an increase of $1 billion over five years above current funding. This is the one child care provision that was adopted by the Deficit Reduction Act (S. 1932/P.L. 109-171). The authorized level for the discretionary portion of CCDBG funding would have been increased by $200 million annually beginning in FY2006 ($2.3 billion), reaching $3.1 billion in FY2010.

This bill would also have increased the child care quality set-aside from 4% to 6%, and would have amended 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 have allowed 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 have required that aggregated statistics on child care supply, demand, and quality be included in biennial reports to Congress. (It should be noted that two committees have jurisdiction over child care: the Education and Workforce Committee maintains jurisdiction of the CCDBG Act itself, which includes the program rules and the authorization for discretionary funding, while the Ways and Means Committee has responsibility for the mandatory child care funding stream that supports CCDBG programs. The mandatory funding is included in Section 418 of the Social Security Act, within the same title (Title IV) that includes the TANF program. (As noted earlier, TANF funds may also be used by states to support child care.)

Amendments to H.R. 240, by the Education and Workforce Committee. H.R. 240 as approved by the Education and Workforce Committee on October 20, 2005, adopted two CCDBG-related amendments (offered by Representative Fortuño). The first would require states to certify in their state plans that they will provide information to parents on the IDEA Part C program, as a way to

foster coordination between the program and CCDBG. The second amendment called for states to collect and report information on the ethnicity and primary language of children receiving CCDBG services and also would add a definition of limited English proficiency to the law.

Failed Amendment to H.R. 240, by the Ways and Means Human Resources Subcommittee. On March 15, 2005, the Ways and Means Subcommittee on Human Resources debated H.R. 240, and ultimately approved it (8-4), with solely Republican support. Child care funding remains a contentious issue, and Representative Stark offered an amendment to increase mandatory child care funding by $11 billion over five years (as opposed to the $1 billion included in the bill), but it was rejected.

H.R. 751, by Representative McDermott (Introduced February 10, 2005)

The Work, Family, and Opportunity Promotion Act included provisions to reauthorize TANF, and proposed to increase mandatory child care funding by $11 billion over five years. This bill did not receive committee action.

On the Senate side, bills (S. 105 and S. 6) to reauthorize welfare and aspects of child care were introduced early in the Congress, but did not receive committee action. On March 9, 2005, both the Finance Committee and the Health, Education, Labor, and Pensions (HELP) Committee approved and ordered reported bills (S. 667 and S. 525) to reauthorize welfare and child care respectively, described below. Note that in the Senate, the Finance Committee has jurisdiction over the mandatory child care funding (and TANF), and the HELP Committee holds responsibility for the CCDBG Act. As mentioned earlier, a mandatory child care component ($1 billion over five years) was included in the budget reconciliation bill (S. 1932), signed into law (P.L. 109-171) on February 8, 2006.

S. 667, Personal Responsibility and Individual Development for Everyone (PRIDE) Act of 2005 (Finance Committee Ordered Reported March 9, 2005)

The Senate Finance Committee approved and ordered reported, with bipartisan support, a bill (S. 667) referred to as the Personal Responsibility and Individual Development for Everyone (PRIDE) Act of 2005. The bill, which would have reauthorized TANF through FY2010, proposed to maintain the TANF block grant at its FY2005 level and to provide an additional $6 billion in mandatory child care funding over five years. The bill also proposed to provide an additional $1 billion over five years to the Social Services Block Grant. The allowable transfer from TANF to the SSBG under this bill would have been maintained at 10%.

S. 525, The Caring for Children Act of 2005 (HELP Committee Ordered Reported, March 9, 2005)

This bill, introduced by Senator Alexander on March 3, 2005, closely resembled the CCDBG reauthorization bill reported out of the HELP Committee last Congress (S. 880). As was the case with the earlier bill, the HELP Committee approved S. 525 with bipartisan support.

Major provisions would have authorized CCDBG discretionary funding at a level of $2.3 billion for FY2006, rising in $200 million increments up to $3.1 billion for FY2010; increased the percentage of funds that must be used for quality activities (newly specified in the proposal) from at least 4% to at least 6%; instructed states to use not less than 70% of funds remaining after quality and administrative set-asides for direct services (as defined by states); added 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; eliminated the federal eligibility maximum limit of 85% of state median income (SMI); required states to describe in their state plans how they would coordinate with other early childhood programs such as Head Start, state pre-kindergarten, and IDEA to expand accessibility to and continuity of care; required states to conduct statistically valid market rate surveys within two years preceding their state plans, and to set rates in accordance with the results (without reducing the number of children served); expanded data collection requirements; and required states beginning in FY2006 to submit a plan addressing the quality of child care services provided. Title II of the bill contained provisions to enhance security at child care centers in federal facilities, and Title III established a small business child care grant program, through which competitive grants would have been awarded to states for establishment and operation of employer-operated child care programs. (S. 525 would have authorized $50 million over five years for this purpose, whereas S. 880 would have authorized $30 million. S. 525 also proposed to change the CCDBG allocation for tribes from "not less than 1% and not more than 2%" to a concrete "2%.")

S. 105, by Senator Talent (Introduced January 24, 2005)

This Senate version of the Personal Responsibility, Work, and Family Promotion Act of 2005 contained the same child care provisions as are proposed in H.R. 240 (see above).

S. 6, by Senator Santorum (Introduced January 24, 2005)

Among tax and TANF reauthorization provisions, the Family and Community Protection Act of 2005 (S. 6) included an additional $1 billion over five years in mandatory child care funding.

Head Start Reauthorization

The Head Start program has been due to be reauthorized since the end of FY2003. On September 22, 2005, the House passed H.R. 2123 (by a vote of 231-284). The Senate did not bring a bill to the floor during the 109th Congress, but the Health, Education, Labor, and Pensions (HELP) Committee did approve and report S. 1107/ S.Rept. 109-131. Summaries of major provisions in the two bills (H.R. 2123, as passed by the House; and S. 1107, as approved (by voice vote) by the full HELP Committee in the Senate) can be found in CRS Report RL30952, *Head Start: Background and Issues*, by Melinda Gish.

Other Child Care-Related Legislation

Other bills related to child care that were introduced in the 109th Congress include H.R. 335 (Lynch), a bill to amend the CCDBG Act to increase availability and quality of child care by creating incentives for people age 55 and over to become child care providers; S. 15 (Bingaman), a bill that includes several provisions to amend both the Head Start Act and the CCDBG Act to expand access to programs and to improve program quality; S. 32 (Dayton), a bill authorizing the Secretary of Defense to fund child care for active duty military without access to a military child development center; and S. 233 (Roberts), a bill providing grants for building a child care training infrastructure and for encouraging employer-provided child care.

Response to Hurricane Katrina

Following Hurricane Katrina, the Department of Health and Human Services (HHS) issued a series of information memoranda alerting Head Start grantees and state child care administrators

to various efforts being made to assist their respective programs in helping children and families affected by Hurricane Katrina.

Specifically, the **Head Start Bureau** urged all its grantees to provide Head Start services to any displaced children and families in their communities as a result of the hurricane. On September 12, 2005, HHS announced that $15 million was available for helping cover costs over a 30-day period. Grantees were instructed to treat any preschool-aged child whose family had been displaced from their home as income-eligible, with or without documentation. The Head Start Bureau anticipated that programs serving newly enrolled displaced children might struggle to meet certain Head Start regulations, and issued guidance for requesting waivers in those areas. Moreover, the Bureau encouraged grantees to contact their regional federal offices with any concerns arising from serving evacuated families. The regional offices were asked (by HHS) to collect data (on a daily basis) from their respective grantees regarding the number of evacuee children being served by their program(s), and whether these children were new to Head Start, or, instead were previously enrolled in a Head Start program in the community from which they were displaced as a result of Hurricane Katrina. For copies of documents prepared by HHS relating to Head Start's role in responding to children and families affected by Hurricane Katrina, as well as procedures for addressing damaged facilities, see the following website: http://www.headstartinfo.org/hurricane_rir.htm.

Moreover, the Defense Department's Appropriations Act for FY2006, signed into law (P.L. 109-148) on December 30, 2005, included $90 million in additional funding for Head Start, to be used specifically for grantees serving children displaced by last year's Gulf Coast hurricanes, and to help with costs of renovating Head Start facilities that were affected by the storms. Those funds were not allocated according to the standard Head Start formula due to the targeted purpose of the funding. The Head Start Bureau took action to assess and address the needs of Head Start grantees in response to the hurricanes, collecting data for determining allocation of the $90 million.

The Defense Appropriations Act also included **SSBG** funding in the amount of $550 million for use in covering expenses related to the consequences of last year's hurricanes in the Gulf of Mexico. (Expenses could potentially include child care costs.) The Defense Appropriations Act expanded the potential services for which the additional $550 million could be used, to include "health services (including mental health services) and for repair, renovation and construction of health facilities (including mental health facilities)." The allocation of funds was based on Federal Emergency Management Agency (FEMA) registrant data from hurricanes Katrina, Rita, and Wilma, with registrants from Hurricane Katrina receiving double-weighting. The news release regarding the allocation of funds can be accessed at http://www.acf.dhhs.gov/programs/ocs/ssbg/hurricane_relief.html. The bulk of the funds were allocated to the states of Louisiana (40%), Mississippi (23%), Texas (16%), Florida (10%), and Alabama (5%). A table showing all states' allocations can be accessed at http://www.acf.hhs.gov/news/press/2006/SSBG_funds.htm.

The **Child Care Bureau** of HHS issued guidance regarding ways in which state child care administrators may use their Child Care and Development Block Grant (CCDBG) funds to help respond to needs resulting from the hurricane. No additional emergency grant funds have been provided, but state administrators have been made aware of various options for their use of funds, for example, making funds previously reserved (at a minimum 4% level) for "quality activities" available for use in providing emergency child care for displaced families. Likewise, states are reminded that they may amend their state CCDBG plans to redefine eligibility conditions (e.g., redefine "working") or priority rules and broaden them to be more inclusive of displaced families. For the full information memorandum sent to the state CCDBG lead agency administrators, see http://www.acf.dhhs.gov/programs/ccb/policy1/current/im0503/im0503.htm.

On July 11, 2006, HHS Secretary Leavitt granted waivers that lifted state matching requirements on a portion of child care funding, allowing Louisiana, Mississippi, and Texas to access $60 million in federal funds without making the state matching contribution normally required of CCDF mandatory child care funds. The authority for the waivers was provided in the Emergency Supplemental Appropriations Act (P.L. 109-148). As a result of the waivers, Louisiana was eligible for $27 million; Mississippi, $2 million; and Texas, $31 million.

Hearings

On March 15, 2005, the House Education and Workforce Committee's Subcommittee on 21st Century Competitiveness held a hearing titled "Welfare Reform: Reauthorization of Work and Child Care."

On September 27, 2006, the House Education and Workforce Committee's Subcommittee on Education Reform held a hearing titled "Perspectives on Early Childhood Home Visitation Programs."

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