NLWJC - Kagan

DPC - Box 025 - Folder 007

Family - Child Care Policy: General [2]

Family - child care policy - general

THE WHITE HOUSE

WASHINGTON

December 11, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: Child Care Initiative

As you recall, you announced at the White House Conference on Child Care that you would unveil a child care initiative in your State of the Union Address and FY 1999 budget proposal. The Conference made clear that child care is one of the most pressing issues facing America's working families today. It focused particular attention on the problems families face with the cost of child care, the quality of care (especially for infants and toddlers), and the availability of care (especially for school-age children). The recommendations presented in this memorandum address these concerns.

This memorandum outlines a recommended package of proposals and reflects a policy development process led by the Domestic Policy Council with significant input from the First Lady and her staff, NEC, OMB, OVP, CEA, IGA, and various federal agencies, including the Departments of HHS, Treasury, and Education. Many of your advisors see your child care proposal as the next significant initiative in your on-going commitment to working families. As you know, the First Lady has been particularly supportive of strong investment in this area.

The memorandum outlines both tax and general revenue expenditure options. On the tax side, we recommend an increase in the Child and Dependent Tax Credit, which assists low- and middle-income working families with child care costs. On the spending side, we recommend a package centered around: a significant investment in direct child care subsidies, which help low-income working families afford child care; a series of targeted investments to promote early learning opportunities and improve the safety and quality of child care; and an expansion of good after-school programs.

OVERVIEW OF PROPOSALS

Tax Relief for American Families. Modify the Child and Dependent Care Tax Credit (CDCTC) to assist low- and middle-income Americans with child care costs.

Tax Credits for Businesses. Provide a tax credit to businesses that incur costs related to building or operating child care facilities, training child care workers, or providing resource and referral services to employees (some version of Senator Kohl's proposal).

Subsidies for Low-Income Families. Increase federal investment in the Child Care and Development Block Grant (CCDBG) to enable states to provide child care subsidies to additional low-income working families with children under 13.

Standards Enforcement. Establish a new fund for states to improve licensing of providers and enforcement of state health and safety standards.

Early Learning Fund. Establish a new fund -- structured as challenge grants to communities -- to promote early learning, child care quality, and parent involvement and education.

Early Head Start. Increase the Early Head Start set-aside and raise overall funding in Head Start.

Scholarships and Training for Child Care Providers. Establish a Child Care Provider Scholarship Fund to provide scholarships to students working toward a child care credential, and expand the Department of Labor's Child Care Apprenticeship Program to fund training of child care providers.

Research and Evaluation. Establish a new fund to support research and demonstration projects, data collection, technology development, a National Center on Child Care Statistics, and a national child care hotline for parents.

School-Age Opportunities. Expand the Department of Education's 21st Century Community Learning Center Program to provide start-up funds to school-community partnerships to establish or expand before- and after-school programs for school-age children in public schools.

Stay-at-Home Parents. Consider expanding the reach of the Family and Medical Leave Act and establishing a small evaluation or demonstration fund to support states wishing to test innovative approaches in this area.

PROPOSAL	DPC RECOMMENDED FUNDING LEVEL OVER FIVE YEARS	
Child and Dependent Tax Credit Reform	$5.2 billion	8.2
Tax Credit for Businesses	$1 [illegible] billion	2
Subsidies for Low-Income Families Through Block Grant	$4 billion	9
~~Standards Enforcement Fund~~	~~$500 million~~	
Early Learning Fund	Approx. $2 billion	3
~~Early Head Start~~ / He	~~$500 million~~	
Child Care ~~Provider Scholarship Fund~~	~~$250 million~~	
Child Care ~~Apprenticeship Training~~ Program	~~$10 million (for FY 1999)~~	
~~Research and Evaluation Fund~~	$~~150~~ 50 million	
21st Century Learning Center program	$500 million to ~~$1 billion~~	

TOTAL TAX: $6.2 to $7.2 billion over five years

TOTAL SPENDING: Approx. $8 billion over five years

BACKGROUND ON FEDERAL CHILD CARE INVESTMENTS

The federal government invests in child care in a variety of ways. The two principal mechanisms designed to help parents pay for child care are the Child and Dependent Care Tax Credit (CDCTC) and the Child Care and Development Block Grant (CCDBG).

Child and Dependent Care Tax Credit. The CDCTC provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The non-refundable credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit rate depending on the taxpayer's adjusted gross income (AGI). Currently, the credit rate is phased down from 30 percent (for taxpayers with AGI of $10,000 or less) to 20 percent (for taxpayers with AGI above $28,000). The maximum amounts of qualifying expenses for which credits may be claimed are $2,400 for one qualifying individual and $4,800 for two or more qualifying individuals. Thus, the maximum credit ranges from $480 to $720 for a taxpayer with one qualifying individual and $960 to $1,440 for a taxpayer with two or more qualifying individuals.

Child Care and Development Block Grant. The CCDBG is the primary federal subsidy program devoted to child care, enabling low-income parents and parents receiving Temporary Assistance for Needy Families (TANF) to work or participate in the educational or training programs they need in order to work. Because of your efforts, welfare reform increased federal funding for child care by approximately $4 billion over five years (FY 1997 - FY 2002), and it consolidated four child care subsidy programs into the CCDBG. The funds are distributed primarily by formula to the states, which provide matching funds to operate direct child care subsidy programs and improve the quality and availability of care. By law, states may serve families below 85 percent of state median income, and must spend 4 percent of their funds on efforts to improve child care quality.

	CCDBG	**CDCTC**
Current federal funding level	$2.9 billion (FY 1997)	$2.5 billion (FY 1998)
Eligibility criteria	Families (TANF and non-TANF) with children under 13 who need child care and earn less than 85 percent of state median income	Taxpayers who pay for at least 50 percent of the care of a child under 13 and/or a disabled dependent or spouse in order to work
Percent of overall dollars in program going to families with AGI below 200 percent of poverty	**Approximately 96 percent**	**19 percent**
Percent of families with AGI below 200 percent of poverty and children under 13 who receive assistance under program	12 percent (of potentially eligible families)	13 percent
Amount of assistance	**$3,200 (average, annual subsidy per-child in FY 1995)***	**$419 (average tax relief per family with AGI below 200 % of poverty)***

*Average annual child care costs in 1995 range from $4,000 - $10,000 for full-time care for one child.

OPTIONS FOR CHILD CARE INITIATIVE

I. <u>**TAX SYSTEM**</u>. Options for investing in child care through the tax system include:

A. ***<u>Child and Dependent Care Tax Credit</u>***. Modify the Child and Dependent Care Tax Credit (CDCTC) by raising the top rate and moving the phase-out range. Presently, the CDCTC phases down from a high of 30 percent at $10,000 or less of income to 20 percent at more than $28,000 of income (a phase-out rate of one percentage point per $2,000 of income). The recommended option would raise the top rate from 30 percent to 50 percent and move the phase-out range from $10,000-$28,000 to $30,000-$59,000, indexed for inflation thereafter. Under this option, the credit would phase out at a rate of one percentage point per $1,000 of income, from a high of 50 percent at $30,000 or less of income to 20 percent at more than $59,000. The Department of the Treasury estimates that this option would affect 3 million taxpayers (all with adjusted gross incomes below $59,000), providing an average tax cut of $358 and eliminating tax liability for most families with incomes below 200 percent of poverty and maximum allowable child care expenses. <u>This option would cost $5.2 billion over five years; less expensive options, using different rates and phase-out ranges, are also possible</u>.

The chart below describes the effect of modifying the CDCTC as described above on various hypothetical American families:

Hypothetical Family Experiences	Post-Credit Income Tax Liability Under Current Law	Post-Credit Income Tax Liability Under the Proposal	Change in Tax Liability from Current Law
Single head of household with a child under 13, whose income is $20,000 and has $1,900 of child care expenses	-$927	-$1,152	-$225
Single head of household with a child under 13, whose income is $25,000 and has $2,500 of child care expenses	$569	-$103	-$672
Married couple with two children under 13, whose income is $35,000 and have $4,050 of child care expenses	$665	0	-$665
Married couple with two children under 13, whose income is $50,000 and have $4,050 of child care expenses	$2,915	$2,510	-$405

[Treasury Department Analysis; shown in 1999 dollars]

Pros:

- The CDCTC has not been adjusted for inflation since 1982. (Adjusting for inflation would move the phase-out from the current $10,000 - $28,000 to $18,000 - $45,000 -- less than $30,000 to $59,000 described in the option.

- The CDCTC assists parents with a range of income levels at low administrative costs.

Cons:

- The CDCTC is not well targeted to those with low incomes.

  -- Under current law, about 1 percent of the CDCTC is received by families with incomes in the bottom quintile. About 32 percent of the credit is received by families with incomes in the top quintile.

  -- Taxpayers who also claim the $500 child credit will not benefit from an increase in the CDCTC unless their income is more than 130 to 160 percent of poverty, depending on such variables as number of children and level of child care expenses.

- The IRS cannot easily verify child care expenditures. In 1988, about one-third of the CDCTC amounts claimed were false or overstated. Compliance efforts since 1988 may have reduced this error rate somewhat, but the IRS continues to have difficulty verifying expenses.

Recommendation

This option will directly assist middle-class families with child care costs: over 3 million families, all with incomes below $59,000, will benefit. The Treasury Department and OMB think that if you decide to propose a tax bill this year, this expansion of the CDCTC should be part of that package. The NEC supports this option. **The DPC recommends that you propose these adjustments to the CDCTC, at a cost of $5.2 billion over five years.**

B. ***Tax Credits to Corporate Sector***. Provide a tax credit to businesses that incur costs related to providing child care services to their employees. Qualifying expenses could include those a business incurs to build or expand a child care facility, operate an existing facility, train child care workers, reserve slots at a child care facility for employees, or provide child care resource and referral services to employees. In legislation proposed by Senator Kohl, the credit covers 50 percent of qualified costs incurred, but cannot exceed $150,000 per year. Kohl's proposal, which is sunsetted after two years, is estimated by the Joint Committee on Taxation to cost $2.6 billion over five years. The Treasury Department is working to adjust this option to limit inefficient subsidies; Treasury predicts that the resulting proposal will be less costly.

Pros:

- The proposal could increase the availability of child care services by giving businesses an incentive to provide those services to employees.

- The proposal addresses concerns about the quality of child care by providing the credit only for expenses incurred in licensed child care facilities.

Cons:

- This credit is costly relative to the number of additional child care slots created.

- This proposal may give businesses a tax credit for expenses they would have otherwise incurred -- and deducted or depreciated -- in the absence of the credit. (The Treasury Department is working to adjust the option to limit substitution.)

- This proposed credit is likely to disproportionately benefit middle- and higher- wage workers.

- A tax credit for employers will not benefit the nearly 30 percent of the labor force whose employers are non-taxable (*e.g.*, governments and non-profit organizations).

Recommendation

Secretary Rubin has met with Senator Kohl and recommends that you seriously consider including this option in any tax bill you propose this year if Treasury can adjust it to limit subsidization of existing activity. The rest of your advisors generally agree (with NEC most stressing the need for safeguards against inefficient subsidization), though all think that adjustment of the Child and Dependent Care Tax Credit should be a higher priority because that credit better helps low- and middle-income families afford child care. **The DPC recommends that you support a new tax credit to businesses with effective safeguards against subsidizing existing activity, in the range of $1 to $2 billion over five years.**

II. CHILD CARE AND DEVELOPMENT BLOCK GRANT. Increase federal investment in the Child Care and Development Block Grant (CCDBG) to enable states to provide child care subsidies to additional low-income working families with children under age 13. According to HHS estimates, for every $100 million of annual additional federal investment in CCDBG matching funds, at least 35,000 more children from families with incomes below 200 percent of poverty will receive subsidized child care.

Pros:

- CCDBG provides significant relief to low-income working families for child care costs. Annual subsidies averaged nearly $3,300 in FY 1995. Average annual child care costs range from $4,000 - $10,000 for full-time care for one child.

- States currently target their CCDBG dollars to the lowest-income working families who are making the transition from welfare to work; additional resources will enable states to reach working families with slightly higher incomes.

  -- Early data from HHS demonstrate that states have obligated nearly all of their FY 1997

CCDBG dollars. Although states are allowed to subsidize child care costs for families below 85 percent of state median income (roughly 200 percent of the federal poverty level), the majority of states serve only families with incomes below 130 percent of poverty.

- Increasing federal investment in the block grant leaves states with flexibility to use the funds for the particular child care needs of their low-income populations.

- Governors strongly favor this option.

Cons:

- The federal government has little control over a state's use of this money, including the state's decision about which families to cover (assuming the families are below the statutory limit of 85 percent of state median income).

Recommendation

Many of your advisors -- Secretary Shalala, the Treasury Department, DPC, and CEA in particular -- believe that making child care affordable for low-income working families should be the highest priority of any child care initiative -- and that subsidies are the most effective mechanism to accomplish this goal. They note that subsidies from the block grant provide a generous amount of assistance and go to the lowest-income families. During the policy development process, your advisors considered whether to condition increases in the block grant on quality improvements. Most of your advisors, however, came to the conclusion that doing so would provoke broad bipartisan opposition among Governors and Members of Congress. The DPC will continue to explore whether there are feasible ways of using new investment in the block grant to encourage quality improvements. **The DPC recommends that you propose an increase in federal investment in the CCDBG of $4 billion over five years, which will provide subsidies for approximately 280,000 additional children of low-income families.**

III. QUALITY/EARLY LEARNING. Options for increasing federal investment in child care quality and early learning include:

A. ***Standards Enforcement***. Establish a fund for states to improve licensing systems and enforce state child care health and safety standards. Activities supported would include providing additional staff and resources to license child care settings and increasing unannounced inspections of child care centers and family day care homes.

Pros:

- Child care experts report that almost all states under-enforce child care standards.

- Research and experience in the military child care program indicate that diligent enforcement of standards -- particularly frequent unannounced inspections -- improves quality dramatically.

Cons:

- In some states, funding will go to enforce weak standards.

B. ***Early Childhood Development and Quality***

1. ***Early Learning Fund***. Increase federal investment in activities to improve early childhood education and the quality and safety of child care for young children (ages 0-5). The program would have three goals: (1) to improve early learning and development for our youngest children; (2) to ensure health and safety in child care; and (3) to increase parental involvement. In order to accomplish these goals, funds could be used for the following activities: (1) providing basic training to child care providers (including first aid and CPR, and training in child development); (2) creating and supporting family day care networks (*e.g.*, connecting individual child care providers to centers for education and support); (3) assisting providers in meeting accreditation and licensing requirements; (4) linking child care providers with health professionals; (5) reducing group sizes and child-to-staff ratios; and (6) providing home visits, parent education, and consumer education about child care. This program would provide challenge grants to communities (*e.g.*, counties or local public-private partnerships) to support child care providers and programs. It is similar to North Carolina's Smart Start program and Senator Kerry's current legislative proposal.

Pros:

- The fund targets infants and toddlers, whose health and safety are most at risk in child care today.

- The Administration has made a strong commitment to promoting early childhood development and learning, which help ensure school-readiness.

Cons:

- With limited resources, additional investments in quality may take money from investments to make child care more affordable.

- Existing programs and proposals serve some of the same purposes as the Early Learning Fund.

- It is unclear whether this fund, as presently conceived, has sufficiently clear and measurable goals.

2. ***Early Head Start***. Increase the Early Head Start (children 0-3) set-aside (5 percent under current law), while increasing overall funding in Head Start to ensure that raising the set-aside does not reduce the resources available for children 3-5. One option would be to double the set-aside to enable more than 35,000 additional children to receive Early Head Start services in 2002, at a cost of approximately $500 million over five years.

C. ***Child Care Provider Training***. Increase federal investment in the training of child care providers. Options include:

1. ***Child Care Provider Scholarship Fund***. Establish (as you announced at the White House Conference on Child Care), the Child Care Provider Scholarship Fund to enable states to provide scholarship funds to students working toward a child care credential. Eligible child care workers must commit to remaining in the field for at least one year for each year of assistance received and will earn increased compensation or bonuses when they complete their course work. You announced an investment of $250 million over five years, which will support 50,000 scholarships per year.

2. ***Child Care Apprenticeship Training Program***. Expand the Child Care Apprenticeship Program to fund the training of child care providers working toward a degree equivalent to the Child Development Associate degree, with on-the-job observation and practice. The Department of Labor has asked for a one-time increase of $10 million for FY 1999.

Pros:

- Child care experts agree that well-trained child care providers are critical to child care quality.
- The apprenticeship program has shown positive results. In West Virginia alone, the program led to 800 apprenticeships in the child care field.

Cons:

- The scholarship fund will not guarantee that the recipient will remain in the child care field beyond the one-year commitment. However, results from the North Carolina T.E.A.C.H. program (on which the fund is modeled) indicate that annual staff turnover is only 10 percent for T.E.A.C.H. participants, as compared to 42 percent statewide.

D. ***Research and Evaluation***. Establish a new fund to support data and research, a National Center on Child Care Statistics, and a national child care hotline.

Pros:

- There is very little solid data on many aspects of child care, including quality, affordability, and parental choice. Funds for research and evaluation would be a noncontroversial way of expanding our knowledge on child care.
- No federal funds currently go to child care data and research. Research is needed to assist policy-makers and community leaders to better understand how to build the supply of affordable, quality care.

Cons:

- Research will not directly increase the supply of child care or make it more affordable.

Recommendation
All of your advisors agree with the proposals to establish a Standards Enforcement Fund and a Research and Evaluation Fund. Your advisors also agree on the need to increase federal investment in the training of child care workers (although OMB recommends only a $1 million increase for the DOL apprenticeship program).

Your advisors disagree about the importance of the Early Learning Fund. OMB supports resources for early learning, but not in the format of an Early Learning Fund because it is not targeted to the poor and does not go through existing programs. OMB notes that we already spend over $4 billion on early learning activities in Head Start and $50 to $60 million in America Reads for Parents as First Teachers and HIPPY. OMB believes that these programs, as well as WIC, may be more appropriate vehicles than a new program for conveying information to parents and otherwise promoting early learning and development.

NEC and HHS argue equally strongly in support of the Early Learning Fund -- and of significant investment in this new program. NEC argues that a "signature" initiative focusing on early learning and parents as first teachers builds on your and the First Lady's longstanding commitment (evidenced most recently at the White House Conferences) to foster learning in the earliest years. HHS notes the importance of directing resources to communities to make needed quality improvements for infants and toddlers. HHS has recommended $4 billion over five years for the Early Learning Fund; NEC has recommended $3.6 billion over five years.

Your advisors also disagree about whether you should propose to increase Early Head Start as part of the child care initiative. Many believe that this proposal would comport with your long-standing commitment to early learning for young children. HHS believes, however, that because the Head Start Act is up for reauthorization next year, such a proposal might lead to trade-offs within the Head Start program (*i.e.*, Head Start vs. Early Head Start) and between Head Start and other elements of your child care initiative.

The DPC recommends that you propose the above package of initiatives at a cost of about $3.5 billion over five years, broken down as follows:

Standards Enforcement	**$500 million over five years**
Early Learning Fund	**Approx. $2 billion over five years**
Early Head Start	**$500 million over four years (through FY 2002)**
Child Care Provider Training	
Scholarship Fund	**$250 million over five years**
Apprenticeship Fund	**$10 million for FY 1999**
Research and Evaluation	**$150 million over five years**

IV. SCHOOL-AGE OPPORTUNITIES

A. ***Expansion of the 21st Century Community Learning Center Program***. Increase investment in the 21st Century Community Learning program, which provides start-up funds to school-community partnerships to establish or expand before- and after-school programs for school-age children at public schools. Modify the program to increase community involvement, target higher-need communities, and require an increasing local match to ensure that programs become self-sustaining after receiving start-up funding.

Pros:

- This expansion responds to the tremendous need for after-school programs. Estimates of the number of "latch-key" children who are left unsupervised during non-school hours range from 2 to 15 million. Research shows that children are more likely to engage in at-risk behavior (*e.g.*, crime, drug and alcohol use) during these unsupervised hours.

- The program increases the supply of after-school programs in a cost-effective manner by using underutilized public school buildings and their existing resources, such as computers, gymnasiums, and sports equipment.

- The program responds to demonstrated parental and educator demand for school-based after-school programs. Many parents prefer school-based programs because they do not require transportation from school, are more likely to provide enrichment activities that build on the regular school program, and are overseen by school officials.

- The 21st Century Community Learning Center program has a proven record of support in this Congress; it received $40 million for FY 1998.

Cons:

- It may be difficult to expand a relatively new program rapidly (although creating an altogether new program at this level of funding would be even more difficult).

- Some community organizations may not support a primarily school-based initiative. This program currently funds only activities located in public schools, even though good programs also exist in community centers, museums, and other locations.

B. ***Coordination of Federal Efforts***. Create a multi-agency task force to assist three to five pilot cities, including the District of Columbia, to identify and make the best use of currently available federal resources to provide comprehensive after-school programming. This collaborative federal effort would work to improve access to and efficient use of federal funds, and would provide the targeted communities with information from around the country on promising and effective practices. This initiative is expected to lead to other federal multi-agency collaborative efforts in other areas. (It has no cost for FY 1999.)

Recommendation

The Vice President, the First Lady, and Departments of Justice, HHS, and Education believe that your initiative must make a strong commitment to after-school programming, in part because this issue affects both low- and middle-income families. The Department of Education has recommended investing $1.7 billion over five years in this program -- $200 million in the first year, $300 million in the second year, and $400 million in the last three years to reach up to 1 million children and thereby double the number of children currently served by school-based after-school programs. The Vice President's Office supports this funding level. OMB suggests that a more gradual expansion of this new program would help ensure an effective use of funds. **The DPC recommends that your initiative propose a phased-in expansion of the 21st Century Learning Center program, at a total cost of $500 million - $1 billion over five years.**

V. STAY-AT-HOME PARENTS

A. ***The Family and Medical Leave Act (FMLA).*** FMLA currently covers employees of businesses with 50 or more employees. Options include: (1) expanding coverage to businesses with 25 or more employees, either in one step or incrementally; or (2) extending the leave period from 12 weeks (current law) to 24 weeks for parents with newborns.

Pros:

- Lowering the employee threshold would cover 10 million additional employees, increasing by 15 percent those employees covered by the Act.

- This proposal has no cost to the federal government.

Cons:

- Lowering the threshold will provoke strong business opposition, and increasing the length of leave may do so as well. The numbers of employers covered would double from 330,000 to 690,000.

- Opening the FMLA may trigger further Congressional action on legislation we oppose -- *e.g.*, comp time legislation.

- Because a small percentage of employees take the maximum amount of leave, expanding the length of leave will help relatively few people. Based on 1994 survey data, about 10 to 20 percent of the estimated 8 million who take some leave for any allowable reason in a year take the maximum leave of 12 weeks.

- These options will not help those people who cannot afford to take leave. According to the Commission on Leave, 65 percent of those who would have liked to take leave to care for their newborn, foster, or adopted child could not do so for economic reasons.

B. ***Paid parental leave coverage.*** Provide paid parental leave coverage for a limited amount of time to working parents below a specified income level. For example, a new paid leave plan could provide $200 a week for 6 weeks of paid leave to all new parents who have been in the workforce either part-time or full-time for one year and whose family income is below $50,000, at a cost of $1 billion per year. Leave would be administered through the unemployment insurance system, but would be funded separately by the federal government. Employers not currently covered by FMLA would not be required to allow their employees to take this leave.

Pros:

- Paid leave would allow more parents to spend time with their newborn babies, and many parents are likely to take advantage of this new opportunity.

Cons:

- There are small substitution effects. Two to three percent of all employees receive paid family leave from their employers, though many of these employees would not meet the income threshold for this benefit. In addition, many employees receive paid vacation leave (roughly 90 percent) and paid sick leave (roughly 55 percent), and they do "bundle" these benefits to take leave for the birth of a child.

- Under the program described above, parents who have not been in the workforce would not receive any benefit.

- Businesses may oppose the plan because the cost of hiring and replacing employees will increase as more people take leave.

Recommendation

Some of your advisors, including the First Lady, urged us to consider policies to support new parents who want to stay at home with their newborns. They argued that such policies offer choice to parents and could help inoculate your child care initiative against conservative attack. Most of your advisors concluded, however, that the available policies -- *i.e.*, expanding the FMLA and providing paid leave -- would have limited appeal to conservatives because they primarily help mothers who intend to return to the workforce. Given the expense of paid leave, your advisors also concluded that it is not the best use of limited resources. We are now looking into the possibility of establishing a small evaluation or demonstration fund to support states wishing to test innovative approaches in this area. **The DPC recommends against proposing paid leave at this time. The DPC and NEC will soon submit a separate decision memorandum on FMLA options (which have no budgetary consequences), and the DPC may submit a proposal for an evaluation or demonstration fund to assist stay-at-home parents.**

Fam - child care
policy - general

TANDEN_N @ A1
01/07/98 05:51:00 PM

Record Type: Record

To: Elena Kagan, Jennifer L. Klein, Neera Tanden

cc:

Subject: CDF APPLAUDS ADMINISTRATION'S CHILD CARE PROPOSAL

Date: 01/07/98 Time: 14:31

bCDF Applauds Administration's Child Care Proposal

To: National Desk

Contact: Sarah Howe of the Children's Defense Fund, 202-662-3609

WASHINGTON, Jan. 7 /U.S. Newswire/ -- President Clinton's announcement to provide $21.7 billion for child care for America's families was greeted with applause by the Children's Defense Fund (CDF) today.

``We are pleased that the president has made a solid downpayment on meeting the child care needs of America's families,'' said CDF President Marian Wright Edelman. ``We look forward to working with a bipartisan Congress to move from here and build on this proposal, especially to provide more safe and supportive options for the nearly five million school-age children who are left home alone. We are pleased the president's proposal helps more low-income and middle-income families afford care, and addresses the critical need to improve the quality of child care for infants and toddlers.''

Thirteen million children under six are in child care during the day. According to a recent study much of the care we offer children is inadequate, yet a full-day of child care costs an average of $4,000 to $10,000 annually per child. These costs are beyond the reach of many working parents with young children, half of whom earn $35,000 or less a year.

The lack of high quality child care that is affordable for all working families prevents children from entering school ready to learn, hinders their success in school, and limits the ability of their parents to be productive workers. After-school care is critical since juvenile crime peaks between the hours of 3 p.m. and 7 p.m., when school-age children are at greater risk of engaging in activities that lead to problems like violence and teen pregnancy.

``This country can make the investments in early childhood education programs that help get children ready for school and provide the programs that help keep them out of trouble at the end of the school day,'' said Edelman.

Edelman urged Congressional leaders in both parties to make child care one of the biggest priorities in the 1999 budget. She also urged families, businesses, schools, and communities to join together to expand and improve the quality of child care, after-school, and summer options for children and youths to keep them safe, out of trouble, and on track and help families pay for child care so they can work and be independent.

Editor's Note: Call CDF's radio hotline at 800-883-5059 for a soundbite on CDF's reaction to the president's child care proposal.

-0-

/U.S. Newswire 202-347-2770/

APNP-01-07-98 1439EST

Family - child care policy - general

Jen/Nicole/Neera

Office of the Governor
State of Indiana
c/o 1001 G Street, N.W., Suite 400-East
Washington, D.C. 20001
Tel. 202/628-3343
Fax 202/638-3516

Memorandum To: Elena Kagan
Deputy Assistant to the President for Domestic Policy

From: Jeff Viohl
Federal Liaison

Date: January 8, 1998

Subject: Child Care/Early Learning Initiatives

cc: Fred DuVal
Emily Bromberg

Thanks for the conference call briefing and one-page summary you provided governors' representatives yesterday on the Administration's new child care and early learning initiatives. It was very helpful to receive this information in a timely manner.

I have enclosed for your information some background materials on initiatives Governor O'Bannon has undertaken in Indiana to promote programs similar to some of the President's proposals. Specifically, I have included information on the Indiana Child Care Fund(public/private partnership for improving the quality of child care in Indiana), T.E.A.C.H. Early Childhood(to provide scholarships and continuing education for child care providers) and Safe Haven Schools(before- and after-school grants to improve educational achievement and combat violence and substance abuse.

As you work to achieve implementation of the President's federal initiatives, I urge that you keep in mind programs already underway at the state level that may complement and strengthen your efforts.

OFFICE OF THE GOVERNOR
INDIANAPOLIS, INDIANA 46204-2797

FRANK O'BANNON
GOVERNOR

For release after 9:30 a.m. Tuesday, December 2, 1997

O'Bannon unveils new fund to make child care better, more available

Child care that's better and more available. That's the goal of a new public-private partnership announced today by Governor Frank O'Bannon.

"More than 60 percent of Hoosier families regularly have children in day care," O'Bannon said. "For the sake of those children, and their families, and all the rest of us, too, accessible, affordable, high-quality child care is essential."

That's why the Governor joined with corporate chieftains from throughout the state to unveil the Indiana Child Care Fund. They spoke at the Children's Museum of Indianapolis.

"Each contribution is an investment in our children's future and in our state's future," O'Bannon explained. Recent research, he pointed out, shows that *most of the growth and "wiring connections" in the brain occur during the first three years of life, and can be enhanced by basic actions such as holding, reading to, and making eye contact with a child.*

As soon as next February, the Indiana Child Care Fund will distribute child care "tool kits." These information packets will help community planners outline how family-friendly efforts including child care support can make a business more productive. They will also guide businesses—both large and small—to resources for establishing their own programs, all to increase both the quality and availability of child care throughout Indiana.

Coming later, will be an early childhood project called TEACH (Teacher Education and Compensation Helps), an initiative to improve the caliber of

child care by providing scholarship opportunities for those who work in a
variety of child care settings. Organizers hope TEACH will also increase the

-more-

pay and reduce turnover among child care workers.

The corporate members of the new partnership will sponsor the "tool kits" and get TEACH rolling. Earlier this year the state channeled $3 million in grants to community efforts to expand child care.

Judy O'Bannon, Indiana's First Lady, and Charlene Lugar, wife of U.S. Senator Richard Lugar, are honorary co-chairs of the Indiana Child Care Fund. Joining in today's announcement were the following leaders from business, health care, higher education, and philanthropic organizations:

- Doug Bakken and Kenneth Gladish, Indiana Donors Alliance;
- Meredith Carter, Ivy Tech State College;
- Martha Lamkin, USA Group;
- Brenda S. Pitts, Cummins Engine Company;
- James Rogers, Cinergy/PSI Foundation;
- Carol Rolland, Lincoln National Insurance;
- Lorene Salsberry, The Dekko Foundation;
- Evan W. Steger, III, Ice Miller Donadio & Ryan;
- Peter V. Sterling, Children's Museum;
- Randall L. Tobias, Eli Lilly and Company; and
- Doctor John Williams, Wishard Health Services.

Steven Hilbert, Conseco Corporation, was unable to attend.

"Each of these leaders understands that there is no more important resource in Indiana than our children," Governor O'Bannon said.

"There is no single 'right' way to balance the needs of work and family," added Randall Tobias of Eli Lilly. "The only way to tackle an issue as complex, as sensitive, and critical as child care is to pool the resources and the brain power of the entire community."

Doctor John Williams of Wishard Hospital said, "We see today's announcement as a logical extension of what we are doing at Wishard, and are indeed very proud to offer our expertise to child care providers, parents, and, more importantly, to the children themselves."

"We want to be the employer of choice," James Rogers of Cinergy/PSI explained. "We want to create a nurturing environment where employees can do their best – displaying greater commitment and motivation, and producing better quality work with less stress and turnover."

For details: Phil Bremen or Steve Campbell, 317-232-4578

Invest in our Children, Indiana.

It's important that we preserve our wetlands and protect our peregrine falcons. But ironically, we often overlook safeguarding our own next generation. And while any natural resource is important, there is none more important than the very lives entrusted to our care. The lives of Indiana's children. Their parents know it. And for the 60% of Hoosier households with parents working outside the home, accessible, affordable quality child care is the single issue responsible for more anguish than national defense, the economy and the environment combined.

The key indicators of child care quality are clear: a caregiver who knows about children – how they learn, how they develop, how to keep them safe. A caregiver the child can come to know and depend on.

Yet, the reality is that over 70% of our children's caregivers have no formal education in child development. And in Indiana, the average yearly turnover of child care providers is over 40%. There is an urgent need for higher quality care for infants and toddlers – a group that is particularly vulnerable to poor quality care.

Child care is an issue for businesses as well. High quality child care allows parents to be able to focus on their work. Unplanned absence and turnover are reduced, and employees are more effective when assured that their children are in a healthy and safe environment.

Research studies tell us that high quality child care is nurturing to children. It can positively shape the way they think, learn and behave for the rest of their lives. But there is also chilling evidence of the impact of poor quality child care on our children's safety and development.

We want to improve the quality and availability of child care in Indiana. Join us to help protect Indiana's most precious natural resource – our children.

INVEST IN OUR CHILDREN, INDIA...

The Indiana Child Care Fund

A group of Indiana leaders came together in 1995 to form a unique public/private partnership to address the critical issues of quality child care for our state's working families.

The fact that these leaders have come together at this time to focus on this issue is unprecedented. This partnership unites business, government, health, education, community networks, foundations and legal communities in an effort to respond to the child care issues that face local communities.

Through a three year needs assessment process, communities throughout Indiana have identified the lack of available, accessible and affordable high quality child care as the most crucial issue families face today. Parents' greatest concern, as they attempt to balance family and work, is the uncertainty of knowing whether their young child is in a healthy and safe environment.

The purpose of the Indiana Child Care Fund is to turn contributions into investments in the future of child care in Indiana. Our focus is on improving the quality of care and leadership in child care centers, family child care facilities, early childhood programs, and school age programs.

INDIANA
CHILD
CARE
FUND

T.E.A.C.H.

Early Childhood Project

Purpose

- To provide educational scholarship opportunities for people working in licensed child care centers and family child care homes;
- To increase the knowledge base of early childhood professionals working with young children, thus improving the care these children receive;
- To encourage child care programs to support the continuing education of their staff;
- To provide increased compensation that is directly related to increased education;
- To reduce staff turnover by supporting the above goals while also requiring from participants a one year commitment to child care after their scholarship year;
- To provide a sequential professional development path for teachers, directors and family child care home providers currently in the field; and
- To create a model of partnership for improving the quality of care that children in child care programs in Indiana receive.

Scholarship

- The T.E.A.C.H. Early Childhood (Teacher Education And Compensation Helps) Project provides scholarships for early childhood professionals, who work full time, to return to school part time as they work towards a Child Care Credential, a Child Development Associate (CDA), an Associate or Bachelor Degree in Early Childhood Education or to become an Early Childhood Model/Mentor Teacher;
- Each scholarship recipient receives a certain amount of money to help with the costs of college tuition, books, and travel; on some programs, recipients also receive paid release time.
- Scholarships are based on the principle of partnership with the participant, the sponsoring child care program and the T.E.A.C.H. Early Childhood Project all sharing in the cost.

Commitment

- Participants make a commitment to remain their sponsoring child care center or home for at least 6 months to a year beyond the contract period.

Compensation

- All participants receive a salary increase through either a raise or bonus after completing a certain amount of course work following the contract period.

Successes of the T.E.A.C.H. Model

- In North Carolina, over 2,390 teachers, directors and family child care providers have completed a Child Care Credential on a T.E.A.C.H. Early Childhood Scholarship.
- A study of a group of teachers on the Early Childhood Associate Degree Scholarship Program indicated gains in scores that measure a teacher's understanding of appropriate practice with young children and in the quality of their classrooms.

INDIANA'S "SAFE HAVEN SCHOOLS" PROGRAM

Need: Many parents have to be at work before classes begin or after school lets out each day. Too often there is no place for their kids to go where that time can be spent safely and productively. Too often students with nothing to do turn to drugs and crime. National studies tell us that juvenile crime is at its peak between 2 o'clock in the afternoon and 7 o'clock in the evening - the idle time after school when too many kids are roving the streets.

We need to provide alternatives to that life on the streets; alternatives which offer kids opportunities to learn and grow in healthy environments. Each child is entitled to a safe, positive environment; a chance to grow to the fullest extent of the child's ability; and the opportunity and encouragement for each child to be an important and successful participant in our schools.

By making more use of the school building beyond normal class hours, we can create a safe alternative for students, and at the same time help parents become more involved with their children in the school setting.

Record:

Governor Frank O'Bannon and Lt. Governor Joe Kernan fought to include $6 million for the Safe Haven Schools program in their biennial budget. The Safe Haven program enables participating schools all around Indiana to stay open longer hours, preferably 7:00 a.m. to 9:00 p.m. The extended hours programs feature efforts to reduce violent behavior and drug and alcohol abuse, and to improve academic performance.

Since September, 28 schools in 18 counties have developed safe haven programs making extended hours programs available to over 220,000 Hoosier students. These schools have taken the $3 per student awards and fashioned innovative programs to help students combat drugs and improve academic performance.

Another 288 schools with over 770,000 students have applied for $1.32 million in grants for programs to commence in the future.

For immediate release Tuesday, October 7, 1997

O'Bannon unveils Safe Haven school grants
in Pike Township, Fort Wayne, Gary

Governor Frank O'Bannon today visited schools in Indianapolis, Fort Wayne, and Gary to announce the first Safe Haven grants, designed to help school systems provide secure, supervised constructive surroundings for children before and after the normal class day. O'Bannon went to:

- Guion Creek Middle School, Pike Township, Indianapolis, which offers the respect-building "Boys II Men" program until 9 p.m. each Friday. It will use the new funding to add a similar program for girls till 9 p.m. each Tuesday, and offer supervised before-school study time at 7 a.m. each school day;

- Weisser Park Elementary School, Fort Wayne, whose grant will be channeled into tutoring, arts, and recreation_for neighborhood youth as well as its own students from all over the city_in conjunction with a new teen center being built next door (7 a.m.-6 p.m.); and

- Roosevelt High School in Gary, which will use its Safe Haven dollars for an entrepreneurship program after school and during the following summer. It should help students learn about community needs, set goals, work together, and develop useful work habits as student teams design and create school-based businesses or socially-responsible community projects. The school also hopes to use some of the funds to train students in the law, preparing them_among other things_to sit on a peer court to sit in judgment on the minor misconduct of fellow students.

Safe Haven grants are being awarded so far to nearly two dozen school corporations in a total of 18 counties, with more to come. During their additional hours, participating schools will offer programs to steer youngsters away from violent behavior and drug and alcohol abuse, and toward greater academic success. Safe Haven is administered by the Indiana Criminal Justice Institute.

-more-

"The state has given local school systems a chance to pinpoint their needs and design their own responses," Governor O'Bannon said. "With the limited funds available at the outset of this program, schools all over Indiana have come up with a variety of creative plans to safeguard and nurture their students outside the normal class day."

The Indiana General Assembly has budgeted $6 million for Safe Haven during this school year and the next. Each school is required to match 20 percent of the state contribution. The first wave of grants awarded by the Criminal Justice Institute is for more than $500,000.

Here are some of the other programs approved so far.

Allen County: Washington-Study Elementary School, Fort Wayne, expanding the current after-school hours from 4:30 till 7:30 p.m. with programs including tutoring, conflict mediation, and martial arts.

Floyd County: Lafayette Elementary School, Floyds Knobs, remaining open till 6 p.m. each school day for innovative, learning-enrichment child care. Open to St. Mary's of the Knobs Elementary students as well. Limited to the first 100 students who apply.

Marion County:

Perry Township: Winchester Village Elementary School, adding parental-involvement activities and expanding the current before- and after-school child care to enrich learning and build self-esteem;

Speedway: Wheeler Elementary School, with transportation provided from Speedway's other three elementary schools. Homework assistance, guidance in conflict resolution and problem solving, and activities including parents. Public funding supplemented by fees on a sliding scale.

Warren Township: Eastridge Elementary School, opening 6-9 p.m. Monday-Wednesday with classes for students and parents; Grassy Creek Elementary School, outreach to at-risk students and their families; Renaissance School, initiating classes between 2:30 and 5:45 p.m. daily, emphasizing basic academic skills, life skills, and school-to-work transition. For students in grades 6-12.

Washington Township: Fox Hill, Greenbriar, Harcourt, Nora, and Spring Mill elementary schools, all adding a half day of child care to the current half day of kindergarten for at-risk pupils, emphasizing conflict resolution and self-esteem building.

-more-

Monroe County: Clear Creek, Fairview, Highland Park, Templeton, and University elementary schools in Bloomington, providing decision-making and social-skills programs for at-risk youngsters within the current extended day (6:45 a.m.-6 p.m.).

Porter County: All eight elementary schools of the Valparaiso Community Schools, providing "safe haven scholarships" for children of families who cannot afford the after-school programs already in place. Till 6:30 p.m. each school day.

St. Joseph County:

South Bend: Coquillard, Darden, Harrison, Jefferson, Monroe, and Muessel elementary schools, each opening before classes (6:30-8:05 a.m.) to provide homework and studying assistance to 30 low-income students. Program includes free bus transportation to their home schools. (Harrison will also teach academic, athletic, and social skills after school Monday-Thursday.)

South Bend: Jefferson School, expanding from two to four days each week its after-school remediation and activity programs (2:30-3:45 p.m.). For grades 3-6.

Vanderburgh County:

Evansville: Washington Middle School, expanding the current after-school hours from 6 p.m. to 8 p.m. two days a week. Programs will help students resist unwholesome peer pressure and offer mini-courses to promote educational progress.

Evansville: Perry Heights Middle School, giving students supervised after-school access to computers and video equipment to gain technical proficiency and work creatively and cooperatively.

Evansville: Thompkins Middle School, offering a variety of skills and activities (from art to consumer science to weight training) between 2:45 and 5 p.m., two afternoons each week, in four, five-week cycles.

Vigo County: Deming Elementary School, Terre Haute, remaining open till 9 p.m. each school day. Offerings will include reading and computer literacy, anti-violence behavior management, and drug-abuse prevention training.

For details: Phil Bremen or Steve Campbell, 317-232-4578

SAFE HAVEN/SCHOOL $ AWARDS - 1ST DRAW		10/7/97	
COUNTY/SCHOOL SYSTEM	NUMBER OF STUDENTS	AMOUNT AWARDED	TOTAL AWARDED PER CHOOL SYSTEM
ALLEN CO			
Ft Wayne Comm Schools	31727		$64,771.00
Washington Study Elem Sch		$16,000.00	
Wesser Park/Young Elem Schs		$48,771.00	
CLARK CO			
Greater Clark Co Schools	9879		$31,345.00
Maple Elem Sch		$7,645.00	
Parkview Middle Sch		$23,700.00	
DEARBORN CO			
South Dearborn Comm School Corp	3126	$3,744.00	
Mooreshill Elem			
DUBOIS CO			
Northeast Dubois Co Sch Corp	1033	$3,099.00	$3,099.00
ELKHART CO			
Elkhart Comm Schools	12454	$36,000.00	$36,000.00
Mary Beck			
Hathorn			
Beardsley			
Roosevelt			
Monger			
FLOYD CO			
New Albany-Floyd Co Cons Schs	11503		$42,622.00
New Albany-Floyd Co Safe Schs		$42,622.00	
KOSCIUSKO CO			$17,334.00
Warsaw Comm Schools	6323	$17,334.00	
Lakeview Middle School			
LAKE CO			$65,037.00
Gary Comm School Corp	21679	$65,037.00	
Roosevelt High School			
MARION CO			
MSD Perry Twnsp	11831	$27,300.00	$27,300.00
Winchester Village Elem			
MSD Pike Twnshp	7595	$12,755.20	$12,755.20
Guion Middlecreek Middle Sch			
MSD Washington Twnsp	10093	$30,000.00	$30,000.00
Fox Hill Elem			
Greenbriar Elem			
Harcourt Elem			
Nora Elem			
Springmill Elem			
School Town of Speedway	1522	$4,566.00	$4,566.00
MONROE CO			
Monroe Co Comm Sch Corp	10555	$31,665.00	$31,665.00

MONTGOMERY CO				
South Montgomery Comm Sch Corp	2032	$1,600.00	$1,600.00	
PORTER CO				
Valparaiso Comm Schools	6009	$16,000.00	$16,000.00	
Central School Elem				
Cooks Corner Elem				
Flint Lake Elem				
Hayes Leonard Elem				
Memorial Elem				
Northview Elem				
Parkview Elem				
T.J.E. Elem				
PUTNAM CO				
Greencastle Comm Schools	2127	$2,000.00	$2,000.00	
Tzouanakis Intermediate School				
ST JOSEPH CO				
Penn-Harris-Madison Sch Corp	9508		$18,360.00	
Byrkit Interlocal Sch		$6,360.00		
Schmucker Middle Sch		$12,000.00		
South Bend Comm Sch. Corp	20951	$62,853.00	$62,853.00	
Harrison Elem				
Jefferson				
S BenD Sch Corp Safe Schools		$22,000.00	$22,000.00	
S Bend Comm Sch Corp Day Care				
SULLIVAN CO				
Southwest School Corp	2051			
Carlisle Elem/Jr High Sch		$7,500.00	$7,500.00	
SWITZERLAND CO				
Switzerland Co School Corp	1622	$4,000.00	$4,000.00	
Jefferson-Craig Elem				
VANDERBURGH CO				
Evansville-Vanderburgh Sch Corp	23763		$30,000.00	
Perry Heights Middle Sch		$10,000.00		
Thompkins Middle Sch		$10,000.00		
Washington Middle Sch		$10,000.00		
VIGO CO				
Vigo Co School Corp	16913			
Vigo Co Safe Schools		$25,000.00	$25,000.00	
TOTALS:	224296	$559,551.20	$555,807.20	

Family - child care policy - general

AFSCME®
American Federation of State, County and Municipal Employees, AFL-CIO
1625 L Street, N.W., Washington, D.C. 20036-5687
Telephone (202) 429-1000
Telex 89-2376
Facsimile (202) 429-1293
TDD (202) 659-0446

December 11, 1997

The Honorable Franklin D. Raines
Director
Office of Management and Budget
Old Executive Office Building
17th and Pennsylvania Avenue, NW
Washington, DC 20503

Dear Mr. Raines:

The American Federation of State, County and Municipal Employees, AFL-CIO (AFSCME) has been a long-standing advocate for quality, affordable child care and fair compensation for child care employees. The recent White House conference did an excellent job of highlighting innovative programs which some local communities have implemented, as well as articulating the urgent needs which continue to exist.

Today, we are well aware of the critical importance of early childhood care to brain development; we've seen first-hand the devastating impact of juvenile crime in communities where after-school programs are inadequate; and we know that low-income mothers will only be able to sustain their independence when quality child care is available and affordable. We, therefore, strongly urge the President to introduce a child care package which contains sufficient resources to make real change for working families. Such an effort must improve the quality of child care, especially for infants and toddlers; 2) help more families pay for child care; 3) expand and improve after-school options for children and youth; and 4) raise compensation for child care employees. While some child care advocates are calling for an infusion of $20 billion over five years, we believe that amount is the minimum that must be set aside for child care improvements.

As the White House conference eloquently demonstrated, child care experts know what is wrong with the current child care system, and they know how to fix it. But our nation's child care system is strapped for money from every angle -- centers which can barely balance their books; employees who work at a fraction of their worth; parents who go without other essentials to pay tuition; and state licensing agencies which have too few inspectors to check on life-and-death safety hazards.

We can and must do better for our children, and we will do better if the resources are available to move forward. I hope AFSCME can work with you on a child care initiative we can all be proud of.

Sincerely,

Gerald W. McEntee

Gerald W. McEntee
International President

in the public service

Congress of the United States
Washington, DC 20510

December 9, 1997

Mr. Franklin Raines, Director
Office of Management and Budget
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear Frank:

We would like to follow up our productive meeting with you by restating that we strongly encourage the Administration to be bold in its FY99 budget request for early childhood development. We must make our youngest children our top priority by including sufficient funding in the Administration's FY99 budget request to implement the provisions of the bipartisan Kerry-Bond Early Childhood Development bill.

As you know, families are having a tougher time giving young children the stimulation they need. Mothers and fathers are not always home; more than half of the mothers of children under age three work outside the home. And those parents who work cannot always afford quality child care. These problems are even greater for the one in four children who live in poverty.

To address these problems, we are asking the Administration to budget at least $2 billion per year -- for a total of $10 billion over the next five years -- in new funds for early childhood development. The $2 billion should include $250 million for communities to build on successful local efforts for young children, $1.5 billion to expand quality child care, and $250 million to expand the Early Head Start program.

In last year's budget request, the Administration asked for $10 billion over five years in additional money for children's health. The President can build on this success and establish a real legacy for children by requesting the same amount for the equally pressing problem of early childhood development.

As leaders in the Senate and House, we look forward to working with you to provide essential support to our youngest children and their families so we can ensure that all children begin school ready to learn.

Sincerely,

John F. Kerry

John D. Rockefeller, IV

Robert G. Torricelli

Tim Johnson

Mary L. Landrieu

Rosa L. DeLauro

Jim McGovern

Steny H. Hoyer

Elena Kagan 2nd Fl. from: Anne McGuire

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

NOV 18 1997

MEMORANDUM FOR THE PRESIDENT AND THE FIRST LADY

On the morning of the first-ever White House Conference on Child Care, you reminded the Nation that no parent should ever have to choose between work and family or between earning a decent wage and caring for a child. The growing number of women with children in the labor force is one of the biggest social changes of the 20th century; coming to terms with that change is one of our biggest challenges of the 21st century. As Secretary Rubin pointed out at the Child Care Conference, our new economy cannot continue into the 21st century unless we as a Nation can ensure safe and affordable child care. As we know from both the common sense experience of parents and a range of emerging research, our children cannot grow and thrive unless those child care settings protect their health and safety and provide an environment in which they can learn.

Together, you have lead an extraordinary national dialogue on child care. Over the past five years your Administration has taken important steps to increase funding for child care, particularly for families transitioning from welfare to work. Yet, as your White House Conference demonstrated, we still have a long way to go.

We need a bold new 21st Century Child Care Initiative to draw on the energy the Child Care Conference unleashed from all Americans -- federal, state and local leaders; employers; the faith community; child care providers; and families themselves, both rich and poor. This initiative must build on what we know about what children need to be safe and healthy, about what works in communities, and about what parents and employers need to assure a strong and effective labor force.

We cannot settle for addressing just one of these needs or just one part of the problem, because the stakes are too high for us as a Nation. We cannot meet the 21st century challenge of a thriving economy and growing children if we settle only for making child care more affordable for struggling families while leaving children's safety at risk -- or if we settle only for improving some children's care while leaving the cost of child care out of range for far too many working families. A piecemeal approach will undercut both our short-run and long-run success by failing to respond to the deeply felt needs of parents; by playing different families off against each other, rather than building a shared commitment to America's future; and by failing to provide the real leadership that communities, states, employers, and families need to move forward.

Let me say more about what we know now about each of these needs:

Across the country we hear from working families that they are struggling to afford safe care for their children. Low-income working families are spending on average a quarter of their income on child care. Although some 10 million children from working families are eligible for direct child care assistance, federal subsidies serve a little more than one million children. The Dependent Care Tax Credit reaches only a fraction of these families since it is not refundable and provides only minimal support. Your new plan must address these hardworking, low-income families. They get up each day, work hard and play by the rules and yet still cannot afford quality health care or child care.

The children of these working parents too often spend their days in settings that do not promote healthy child development and may even compromise their safety. With millions of infants and toddlers now in care, children can spend years in poor care before they enter school, directly affecting school readiness. The recent National Institute of Child Health and Human Development study clearly demonstrated that high quality care for very young children is consistently related to high levels of cognitive and language development.

Once children enter school, we do not take advantage of the valuable learning time after school and throughout the summer months. Learning does not stop at 3:00 p.m., and it is certainly not seasonal. We no longer need our children to tend our fields during the summer. Furthermore, numerous studies now indicate that the lack of care and attention put our youth at risk for greater alcohol, tobacco, drug use, teen pregnancy, and involvement in crime.

Despite these needs, very few communities have resources to create solutions to the quality, affordability, and availability issues that you outlined at the White House Conference. The vast majority of assistance goes directly to parents to pay for care. A very small amount, about four percent of direct subsidy, goes to quality activities, which are usually planned at the state level. Some communities, like those that Governor Hunt described in North Carolina, are combining a variety of resources to stimulate innovation and capitalize on the commitment of their neighborhood schools, employers, and parents. As you pointed out at the Conference, we need to take the models that are working in one community and give other communities an opportunity to adapt them to meet their specific needs.

Given what we know about child care both from emerging research and from what parents have told us, I have recommended to OMB and White House Staff a series of investments to seriously address the health, safety, and developmental needs of our youngest children and our school-age children, for whom care is most often of poor quality and in short supply.

In your State of the Union address and fiscal year 1999 budget submission, I strongly urge you to put forward a comprehensive plan that would include six critical child care investment strategies to help families and communities.

For families:

- Increase the number of children from low-income working families that receive child care assistance by 250,000 in 1999 by expanding direct assistance by 700 million dollars. This would be an important first step toward the goal of doubling the number of children now receiving direct child care assistance.

- Reach millions of working families by modifying the Dependent Care Tax Credit (DCTC) in two ways, making it refundable and expanding the credit to provide greater assistance to low-income working families. At a minimum we should update the DCTC; it has not been indexed for inflation since 1982. The time for change in this critical family support is long overdue.

For communities:

- Enable up to 1,000 communities to craft innovative solutions to protect the health and safety of infants and toddlers in care. This will demonstrate your commitment to school readiness in 1999, the tenth anniversary of the education goals. Investment: 800 million dollars.

- Enable up to 500 communities to find local solutions to school-age child care needs. Link such an effort with an expansion of your Schools of the 21st Century program to ensure that we maximize the use of schools as part of this overall community mobilization effort. A particular emphasis needs to be put on after school alternatives for adolescents. Investment: 300 million dollars.

- Provide training and education to at least 150,000 providers, affecting the care of about 1.5 million children. This would build on the National Child Care Provider Scholarship Fund that you announced at the White House Conference. Investment: 150 million dollars.

- Put in place a system of consumer education and supports for research and data collection as well as the use of technology for training providers. This effort would include a national consumer education campaign, a training strategy to reach home providers and caregivers in rural communities and a National Center on Child Care Statistics that will finally give us the critical information we need to plan future policy direction in this area. Investment: 50 million dollars.

Together, you have set the stage for an unprecedented national discussion and investment in child care and after school programs. The American people know we have a child care system that does not work effectively for families or for children.

Building on the momentum that you began with the White House Conferences, your FY 1999 budget and the State of the Union should present a concrete and powerful strategy to build a 21st century child care system.

I believe that with your inspiring leadership, we can add another building block to your effort to redefine the future of working families in America. This will be another historic legacy of your Presidency.

Donna E. Shalala

Family-child care policy - general

Draft for Discussion Purposes Only
December 2, 1997

OPTIONS FOR CHILD CARE INITIATIVE

I. **Tax System**. Options for investing in child care through the tax system include:

A. *Child and Dependent Care Tax Credit.* Modify the Child and Dependent Care Tax Credit (CDCTC) by raising the top rate and moving the phase-out range. One option considered would raise the top rate from 30 percent (current law) to 50 percent and move the phase-out range from $10,000-$28,000 (current law) to $30,000-$59,000, indexed for inflation thereafter. Presently, the CDCTC phases down from a high of 30 percent at $10,000 or less of income to 20 percent at more than $28,000 of income (a phase out rate of one percentage point per $2,000 of income). Under this option, the credit would phase-out at a rate of one percentage point per $1,000 of income, from a high of 50 percent at $30,000 or less of income to 20 percent at more than $59,000. This option would cost $5.2 billion through the year 2003; less expensive options, using different rates and phase-out ranges, are also available. The credit could also be made refundable.

B. *Tax Credits to Corporate Sector.* Provide a tax credit to businesses that incur costs related to providing child care services to their employees. Qualifying expenses could include those a business incurs to build or expand a child care facility, operate an existing facility, train child care workers, reserve slots at a child care facility for employees, or provide child care resource and referral services to employees. Under one option, the credit could cover 50% of qualified costs incurred, but could not exceed $150,000 per year. This option has been estimated by the Joint Committee on Taxation to cost $2.6 billion over five years.

II. **Child Care and Development Block Grant**. Options for increasing federal investment in the Child Care and Development Block Grant (CCDBG) include:

Raise to P level? or eliminate benchmark idea?

A. *Distribute additional funding to States by current CCDBG formula without restriction.*

B. *Require that states set benchmarks to access additional funding.* To access additional funding, states would be required to set benchmarks, concerning, for example, eligibility and priority (i.e. targeting) levels, copayments, and reimbursement rates. While states would have considerable flexibility in setting the benchmarks, continued additional funding would be contingent on progress toward meeting the benchmarks.

A possible recommendation is to increase the investment by $4 billion over five years, which would provide subsidies for approximately 280,000 children per year. Less money would mean proportionately fewer additional children subsidized.

III. Quality/Early Learning. Options for increasing federal investment in the quality of child care and early learning include:

A. *Child Care Provider Training.* Increase federal investment in the training of child care providers. Options include:

1. *Child Care Provider Scholarship Fund.* Announced by the President, the Child Care Provider Scholarship Fund will enable states to provide scholarship funds to students working toward a child care credential. Eligible child care workers must commit to remaining in the field for at least one year for each year of assistance received and will earn increased compensation or bonuses when they complete their course work. The President announced an investment of $250 million over five years.

2. *Expand the Child Care Apprenticeship Training Program.* Expand the Child Care Apprenticeship Program to fund the training of child care workers toward a degree equivalent to the Child Development Associate degree, with on the job observation and practice. The Department of Labor has asked for an appropriation of $10 million for FY 1999.

B. *Consumer Education and Research.* Establish a new fund to support consumer education, technology development and utilization, data and research. Uses for the new funding would include research and demonstration projects, a National Center on Child Care Statistics, a national child care hotline, and a consumer education campaign to help parents select safe and healthy care.

C. *Standards Enforcement and Licensing Support.* Establish a fund for states to improve and enforce state child care health and safety standards. Activities supported would include increasing unannounced visits to licensed child care centers and family day care homes, and improving state licensing of child care settings.

D. *Early Childhood Education.* Increase investment in early childhood education and learning activities. Options for the funding mechanism include:

discuss

1. *Early Childhood Education Fund.* Establish a grant program to support specific activities to improve safety, quality, and learning for young children in child care. The fund would support, among other things, health and safety improvements and parental involvement in child care. Options for the funding mechanism include:

a) *Combined local/state funding for early childhood education activities.* 50 percent of the fund would be passed through states to local collaboratives and 50 percent would be state discretionary dollars. The local funds could be allocated by states by formula or through a competitive grant process, but states would be required to use child poverty as one of the major factors in distributing the dollars. States would have considerable flexibility with their 50 percent of the funds, but would be required to set benchmarks concerning child care standards in the areas of education, health and/or safety. The fund would require a modest (e.g. 20 percent) cash match for the state funds. There would be no match for the local funds.

b) *Funding for Local Collaboratives through States.* Funding would entirely pass through states to local collaboratives through a state-administered competitive grant program, with a modest (e.g. 20 percent) state match. States would have considerable flexibility in administering the grant program, but would be required to use child poverty as one of the major factors in distributing the dollars.

c) *Funding for Local Collaboratives through Federal Competitive Grant Program.* Funding would pass directly from the Federal government to local collaboratives through a federally-administered competitive grant program. The feasibility of this mechanism would depend on the level of funding for the program.

2. *Head Start / Early Head Start.* Increase the Early Head Start (children 0-3) set-aside (5 percent under current law), while increasing overall funding in Head Start to ensure that boosting the set-aside does not reduce the resources available for children 3-5. Early Head Start funds activities other than child care, such as parent training in child development, home visits, and family support services. One option would be to double the set-aside to enable more than 50,000 additional children to receive Early Head Start services in 2002 (relative to current law).

<u>Possible recommendations for funding the above package of initiatives fall within the range of $1.5 to $4 billion over five years</u>.

IV. <u>School-Age Opportunities</u>.

A. *Increasing Federal Investment in School-Age Programs.* Options for the funding mechanism include:

discuss 1. *Invest in a Two-Pronged School-Age Initiative.* Both expand the existing 21st Century Community Learning Centers program for public-school based programs and establish a new fund for community-based agencies to increase supply of school-age opportunities. The 21st Century Community Learning Program provides start-up funds to school-community partnerships to establish before- and after-school programs for school-age children at public schools. The expansion would support school-based programs in targeted high-need communities, further concentrate on providing enriching after-school programming for children, and require an increased local match to ensure that programs become self-sustaining after receiving start-up funding. Creating a fund for community use would support non-school-based programs; funds would pass through the states (by CCDBG formula with matching and benchmark-setting requirements) to communities, with 50% targeted to areas with high concentrations of poverty.

2. *Expand and Modify the 21st Century Community Learning Centers program.* Expand the existing 21st Century Community Learning Centers program and modify it so that non-school-based efforts are eligible for support.

3. *Expand the existing 21st Century Community Learning Centers program.*

B. *Coordination of Federal Efforts.* Set up a multi-agency task force to focus on youths during after-school hours in three to five pilot sites. The task force would gather and organize this information by the purpose for which it may be used, rather than by the agency administering it, to be of better use to communities seeking to determine what assistance is available.

Possible recommendations for funding the initiatives above fall within the range of $.5 to $1.5 billion over five years.

V. Stay-at-Home Parents.

leave as range of options? everything come up or added? opinion anyway?

A. *Leave Options for Working Parents.*

1. *Expand the reach of the Family and Medical Leave Act* (FMLA) to cover businesses with 25 or more employees. This could also be done incrementally. Presently, FMLA covers employees of businesses with 50 or more employees.

2. *Expand the period of time for FMLA* from 12 weeks (current law) to 24 weeks.

3. *Provide paid parental leave coverage* for a limited amount of time for working parents below a set income level. For example, a new paid leave plan could provide 6 weeks of paid leave to all new parents who have been in the workforce either part-time or full-time for one year and whose family income is below $50,000, at a cost of $1 billion per year. This plan would use the unemployment insurance system to provide the leave payments, but would be paid for by the federal government.

B. *Demonstration Project to Support Stay-at-Home Parents.* Establish a demonstration project for innovative approaches by states to enable parents to stay at home during their children's first years of life and supporting them in their role as their children's first teacher, such as through home visitation.

C. *Tax Credits.* Options include:

1. *Expand the child tax credit for families with children of a certain age.* For example, families with children 0 to 3 years of age could receive an additional $250, at a cost of roughly $6.5 billion over 5 years, or families with children 0 to 1 year of age could receive an additional $500, at a cost of roughly $4.67 billion over 5 years.

2. *Modify the Child and Dependent Care Tax Credit* (CDCTC) to cover certain kinds of expenses for those parents who stay at home to raise a child.

Family-child care policy - general

12-5-97 Child Care Principals Meeting

Rahm: What's the point of the child tax credit - or providing any support for stds?

Kit: Encourage states to provide paid leave through own funds?

Raines: Targeting toward poorer families

Targeting younger

Targeting existing quality stds enforcing them - as opposed to newer stds.

Targeting existing models - # of existing delivery systems - use them.

focus on communities - support them - work backwards.

Do more in fewer places / rather than less in lots of places -

have measurable impact!

Hilley: Temptation to do on tax side - but speculation there will be a tax bill and but retrench. is a non-starter.

have to also have a program to reduce error rates.

Spending side - block grant ~~[illegible]~~ approach is most saleable.

Also, access other block grants - make them usable for Child Care

FMLA expansion - good thing to fight abt, but real probs in our own caucus - need to solidify our base.

Rahm: Next installment targeting EITC clientele - which has greatest impact on that targeted universe.

Gene: Agree w/ Rahm. But need education focus -

NOT ethic: 0-5 ed should be universal / has to start from birth / parents as 1st teachers

As we're constructing, we must maintain single element emphasizing that gives programs - often early learning jumps out.

by name + application - emph early learning. Part is msg, but more.

ELQ fund - pretty much there - propose slight more twist.

~~Klain~~ DD: When we focused on stds + accred, able to raise level for anyone.

Klain: Speak up on behalf of VP for afterschool programs - helping teens at time of great change. Have existing program - easier to ramp up,

rather than start from scratch.
Also cheaper - reach more kids per dollar.
Policy twofer - crime ↓ / teen pregnancy ↓ etc.

CEA: Demos / tech on early learning, licensing, afterschool - create models
But we think - affordability! bulk of $s should go into hands of
LI parents

Thurm: Pkg falls into several diff contexts: welfare reform / support for why fams
Make sure we prioritize safety + health - provide some cash for these
concerns + enforcement - quality, not slots.

Watkins/ USDA: Left out - nutrition. Piece is missing.

Smith - 21st cen Afterschool - use existing resources (bldgs)!
Cheap - can get 1-1 match - place lots of students.
DOD - have to include other commun orgs!
Smith - Sure.

~~[illegible]~~

Rubin: None of our efforts are going to get enacted / means difficult position.
Child credit doesn't make much of a difference - also real targeting
problems.
Kohl - why shouldn't we try to do this? - if can be efficient -
not just subsidizing behavior that would occur anyway.
Raines: Shouldn't have a 110,000 ceiling.

Reno: So many threads - need to pull threads together.
Do this in community-based way - 5 communities.

Hilly: Stay away from at-home piece - Christian Coalition will run w/ it.

Maria: Early childhood and afterschool.

Mrs. Clinton - Take all comments back - sort through.

What we do needs to have enough of an impact - create real changes.

Family - child care policy - general

B Reed

THE PRESIDENT HAS SEEN
12-1-97

Children of Working Poor Are Day Care's Forgotten

A1

By SARA RIMER

FORT LAUDERDALE, Fla. — At 5 the other morning, Marlene Garrett had her 11-month-old baby in her arms and was guiding her other two sleep-dazed children, ages 3 and 4, through the darkness to the baby sitter's.

"Mama has to go to work so she can buy you shoes," Mrs. Garrett told them. She had just that day moved up the economic ladder, from a job selling sneakers for $5.25 an hour to a job behind the counter at a bagel cafe for $6 an hour. Her shift started at 6, and she did not want to be late.

Seven blocks on foot, and then she was hugging her children and handing them over to Vivienne, a Bahamian woman who works nights at the self-service laundry where Mrs. Garrett does her wash.

Vivienne's small apartment was clean but sparsely furnished. There were no toys or books in sight, just a television that the children spent most of the next 10 hours watching. For this, Mrs. Garrett scrapes together $50 a week — a little less than half the cost for just one child in most licensed day care centers here.

Mrs. Garrett hurried down the stairs and set off for work, three miles away. The family car died a month ago.

"It breaks my heart, leaving them there," said Mrs. Garrett, who arrived in Florida from Jamaica in 1989. "I want them in a learning environment. This is the best I can do right now. It's an emergency situation."

The experts agree: for Mrs. Garrett and tens of thousands of other low-income working parents nationwide, child care is a perpetual emergency.

Low-income working families are, in many ways, the forgotten class in the national debate over child care. They make too little to afford the choices of professional women — whether to use a nanny or an au pair, to work part time or full time. And many make too much to qualify for government programs. Others make little enough to qualify, but are low on long waiting lists while priority is given to women leaving the welfare rolls for jobs.

Florida offers a good illustration of this squeeze on the working class. More Federal money is available for child care here because of the new welfare law: Florida added over $100 million to its child care budget this year. And the state has a program to provide assistance to nonwelfare families whose income is below 150 percent of the poverty level ($17,775 for a family of three).

But like other states under

Continued on Page A22

Continued From Page A1

pressure to meet the work requirements of the new law or risk severe penalties, Florida has budgeted the bulk of its child care money to welfare recipients moving to jobs.

There are 25,000 children of low-income families receiving no welfare benefits who are on the waiting list for assistance in Florida, and an additional 39,000 who are eligible, according to Susan Muenchow, executive director of the Florida Children's Forum, a statewide nonprofit child care resource and referral agency. Marlene Garrett's children are among those waiting.

"From a child-care standpoint," Ms. Muenchow said, "you're better off on welfare."

When Staying Home Is Not an Option

The lives of women like Mrs. Garrett are ruled by hard economic facts. "If my finances permitted, I'd love to stay home," said Mrs. Garrett, whose husband, Rod, works in a factory making hospital curtains. "Who's a better caretaker than Mom?"

But staying home is not an option. Her husband takes home about $250 a week. Her own $200 a week helps put food on the table and pay the $400 monthly rent. Mrs. Garrett, who keeps a folder with her expenses neatly itemized, says she owes nearly $5,000 in medical bills. The family does not have health insurance.

Welfare is not an option. "I don't want to plant that seed in my children," she said. "I want to work."

When it comes to child care, Mrs. Garrett, who is 38, has almost no choices. She would like to put her children, Hasia, 11 months; Angelique, 4; and Scherrod, 3, in her church day care center and preschool, Holy Temple Christian Academy, but at $180 a week — about $90 less than what most licensed day care centers in Fort Lauderdale charge for three children — it is beyond her reach.

The church day care center had seemed possible back in September, when Mrs. Garrett was earning $8 an hour as a home health aide for the elderly. (It helped that she was often able to bring her children to work.) She took her children for their shots and put money down on school uniforms, at $32 apiece. But then her car gave out, and with her hours long and unpredictable, and bus service irregular, she had to give up the work she says she was born to do. There was no money for another car. Overnight, her family was downwardly mobile.

"I took back the uniforms," she said. "They credited me for them."

Mrs. Garrett has to make do with the child care she can afford, and Vivienne is what she can afford.

Mothers like her improvise fragile arrangements that inevitably break down. The friend, neighbor or relative who was looking after their children gets sick, or goes to work, or moves away, or simply becomes unavailable, and they have to find someone else to take their children.

"How can you get a job if you don't have day care?" said Christina Burdhimo, 26, a waitress who is raising two children, ages 2 and 4, alone. But without a subsidy — she is also on a waiting list for one — she cannot afford day care. A lot of places want $94 per week per child," said Ms. Burdhimo, who is divorced.

Her father and her mother-in-law have been alternating baby-sitting duties. "My mother-in-law will do it a couple more months," she said.

Regulated child care in Florida

copied
Reed
COS

The New York Times

TUESDAY, NOVEMBER 25, 1997

1/2

costs $4,000 a year or more, and many families are doing without other essentials in order to pay for it. Kelly McKnight, who earns $8 an hour monitoring burglar alarms, moved her two daughters, ages 3 and 4, into her father's mobile home, in Hollywood, after her husband left her. It was the only way she could afford the $135 a week for a licensed day care center, she said.

Her father, a retired correctional officer, helps with the child care, but the situation is far from ideal: the mobile home is in an adults-only community. Ms. McKnight's children can be there only temporarily.

After two years on the waiting list, Ms. McKnight began receiving her subsidy six months ago.

In rural areas, where people are spread out, and with public transportation often nonexistent, makeshift arrangements with friends and family can become even more difficult.

Wendi Slay has a 3-month-old baby and works for $7.20 an hour as a collections clerk for a credit union in Pensacola, in northern Florida. Ms. Slay, who is not married, drives 100 miles a day to take her baby, Chandler, to either her aunt's house or her father's, and then to work — and back again to pick up Chandler, and head home. "I sing to him all the way home," she said.

Ms. Slay's aunt takes Chandler on Mondays, Tuesdays and Wednesdays. Her father takes him on Thursdays and Fridays, his days off from his job as a landfill supervisor.

"I don't know how much longer my aunt is going to be able to do it," Ms. Slay said in a telephone interview. What will she do for child care when her aunt stops helping? "Wing it, I suppose," she said.

Quality Bows To Availability

In all this scrambling, many experts say, low-income women do not have the luxury to worry about quality. "They're desperate," said Helen Blank, director of the child-care division of the Children's Defense Fund. "They miss a day of work, and they lose their job."

Recent research on rapid brain development shows that an enriching, nurturing environment is important for infants and toddlers. Studies show that children in low-quality care can have delayed cognitive and language development, behave more aggressively toward others and react poorly to stress.

Mrs. Garrett, who keeps on a shelf in her children's bedroom a set of 1961 World Book Encyclopedias that was a gift from the family of an elderly man she was caring for, does not need experts to tell her that her children need stimulation. That is what her church offers.

"The children play games," she said. "They go on field trips. They teach them, they train them. My children are bright. You would be amazed at what they would acquire in a year."

But for her, and for many other low-income parents, it is all they can do simply to find a safe place for their children.

Two years ago, state social service inspectors in Pensacola found a woman running an illegal day care center in her trailer for 20 children under age 4. According to their report, the children were hungry, and watching soap operas and game shows. Two of the children had chicken pox. "There appeared to be a total lack of stimulation for the children indicated by the abnormal inactivity of all the children," the report stated.

The parents, who had no other day care they could afford, were angry that the operation was shut down, according to Becky Kirsch, the executive director of the Children's Service Center, Pensacola's child resource and referral agency.

Waiting for Help, Not Likely to Get It

The Florida Legislature has recently passed two budget amendments, transferring some surplus child-care money for welfare recipients to low-income working families. But there is still a freeze on helping low-income families on the waiting list, and advocates fear that as increasing numbers of welfare recipients go to work, they will need more money for child care — leaving even less for low-income working families who have not been on welfare.

"We're pitting one group of poor people against another," Ms. Muenchow said. "Many of these parents have no choice but to leave their children in substandard arrangements that are rotting their brains and jeopardizing their futures."

She and other advocates say that states should base eligibility for child-care subsidies on income, not welfare status. Only a few states, including Illinois, Washington and Rhode Island, have taken that step.

"The country is focused on moving mothers from welfare to work," said Ms. Blank, of the Children's Defense Fund. "It's not nearly as focused on mothers who are already working to give them the support they need to stay independent, and to keep their children safe."

There are other sources of assistance: Florida has established a nationally recognized child-care partnership program that encourages businesses to help low-wage employees with child care. About 4,000 nonwelfare children are getting help.

Tammy McLamore, who works for $6.25 an hour as a reservations clerk for a transportation company in Fort Lauderdale, has watched the youngest of her five children, shy, 3-year-old Katie, blossom this fall. The reason: She began attending the highly regarded Jack and Jill Nursery School on a scholarship provided by the school. Last year, her mother says, Katie spent her days stuck in a baby sitter's crowded, dirty apartment, in front of a television with five or six other children.

At 7 one morning, Katie was eagerly boarding the school bus. "They sing and dance," Ms. McLamore said. "They do activities. Katie talks about all the teachers. She comes home from school and says, 'Want me to teach you a song?' "

One recent Sunday, Mrs. Garrett, who credits God and her Pentecostal religion with her relentlessly positive attitude, was near tears. "Vivienne told me she cannot keep my children so early," she said. "She has to take her little girl to school. Her husband's work schedule at the Laundromat is about to be changed. I have to try to find somebody else."

A day later, Mrs. Garrett said she had offered Vivienne an additional $25 a week. "She said she will keep my children," said Mrs. Garrett, who is still hoping to send her children to Holy Temple Christian Academy.

To that end, she had a promising interview the other day for a second job working room service nights at the local Marriott hotel. She says she will pay Vivienne another $15 to care for her children the extra hours. She hates it that she will have even less time with them, she said.

"It is temporary," she said. "I am doing what I have to do."

2/2

The New York Times

TUESDAY, NOVEMBER 25, 1997

Fam-Child Care Policy-General

Domestic Policy Council Principals Meeting
December 5, 1997

PRELIMINARY OPTIONS FOR CHILD CARE INITIATIVE

I. **TAX SYSTEM**. Options for investing in child care through the tax system include:

A. *Child and Dependent Care Tax Credit*. Modify the Child and Dependent Care Tax Credit (CDCTC) by raising the top rate and moving the phase-out range. One option considered would raise the top rate from 30 percent (current law) to 50 percent and move the phase-out range from \$10,000-\$28,000 (current law) to \$30,000-\$59,000, indexed for inflation thereafter. Presently, the CDCTC phases down from a high of 30 percent at \$10,000 or less of income to 20 percent at more than \$28,000 of income (a phase-out rate of one percentage point per \$2,000 of income). Under this option, the credit would phase-out at a rate of one percentage point per \$1,000 of income, from a high of 50 percent at \$30,000 or less of income to 20 percent at more than \$59,000. The Department of the Treasury estimates that this option would affect 2.2 million taxpayers with adjusted gross incomes below \$59,000, providing an average tax credit of \$233 and eliminating tax liability for most families with incomes below 200% of poverty. <u>This option would cost \$5.2 billion through the year 2003; less expensive options, using different rates and phase-out ranges, are also available</u>. The credit could also be made refundable.

<u>Pros:</u>

- The CDCTC parameters have not been adjusted for inflation since 1982.

- Through the tax system, assistance can be provided directly to parents for their child care needs with low administrative costs.

<u>Cons:</u>

- The CDCTC is not well targeted to those with low incomes.

  -- Under current law, about 1 percent of the CDCTC is received by families with money income in the bottom quintile. About 32 percent of the credit is received by those with income in the top quintile.

  -- Taxpayers who also claim the \$500 child credit will not benefit from an increase in the CDCTC unless their income is between 130 and 160 percent of poverty.

- The IRS cannot easily verify child care expenditures. In 1988, about one-third of the CDCTC amounts claimed were false or overstated. Compliance efforts since 1988 may have reduced this error rate somewhat, but the IRS continues to have difficulty verifying expenses.

B. *Tax Credits to Corporate Sector*. Provide a tax credit to businesses that incur costs related to providing child care services to their employees. Qualifying expenses could include those a business incurs to build or expand a child care facility, operate an existing facility, train child care workers, reserve slots at a child care facility for employees, or provide child care resource and referral services to employees. Under one option considered (proposed by Senator Kohl), the credit could cover 50% of qualified costs incurred, but could not exceed $150,000 per year. This option has been estimated by the Joint Committee on Taxation to cost $2.6 billion over five years. The option could also be scaled back, for example, to cover a smaller percentage of qualified costs or to limit the types of qualified costs to which the credit could apply.

Pros:

- The proposal could increase the availability of child care services by giving businesses an incentive to provide those services to their employees.
- The proposal addresses concerns about the quality of child care by requiring that businesses take the credit only for expenses incurred in licensed child care facilities.

Cons:

- This may give businesses a tax credit for expenses they would have otherwise incurred -- and deducted or depreciated -- in the absence of the credit.
- The proposed credit is likely to disproportionately benefit middle- and higher- wage workers.
- A tax credit for employers will not benefit the nearly 30 percent of the labor force whose employers are non-taxable (governments, non-profit organizations).

II. CHILD CARE AND DEVELOPMENT BLOCK GRANT. Increasing federal investment in the Child Care and Development Block Grant (CCDBG) will enable states to provide child care subsidies to additional low-income working families with children under age 13. According to HHS estimates, for every $100 million of annual additional federal investment in the CCDBG, at least an additional 35,000 children from families with incomes below 200% of poverty will receive subsidized child care. A possible recommendation is to increase the investment by $4 billion over five years, which would provide subsidies for approximately 280,000 children per year. Less money would mean proportionately fewer additional children subsidized.

Pros:

- CCDBG provides significant relief to low-income working families for child care costs. Average child care costs are $74 per week, and the average subsidy is $66 per week.
- States currently target their CCDBG dollars to the lowest-income working families who are transitioning off or at risk of returning to TANF; additional resources will enable states to reach working families with slightly higher incomes.

-- Early data from HHS demonstrates that states have obligated nearly all of their FY 1997 CCDBG dollars. Although states are allowed to subsidize child care costs for families below 85 percent of State Median Income (roughly 200 percent of the federal poverty level), the majority of states serve only families with incomes below 130 percent of poverty.

- Increasing federal investment in the block grant leaves states with flexibility to use the funds for the particular child care needs of their low-income populations.

Cons:

- The federal government has little control over the income levels of the families reached (as long as they are below the statutory limit of 85 percent of state median income).

III. **QUALITY/EARLY LEARNING**. Options for increasing federal investment in the quality of child care and early learning include:

A. *Child Care Provider Training*. Increase federal investment in the training of child care providers. Options include:

1. *Child Care Provider Scholarship Fund.* Announced by the President at the White House Conference on Child Care, the Child Care Provider Scholarship Fund will enable states to provide scholarship funds to students working toward a child care credential. Eligible child care workers must commit to remaining in the field for at least one year for each year of assistance received and will earn increased compensation or bonuses when they complete their course work. The President announced an investment of $250 million over five years.

2. *Child Care Apprenticeship Training Program.* Expand the Child Care Apprenticeship Program to fund the training of child care providers working toward a degree equivalent to the Child Development Associate degree, with on the job observation and practice. The Department of Labor has asked for an appropriation of $10 million for FY 1999.

Pros:

- Child care experts agree that well trained child care providers are a key element of child care quality.

Cons:

- The scholarship fund will not guarantee that the recipient will remain in the child care field beyond the one year commitment. However, results from the North Carolina T.E.A.C.H. program (on which the fund is modeled) indicate that annual staff turnover is only 10% for T.E.A.C.H. participants, as compared to 42% statewide.

B. *Research and Evaluation*. Establish a new fund to support data and research and technology development and utilization. Uses for the new funding would include research and demonstration projects, a National Center on Child Care Statistics, and a national child care hotline.

Pros:

- Currently, no funds are targeted to child care data and research on a national level. Research is needed to assist policy-makers and community leaders to better understand how to build the supply of affordable quality care.

Cons:

- Research will not directly increase the supply of child care, and does not directly make care more affordable.

C. *Standards Enforcement.* Establish a fund for states to improve licensing and enforce state child care health and safety standards. Activities supported would include providing additional staff and resources to license child care settings and increasing unannounced inspections of licensed child care centers and family day care homes.

Pros:

- Child care experts report that almost all states under enforce child care standards.

- Research and experience in the military child care program indicate that diligent enforcement of standards -- particularly frequent unannounced inspections -- improves quality.

Cons:

- Where state child care standards are inadequate, the fund may result in only marginal improvements.

D. *Early Childhood Development and Quality*

1. *Early Learning and Quality Fund.* Increase federal investment in activities to improve early childhood education and the quality and safety of child care for young children (ages 0-5). The program would have three goals: (1) to improve early learning and development for our youngest children; (2) to ensure health and safety in child care; and (3) to increase parental involvement. In order to accomplish these goals, funds could be used for the following activities: (1) providing basic training to child care providers (including first aid and CPR, and training in child development); (2) creating and supporting family day care networks (e.g, connecting individual child care providers to centers for education and support); (3) assisting providers in meeting accreditation and licensing requirements; (4) linking child care providers with health professionals; and (5) providing home visits, parent education, and consumer education about child care. This program would provide challenge grants to communities (*e.g.*, counties or local public-private partnerships) to support child care providers and programs.

Pros:

- Targets infants and toddlers, who are most vulnerable to health and safety risks in child care.

- The Administration has made a strong commitment to promoting early childhood development and learning, which will help ensure school-readiness.

Cons:

- With limited resources, additional investments in quality may take money from investments to make child care more affordable.

2. *Head Start / Early Head Start*. Increase the Early Head Start (children 0-3) set-aside (5 percent under current law), while increasing overall funding in Head Start to ensure that boosting the set-aside does not reduce the resources available for children 3-5. One option would be to double the set-aside to enable more than 50,000 additional children to receive Early Head Start services in 2002 (relative to current law).

Possible recommendations for funding the above package of initiatives fall within the range of $1.5 to $4 billion over five years.

IV. SCHOOL-AGE OPPORTUNITIES

A. *Expansion of the 21st Century Community Learning Center Program*. The 21st Century Community Learning Program provides start-up funds to school-community partnerships to establish before- and after-school programs for school-age children at public schools. Changes to the program would be made to increase community involvement, target high-need communities, and require an increased local match to ensure that programs become self-sustaining after receiving start-up funding.

Pros:

- Responds to the tremendous need for after-school programs. Estimates of the number of "latch-key" children who are unsupervised during non-school hours ranges from 2 to 15 million.

- Increases the supply of after-school programs in a cost-effective manner by establishing or expanding programs at underutilized public school buildings.

- Responds to surveys showing strong parental and educator support for school-based after-school programs. Parents often prefer school-based programs because they do not require transportation and are run by school officials.

- The 21st Century Community Learning Center program has a proven record of support in this Congress (appropriated at $40 million for FY 1998); there is no need to create a new federal program.

Cons:

- It may be difficult to expand a newly funded program to a level that meets the great need for after-school programs.

- Some schools operate in an isolated manner and do not broadly engage parents or community organizations in their programs.

- This program funds only after-school programs located in public schools. However, families can use CCDBG subsidies to pay for care for children under 13 at other institutions.

B. *Coordination of Federal Efforts*. Create a multi-agency task force to assist three to five pilot cities identify, obtain, and make the best use of currently available federal resources --financial and human-- to provide comprehensive after-school programming for their children. This collaborative federal effort would work to remove impediments to access to or efficient use of federal funds and would seek to provide the communities with information from around the country regarding promising and effective programmatic strategies. In addition to assisting those communities meet an important need, this initiative is expected to lead to other federal multi-agency collaborative efforts in other areas.

Possible recommendations for funding the initiatives above fall within the range of $.5 to $2.5 billion over five years.

V. STAY-AT-HOME PARENTS

A. *Expand the reach of the Family and Medical Leave Act* (FMLA). Presently, FMLA covers employees of businesses with 50 or more employees. Options include expanding coverage to businesses with 25 or more employees, either all at one time or incrementally. Another option is to extend the time period from 12 weeks (current law) to 24 weeks.

Pros:

- By increasing the number of covered employees, more parents would have the ability to take time to care for their children. Lowering the employee threshold would cover 10 million additional employees or increase by 15% those employees covered by the Act.

- No expense to the U.S. Treasury.

Cons:

- Lowering the threshold will provoke strong business opposition and increasing the length of leave may do so as well.

- A very small percentage of employees take the maximum amount of leave now, so expanding the length of leave will help only a small percentage of people. Today, only 100,000 to 400,000 take the maximum leave of 12 weeks, out of the 12 million who take the leave.

- These options will not help those people who cannot afford to take leave. According to the Department of Labor, 65% of those who wanted to take leave to care for their newborn, foster, or adopted child did not do so for economic reasons.

B. *Provide paid parental leave coverage* for a limited amount of time for working parents below a set income level. For example, a new paid leave plan could provide $200 a week for 6 weeks of paid leave to all new parents who have been in the workforce either part-time or full-time for one year and whose family income is below $50,000, at a cost of $1 billion per year. This plan would use the unemployment insurance system to provide the leave payments, but would be paid for by the federal government. Employers not currently covered by FMLA would not be required to allow their employees to take this leave.

Pros:.

- Paid leave would allow more parents to spend time with their newborn babies at a crucial time in their children's development.

- This proposal is likely to modify behavior. According to the Department of Labor, 65% of those who wanted to take leave to care for their newborn, foster, or adopted child did not do so for economic reasons.

Cons:

- There are small substitution effects. Two to three percent of all employees receive paid leave from their employers, but many of these employees would not meet the income threshold for this benefit. However, many employees receive paid vacation leave (88% to 97%) and paid sick leave (50 to 65%), and they do use these benefits to take leave for the birth of a child.

- Parents who have not been in the workforce would not receive any benefit.

- There may be some business backlash because the cost of hiring will increase as more people take leave.

C. *Demonstration Project to Support Stay-at-Home Parents.* Establish a demonstration project for innovative approaches by states to enable parents to stay at home during their children's first years of life.

Pros:

- This proposal would target benefits to parents who stay at home during a crucial time in their children's development.

Cons:

- This option is likely to affect a small number of people.

D. *Expand the child tax credit for families with children of a certain age*. Build on the $500 per child tax credit. For example, families with children 0 to 3 years of age could receive an additional $250, at a cost of roughly $6.5 billion over 5 years, or families with children 0 to 1 year of age could receive an additional $500, at a cost of roughly $4.67 billion over 5 years.

Pros:

- Provides a benefit to both stay-at-home parents and working parents targeted to the earliest years of their children's lives, a time at which couples usually have lower incomes.

Cons:

- This option will provide small benefits to a large group of people and is unlikely to modify behavior.

- The tax code already favors stay-at-home parents through marriage bonuses, while the Social Security system favors this group by providing them benefits without requiring that they work. In addition, the Administration already has supported policies benefiting stay-at-home parents, such as the per child tax credit and eased access to the home office deduction.

APPENDIX: BACKGROUND ON FEDERAL CHILD CARE INVESTMENTS

The federal government invests in child care in a variety of ways. The two principal mechanisms designed to help parents pay for child care are the Child and Dependent Care Tax Credit (CDCTC) and the Child Care and Development Block Grant (CCDBG).

Child and Dependent Care Tax Credit. The CDCTC provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The non-refundable credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit rate depending on the taxpayer's adjusted gross income (AGI). Currently, the credit rate is phased down from 30% (for taxpayers with AGI of $10,000 or less) to 20% (for taxpayers with adjusted gross income above $28,000). The maximum amounts of qualifying expenses for which credits may be claimed are $2,400 for one qualifying individual and $4,800 for two or more qualifying individuals. Thus, the maximum credit ranges from $480 to $720 for a taxpayer with one qualifying individual and $960 to $1,440 for a taxpayer with two or more qualifying individuals.

Child Care and Development Block Grant. The CCDBG is the primary federal subsidy program devoted to child care, enabling low-income parents and parents receiving Temporary Assistance for Needy Families (TANF) to work or participate in the educational or training programs they need in order to work. Welfare reform increased federal funding for child care by approximately $4 billion over five years (FY 1997 - FY 2002), and it consolidated four child care subsidy programs into the CCDBG. The funds are distributed primarily by formula to the states to operate direct child care subsidy programs and improve the quality and availability of care. By law, states may serve families below 85% of state median income, and must spend 4% of their funds on efforts to improve child care quality.

	CCDBG	**CDCTC**
Current federal funding level	$2.9 billion (FY 1997)	$2.6 billion (FY 1998)
Eligibility criteria	Families (TANF and non-TANF) with children under 13 who need child care and earn less than 85% of state median income	Taxpayers who pay for at least 50% of the care of a child under 13 and/or a disabled dependent or spouse in order to work.
% of overall dollars in program going to families with AGI below 200% of poverty	Approximately 96%	19%
% of families with AGI below 200% of poverty and children under 13 who receive assistance under program	12% (of potentially eligible families)	13%
Amount of federal assistance	$2,200 (average, annual federal subsidy per-child)	$419 (average tax relief per family with AGI below 200% of poverty)

In addition, the $500 per-child tax credit in the Balanced Budget Act can provide significant additional support to help parents meet child care costs.

In addition to these programs, the federal government runs a food program for child and adult day care centers through the USDA and invests in after-school programs for school-age children. The Child and Adult Care Food Program (CACFP) provided meals to approximately 2.5 million children in approximately 35,000 child care centers (including after-school centers) in 1997. The General Accounting Office identified the CACFP as one of the most effective vehicles for reaching family child care providers and enhancing care in home-based settings. After-school programs are supported through a variety of initiatives, including the Department of Education's 21st Century Learning Centers, funded at $40 million for FY 1998, which will provide after-school program opportunities in public schools for a million children.

Effect of Modifying Child and Dependent Care Tax Credit
Single Head of Household, One Child Under 13, $20,000 of Income, and $1,900 of Child Care Expenses
1999 Dollars

	Current Law	Option
Earnings	20,000	20,000
Other Forms of Income	0	0
Child Care Expenses	1,900	1,900
Adjusted Gross Income	20,000	20,000
-- Standard Deduction	-6,400	-6,400
-- Exemptions	-5,600	-5,600
Taxable Income	8,000	8,000
Pre-Credit Income Tax Liability	1,200	1,200
-- Child and Dependent Care Credit	-475	-950
-- $500 Child Credit	-500	-500
-- Earned Income Tax Credit	-1,152	-1,152
Post-Credit Income Tax Liability	-927	-1,152
Change in Tax Liability From Current Law		-225

Department of the Treasury
Office of Tax Analysis

December 4, 1997

Option: Child and dependent care tax credit rate would be 50% for taxpayers with AGI of $30,000 or less
Credit rate would be reduced by 1 percentage point for each additional $1,000 of AGI.
Credit rate would be 20% for AGI above $59,000.

Effect of Modifying Child and Dependent Care Tax Credit
Single Head of Household, One Child Under 13, $25,000 of Income, and $2,500 of Child Care Expenses
1999 Dollars

	Current Law	Option
Earnings	25,000	25,000
Other Forms of Income	0	0
Child Care Expenses	2,500	2,500
Adjusted Gross Income	25,000	25,000
-- Standard Deduction	-6,400	-6,400
-- Exemptions	-5,600	-5,600
Taxable Income	13,000	13,000
Pre-Credit Income Tax Liability	1,950	1,950
-- Child and Dependent Care Credit	-528	-1,200
-- $500 Child Credit	-500	-500
-- Earned Income Tax Credit	-353	-353
Post-Credit Income Tax Liability	569	-103
Change in Tax Liability From Current Law		-672

Department of the Treasury
Office of Tax Analysis

December 4, 1997

Option:.. Child and dependent care tax credit rate would be 50% for taxpayers with AGI of $30,000 or less
Credit rate would be reduced by 1 percentage point for each additional $1,000 of AGI.
Credit rate would be 20% for AGI above $59,000.

Effect of Modifying to Child and Dependent Care Tax Credit
Married Couple, Two Children Under 13, $35,000 of Income, and $4,050 of Child Care Expenses
1999 Dollars

	Current Law	Option
Combined Earnings (Both Employed) 1/	35,000	35,000
Other Forms of Income	0	0
Child Care Expenses	4,050	4,050
Adjusted Gross Income	35,000	35,000
-- Standard Deduction	-7,300	-7,300
-- Exemptions	-11,200	-11,200
Taxable Income	16,500	16,500
Pre-Credit Income Tax Liability	2,475	2,475
-- Child and Dependent Care Credit	-810	-1,823
-- $500 Child Credit	-1,000	-1,000
-- Earned Income Tax Credit	0	0
Post-Credit Income Tax Liability	665	0
Change in Tax Liability From Current Law		-665

Department of the Treasury
Office of Tax Analysis

December 4, 1997

1/ Earnings of lower earner are greater than child care expenses.

Option: Child and dependent care tax credit rate would be 50% for taxpayers with AGI of $30,000 or less
Credit rate would be reduced by 1 percentage point for each additional $1,000 of AGI.
Credit rate would be 20% for AGI above $59,000.

Effect of Modifying Child and Dependent Care Tax Credit
Married Couple, Two Children Under 13, $50,000 of Income, and $4,050 of Child Care Expenses
1999 Dollars

	Current Law	Option
Combined Earnings (Both Employed) 1/	50,000	50,000
Other Forms of Income	0	0
Child Care Expenses	4,050	4,050
Adjusted Gross Income	50,000	50,000
-- Standard Deduction	-7,300	-7,300
-- Exemptions	-11,200	-11,200
Taxable Income	31,500	31,500
Pre-Credit Income Tax Liability	4,725	4,725
-- Child and Dependent Care Credit	-810	-1,215
-- $500 Child Credit	-1,000	-1,000
-- Earned Income Tax Credit	0	0
Post-Credit Income Tax Liability	2,915	2,510
Change in Tax Liability From Current Law		-405

Department of the Treasury
Office of Tax Analysis

December 4, 1997

1/ Earnings of lower earner are greater than child care expenses.

Option: Child and dependent care tax credit rate would be 50% for taxpayers with AGI of $30,000 or less
Credit rate would be reduced by 1 percentage point for each additional $1,000 of AGI.
Credit rate would be 20% for AGI above $59,000.

Family-child care policy - general

THE WHITE HOUSE

WASHINGTON

December 4, 1997

MEMORANDUM FOR DISTRIBUTION

FROM: BRUCE REED

RE: CHILD CARE MEETING

Attached please find a discussion paper for tomorrow's 11am meeting on child care.

DISTRIBUTION:

The First Lady
Frank Raines, OMB
Janet Yellen, CEA
Gene Sperling, NEC
Rahm Emanuel
Ron Klain, OVP
Ann Lewis, Communications
Melanne Verveer, OFL
Maria Echaveste, OPL
John Hilley, Leg. Affairs
Mickey Ibarra, IGA
Michael Waldman, Speechwriting
Elena Kagan, DPC
Emily Bromberg, IGA

Secretary of the Treasury Bob Rubin
Jonathan Gruber, Treasury
Karl Scholz, Treasury
Attorney General Reno
Kent Markus, Justice
Deputy Secretary of Education Mike Smith
Shirley Watkins, USDA
Deputy Secretary of Labor Kitty Higgins
Deputy Secretary of Health and Human Services Kevin Thurm
Olivia Golden, HHS
Joan Lombardi, HHS
Mary Bourdette, HHS
Paul Leonard, HUD
Carolyn Becraft, DOD
Linda Smith, DOD

Domestic Policy Council Principals Meeting
December 5, 1997

PRELIMINARY OPTIONS FOR CHILD CARE INITIATIVE

I. TAX SYSTEM. Options for investing in child care through the tax system include:

A. *Child and Dependent Care Tax Credit*. Modify the Child and Dependent Care Tax Credit (CDCTC) by raising the top rate and moving the phase-out range. One option considered would raise the top rate from 30 percent (current law) to 50 percent and move the phase-out range from $10,000-$28,000 (current law) to $30,000-$59,000, indexed for inflation thereafter. Presently, the CDCTC phases down from a high of 30 percent at $10,000 or less of income to 20 percent at more than $28,000 of income (a phase-out rate of one percentage point per $2,000 of income). Under this option, the credit would phase-out at a rate of one percentage point per $1,000 of income, from a high of 50 percent at $30,000 or less of income to 20 percent at more than $59,000. The Department of the Treasury estimates that this option would affect 2.2 million taxpayers with adjusted gross incomes below $59,000, providing an average tax credit of $233 and eliminating tax liability for most families with incomes below 200% of poverty. <u>This option would cost $5.2 billion through the year 2003; less expensive options, using different rates and phase-out ranges, are also available</u>. The credit could also be made refundable.

<u>Pros:</u>

- The CDCTC parameters have not been adjusted for inflation since 1982.

- Through the tax system, assistance can be provided directly to parents for their child care needs with low administrative costs.

<u>Cons</u>:

- The CDCTC is not well targeted to those with low incomes.

  -- Under current law, about 1 percent of the CDCTC is received by families with money income in the bottom quintile. About 32 percent of the credit is received by those with income in the top quintile.

  -- Taxpayers who also claim the $500 child credit will not benefit from an increase in the CDCTC unless their income is between 130 and 160 percent of poverty.

- The IRS cannot easily verify child care expenditures. In 1988, about one-third of the CDCTC amounts claimed were false or overstated. Compliance efforts since 1988 may have reduced this error rate somewhat, but the IRS continues to have difficulty verifying expenses.

B. *Tax Credits to Corporate Sector.* Provide a tax credit to businesses that incur costs related to providing child care services to their employees. Qualifying expenses could include those a business incurs to build or expand a child care facility, operate an existing facility, train child care workers, reserve slots at a child care facility for employees, or provide child care resource and referral services to employees. Under one option considered (proposed by Senator Kohl), the credit could cover 50% of qualified costs incurred, but could not exceed $150,000 per year. This option has been estimated by the Joint Committee on Taxation to cost $2.6 billion over five years. The option could also be scaled back, for example, to cover a smaller percentage of qualified costs or to limit the types of qualified costs to which the credit could apply.

Pros:

- The proposal could increase the availability of child care services by giving businesses an incentive to provide those services to their employees.

- The proposal addresses concerns about the quality of child care by requiring that businesses take the credit only for expenses incurred in licensed child care facilities.

Cons:

- This may give businesses a tax credit for expenses they would have otherwise incurred -- and deducted or depreciated -- in the absence of the credit.

- The proposed credit is likely to disproportionately benefit middle- and higher- wage workers.

- A tax credit for employers will not benefit the nearly 30 percent of the labor force whose employers are non-taxable (governments, non-profit organizations).

II. CHILD CARE AND DEVELOPMENT BLOCK GRANT. Increasing federal investment in the Child Care and Development Block Grant (CCDBG) will enable states to provide child care subsidies to additional low-income working families with children under age 13. According to HHS estimates, for every $100 million of annual additional federal investment in the CCDBG, at least an additional 35,000 children from families with incomes below 200% of poverty will receive subsidized child care. A possible recommendation is to increase the investment by $4 billion over five years, which would provide subsidies for approximately 280,000 children per year. Less money would mean proportionately fewer additional children subsidized.

Pros:

- CCDBG provides significant relief to low-income working families for child care costs. Average child care costs are $74 per week, and the average subsidy is $66 per week.

- States currently target their CCDBG dollars to the lowest-income working families who are transitioning off or at risk of returning to TANF; additional resources will enable states to reach working families with slightly higher incomes.

-- Early data from HHS demonstrates that states have obligated nearly all of their FY 1997 CCDBG dollars. Although states are allowed to subsidize child care costs for families below 85 percent of State Median Income (roughly 200 percent of the federal poverty level), the majority of states serve only families with incomes below 130 percent of poverty.

- Increasing federal investment in the block grant leaves states with flexibility to use the funds for the particular child care needs of their low-income populations.

Cons:

- The federal government has little control over the income levels of the families reached (as long as they are below the statutory limit of 85 percent of state median income).

III. QUALITY/EARLY LEARNING. Options for increasing federal investment in the quality of child care and early learning include:

A. *Child Care Provider Training*. Increase federal investment in the training of child care providers. Options include:

1. *Child Care Provider Scholarship Fund.* Announced by the President at the White House Conference on Child Care, the Child Care Provider Scholarship Fund will enable states to provide scholarship funds to students working toward a child care credential. Eligible child care workers must commit to remaining in the field for at least one year for each year of assistance received and will earn increased compensation or bonuses when they complete their course work. The President announced an investment of $250 million over five years.

2. *Child Care Apprenticeship Training Program.* Expand the Child Care Apprenticeship Program to fund the training of child care providers working toward a degree equivalent to the Child Development Associate degree, with on the job observation and practice. The Department of Labor has asked for an appropriation of $10 million for FY 1999.

Pros:

- Child care experts agree that well trained child care providers are a key element of child care quality.

Cons:

- The scholarship fund will not guarantee that the recipient will remain in the child care field beyond the one year commitment. However, results from the North Carolina T.E.A.C.H. program (on which the fund is modeled) indicate that annual staff turnover is only 10% for T.E.A.C.H. participants, as compared to 42% statewide.

B. *Research and Evaluation*. Establish a new fund to support data and research and technology development and utilization. Uses for the new funding would include research and demonstration projects, a National Center on Child Care Statistics, and a national child care hotline.

Pros:

- Currently, no funds are targeted to child care data and research on a national level. Research is needed to assist policy-makers and community leaders to better understand how to build the supply of affordable quality care.

Cons:

- Research will not directly increase the supply of child care, and does not directly make care more affordable.

C. *Standards Enforcement*. Establish a fund for states to improve licensing and enforce state child care health and safety standards. Activities supported would include providing additional staff and resources to license child care settings and increasing unannounced inspections of licensed child care centers and family day care homes.

Pros:

- Child care experts report that almost all states under enforce child care standards.

- Research and experience in the military child care program indicate that diligent enforcement of standards -- particularly frequent unannounced inspections -- improves quality.

Cons:

- Where state child care standards are inadequate, the fund may result in only marginal improvements.

D. *Early Childhood Development and Quality*

1. *Early Learning and Quality Fund*. Increase federal investment in activities to improve early childhood education and the quality and safety of child care for young children (ages 0-5). The program would have three goals: (1) to improve early learning and development for our youngest children; (2) to ensure health and safety in child care; and (3) to increase parental involvement. In order to accomplish these goals, funds could be used for the following activities: (1) providing basic training to child care providers (including first aid and CPR, and training in child development); (2) creating and supporting family day care networks (e.g, connecting individual child care providers to centers for education and support); (3) assisting providers in meeting accreditation and licensing requirements; (4) linking child care providers with health professionals; and (5) providing home visits, parent education, and consumer education about child care. This program would provide challenge grants to communities (*e.g.*, counties or local public-private partnerships) to support child care providers and programs.

Pros:

- Targets infants and toddlers, who are most vulnerable to health and safety risks in child care.

- The Administration has made a strong commitment to promoting early childhood development and learning, which will help ensure school-readiness.

Cons:

- With limited resources, additional investments in quality may take money from investments to make child care more affordable.

2. *Head Start / Early Head Start*. Increase the Early Head Start (children 0-3) set-aside (5 percent under current law), while increasing overall funding in Head Start to ensure that boosting the set-aside does not reduce the resources available for children 3-5. One option would be to double the set-aside to enable more than 50,000 additional children to receive Early Head Start services in 2002 (relative to current law).

Possible recommendations for funding the above package of initiatives fall within the range of $1.5 to $4 billion over five years.

IV. SCHOOL-AGE OPPORTUNITIES

A. *Expansion of the 21st Century Community Learning Center Program*. The 21st Century Community Learning Program provides start-up funds to school-community partnerships to establish before- and after-school programs for school-age children at public schools. Changes to the program would be made to increase community involvement, target high-need communities, and require an increased local match to ensure that programs become self-sustaining after receiving start-up funding.

Pros:

- Responds to the tremendous need for after-school programs. Estimates of the number of "latch-key" children who are unsupervised during non-school hours ranges from 2 to 15 million.

- Increases the supply of after-school programs in a cost-effective manner by establishing or expanding programs at underutilized public school buildings.

- Responds to surveys showing strong parental and educator support for school-based after-school programs. Parents often prefer school-based programs because they do not require transportation and are run by school officials.

- The 21st Century Community Learning Center program has a proven record of support in this Congress (appropriated at $40 million for FY 1998); there is no need to create a new federal program.

Cons:

- It may be difficult to expand a newly funded program to a level that meets the great need for after-school programs.

- Some schools operate in an isolated manner and do not broadly engage parents or community organizations in their programs.

- This program funds only after-school programs located in public schools. However, families can use CCDBG subsidies to pay for care for children under 13 at other institutions.

B. *Coordination of Federal Efforts*. Create a multi-agency task force to assist three to five pilot cities identify, obtain, and make the best use of currently available federal resources --financial and human-- to provide comprehensive after-school programming for their children. This collaborative federal effort would work to remove impediments to access to or efficient use of federal funds and would seek to provide the communities with information from around the country regarding promising and effective programmatic strategies. In addition to assisting those communities meet an important need, this initiative is expected to lead to other federal multi-agency collaborative efforts in other areas.

Possible recommendations for funding the initiatives above fall within the range of $.5 to $2.5 billion over five years.

V. STAY-AT-HOME PARENTS

A. *Expand the reach of the Family and Medical Leave Act* (FMLA). Presently, FMLA covers employees of businesses with 50 or more employees. Options include expanding coverage to businesses with 25 or more employees, either all at one time or incrementally. Another option is to extend the time period from 12 weeks (current law) to 24 weeks.

Pros:

- By increasing the number of covered employees, more parents would have the ability to take time to care for their children. Lowering the employee threshold would cover 10 million additional employees or increase by 15% those employees covered by the Act.

- No expense to the U.S. Treasury.

Cons:

- Lowering the threshold will provoke strong business opposition and increasing the length of leave may do so as well.

- A very small percentage of employees take the maximum amount of leave now, so expanding the length of leave will help only a small percentage of people. Today, only 100,000 to 400,000 take the maximum leave of 12 weeks, out of the 12 million who take the leave.

- These options will not help those people who cannot afford to take leave. According to the Department of Labor, 65% of those who wanted to take leave to care for their newborn, foster, or adopted child did not do so for economic reasons.

B. *Provide paid parental leave coverage* for a limited amount of time for working parents below a set income level. For example, a new paid leave plan could provide $200 a week for 6 weeks of paid leave to all new parents who have been in the workforce either part-time or full-time for one year and whose family income is below $50,000, at a cost of $1 billion per year. This plan would use the unemployment insurance system to provide the leave payments, but would be paid for by the federal government. Employers not currently covered by FMLA would not be required to allow their employees to take this leave.

Pros:

- Paid leave would allow more parents to spend time with their newborn babies at a crucial time in their children's development.
- This proposal is likely to modify behavior. According to the Department of Labor, 65% of those who wanted to take leave to care for their newborn, foster, or adopted child did not do so for economic reasons.

Cons:

- There are small substitution effects. Two to three percent of all employees receive paid leave from their employers, but many of these employees would not meet the income threshold for this benefit. However, many employees receive paid vacation leave (88% to 97%) and paid sick leave (50 to 65%), and they do use these benefits to take leave for the birth of a child.
- Parents who have not been in the workforce would not receive any benefit.
- There may be some business backlash because the cost of hiring will increase as more people take leave.

C. *Demonstration Project to Support Stay-at-Home Parents.* Establish a demonstration project for innovative approaches by states to enable parents to stay at home during their children's first years of life.

Pros:

- This proposal would target benefits to parents who stay at home during a crucial time in their children's development.

Cons:

- This option is likely to affect a small number of people.

D. *Expand the child tax credit for families with children of a certain age*. Build on the $500 per child tax credit. For example, families with children 0 to 3 years of age could receive an additional $250, at a cost of roughly $6.5 billion over 5 years, or families with children 0 to 1 year of age could receive an additional $500, at a cost of roughly $4.67 billion over 5 years.

Pros:

- Provides a benefit to both stay-at-home parents and working parents targeted to the earliest years of their children's lives, a time at which couples usually have lower incomes.

Cons:

- This option will provide small benefits to a large group of people and is unlikely to modify behavior.

- The tax code already favors stay-at-home parents through marriage bonuses, while the Social Security system favors this group by providing them benefits without requiring that they work. In addition, the Administration already has supported policies benefiting stay-at-home parents, such as the per child tax credit and eased access to the home office deduction.

APPENDIX: BACKGROUND ON FEDERAL CHILD CARE INVESTMENTS

The federal government invests in child care in a variety of ways. The two principal mechanisms designed to help parents pay for child care are the Child and Dependent Care Tax Credit (CDCTC) and the Child Care and Development Block Grant (CCDBG).

Child and Dependent Care Tax Credit. The CDCTC provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The non-refundable credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit rate depending on the taxpayer's adjusted gross income (AGI). Currently, the credit rate is phased down from 30% (for taxpayers with AGI of $10,000 or less) to 20% (for taxpayers with adjusted gross income above $28,000). The maximum amounts of qualifying expenses for which credits may be claimed are $2,400 for one qualifying individual and $4,800 for two or more qualifying individuals. Thus, the maximum credit ranges from $480 to $720 for a taxpayer with one qualifying individual and $960 to $1,440 for a taxpayer with two or more qualifying individuals.

Child Care and Development Block Grant. The CCDBG is the primary federal subsidy program devoted to child care, enabling low-income parents and parents receiving Temporary Assistance for Needy Families (TANF) to work or participate in the educational or training programs they need in order to work. Welfare reform increased federal funding for child care by approximately $4 billion over five years (FY 1997 - FY 2002), and it consolidated four child care subsidy programs into the CCDBG. The funds are distributed primarily by formula to the states to operate direct child care subsidy programs and improve the quality and availability of care. By law, states may serve families below 85% of state median income, and must spend 4% of their funds on efforts to improve child care quality.

	CCDBG	**CDCTC**
Current federal funding level	$2.9 billion (FY 1997)	$2.6 billion (FY 1998)
Eligibility criteria	Families (TANF and non-TANF) with children under 13 who need child care and earn less than 85% of state median income	Taxpayers who pay for at least 50% of the care of a child under 13 and/or a disabled dependent or spouse in order to work.
% of overall dollars in program going to families with AGI below 200% of poverty	Approximately 96%	19%
% of families with AGI below 200% of poverty and children under 13 who receive assistance under program	12% (of potentially eligible families)	13%
Amount of federal assistance	$2,200 (average, annual federal subsidy per-child)	$419 (average tax relief per family with AGI below 200% of poverty)

In addition, the $500 per-child tax credit in the Balanced Budget Act can provide significant additional support to help parents meet child care costs.

In addition to these programs, the federal government runs a food program for child and adult day care centers through the USDA and invests in after-school programs for school-age children. The Child and Adult Care Food Program (CACFP) provided meals to approximately 2.5 million children in approximately 35,000 child care centers (including after-school centers) in 1997. The General Accounting Office identified the CACFP as one of the most effective vehicles for reaching family child care providers and enhancing care in home-based settings. After-school programs are supported through a variety of initiatives, including the Department of Education's 21st Century Learning Centers, funded at $40 million for FY 1998, which will provide after-school program opportunities in public schools for a million children.

Effect of Modifying Child and Dependent Care Tax Credit
Single Head of Household, One Child Under 13, $20,000 of Income, and $1,900 of Child Care Expenses
1999 Dollars

	Current Law	Option
Earnings	20,000	20,000
Other Forms of Income	0	0
Child Care Expenses	1,900	1,900
Adjusted Gross Income	20,000	20,000
-- Standard Deduction	-6,400	-6,400
-- Exemptions	-5,600	-5,600
Taxable Income	8,000	8,000
Pre-Credit Income Tax Liability	1,200	1,200
-- Child and Dependent Care Credit	-475	-950
-- $500 Child Credit	-500	-500
-- Earned Income Tax Credit	-1,152	-1,152
Post-Credit Income Tax Liability	-927	-1,152
Change in Tax Liability From Current Law		-225

Department of the Treasury
Office of Tax Analysis

December 4, 1997

Option: Child and dependent care tax credit rate would be 50% for taxpayers with AGI of $30,000 or less
Credit rate would be reduced by 1 percentage point for each additional $1,000 of AGI.
Credit rate would be 20% for AGI above $59,000.

Effect of Modifying Child and Dependent Care Tax Credit
Single Head of Household, One Child Under 13, $25,000 of Income, and $2,500 of Child Care Expenses
1999 Dollars

	Current Law	Option
Earnings	25,000	25,000
Other Forms of Income	0	0
Child Care Expenses	2,500	2,500
Adjusted Gross Income	25,000	25,000
-- Standard Deduction	-6,400	-6,400
-- Exemptions	-5,600	-5,600
Taxable Income	13,000	13,000
Pre-Credit Income Tax Liability	1,950	1,950
-- Child and Dependent Care Credit	-528	-1,200
-- $500 Child Credit	-500	-500
-- Earned Income Tax Credit	-353	-353
Post-Credit Income Tax Liability	569	-103
Change in Tax Liability From Current Law		-672

Department of the Treasury
Office of Tax Analysis

December 4, 1997

Option: Child and dependent care tax credit rate would be 50% for taxpayers with AGI of $30,000 or less.
Credit rate would be reduced by 1 percentage point for each additional $1,000 of AGI.
Credit rate would be 20% for AGI above $59,000.

Effect of Modifying to Child and Dependent Care Tax Credit
Married Couple, Two Children Under 13, $35,000 of Income, and $4,050 of Child Care Expenses
1999 Dollars

	Current Law	Option
Combined Earnings (Both Employed) 1/	35,000	35,000
Other Forms of Income	0	0
Child Care Expenses	4,050	4,050
Adjusted Gross Income	35,000	35,000
-- Standard Deduction	-7,300	-7,300
-- Exemptions	-11,200	-11,200
Taxable Income	16,500	16,500
Pre-Credit Income Tax Liability	2,475	2,475
-- Child and Dependent Care Credit	-810	-1,823
-- $500 Child Credit	-1,000	-1,000
-- Earned Income Tax Credit	0	0
Post-Credit Income Tax Liability	665	0
Change in Tax Liability From Current Law		-665

Department of the Treasury
Office of Tax Analysis

December 4, 1997

1/ Earnings of lower earner are greater than child care expenses.

Option: Child and dependent care tax credit rate would be 50% for taxpayers with AGI of $30,000 or less
Credit rate would be reduced by 1 percentage point for each additional $1,000 of AGI.
Credit rate would be 20% for AGI above $59,000.

Effect of Modifying Child and Dependent Care Tax Credit
Married Couple, Two Children Under 13, $50,000 of Income, and $4,050 of Child Care Expenses
1999 Dollars

	Current Law	Option
Combined Earnings (Both Employed) 1/	50,000	50,000
Other Forms of Income	0	0
Child Care Expenses	4,050	4,050
Adjusted Gross Income	50,000	50,000
-- Standard Deduction	-7,300	-7,300
-- Exemptions	-11,200	-11,200
Taxable Income	31,500	31,500
Pre-Credit Income Tax Liability	4,725	4,725
-- Child and Dependent Care Credit	-810	-1,215
-- $500 Child Credit	-1,000	-1,000
-- Earned Income Tax Credit	0	0
Post-Credit Income Tax Liability	2,915	2,510
Change in Tax Liability From Current Law		-405

Department of the Treasury
Office of Tax Analysis

December 4, 1997

1/ Earnings of lower earner are greater than child care expenses.

Option: Child and dependent care tax credit rate would be 50% for taxpayers with AGI of $30,000 or less
Credit rate would be reduced by 1 percentage point for each additional $1,000 of AGI.
Credit rate would be 20% for AGI above $59,000.

Might want to
do her 5-communities
idea for child care
generally - not just
after-school.

Family - child care policy - general

DEAR LORD BE GOOD TO ME THE SEA IS SO WIDE AND MY BOAT IS SO SMALL

Children's Defense Fund

MEMORANDUM

TO: Gene Sperling

FROM: Marian Wright Edelman

DATE: November 25, 1997

RE: **Fiscal Year 1999 and Beyond: Investing in Healthy, Safe, School-Ready Children**

I look forward to meeting with you on Monday at 3:00 p.m.

In developing your FY 99 budget, the Administration has an extraordinary opportunity to help shape the direction our nation will take in the next century and millennium. The resources -- whether from the budget surplus, reducing corporate welfare subsidies, restraining defense spending, new taxes on tobacco, a tobacco settlement, or redefined federal spending priorities -- are available to make the necessary investments in children. We urge you to make these investments a reality by including in your FY 99 budget the following:

Child Care:	
Quality Improvements:	$1 billion a year over next five years
School-age Care:	$1 billion a year over next five years
Affordability:	$1 billion a year for the next three years $1.5 billion for fourth and $2 billion for fifth year
Head Start:	$1 billion increase a year over next five years
Youth Violence Prevention:	$500 million a year over the next five years

Each is described below.

1. <u>Child care</u>. We applaud the Administration's efforts to focus national attention on child care. It is critical, however, for the FY 99 budget to invest enough to significantly solve pressing child care problems confronting so many families and children. Our budget requests arise out of discussions before and after the recent White House Conference on Child Care and focus groups we have recently completed.

- **<u>Quality: At least $1 billion a year for the next five years to help states improve the quality of child care</u>**. The importance of the first three years of life in a child's development is clear. Funding should be targeted towards helping states meet the goals of ensuring that children begin school ready to learn; improving the quality of care for infants and toddlers; and ensuring that children in child care are in safe settings that are adequately supported and

25 E Street NW
Washington, DC 20001
Telephone 202 628 8787
Fax 202 662 3510
E-mail
cdfinfo@childrensdefense.org
Internet
www.childrensdefense.org

inspected. A variety of approaches exist to improve child care quality including increased funds for inspections to more training and education for child care providers. But all depend upon additional funds which should be linked to specific, measurable outcomes that improve program quality. Polling and focus group surveys indicate that the quality of child care is foremost on parents' minds. A strong Administration initiative to improve the quality of child care will enjoy broad public support. Members of both parties have already introduced legislation to improve child care quality. Parents and the public support strong policies that include standards to ensure that children are safe and well cared for in child care programs.

- **Before-and-after-school care. At least $1 billion a year for the next five years to help communities start, operate, and expand programs for children and youth before and after school, during school holidays, and summer months.** Parents and communities are increasingly concerned about the need for more before-and-after-school care for school-age children for good reason. Nearly five million children are home alone after-school. Juvenile crime peaks between 2:00 and 6:00 p.m. These proposed funds would enroll 600,000 to 650,000 children in school-age programs. The price of not providing these services -- in juvenile crime, teen pregnancies, and other societal costs -- far outweighs their cost.

- **Affordability: At least $1 billion a year for three years, $1.5 billion in the fourth year, and $2 billion in the fifth year ($6.5 billion over five years), in the Child Care and Development Block Grant to help low-wage, working families pay for child care.** The 1996 welfare act requires millions of women to enter the workforce in low-wage jobs, joining millions of other women already in the workforce whose incomes do not adequately cover the cost of child care. We now provide child care assistance to less than one in ten eligible families. Direct subsidies, through vouchers or other means, are the most effective way of helping these families whose incomes are simply too low to benefit from tax credits or deductions. While we hear that the Administration is considering improvements in the Dependent Care Tax Credit (DCTC) to help families pay for child care and support mothers who choose to stay at home, tax credits are an ineffective mechanism for helping families in greatest need of assistance. The bulk of DCTC funds go to families earning over $30,000. It is critical that any Administration initiative to help families with the costs of child care focuses first on families with incomes below $35,000. We estimate that up to 450,000 children in low-wage working families would benefit from the additional proposed funds for the CCDBG program in the first three years. Additional increased funding levels are proposed for the fourth and fifth years to address the increased demand for child care assistance that will result as the work requirements of the 1996 welfare act take effect throughout the nation.

- **Child and Adult Care Food Program Improvements: $88 million a year for five years to enable CACFP to serve more children better.** Programmatic changes are needed in the Child and Adult Care Food program (CACFP) to better serve children both in child care and after-school settings. The eligibility age for CACFP should be raised to 18 so that programs serving adolescents can feed them. Changes are needed to make it easier for schools providing before-and-after-school care to participate in CACFP and for recreation programs and youth programs to offer CACFP snacks and/or meals. For-profit centers that serve significant (25%) numbers of children eligible for free and reduced price school lunches should be allowed to participate in CACFP; family child care homes should have their costs per meal increased; and sponsoring agency administrative costs should be increased. Finally, child care centers and family child care homes should have the option of serving children a fourth meal or a snack.

2. **Head Start. At least $1 billion a year increase for the next five years.** If all children are to enter school ready to learn, Head Start must be able to serve more children, reach families earlier, and expand hours to help families moving from welfare to work. We are disappointed that the Administration backed away from its initial commitment to fully fund Head Start by 1998, and urge additional funds to allow Head Start to serve more children, maintain program quality, gradually expand Early Head Start to serve younger children, and have the flexibility to extend hours and months of operation to serve working families.

3. **Youth violence prevention. At least $500 million a year for the next five years to support a juvenile justice prevention strategy, including a set aside in any new juvenile justice legislation for prevention activities.** Congress is moving forward with a juvenile crime bill (S.10) which would turn the clock backward for children and sets aside no money for prevention activities. It also has just passed a Commerce, State, Justice appropriations bill for FY 98 authorizing a new "juvenile accountability block grant" that allocates no money for prevention activities. We hope the President will use his veto pen to block these very bad policies from becoming law, and provide stronger leadership in directing attention to the importance of effective juvenile crime and violence prevention activities and keeping children safe. Rand and other studies have shown that more costly prisons do not work and all of us must be concerned about the growing criminalization of minority youth and their treatment as adults. We will be mounting a strong campaign against S.10 but the Administration's leadership is crucial

4. **Youth jobs. We urge the Administration to develop a youth jobs initiative to address widespread youth unemployment and hopelessness.** Although the overall unemployment rate has dropped to new lows, the lack of employment opportunities for young people, especially in low-income communities, remains a deep and serious problem. The unemployment rate for youths ages 16 to 19 in October was 15.3, over three times the 4.7 over-all unemployment rate. Yet funding for employment programs for at-risk youths has steadily declined. The Job Training Partnership Summer Youth Employment program currently provides about $130 million -- drastically below its pre-rescission 1995 level of nearly $600 million. The Administration can play a leadership role in promoting a youth employment initiative. Over the next fifteen years, the number of young adults ages 18 to 24 will grow by 22 percent or 5.4 million. We need to begin now to address the problems many of these young workers will face and give them a sense that staying in school and avoiding anti-social behavior will be rewarded with a job.

5. **Housing, education, child health, child welfare, and welfare-to-work.** A number of other budget areas affecting children need to be adequately funded in the FY 99 budget and beyond including: **Child Welfare:** We are disappointed that the increases needed to make the new adoption and foster care legislation workable were not included in the final legislation, and urge the Administration to work towards making those resources available in the future as the new legislation takes effect. **Child Health:** We deeply appreciate the Administration's leadership and support in expanding child health coverage. We believe that the $48 billion allocated over the next decade under this new law will reach at least half of the more than 10 million uninsured

complete this task. **Housing:** Inadequate housing plagues millions of families with children. Homeless shelters and rat-infested, overcrowded, unsafe housing are no places for children to grow up. This Administration needs to address the housing crisis in America in a determined fashion to prevent a generation of young people from growing up without adequate shelter or any sense of place and home. We strongly urge that the FY 99 budget include adequate funding for housing programs for low-income families. **Welfare-to-work:** More needs to be done to address the needs of those with the greatest barriers to employment like substance abuse, mental health, domestic violence, and illiteracy problems to enable these populations to move from welfare to work.

g:/general/childcare/drafts/sperling.doc

Family-child care policy - general

YMCA
We build strong kids,
strong families, strong communities.

August 7, 1997

Ms. Elena Kagan
Deputy Assistant to the President
for Domestic Policy
The White House
Washington, DC 20500

Dear Ms. Kagan:

Thank you for your recent letter acknowledging the YMCA of the USA's participation in a discussion group on the upcoming White House Conference on Child Care. As one of the nation's largest providers of school-age child care, it was an honor for us to be invited to contribute to the discussion.

A few months ago, as part of our ongoing effort to remain engaged in the planning process for this fall's conference and at the request of Joan Lombardi, Associate Commissioner, Administration on Children, Youth and Families' Child Care Division, the YMCA of the USA submitted to various staff of the Council a concept paper on the conference. It was our hope that the paper would be used as a discussion tool by you and your staff as you considered possible formats and outcomes for the conference. In the event that you did not receive a copy, I have enclosed one for your review. We would greatly appreciate any consideration you could give to our thoughts.

In the meantime, if you have any questions regarding our suggestions, please do not hesitate to contact me at (202) 835-9043. I look forward to future opportunities to work with the Administration toward the goal of promoting high quality child care.

Sincerely,

John Brooks

John Brooks
Senior Associate

Enclosure

cc: Jennifer Klein, Special Assistant to the President for Domestic Policy

YMCA of the USA • Public Policy • 1701 K Street, N.W., Suite 903 • Washington, D.C. 20006
202-835-9043 • toll-free: 800-932-9622 • fax: 202-835-9030 • http://www.ymca.net

INTRODUCTION:

At a time when the child care needs of America's families are growing, evolving, and somewhat unpredictable, the public and private sectors must work together to identify creative ways to expand and improve quality child care. As the nation's leading non-governmental providers of child care, YMCAs are committed to developing partnerships with government agencies, businesses, and other organizations toward the goal of improving child care policies and delivery services. This fall in Washington, D.C., the White House will convene representatives from government agencies, community groups, the business and independent sectors, child care advocates, and researchers to participate in the White House Conference on Child Care.

YMCA
We build strong kids,
strong families, strong communities.

THEME:

The YMCA of the USA believes that the theme for the conference should be both inclusive (early childhood and school-age; center-based, school-based, family home day care, and corporate care) and visionary (child care as an investment in our future). Also, we should seek to highlight the importance of high-quality care in developing strong kids, strong families, and strong communities.

The YMCA of the USA respectfully submits the following conference themes for your consideration:

- **Child Care 2000: Meeting Needs of Families in Changing Times**
- **Child Care 2000: Developing Strategies, Identifying Solutions**
- **Child Care 2000: The Opportunities Ahead**
- **Child Care in Changing Times**

DURATION:

A two-day conference.

MESSAGE POINTS:

The YMCA of the USA believes that it will be important for the conference to promote three (3) clear, concise messages: high-quality child care is important; child care should be available and affordable for those who desire it; and comprehensive, full-service child care should be a goal of all child care programs. Furthermore, each conferee has a role to play in ensuring the success of these three goals.

- **High-Quality Child Care.** All children in child care deserve a high-quality program, including those from low-income communities. One of the strengths of YMCA child care is that it brings together families and children from different socioeconomic classes, cultures, and experiences. This interaction helps children develop their social skills and appreciate their differences as well as their similarities.

- **Available, Affordable Child Care.** High-quality, affordable child care should be available for all working families. However, attaining such a goal will require a commitment of resources from a variety of areas, including: government, nonprofits, and businesses. YMCAs recognize that we must all do our part to make this vision a reality. That is why numerous YMCAs combine government funds, private dollars, and YMCA scholarships to increase access to high-quality YMCA child care for all families regardless of income level.

- **Comprehensive, Full-Service Child Care.** The importance of comprehensive, full-service child care cannot be overstated. Child care for the 21st century will be anything but traditional. If current trends are any indication, the demand for child care for special-needs children and the need for child care during nontraditional hours will only increase. Child care providers will have to become more visionary in designing child care programs that meet the needs of the changing American family.

AUDIENCE:

The audience for the conference will determine its scope and depth. Specifically, the content of the conference's workshops, plenary sessions, and working groups will be influenced by the participants. Who are we attempting to influence? What behavior are we seeking to change? What behaviors would we like to foster? The answers to these questions and others could also help determine the conference's impact and how it will be highlighted in the media.

The YMCA of the USA encourages the Administration to involve the following groups as part of the conference's primary audience:

- **Providers.** Any conference on child care must include the perspective and expertise of those who work on the front lines: child care providers. Therefore individuals, organizations, and agencies that represent the following child care providers should be invited to participate in the conference: early childhood providers; center-based providers; school-age center and school-based providers; Head Start; and family day care providers.

- **Community Agencies.** Community agencies also bring a unique perspective to this discussion. The potential for collaboration and support between child care providers and community agencies is enormous. Toward the goal of building partnerships for improved child care quality and delivery, representatives from the following agencies should be integral players at the conference: youth development agencies that provide child care services, the family resource and support community, and elementary education agencies.

- **Government Agencies and Officials.** Given the significant role government plays in child care policy development and funding allocation and distribution, the perspective of federal, state, and local government agencies and officials should be considered. These pivotal government agencies and officials include: the President, Congress, Governors, State Legislators, Federal and State Departments of Education and Health and Human Services, and Mayors.

- **Business Leaders.** Business leaders also recognize the importance of child care. Such umbrella organizations as the American Business Collaboration (Work/Family

Institute) and the U.S. Chamber of Commerce should be considered – both as potential collaborators and funders – in planning for the conference.

PRINCIPLE PLAYERS:

The principle players for the conference should add expertise and credibility. They should also be able to provide representation from among their membership. Each of the principle players should be invited to play a role in planning and facilitating the conference.

The White House, the YMCA of the USA, the American Business Collaboration, the National School-Age Care Alliance, and the National Association for the Education of Young Children should make up the principle organizers for the conference.

- **The White House.** The White House would bring instant credibility and stature to the conference. Indeed, the President has the opportunity to raise tremendous awareness about the challenges and opportunities facing our nation's child care system. This conference would also give the White House the opportunity to reconfirm its commitment to improving the lives of children, families, and communities.

- **YMCA of the USA.** YMCAs deliver quality child care and collaborate with other providers and community agencies to provide comprehensive programs and services for children and families. YMCAs provide child care to diverse communities. In addition, integrated into YMCA child care programs are the character development principles of caring, honesty, respect, and responsibility.

- **American Business Collaboration.** The American Business Collaboration is a business strategy intended to increase the supply and quality of dependent care services. The Collaboration would add an often unheard voice to the chorus of those seeking to raise awareness about the importance of child care: businesses. Such companies as AT&T, IBM, American Express, and Eastman Kodak are among the Collaboration's members. The Collaboration recognizes the important role child care plays in employee productivity, retention, commitment, and morale.

- **National Association for the Education of Young Children.** The National Association for the Education of Young Children (NAEYC) is a membership-supported organization of providers, advocates, and educators committed to fostering the growth and development of children from birth through age 8.

- **National School-Age Care Alliance.** The National School-Age Care Alliance (NSACA) is the professional organization that represents school-age child care (SAC) professionals, providers, and advocates. NSACA members are comprised of SAC providers who work directly with school-age children, child care directors who administer SAC programs, youth-serving agencies, not-for-profit and for-profit entities, local and state agencies with children as part of their mission, educators, and any individual interested in the well-being of children and youth.

OBJECTIVES:

The YMCA of the USA firmly believes that it is vital to identify several objectives for the conference. Conference participants, presenters, and the general public need to understand what the conference is intended to accomplish.

We recommend focusing on the following objectives:

- To **Educate and Inform** families, providers, educators, funders, policymakers, and others about the child care field;

- To provide a forum for child care providers, funders, and policymakers to **Network, Plan, and Collaborate** about how to improve child care policy and service delivery;

- To provide a venue for child care providers, funders, and policymakers to **Share Successful Models** of effective, efficient child care delivery;

- To **Offer Technical Assistance** to child care providers;

- To **Develop Partnerships between Government, Businesses, and Nonprofits** toward the goal of improving the quality of child care and expanding child care delivery.

FORMAT:

This is the part of the conference where the work actually gets done. The YMCA of the USA believes that the most effective way to both communicate information and have interactive participation between conference participants is to prepare a conference format that combines:

- **Working Groups** on specific topics. Working groups should contain a combination of child care providers, policymakers, educators, and potential funders. In addition, each working group should be charged with a specific task. For example, one working group could be asked to create a model child care delivery system, while another could focus on how to deal with the issue of providing child care to poor and low-income families.

- **Workshops** on individual issues. Workshops could be conducted on a number of topics, including: early childhood, school-age, special-needs, child care during nontraditional hours, and developing partnerships.

- **Plenary Sessions** that focus on child care trends. These sessions would bring together all conference participants and would be a good time to promote the conference's broad themes.

- **Child Care Information Forum** that would give researchers, educators, providers, and others an opportunity to share information with conference participants in an informal environment.

TOPICS:

The appropriate topics will add substance to the conference format. The YMCA of the USA recommends the following topics and potential presenters for your consideration:

- **Funding.** This is always a popular topic at child care conferences. The *U.S. Department of Health and Human Services, the National Governors' Assocation, and the American Business Collaboration* could assist in this area.

- **Staff Retention and Compensation.** The changing and developing child care workforce should be of concern to all of us. The *Center for the Early Childhood Workforce* could assist in this area.

- **Collaboration.** With limited funding for child care programs for poor and low-income families, it will require collaboration between the various child care providers to meet the growing demand. The *YMCA of the USA, the National Recreation and Parks Association, and the National Association of Elementary School Principals* could assist in promoting program models and the benefits of collaboration.

- **Quality.** The importance of quality child care programs cannot be overstated. Both the *National Association for the Education of Young Children* and the *National School-Age Care Alliance* understand this and could assist in this area.

- **Research and Evaluation.** How can we prove the benefits of high-quality child care? Research and evaluation. The Carnegie Corporation of New York, Yale University's Bush Center, and the High Scope Foundation (Ypsilanti, Michigan) could offer great insight into this area.

- **Training.** One way to improve child care quality is to adequately train child care providers. Both the Wellesley College *School-Age Child Care Project* and the *YMCA of the USA* have extensive experience in training child care providers.

- **Advocacy.** The recent welfare reform debate on the national and state levels demonstrated the importance of effective child care advocacy. Seasoned veterans in this arena include: the *Children's Defense Fund,* the *Child Care Action Campaign,* and the *YMCA of the USA.*

CONFERENCE OUTCOME:

The YMCA of the USA recommends two specific activities to complement the conclusion of the conference.

- Provide a written summary of the conference. This summary would not only clarify any proposed strategies developed during the conference, but it could also serve as an information resource for those who were not able to attend. In addition, a conference summary report would go a long way toward garnering widespread support for the conference's objectives.

- Issue a call to action. A call to action would encourage conference participants and observers to take action once they return to their individual communities. For example, conference participants could pledge to take specific steps to improve child care quality, accessibility, affordability, and availability in their local communities.

YMCA of the USA:

Throughout this concept paper, we have attempted to demonstrate our investment in child care and our commitment to the White House conference. In short, YMCAs have great insight and experience in the child care profession, and we would like the opportunity to work closely with the White House on this conference. But beyond our ability and desire to host workshops and ensure conference participation from YMCA child care and community development professionals, we are also prepared to partner with the White House in the following ways:

- Provide YMCA child care centers for site visits by conference participants. There are several YMCA child care programs in operation throughout the Washington, D.C., metropolitan area. Conference organizers and participants could visit one of our model YMCA child care programs. In addition, our facilities could be open for press conferences related to the White House conference.

- The YMCA of the USA and the White House could jointly seek foundation and corporate funding support for the conference. A joint application for funding from the government and a private nonprofit might receive favorable attention. Any decision on whether or not to pursue this course would have to be made soon, given that the conference is scheduled for this fall.

Family - child care policy - general

JEANNE BROOKS-GUNN, PH.D.
VIRGINIA & LEONARD MARX PROFESSOR
CHILD DEVELOPMENT & EDUCATION

Center for Young Children and Families

August 15, 1997

Elena Kagan
Deputy Assistant to the President for Domestic Policy
The White House
Washington, D.C. 20502

Jennifer Klein
Special Assistant to the President for Domestic Policy
2nd Floor West Wing
The White House
Washington, D.C. 20502

Re: **White House Conference on Child Care**

Dear Elena and Jennifer,

It was an honor to attend one of the planning sessions this summer for the upcoming White House Conference on Child Care. The mix of attendees was terrific, as was the leadership of your staff and Joan Lombardi. As requested, some thoughts about the direction and impact of the Conference on Child Care are summarized in this letter. If you would like more detail on any of the following points, please do not hesitate to contact me. This letter is brief, as I am sure that you are coordinating lots of responses and opinions.

The Conference needs to address the child care needs of all American families. While all of us are particularly concerned about child care for poor families, especially those in which parents are in the low wage job market, child care cuts across social class and ethnic groups. It is a universal problem. No group is immune from the hassles of finding and keeping affordable child care. And, with respect to quality, low quality child care exists for middle income as well as poor families.

The Conference planners need to consider how to handle the issue of age of child, since the needs of families and types of child care available change over time. As a researcher, I think about four age groups or childhood transitions--infancy, toddlerhood, preschool, early elementary school. Of course, after school care is also a concern for late elementary school and for middle school students and their parents. However, I see the issues as quite different (usually framing them in terms of after school athletic, artistic, and academic programs and community connections/civic responsibility). At the least, though, I would not omit the difficult child care issues for kindergartners (almost half of whom are in half-time kindergarten programs). Also, the Conference could make the point that child care needs to not end at the school door (i.e., what do we need to do vis-a-vis wrap around care and after school programs for our 5 to 8 year olds?).

When considering the preschool child, the Conference might stress that the majority of 4 year olds (as well as 5 year olds) are in some type of preschool, prekindergarten, or junior kindergarten. This is true of children whose mothers are working and those whose mothers are not. The question of early education and child care begin to blur at about age 4. Another point to stress when thinking about the universal needs of children and parents in our country today.

The Conference planners need to find a common meeting ground among the groups advocating for different solutions (good luck!). For example, one important strand is to focus on educating parents about quality care and helping parents advocate for better and accessible child care in their communities. At the same time, we do not want parents to feel that the burden is theirs, alone. I might have an education campaign for parents on child care (would love to work on this).

Clearly, public and private sectors have a role to play--business in strengthening links/providing benefits/providing time off for parents with children (i.e., cafeteria benefit plans, family leave, and so on).

The public sector needs to be a major focus, especially early education. Many other countries have essentially extended elementary school downwards--kindergarten becomes full day, 4 year old programs are housed in public schools. Federal and state programs also can move the field of early education. For example, Head Start (and programs like it) could be extended to families above the poverty threshold, using sliding scales for fees. We have done this for Medicaid (even before the 1997 Budget Bill) and certainly could do it for preschool education/Head Start. Or, subsidies can be extended (see the neat program in Illinois as an exemplar. I think that parents earning up to $22,000 dollars, or a bit more, will be eligible for child care subsidies).

One of the big issues is whether we attack the problem of accessibility and quality by focusing on the most vulnerable children across the first 5 years, or whether we focus on extending universal preschool education down to age 3 or 2 1/2. The latter has the benefit of being more universal and having more public support. The former, of course, has the benefit of helping our most needy. Perhaps a compromise might be to focus on universal (or closer to universal) 3- and 4-year-old programs and full day kindergartens, with more attention to vulnerable children's child care needs in the first three years of life.

In terms of preschools for majority of children (a possible goal) of a certain age, the White House could involve the governors. Preschool education for the children and child care for the parents, as one goal, might be very appealing to some governors.

The issues with infants and toddlers are different. Center-based care for the little ones is really expensive. It is unlikely that even a significant minority of our one-year-olds are going to be in center-based care in the foreseeable future. So I would try to separate the age groups and, for young children, stress multiple arrangements. Family-care homes have a big role to play with the youngest set. Training, credentialing, and increasing supply are the issues in family-care for young children. Stability is the other big issue for the little ones. One reason to separate some of the child care issues by age of child is that the President's and First Lady's recommendations/programs might be quite different for the younger than older children. How about some sort of training program for child care providers of young children? We have thought of some sort of Americorps or EZcorps (being in New York City) focusing on child care provision/home visiting/literacy.

A final question is how to raise awareness of public so that preschool education and infant child care becomes a community goal, a partnership between parents and community institutions.

I will be away from the office until after the Labor Day Holiday. However, if you need to reach me before then, please contact my assistant Veronica Holly at 212-678-3338. Again, please do not hesitate to contact me!

Sincerely,

Jeanne Brooks-Gunn

Family - child care policy - general

Children First Inc.

Excellence in Backup Child Care

Jen - Check out point one.
Elena

July 23, 1997

Ms. Melanne Verveer
Assistant to the President
and Chief of Staff to the First Lady
The White House
Washington, D.C.

Ms. Elena Kagan
Deputy Assistant to the President
for Domestic Policy
The White House
Washington, D.C.

Dear Melanne and Elena:

It was a tremendous honor to be invited to the White House and to have a voice in shaping the President's Fall Child Care Conference. As we all realized in our group session on June 27th, there are numerous issues to be studied and discussed, three of which are of particular importance from my experience and point of view:

National Standards:
First, our focus needs to be on setting national standards for the quality of child care delivered to our children. Each child is unique, precious and unrepeatable. Every child deserves the best we can offer. As a nation, we cannot be satisfied with settling for minimum requirements and in some states, no requirements. We need to establish high quality standards which safeguard our children across the nation in all child care settings.

The lack of a clearly articulated high quality vision of child care reflects a lack of respect for our children. We need to correct the existing situation and demonstrate the importance of our children to our future.

Public Awareness:
In combination with established standards, there must also be a Public Service or National Media Campaign for raising parental awareness of what quality care should look like for their children. Here is where I believe the President can use the Conference, as we need the Federal Government's support in order to accomplish this. The President and the First Lady's conference on early childhood development held this past April was a wonderful step in the right direction. We need more of these conferences convened by people in positions of leadership across disciplines, particularly corporate leaders. Although the Fall Child Care Conference will not be on the same scale, the best model I have recently seen was the Presidential Summit for America's Future where leaders in government, business, nonprofit and academics come together around a clearly articulated goal and well defined measurables for success. The converging of these disciplines is the key for success.

One International Place · Boston, Massachusetts 02110 · phone 617.330.8687 fax 617.330.8685

ChildrenFirst Inc.
Excellence in Backup Child Care

The Fall Child Care Conference's goal could include initiating a public opinion strategy which seeks to educate working parents about what they should want and expect from their child care providers. Children deserve the best, so we must help everyone better understand what the best looks like.

Vehicle For Success:
The President has already acknowledged the value of corporate partnering with child care providers in order to support employees and their families. Many of the Fortune 1000 businesses are pursuing creative models in providing their employees with high quality child care options. Currently we work with over 150 blue chip companies, providing the highest quality worksite backup child care for their employees. In 1996, we had 10,000 children registered who used our work/family centers 30,000 times. The conference should focus on sharing success stories of these companies and using them as models to be emulated.

Smart business people know that market forces include the well-being of employees. Children are essential to employee happiness, creativity and therefore productivity. Now, corporate awareness needs to be raised that quality child care is a business imperative. To quote one of our clients, David Vitale, Vice Chairman of First National Bank of Chicago, "By providing quality backup child care, employers no longer are asking employees to choose between the well being of their company and the well being of their children."

I very much thank you for the opportunity to share these ideas and I am committed to helping you in any way in preparing and delivering the conference.

Most sincerely,

Rosy J

Rosemary Jordano
President

Enclosures

One International Place · Boston, Massachusetts 02110 · phone 617.330.8687 fax 617.330.8685

BOSTON · SAN FRANCISCO · CHICAGO · LOS ANGELES · NEW YORK

Family-child care policy-general

Carey Fleming
Director of Corporate Alliances
539 Fernwood Road
Murrells Inlet, South Carolina 29576
tel: (803) 651-1744
fax: (803) 651-1766

Work|*Life*
Benefits

July 15, 1997

Jen —
Seems interesting; is the right?
Elena

Ms. Elena Kagan
Deputy Assistant to the President
for Domestic Policy
THE WHITE HOUSE
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Ms. Kagan:

In a recent conversation with my colleague, Madeline Fried, she indicated that she had attended a meeting on June 27th at The White House, regarding the **Conference on Child Care** planned for October 1997. At the end of that meeting, the attendees were asked to submit concrete ideas for initiatives which could be introduced by President Clinton to impact the availability and affordability of quality child care. As we talked, it occurred to Ms. Fried and myself that Work/Life Benefits (WLB) is in a unique position to make suggestions regarding changes that could significantly affect the funding for high quality child care for working parents.

In order to understand the perspective from which these suggestions are submitted, it is helpful to understand our business. WLB offers employers work/life benefit programs which help employees balance their work and personal life issues. In addition, WLB assists employers by providing administrative services for many benefit plans which link the funding mechanism to the work/life balance program; in many cases by providing customized voucher applications. One of the main administrative functions which we handle is for the IRS Code Section 129 Plan, or the Dependent Care Assistance Plan (DCAP). This plan allows employees to put aside up to $5,000 per year, TAX FREE, to pay for work-related dependent care. The DCAP offers a tremendous financial vehicle for working parents to make quality care more affordable. Unfortunately, they are structured in such a way that many parents, especially lower income parents, are not electing to participate in them.

As part of our service, we provide employees with a toll-free information line regarding the DCAP. We have heard from thousands of frustrated, confused and disappointed parents who did not understand the plan or who were afraid to commit to the program. It is our goal to help these employees understand the complex regulations governing the plan. We also want to help them understand that the plan may help them afford higher quality care. The following suggestions for changes to this program come from listening to these employees. For ten years, we have administered the DCAP for over 700 employers with over 2 million employees nationwide.

SUGGESTED CHANGES TO IRS CODE SECTION 129:

- **INCREASE THE $5,000 CAP.** Despite the fact that the DCAP has been available for over 10 years, the $5,000 limit has not changed. We suggest the limit be increased as the cost of quality care has increased significantly in relation to household income. The limit should be tied to the number of children requiring care as well. Currently, the same dollar limit applies to all parents regardless of the number of children in care.

- **CHANGE "USE IT OR LOSE IT" PROVISION.** Participation in the DCAP requires an employee to commit a dollar amount to the plan prior to the beginning of the year. If the parent does not use that amount, they lose it. This provision intimidates most employees, especially those just making it from paycheck to paycheck. It is very difficult for employees to predict exactly what their child care expenses will be so far ahead of time.

- **CHANGE THE "NON-DISCRIMINATION TEST" TO ALLOW FOR SELF-EMPLOYED AND SMALL BUSINESS PARTICIPATION IN THE PLAN.** Currently, self-employed individuals can not participate in the plan due to testing requirements. In addition, there is no incentive for a small business to establish plans for employees because the highly-compensated group and the owner/employee cannot participate. This should be changed to encourage small business owners to implement the plan.

- **ALLOW GOVERNMENT EMPLOYEES TO PARTICIPATE IN THE PLAN.** Currently, government employees do not have access to a DCAP.

- **INCREASE THE AGE OF THE CHILDREN WHO QUALIFY FOR THIS CARE.** Several years ago the age of the child qualified for care under the plan was lowered from 15 to 13 years-of-age. Parents feel that the age should be changed back to 15, and that summer over-night programs should qualify. It is many of these children, ages 13 to 15, for whom parents are most concerned, especially during summer months. These children need direction and quality programs to attend. These programs have a price tag attached.

- **CHANGE LANGUAGE TO ALLOW FOR PAYMENT FOR SERVICE PRIOR TO SERVICE RENDERED.** Currently, the plan only allows for payment for child care services after the service has been rendered. In order for employees to purchase quality child care services, they must commit to payment for services prior to the service being rendered. In many cases, the payment is due on the first of the month or the first day of the week. If the parent can not be reimbursed for that payment until the service is rendered, it causes a cash flow problem which prohibits the use of the plan for many lower paid employees.

- **ENCOURAGE EMPLOYERS TO PROVIDE TAX-FREE SUBSIDIES FOR CHILD CARE TO LOW INCOME EMPLOYEES.** There are many employers attempting to provide financial assistance to low-income employees. These employers are restricted in the design of the subsidy programs by IRS Code Section 129 regulations. A special provision should be established to encourage employers to subsidize child care which does not impose Section 129 restrictions on the program. These subsidies could be instrumental in the success of the "Welfare to Work" Program.

By changing the restrictions currently in effect for the DCAP, President Clinton could greatly increase the funding for quality child care for hundreds of thousands of American workers. Bringing more attention to the DCAP would also raise the awareness level of employees who may not be familiar with or comfortable with complex tax-related benefit programs. Similar to the 401(k) Plans, there will be an increase in the utilization of these programs as employees become more educated about them. The increased funding of the DCAP would, in effect, increase the future development of quality child care as the demand would rise.

In addition, President Clinton can send a strong message to employers by endorsing proposed legislation, S.2088, The Child Care Infrastructure Act, introduced by Senator Kohl of Wisconsin. The Act calls for incentives to employers who are willing to put programs in place which will increase quality and quantity of child care.

All of us at Work/Life Benefits are dedicated to helping employers and employees with dependent care issues. We are delighted that President Clinton has put so much emphasis on increasing quality child care. The White House Conference on Child Care would be the perfect opportunity to address how to make this care more affordable to the average worker. If there is any way we can be of assistance in future planning for the conference, please feel free to contact me directly at (803) 651-1744. We would be proud to be a part of this important initiative.

Very truly yours,

WORK/LIFE BENEFITS

Carey Fleming
Director of Corporate Alliances

CF:hr

cc: Ms. Melanne Verveer, Assistant to the President, Chief of Staff to the First Lady

Fam - child care policy - general

Bruce - We got you one of these, yes?
Elena

November 18, 1997

MEMORANDUM FOR DISTRIBUTION

FROM: ELENA KAGAN
DEPUTY ASSISTANT TO THE PRESIDENT
FOR DOMESTIC POLICY

RE: DEPUTIES MEETING ON CHILD CARE INITIATIVE

As you know, the President announced that he will unveil a child care initiative in his 1998 State of the Union Address. The Domestic Policy Council has been leading a policy development process, with significant input from various federal agencies and White House offices, to develop policy options on child care for the President's consideration.

The purpose of today's Deputies-level meeting is to discuss various policy options for the child care initiative that have been developed over the past months. At the meeting, representatives from the Departments of the Treasury, Health and Human Services, and Education will make brief presentations of several proposals, with the balance of the meeting reserved for discussion.

Attached for your review please find several documents: 1) an overview paper which outlines current federal investment in child care, proposes goals for a new child care initiative, and summarizes the policy options for discussion at the Deputies meeting, and 2) the policy proposals developed by various agencies (which are summarized in the overview paper).

DISTRIBUTION:

Rebecca Blank, CEA
Carolyn Becraft, Defense
Bobbie Greene, OFL
Eric Holder, Justice
Gene Sperling, NEC
Jack Lew, OMB
Kevin Thurm, HHS
Kitty Higgins, Labor
Olivia Golden, HHS

Terry Peterson, Education
Yvette Jackson, Agriculture
Amy Finkelstein, CEA
Anne Lewis, NEC
Barry White, OMB
Bob Litt, Justice
Cheryl Dorsey, Labor
Emil Parker, NEC
Janet Holtzblatt, Treasury
Joan Lombardi, HHS
Jon Schnur, Vice President's Office
Jonathan Gruber, Treasury
Karl Scholz, Treasury
Mary Bourdette, HHS
Paul Leonard, HUD
Pauline Abernathy, Education
Robin Leeds, OPL
Susan Wilhelm, Education

CHILD CARE INITIATIVE

Overview of Current Federal Investment in Child Care

The Federal government invests in child care in a variety of ways. The two principal mechanisms designed to help parents pay for child care are the Child and Dependent Care Tax Credit (CDCTC) and the Child Care and Development Block Grant (CCDBG):

- **Child and Dependent Care Tax Credit (CDCTC).** The CDCTC provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The non-refundable credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit rate depending on the taxpayer's adjusted gross income. The Federal government spent approximately $2.6 billion on the CDCTC in 1997.

- **Child Care and Development Block Grant (CCDBG).** The CCDBG is the primary Federal subsidy program devoted to child care, enabling low-income parents and parents receiving Temporary Assistance for Needy Families (TANF) to work or participate in the educational or training programs they need in order to work. Welfare reform increased federal funding for child care by approximately $4 billion over five years (FY 1997 - FY 2002), and it consolidated four child care subsidy programs into the CCDBG. The funds are distributed primarily by formula to the States to operate direct child care subsidy programs and improve the quality and availability of care. The Federal government spent $2.9 billion in direct child care subsidies in FY 1997, serving a little more than one million children.

In addition, the $500 per-child tax credit in the Balanced Budget Act can provide significant additional support to help parents meet child care costs.

In addition to these programs, the federal government runs a food program for child and adult day care centers through the USDA and invests in after-school programs for school-age children. The Child and Adult Care Food Program (CACFP) provided meals to approximately 2.5 million children in approximately 35,000 child care centers (including after-school centers) in 1997. The General Accounting Office identified the CACFP as one of the most effective vehicles for reaching family child care providers and enhancing care in home-based settings. After-school programs are supported through a variety of initiatives, including the Department of Education's 21st Century Learning Centers, funded at $40 million for FY 1998, which will provide after-school program opportunities in public schools for a million children.

Goals of New Child Care Initiative

The goals for the Child Care Initiative will drive decisions on how to invest limited additional resources. Agency representatives generally have argued for a child care initiative addressing each of the following goals:

1. Helping more parents afford child care
2. Assuring safety and quality in child care
3. Making child care more available

These goals and their prioritization of course remain open for discussion and debate. A child care initiative could decide to focus on one or two of these goals, rather than all three.

Policy Options

The remainder of this memo outlines policy options relating to the goals of affordability, safety and quality, and availability. Some of the options address more than one of these goals, but are placed in a single category for organizational purposes.

I. AFFORDABILITY

In order to help more parents afford child care, the Administration could: 1) expand the Child Care and Development Block Grant and/or 2) modify the Child and Dependent Care Tax Credit. The pros and cons of building on one or both of these mechanisms are discussed in the attached papers prepared by the Departments of the Treasury and HHS. Information on the way the two mechanisms assist low-income families appears below, followed by policy options relating to each.

	CCDBG	**CDCTC**
Current Federal funding level	$2.9 billion (FY 1997)	$2.6 billion (FY 1998)
Eligibility criteria	Families (TANF and non-TANF) with children under 13 who need child care and earn less than 85% of state median income	Taxpayers who pay for at least 50% of the care of a child under 13 and/or a disabled dependent or spouse in order to work.
% of overall dollars in program going to families with AGI below 200% of poverty	100%	19%

	CCDBG	CDCTC
% of families with AGI below 200% of poverty and children under 13 who receive assistance under program	12% (of potentially eligible families)	13%
Amount of federal assistance	$2,200 (average, annual federal subsidy per-child)	$494 (average tax relief per family with AGI below 200% of poverty)

1. **<u>Increase Federal Investment in the Child Care and Development Block Grant</u>**

There are three options for additional investment in the Child Care and Development Block Grant:

OPTION ONE: Increasing CCDBG funding based on current formula.

OPTION TWO: Increasing CCDBG funding and working with states to set ~~specified~~ benchmarks or performance standards for use of additional funding (e.g. to expand eligibility, make co-payments more affordable, improve reimbursement rates).

HHS favors

OPTION THREE: Increasing CCDBG funding and requiring that funds are targeted to reach families of a specified income level or to pay child care costs for children of a specified age level.

For each of these options, using HHS estimates, for every $100 million of annual additional investment in the CCDBG, the child care costs of at least an additional 35,000 children from families with incomes below 200% of poverty will be subsidized:

Increased Investment in CCDBG	Number of Additional Children Reached
$100 million/year or more than $500 million/5 years	Approximately 35,000/year
$300 million/year or more than $1.5 billion/5 years	Approximately 105,000/year
$500 million/year or more than $2.5 billion/5 years	Approximately 175,000/year

Increased Investment in CCDBG	Number of Additional Children Reached
$700 million/year or more than $3.5 billion/5 years	Approximately 250,000/year
$1 billion/year or more than $5 billion/5 years	Approximately 350,000/year

2. Modify the Child and Dependent Care Tax Credit

The Child and Dependent Care Tax Credit is currently a non-refundable credit that may be claimed by taxpayers who pay for the care of a qualifying individual (children under 13 years old and/or disabled dependents or spouses) in order to work. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care. The amount of the credit rate depends on the taxpayer's adjusted gross income (AGI). The credit rate is phased down from 30% (for taxpayers with AGI of $10,000 or less) to 20% (for taxpayers with adjusted gross income above $28,000). The maximum amounts of qualifying expenses for which credits may be claimed are $2,400 for one qualifying individual and $4,800 for two or more qualifying individuals. Thus, the maximum credit ranges from $480 to $720 for a taxpayer with one qualifying individual and $960 to $1,440 for a taxpayer with two or more qualifying individuals.

Four options are proposed for discussion:

OPTION ONE: Beginning in 1999, taxpayers would become eligible for the 30 percent credit rate if their income is $18,000 or less. The credit rate would be phased down from 30% to 20% for AGI between $18,000 and $45,000. In subsequent years, the starting point for the phase down range would be indexed for inflation, as would the maximum amounts of qualifying child and dependent care expenses that could be claimed.

> **IMPACT AND COST**: The Department of the Treasury estimates that this option would affect 2.1 million taxpayers with AGI below $45,000, providing an average tax cut increase of $74. It would cost approximately $2.4 billion over five years (see Treasury paper for fuller discussion).

OPTION TWO: Beginning in 1999, taxpayers would become eligible for a 50% credit rate if their income is $18,000 or less. The credit rate would be phased-down from 50% to 20% for AGI between $18,000 and $47,000. In subsequent years, the starting point for the phase down range would be indexed for inflation, as would the maximum amounts of qualifying child and dependent care expenses that can be claimed.

IMPACT AND COST: The Department of the Treasury estimates that this option would affect 2.2 million taxpayers with AGI below $47,000, providing an average tax cut increase of $233. It would cost approximately $4.6 billion over five years (see Treasury paper for fuller discussion).

OPTION THREE: The CDCTC would be made refundable in 1999, thus allowing individuals who do not have an income tax liability to claim the credit.

IMPACT AND COST: The Department of the Treasury estimates that this option would affect 1.3 million families, mostly with AGI ~~between~~ 160-200% of poverty, providing an annual tax cut increase or refund of $407. It would cost approximately $6.9 billion over five years (see Treasury paper for fuller discussion). below

OPTION FOUR: In addition to making the CDCTC refundable, the phase-down would be adjusted as described in Option One.

IMPACT AND COST: The Department of the Treasury estimates that this option would affect 3.4 million families, providing an average tax cut increase or refund of $347. It would cost would cost approximately $11 billion over five years (see Treasury paper for fuller discussion).

II. SAFETY AND QUALITY

Four proposals to ensure safety and quality in child care will be presented for discussion: increasing federal funds targeted to quality improvements, either by increasing funding for the CCDBG (with its set-aside for quality improvements) or by establishing a separate quality fund; increasing federal investment in education and training for child care providers; and establishing a new fund for activities related to consumer education, technology development and utilization, and data and research.

1. Increase Federal Funds Targeted to Quality Improvements

OPTION ONE: Increase federal funding in the CCDBG and thereby increase required 4% set-aside for quality improvements.

IMPACT AND COST: For every $100 million of annual, additional investment in the CCDBG, States would receive an additional $4 million in flexible funding for quality improvements:

Additional Annual Investment in CCDBG	Increase in Quality Set-Aside Per Year (4% of increase)
$100 million	$4 million
$300 million	$12 million
$500 million	$20 million
$700 million	$28 million
$1 billion	$40 million

OPTION TWO: Establish a fund distributed to the States according to the CCDBG formula to provide grants to communities to improve safety, quality, and learning for young children in child care (see HHS paper for fuller discussion). This fund would differ from the 4% set-aside for quality in the CCDBG because it would be designated for use by communities, rather than by States, and because it would be targeted for to infants and toddlers.

> **IMPACT AND COST**: This fund would build on the North Carolina model of community grants known as "Smart Start." HHS recommends a funding level of $800 million per year or $4 billion over 5 years to reach 1,000 communities; still needed is a range of cost options and further impact analyses.

2. **<u>Increase Federal Investment in Provider Education and Training</u>**

OPTION: Build on the Child Care Provider Scholarship Fund announced by the President at the White House Conference on Child Care, in which states provide scholarship funds to students working toward a state or national credential, certificate or Associate, B.A. or B.S. degree. Child care workers, who must commit to remaining in the field for at least one year for each year of assistance received, will earn increased compensation or bonuses when they complete their course work, provided by some combination of the scholarship fund and the worker's employer.

> **IMPACT AND COST**: For every $50 million of annual federal investment in the Child Care Provider Scholarship Fund (matched with one State or Community dollar for every four federal dollars), up to 50,000 child care providers will receive scholarship assistance.

Federal Investment in Child Care Provider Fund	Number of Scholarships Available
$50 million/year or $250 million/5 years	50,000/year
$100 million/year or $500 million/5 years	100,000/year
$150 million/year or $750 million/5 years	150,000/year
$200 million/year or $1 billion/5 years	200,000/year

3. <u>Increase Federal Investment in Consumer Education, Research, and Technology</u>

The CCDBG currently contains a 4% set-aside for quality activities, under which consumer education is an allowable, but not a required expense. HHS reports that although some States are investing some of their quality set-aside in consumer education efforts, these efforts are limited and scattershot. Further, HHS reports that no funds are presently targeted to child care data and research.

OPTION: Establish a new fund for activities related to consumer education, technology development and utilization, and data and research. Funds would support research and demonstration projects, a National Center on Child Care Statistics, a national child care hotline, and a consumer education campaign to help parents select safe and healthy care for their children (see HHS paper for fuller discussion).

> **IMPACT AND COST**: HHS recommends federal investment of $50 million per year; still needed is a range of cost options and further impact analyses.

III. AVAILABILITY

Two options to make child care more available will be presented for consideration: 1) investing in school-age care opportunities, and 2) providing incentives to businesses to create and/or run child care programs.

1. <u>Invest in School-Age Care Opportunities</u>

Three options will be presented for consideration:

OPTION ONE: Expand the existing 21st Century Community Learning Centers program to provide start-up funds to school-community partnerships to establish before- and after-school programs for school-age children at public schools. This expanded program would target additional funding to high-need communities (using eligibility requirements for the President's Title V Teacher Recruitment proposal), further concentrate on providing enriching after-school programming for children, and require an increased local match to ensure that programs become self-sustaining after receiving start-up funding (see Department of Education paper for fuller discussion).

IMPACT AND COST: The Department of Education recommends annual federal funding of up to $400 million. Using the Department of Education assumption of a one-to-one local match and an average per-child cost of an after-school program as $800/year, the Department estimates that this level of funding would enable the program to serve up to 1 million children. Using these estimates, other levels of federal investment would yield:

Federal Investment	Approximate Number of Children Served
$100 million	250,000
$400 million	1 million
$680 million	1.7 million (which would double the current level of participation in after-school programs)
$800 million	2 million

OPTION TWO: Establish a fund to support after-school program opportunities to be distributed to the States according to the CCDBG formula, with matching and benchmark-setting requirements. Funds would go through States directly to communities, with 50% targeted to areas with high concentrations of poverty. These funds would enable communities to create new programs and link already-existing community resources such as schools, libraries, parks, and recreation centers to build the supply of school-age care and improve quality. The proposal is modeled after the Making the Most of Out of School Time (MOST) projects (see HHS paper for fuller discussion).

IMPACT AND COST: HHS recommends an annual investment of $300 million; still needed is per-child cost and a range of investment options and further impact analyses.

OPTION THREE: Increase federal funding in the CCDBG and thereby increase CCDBG dollars targeted to support after-school opportunities. HHS estimates that approximately one-third of children currently served by the CCDBG are school-age.

IMPACT AND COST: HHS estimates a general increase in the CCDBG will proportionately increase school-age slots by approximately 30%.

2. **Provide Tax Incentive to Businesses**

OPTION: Senator Kohl has introduced legislation to provide a tax credit to businesses that incur costs related to providing child care services to their employees. Qualifying expenses would include those a business incurs to build or expand a child care facility, operate an existing facility, train child care workers, reserve slots at a child care facility for employees, or provide child care resource and referral services to employees. The credit would cover 50% of qualified costs incurred, but could not exceed $150,000 per year.

IMPACT AND COST: The Department of the Treasury advises that low-wage workers are generally less likely to receive employer-provided fringe benefits than middle- and higher-wage workers and that the proposed credit is therefore likely to benefit disproportionately middle- and higher-wage workers. The Joint Committee on Taxation has estimated the Kohl proposal to cost $2.6 billion over five years.

HHS submission

Affordability

Federal child care assistance in FY 1997 provides $2.9 billion in direct subsidies, serving a little more than one million children. However, even with this substantial investment, only 10% of eligible children receive assistance. Due to the high demand for assistance, States often set eligibility levels below the allowable income level established in the Federal statute. For example, although a State can allow families up to 85% of State Median Income to receive assistance, many States cut off eligibility at 130% of the Federal poverty level. Therefore, many working families are not eligible for direct assistance and are also unable to take advantage of the Dependent Care Tax Credit.

OPTION 1: Increase CCDBG funding without benchmarking or targeting.

Interaction with Current Program: The proposal is simply an increase in the CCDBG.

Cost Estimate: The Secretary has recommended a $700 million increase in the CCDBG to expand the number of children served with subsidies. These funds would be matched at the FMAP (which averages around 56%).

Impact Analysis: An increase of $700 million in CCDBG would provide at least 250,000 child care slots in FY 99.

Pros:
- Gives States the flexibility to spend the funds as best fits its needs.
- Enables the States to serve more working families with subsidy through the CCDBG.

Cons:
- May not be targeted enough to reach the working poor population in need of child care assistance.

OPTION 2: Increase the Child Care and Development Block Grant (CCDBG) funding and require States to set benchmarks to make care more affordable and accessible for low-income working families.

Interaction with Current Program: New funding will be provided through the CCDBG, although in order to access additional dollars, each State would have to set benchmarks, based on the State's individual situation. The benchmarks would describe how States will expand eligibility to serve more working families, make copayments more affordable, and improve reimbursement rates. For instance, if a State currently sets eligibility at 130% of the Federal poverty level, they may expand eligibility to 135% of poverty.

Cost Estimate: See Option 1 above.

Impact Analysis: An increase of $700 million in CCDBG would provide at least 250,000 child care slots in FY 99. Requiring States to set benchmarks will ensure that funds are targeted to low-income working families.

Pros:
- Retains State flexibility to use funds for the particular child care needs of their populations.
- Targets low-income working families without adding regulatory or administrative burden on the States.
- Focuses on results by requiring States to set and report on benchmarks.

Cons:
- May have to provide technical assistance to States in order for them to set appropriate and enforceable benchmarks.
- May not be sufficiently targeted to assure that funds reach specific age groups or specified income levels. However, all funds would still reach low income families that are eligible for CCDBG.

OPTION 3: Increase CCDBG funding, but require that the funds be targeted.

OPTION 3A: Target the CCDBG increase to reach families of a certain income level.

Interaction with current program: Funding would be provided through the CCDBG. Every State would be required; regardless of its individual situation, to assure that the additional money goes to families at a specified income level.

Cost Estimate: See Option 1 above.

Impact Analysis: This option would assure that additional funds are targeted to working poor families, rather than those families who are moving from welfare to work.

Pros:

- Provides a mechanism to target funds to more working poor families.

Cons:

- Limits the flexibility that States have under CCDBG to assess their own needs and allocate funds accordingly.
- Restricts States' ability to use the funds to move families from welfare to work.
- Recreates the type of administrative complications that the reforms in the Personal Responsibility Act were designed to eliminate.
- May not achieve its goal due to a substitution effect. For example, States may move the working families whom they already serve under this targeted funding and use the existing funding on other families, leading to no net increase in the number of working families served.

OPTION 3B: Target the CCDBG increase to reach children of a certain age.

Interaction with Current Program: Funding would be provided through the CCDBG. Every State would be required, regardless of its individual situation, to assure that the additional money goes to children in a specified age group.

Cost Estimate: See Option 1 above.

Impact Analysis: This option provides a mechanism to reach a specific targeted population based on the age of the children in the family. For instance, only a third of the children currently served are school age. Therefore, a general increase in CCDBG will proportionately only increase school age slots by over 30%. Targeting could increase the number and proportion of school age children affected.

Pros:

- Provides a mechanism to attempt to target funds to children in a certain age group.

Cons:

- May not achieve its goal due to a substitution effect. For example, States may move the children of a targeted age whom they already serve under this targeted funding and use the existing funding on other children, leading to no net increase in the number of children served from the specified age group.
- May restrict States' ability to serve all children in families with children of different ages (one child may be eligible while a "non-target" age child may not be eligible for the subsidy).
- Takes away the flexibility that States have under CCDBG to assess their own needs and allocate funds accordingly.
- Restricts States' ability to use the funds to move families from welfare to work, by constraining States' priorities.
- Recreates the type of administrative complications that the reforms in the Personal Responsibility Act were designed to eliminate.

Treasury Submission

Modifying the Child and Dependent Care Tax Credit

Current Law

A taxpayer may be eligible for a nonrefundable tax credit if he or she pays for the care of a qualifying individual in order to work. Qualifying individuals include children under the age of 13 and disabled dependents or spouses. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care.

The amount of the credit rate depends on the taxpayer's adjusted gross income. The credit rate is phased-down from 30 percent (for taxpayers with adjusted gross income of $10,000 or less) to 20 percent (for taxpayers with adjusted gross income above $28,000). The maximum amounts of qualifying expenses for which credits can be claimed are limited to $2,400 for one qualifying individual and $4,800 for two or more qualifying individuals. Thus, the maximum credit ranges from $480 to $720 for a taxpayer with one qualifying individual and $960 to $1,440 for a taxpayer with two or more qualifying individuals.

Employees may exclude from their taxable income (and their earnings for social security tax purposes) amounts their employers provide as child and dependent care benefits, including cafeteria plan contributions. The exclusion is limited to $5,000 of child care expenses per year and does not vary with the number of qualifying dependents. The amount of the expenses eligible for the child and dependent care credit is reduced dollar for dollar by the amount of excludable expenses.

Options to Increase the Credit Amounts and/or to Extend Eligibility

Option 1: Beginning in 1999, taxpayers would become eligible for the 30 percent credit rate if their income is $18,000 or less. The credit rate would be phased-down from 30 percent to 20 percent for AGI between $18,000 and $45,000. In subsequent years, the starting point for the phase-down range is indexed for inflation, as are the maximum amounts of qualifying child and dependent care expenses that can be claimed for the credit or the employer exclusion.

Option 2: Beginning in 1999, taxpayers would become eligible for a 50 percent credit rate if their income is $18,000 or less. The credit rate would be phased-down from 50 percent to 20 percent for AGI between $18,000 and $47,000. In subsequent years, the starting point for the phase-down range is indexed for inflation, as are the maximum amounts of qualifying child and dependent care expenses that can be claimed for the credit or the employer exclusion.

Option 3: The child and dependent care tax credit would be made refundable in 1999, thus allowing individuals who do not have an income tax liability to claim the credit.

Option 4: In addition to making the child and dependent care tax credit refundable, the phase-down range would be adjusted as described under option 1.

Impact Analysis and Cost

Cost and Number of Families Affected by Various Options									
	Cost in Fiscal Year (millions)							Number of Taxpayers with Cut (1999)	Average Tax Cut (1999)
	1999	2000	2001	2002	2003	1999-2003	1999-2007		
Option 1	39	192	204	239	238	673	2,446	2.1 million	$74
Option 2	132	613	543	550	555	1,838	4,638	2.2 million	$223
Option 3	150	698	636	683	747	2,167	6,880	1.3 million	$409
Option 4	215	1,014	965	1,068	1,205	3,261	11,078	3.4 million	$234

Options 1 and 2: Increase Amount of Child and Dependent Care Tax Credit

Pros

- The child and dependent care tax credit parameters have not been adjusted for inflation since 1982. Options 1 and 2 essentially adjust the child and dependent care credit for inflation since 1982.

  -- In 1982, nearly 6 percent of taxpayers who benefited from the child and dependent care tax credit were eligible for the maximum credit rate of 30 percent.

  -- But in 1999, very few taxpayers will qualify for the 30 percent rate because the income threshold ($10,000) has not been increased since 1982 Options 1 and 2 increase the threshold from $10,000 to $18,000, the level it would be in 1999 if the parameters had been indexed in 1982.

- Through the tax system, assistance can be provided directly to parents for their child care needs with low administrative costs.

- Working parents can receive the credit by filing a tax return and avoid the hassles and stigma associated with applying for assistance through welfare offices.

Cons

- The child and dependent care tax credit is not well targeted to those with low income.

- -- Under current law, about 1 percent of the child and dependent care tax credit is received by families with money income in the bottom quintile and children under 13. About 32 percent of the credit is received by those with income in the top quintile.

- -- Taxpayers, who also claim the $500 child credit, will not benefit from an increase in the child and dependent care tax credit unless their income is at least between 130 and 160 percent of poverty.

- The IRS cannot easily verify child care expenditures. In 1988, about one-third of the child and dependent care tax credit amounts were overclaimed on tax returns. While compliance efforts since 1988 may have reduced this error rate, these initiatives have not significantly improved IRS's ability to verify expenditures.

<u>Options 3 and 4: Expand Eligibility for the Credit by Making it Refundable</u>

<u>Pros</u>

- Low-income taxpayers will not benefit from an expansion of the child and dependent care tax credit unless the credit is made refundable.

<u>Cons</u>

- Many beneficiaries of a refundable child and dependent care tax credit already are able to use the EITC to fully offset their income and payroll taxes. Hence, critics of refundability will be quick to label a new refundable child and dependent care tax credit as "welfare" and vigorously fight the proposal.

- In the past, efforts to create new refundable credits (including recent experience with the child credit) have led to increased scrutiny of the EITC and its compliance problems. Unfortunately, the EITC will remain vulnerable to such attacks until the most recent set of compliance initiatives can be fully implemented, and studies show an improvement in compliance.

- The child and dependent care tax credit will generally not be available to most taxpayers until the end of the year. But low-income parents, particularly those who are just entering the workforce, need assistance in "real-time."

HHS Submission

The Supply and Quality of Care for Young Children

Currently, activities to improve safety, health, and learning in child care are funded by States under the required 4 percent minimum set-aside for such activities in the Child Care and Development Block Grant (CCDBG). States fund a variety of quality activities including training, licensing improvements, and resource and referral services. Since there is a tremendous need for direct assistance, most States spend only the minimum set-aside on quality activities.

OPTION 1: Increase CCDBG funding thereby increasing the amount of money that is allocated to quality via the 4% minimum set-aside.

Interaction with the Current Program: This proposal is simply an increase in the CCDBG.

Cost Estimate:
The funds for quality activities would increase by 4% of the total CCDBG increase. The Secretary proposes a $700 million subsidy increase.

Impact Analysis: A CCDBG increase would result in the States having more money to direct toward quality activities. The Secretary's proposal would result in $28 million more for quality. However, the net increase in quality funds would be offset by the fact that the increased subsidies would result in more children in child care in need of quality enhancements.

Pros:
- Improves affordability
- Potentially increases supply
- Devotes more funding to State-identified quality and supply issues.

Cons:
- Is not primarily a quality strategy; 96% of the new funds do not target quality at all, but 100% of the funds are applied to one of the three goals of quality, affordability, and supply.
- Does not target young children, especially infants and toddlers, who have the most critical health and safety concerns in child care.
- Does not allow the Administration to use its funds to leverage additional public and private resources to increase the total investments in quality.
- Does not pomote decision making at the community level.

OPTION 2: Establish a fund distributed to the States according to the Child Care and Development Block Grant formula to provide grants to communities to improve safety, health, and learning for young children in child care. The funds would specifically target young children, with a focus on infants and toddlers who are the most vulnerable children in care. States would be required to match the Federal money and would have to set benchmarks to measure their outcomes. At least 85% of funds would go directly to communities and 50% would be targeted to areas with high concentrations of poverty. This model is based on the Smart Start program in North Carolina which has allowed many counties to improve the supply and quality of care for young children. With these funds communities might choose to establish family child care networks, promote accreditation, help providers meet health and safety standards, and promote health and parent education in child care.

Interaction with the Current Program: The vast majority of the CCDBG funding currently goes toward affordability, most often in the form of vouchers. The quality money is extremely limited and typically goes to general activities funded by the States. Little or no money is administered for these purposes directly by communities. The new funding would not replace the quality set-aside, but would give communities a role in building local supply.

Cost Estimate:
The Secretary has recommended a $800 million dollar increase in the CCDBG to increase the health, safety and learning environment of child care programs.

Impact Analysis:
The proposal recognizes that the real issue in child care is whether *each community* has an adequate supply of quality care. These funds would improve the safety, health and learning of young children in child care by allowing up to 1000 communities to craft solutions that meet their specific needs.

North Carolina's Smart Start program demonstrates the impact that the community grants would have. One Smart Start county has expanded supply by 3,578 spaces in licensed programs. In another, every child care center and 50 percent of the family child care programs are participating Smart Start programs to improve the quality of care, which affects 1,234 young children in the county. In North Carolina's most populous county, 7000 children were enrolled in programs that received enhancements through the county's Smart Start grant. In other North Carolina communities, 1400 children received health and developmental screenings as a result of the Smart Start grants.

Pros:
- Gives flexibility to communities to tailor funds to their specific needs.
- Focuses on results by requiring communities to meet

benchmarks and report on outcomes.
- Targets young children, especially infants and toddlers, who are the most vulnerable children in care.
- Allows communities to build supply and fill gaps in their system of care.

- Meets the President's challenge to find a way to replicate successful child care models across the country.
- Uses Federal money to leverage State and local public and private sector funds.

Cons:
- Limits State flexibility to determine the use of funds.
- Targets only one age group.

HHS Submission

Child Care Provider Education and Training

Child care provider training is one of a number of allowable activities under the Child Care and Development Block Grant set-aside for quality activities, but only a small portion of the set-aside is spent for that purpose. The funds that do go to training are often spread very thin and cover only basic workshops which don't lead to credentials or degrees.

OPTION 1: Establish the Child Care Provider Scholarship Fund announced by the President at the White House Conference. States will administer scholarship funds to providers for either pre-service on in-service coursework as part of a degree or credential program. The provider and the sponsoring child care program must also bear a portion of the cost. The provider, who will receive increased compensation after the coursework is complete, must commit to remaining in the field for at least one year for each year of assistance received.

Interaction with the Current Program: These funds are targeted specifically to providers who are enrolled in a degree or certificate program, unlike current expenditures for training. In addition, these scholarships are tied to an increase in compensation.

Cost Estimate:
The Secretary's proposal recommends an investment of $150 million in scholarship funds to provide training and support.

Impact Analysis:
The scholarships will reach approximately 150,000 providers and increase the quality and supply of child care for about 1.5 million children.

Pros:
- Targets training of providers, which is a proven effective approach to build warm and responsive interactions between the provider and the child. These interactions, while often the most difficult aspect of quality to measure, have been found in recent studies to be one of the most powerful predictors of children's healthy development in child care.
- Requires an investment from several stakeholders including the provider and the sponsoring child care program.
- Impacts potentially scores of children with each scholarship, because each provider reaches many children.

Cons:
- Cannot guarantee that the recipient will stay in the field beyond the one year commitment. However, child care workers have an average turnover of over 30%, but programs like T.E.A.C.H. in North Carolina have shown that education reduces turnover. In North Carolina, staff turnover is only 10% for people who participate in the program, compared to 42% overall.

HHS Submission

National Leadership for Consumer Education, Research, and Technology

The Child Care and Development Block Grant (CCDBG) currently contains a 4% set-aside for quality activities, under which consumer education is an allowable cost. However, quality set-aside funds only meet a small portion of the need for consumer education. In addition, the law provides a small set-aside for technical assistance, which amounts to about $8 million per year.

OPTION 1: Establish a new fund for activities related to consumer education, technology development and utilization, and data and research to help redefine the future of child care in America. The fund would support a national child care hotline and a consumer education campaign to help parents select safe and healthy care for their children, a project to increase the use of distance learning technologies for rural and home-based providers, and a National Center on Child Care Statistics, along with research and demonstration projects.

Interaction with the Current Program: These funds will go to initiatives which will lead the field of child care into the twenty first century. Although some States are investing some of their quality set-aside in consumer education, these limited efforts are scattered around the country and provide inadequate coverage even within States. No funds are targeted to child care data and research on a national level. A few States and academic institutions are undertaking research, which primarily consists of studies with small sample sizes. Currently there is no framework to provide leadership to coordinate consumer education, technology development and utilization, and research of a national scope. The fund for consumer education, research and technology will fill that gap.

Cost Estimate: The various components of this effort total $50 million.

Impact Analysis: The Secretary's proposal provides sufficient funds for a consumer education initiative, which will reach millions of households with information for parents on how to find and select safe, healthy care. The quality of care for thousands of children, particularly rural children, will be enhanced by the training of providers, made possible by distance learning technologies. The National Center for Child Care Statistics and competitive research and demonstration projects will help policymakers, community leaders, and program developers find solutions to the lack of safe, healthy, affordable, and accessible care.

Pros:
- Targets funds directly to consumer education to assist parents in choosing care that will protect the health and safety of their children.
- Will potentially build the supply of quality care by

creating demand for quality care
- Provides funds specifically for data and research to help policy makers and community leaders better understand how to build the supply of affordable, quality care.

Cons:
- Does not directly increase the supply of care
- Does not directly make care more affordable

Education Submission

Expanding School-Age Care Through 21st Century Community Learning Centers

Description of Policy Option

The Department of Education proposes to expand the existing 21st Century Community Learning Centers program to provide start-up funds to school-community partnerships to establish before- and after-school programs for school-age children at public schools. The proposal responds to surveys showing strong parental support for keeping schools open during non-school hours and complements existing and proposed funding from HHS by enabling communities with under-utilized school facilities to apply for 21st Century funding and enabling other communities to apply for funding from HHS. The expanded 21st Century funding would provide up to 1 million school children per year with safe, drug-free, low-cost, and accessible programming combining learning, enrichment and recreational activities.

Description of Current Programs and Interaction of Proposal with Current Programs

This proposal would expand the existing 21st Century Community Learning Centers program that was sponsored by Senator Jeffords in 1994. The program has won strong bipartisan support in Congress, which increased its funding from $1 million in FY97 to $40 million in FY98 with particularly strong support from Rep. Nita Lowey. The program was designed to expand the use of school facilities during non-school hours.

In expanding the current program, the Department proposes to better target funding to high-need communities, further focus it on enriching after-school programming for children, and require an increasing local match to make sure programs become self-sustaining after receiving start-up funding. As now, schools would be required to partner with community, business, or educational organizations and programming could be provided by these partners in the schools.

Schools can currently use Title I, Safe and Drug-Free Schools and other federal funding for after-school programming, but these dollars are already committed and stretched thin. An expanded 21st Century Schools program would enable high-need schools to start before- and after-school programs linked to other federally funded activities, further benefit from federal school-based nutrition programs, and provide a catalyst for the schools to partner with community organizations and businesses.

The Education Department has also generated interest from a private foundation to supplement the 21st Century Community Learning Centers by developing training, technical assistance and networking capacity among participating sites. This private funding would further help the education and child care communities work effectively together in providing after-school care.

Impact Analysis

A $400 million per year 21st Century program would reach up to 1 million school children per year. While the current law limits eligibility to "inner city and rural" schools, the Department proposes to retarget the program to *high-need* urban, rural, and suburban communities using the same eligibility as used for the President's Title V Teacher Recruitment proposal. Thus, 4,300 high-need communities serving approximately a third of the nation's school children and 60 percent of the nation's poor children would be eligible for funding.

Pros of Expanding 21st Century Community Learning Centers

- Increases the supply of after-school programs in a cost-effective manner by establishing or expanding programs at underutilized school buildings.
- Compliments HHS funding by allowing communities to choose between school-based and non-school based options.
- Responds to surveys showing strong parental and educator support for school-based after-school programs. Parents often prefer school-based programs because they do not require transportation from school to the after-school program and they trust their school officials to care for their children and provide appropriate activities.
- Enables linkages between after-school activities and school-day activities and learning.
- Provides start-up funding not requiring on-going funding after five years.
- 21st Century Schools has a proven record of support in this Congress.
- Does not require the creation of a new federal program.

Cons of Expanding 21st Century Community Learning Centers

- Some schools operate in an isolated manner and do not broadly engage parents or community organizations in their programs. However, schools are increasingly interested in partnering with community organizations and this funding would provide a catalyst for them to do so. Schools would be *required* to partner with outside organizations.
- Some are concerned that any school-based after-school program could lead to a divisive debate over vouchers. However, 21st Century Schools has won bipartisan support in this Congress and did not engender a debate over vouchers because it is premised on taking advantage of underutilized school facilities.

Cost of Proposal

The Department of Education proposes to expand 21st Century funding from $40 million to $400 million per year, serving up to 1 million children per year, assuming a one-to-one local match and an average cost of $800 per child. Each program would set its hours to meet the community's needs but would operate for the equivalent of 3-4 hours each school day.

HHS submission

The Supply and Quality of School-Age Care

Experts estimate that nearly 5 million school-age children spend time without adult supervision during a typical week. However, only about 1.7 million children in kindergarten through grade 8 were enrolled in formal before- and after-school 49,500 programs in 1991, according to the National Study of Before and After School Programs. School-age children are currently served by the Child Care and Development Block Grant (CCDBG) subsidy program. Approximately one-third of the subsidies go to school-age children (i.e. approximately $1 billion).

OPTION 1: Establish a fund distributed to the States according to the CCDBG formula to provide grants to increase the supply and quality of school-age care. States would be required to match the Federal money and to set benchmarks to measure their progress. At least 85% of funds would go directly to communities, with 50% targeted to areas with high concentrations of poverty. The new money would allow communities to create new programs and link already-existing community resources such as schools, libraries, parks, and recreation centers to build the supply of school-age care and improve quality.

Interaction with the Current Program: Money would be targeted to school-age children, unlike the CCDBG funds. Rather than funding slots through the subsidy program, the new money would build supply and quality through partnerships in communities. Decisions would be made at the community level, rather than the State level, to allow communities to fill their own local needs.

Cost Estimate: The Secretary has recommended a $300 million dollar increase in the CCDBG to improve the supply and quality of care school-age children.

Impact Analysis:
An increase in funding for this program would affect school-age children from a variety of economic backgrounds by allowing them to have safe and productive ways to spend their before and after-school time. The funds would provide up to 500 community grants to expand current promising programs and create new, comprehensive services. The proposal is modeled after the Making the Most of Out of School Time (M.O.S.T.) projects, underway in three American cities. The following are examples of what the Seattle M.O.S.T. project accomplished in its first two years: provided training for 560 school-age caregivers, served 250 low-income children in free summer programs, served an additional 500 low-income children by establishing three new programs and expanding seven existing ones, and created a database of school-age programs that was used by 2000 families in a nine-month period.

Pros:

- Targets school-age care, which is lacking in many communities.

- Builds on existing community resources to maximize the impact of the investment.
- Prevents children's exposure to violence and substance abuse during the hours that studies show they are most likely to experience those risks.
- Enhances academic performance through academic enrichment and homework supervision and support.
- Allows communities to fill the gaps that they identify in their school-age care systems.
- Uses a community approach to reach a broader range of families than CCDBG subsidy.
- Meets the President's challenge to find a way to replicate successful child care models across the country.

Cons:

- Limits State flexibility.
- Targets only one age group.

Treasury Submission

Child Care Infrastructure Act of 1997 (S.82)

Description of Proposal

Senator Kohl has introduced a bill (S. 82) that would provide a tax credit to businesses that incur costs related to providing child care services to their employees. Qualifying expenses would include those a business incurs to build or expand a child care facility, operate an existing facility, train child care workers, reserve slots at a child care facility for employees, or provide child care resource and referral services to employees. The credit would be for 50 percent of qualified costs incurred, but not to exceed $150,000 per year.

Current Law and Interaction

The costs of child and dependent care services provided by an employer are currently deductible compensation. An employer that builds a structure for use as a child care facility would normally depreciate the associated capital costs. Under the proposal, many taxpayers will see it to their advantage to take the tax credit for expenses that they would otherwise have deducted or depreciated.

Impact Analysis

In general, low-wage workers are less likely to receive employer-provided fringe benefits than middle- and higher-wage workers. Therefore, the proposed credit is likely to disproportionately benefit middle- and higher-wage workers.

Pros

- The proposal could increase the availability of child care services by giving businesses an incentive to provide those services to their employees.
- The proposal addresses concerns about the quality of child care by requiring that qualifying expenditures be taken with regard to a licensed child care facility and by allowing training and continuing education costs for child care employees to qualify for the proposed credit.

Cons

- The proposal will not necessarily increase the number of quality child care placements or improve the quality of existing facilities. Instead, it will provide a subsidy to businesses that take the credit for expenses that they would have made -- and deducted or depreciated -- in the absence of the credit.
- Because the proposed credit is likely to disproportionately benefit middle- and higher-wage workers, it is not the most efficient use of scarce Federal resources to support child care.
- A tax credit for employers will not benefit the nearly 30 percent of the labor force whose employers are non-taxable (governments, non-profit organizations, etc.).

Cost of Proposal

JCT has estimated the proposal to cost $2.6 billion over five years.