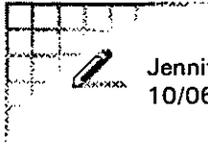


NLWJC - Kagan

DPC - Box 025 - Folder 006

**Family - Child Care Policy: General
[1]**



Jennifer L. Klein
10/06/98 01:04:21 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP
cc: Thomas L. Freedman/OPD/EOP
Subject: Moynihan "Enhancing Family Life Act of 1998"

I wanted to clarify what is in the Moynihan bill. (This morning, I confused it with another recently introduced "family" bill.) The bill is based on a set of proposals by James Q. Wilson and would:

1. Provide support for "second chance" maternity homes for unwed teen mothers; *YS m*
2. Promote adoption by increasing the number of children eligible for federal adoption assistance and by encouraging states to test a "per capita" approach in child welfare (ie., the states give agencies a fixed sum for each child, thereby providing an incentive to find a permanent placement quickly);
3. Fund early childhood development programs, including preschool and home visiting; and
4. Creating education assistance to help parents stay at home with their young children and help them later enter the workforce. *2 not coded*

Nicole R. Rabner

08/05/98 06:37:08 PM

Record Type: Record

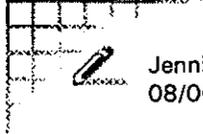
To: Jennifer L. Klein/OPD/EOP, Neera Tanden/WHO/EOP, Elena Kagan/OPD/EOP, Bruce N. Reed/OPD/EOP

cc:

Subject: Senate Labor-HHS and Child Care

Mary Bourdette reported today that Specter's staff told her that the Senate Labor-HHS Appropriations subcommittee plans to fully fund our child care request in appropriations (the discretionary request included \$180 million of standards enforcement, research and evaluation, and scholarships). Since none of these new programs have authorizing legislation, Mary is puzzled but elated, and HHS staff is trying to work on appropriate language for this purpose, if we get that far.

fam-child care policy -
general



Jennifer L. Klein
08/06/98 06:04:22 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Nicole R. Rabner/WHO/EOP, Neera Tanden/WHO/EOP

cc:

Subject: Senate Labor-HHS and Child Care

An update on child care in Senate Labor-HHS. Mary says that they are still planning to spend \$180 million. They may choose not to earmark the money for our programs (scholarships, standards, research), but instead may just add it to the block grant. She will keep us posted.

----- Forwarded by Jennifer L. Klein/OPD/EOP on 08/06/98 05:42 PM -----

Nicole R. Rabner

08/05/98 06:37:08 PM

Record Type: Record

To: Jennifer L. Klein/OPD/EOP, Neera Tanden/WHO/EOP, Elena Kagan/OPD/EOP, Bruce N. Reed/OPD/EOP

cc:

Subject: Senate Labor-HHS and Child Care

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Family-child care policy -
general**Congress of the United States**

Washington, DC 20515

March 31, 1998

The Honorable Newt Gingrich
Speaker of the House
H232 Capitol Building
Washington, D.C. 20515

Dear Newt:

As members of the Congressional Caucus for Women's Issues, we are writing in support of congressional action during this session on legislation to promote quality child care choices for all American families. Child care must remain a priority for this Congress.

We have developed bipartisan consensus on a list of principles that should govern new child care spending this session. These concepts, as well as viable funding proposals, are contained in many of the over 50 bills that have been introduced to date. We believe these principles contain a bipartisan set of goals that will dramatically help the millions of families who struggle every day in America with difficult child care decisions. These decisions are extremely personal. Many parents feel handcuffed by economic concerns, others worry about the safety of child care, and others have children with needs that require special settings. We must respect and enable parents' ability to make the child care choice that is best for their situation. While all families face different circumstances that make their decision-making process unique, they all are confronted with issues related to availability, affordability and quality of care.

Congress can and should take actions that will improve parents' prospects for finding child care that meets these concerns. If we expect our work on welfare reform to be successful, we have to face the hard facts that child care is a necessity for helping parents find independence from public assistance. The Bureau of Labor Statistics reported that in 1996, 96 percent of fathers and 63 percent of mothers with children under age 6 worked. Some of these parents worked part-time and others worked full-time, but they all faced decisions about what to do with their children when they were at work. For most families in America today, child care is not an option, but a necessity. For most working parents, child care is not a luxury, but a fact of everyday life.

These are the key principles on which the Women's Caucus has found bipartisan support. Each principle complements the others and all should be included in any legislation that comes before the House.

Increase Certificate Funding for Low-Income Families — We have put tremendous pressure on the states to comply with our work targets as part of welfare reform. This pressure is causing states to invest the majority of their Child Care and Development Block Grant (CCDBG) funding in finding child care for families who are leaving welfare. This help is crucial for families gaining independence. But if that independence is to be permanent and if the thousands of low-income families who are struggling to maintain jobs are to stay off welfare, we have to invest additional funds in CCDBG to give states the resources they need to meet the increasing demand for

vouchers. When you visit day care centers, you hear of the pressure to drop very low-income working families who have not been on welfare to make room for women coming off welfare. This is unfair and intolerable. It also will not accomplish our goal of fostering work.

Lower Taxes for Working Families and Stay-at-Home Spouses — We must modernize the Dependent Care Tax Credit to provide more realistic assistance for low- and middle-incomes families who pay taxes. This would allow families to lower their taxes, keep more of their income and help meet child care expenses. In addition, we should seriously consider changing the DCTC to make it available to families in which one spouse stays at home to care for children. If the income guidelines are met, the DCTC should flow to the family regardless of whether a parent or provider cares for the child.

Promote Quality Child Care — Since quality in child care services varies throughout states and localities, we must give communities the flexibility to design programs that best fit their needs. While there is no one-size-fits-all solution for quality child care, there are things we can do at the federal, state and local levels to improve and enhance the quality of care our children receive. These initiatives could include assisting states in enforcing health and safety standards and state-determined staff/child ratios for center-based care, improving provider and parent training and education in early childhood development, and encouraging competitive wages for child care workers.

The Women's Caucus supports action on these critical issues and encourages the Leadership to move forward with legislation before the 105th Congress adjourns. We urge you to join us in **finding room for increased funding for child care within our commitment to a balanced budget.** We must listen to the concerns of America's working families and help them meet their child care needs.

Sincerely,

Nancy J. Johnson

Eleanor H. Norton

Sen. Kelly

Carolyn B. Maloney

Ginnie Myrland

Ellen Tauscher

ELEANOR HOLMES NORTON
DISTRICT OF COLUMBIA

COMMITTEE ON
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GOVERNMENT REFORM AND
OVERSIGHT

SUBCOMMITTEE
RANKING MINORITY MEMBER,
DISTRICT OF COLUMBIA

Congress of the United States
House of Representatives
Washington, D.C. 20515

**Statement of Eleanor Holmes Norton at the
Women's Caucus and Lifetime Television
Child Care Priorities Press Conference**

March 31, 1998

With the help of Lifetime Television, the Women's Caucus is today announcing a campaign to secure child care legislation which gives choices to at-work and at-home families when there is no way to care for their children. Though the women Members of Congress have different views on how to provide child care, we are one in saying that there must be child care legislation this session of Congress. Some of us want certificates that low-income families can use in child care facilities. Others want lower taxes for spouses who decide to stay home. All of us want to promote greater quality in all child care. The Women's Caucus recently had a groundbreaking hearing on the astounding new science on the brain development of a child 0-3. The basic cognitive, linguistic, emotional, and motor skills develop in the first three years. These critical life skills depend on high quality child care.

Last year, child care to get people off welfare was the child care issue. This year's issue must be child care for working families. This year, low income families are literally uncompetitive with welfare families because child care block grant funds are going to welfare families. We must not send the message that to get child care you have to go on welfare first. Today we must send the opposite message must be true: get a job and we will help you get child care.

Lifetime Television can help us relieve the silent crisis which is forcing millions of working families alone, beleaguered, and strapped to leave their children in place and in ways that they cannot justify. I support President Clinton's comprehensive bill, but in the face of the crisis we are facing, none of us should cling to the notion of my way or no way.

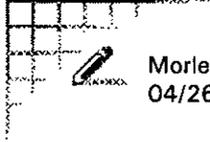
Rather we must come together around basic child care goals for children and families and provide basic relief to low and moderate income families desperate for that relief. Lifetime Television and the Women's Caucus are leading the way. We know we are leading the way for millions of Americans.

815 15TH STREET, N.W., SUITE 100
WASHINGTON, D.C. 20005-2201
(202) 783-5085
(202) 783-6211 (FAX)

1424 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515-6101
(202) 225-8050
(202) 225-3002 (FAX)
(202) 225-7829 (TDD)

2041 MARTIN L. KING AVENUE, S.E.
SUITE 300
WASHINGTON, D.C. 20020-8734
(202) 678-8900
(202) 678-8944 (FAX)

Family-child care policy -
Kiddie Mac



Morley A. Winograd @ OVP
04/26/98 01:17:03 PM

Record Type: Record

To: Elena Kagan/OPD/EOP
cc: Sally Katzen/OPD/EOP
Subject: Kiddie Mac

Elena:

I met with Cong. Maloney and a staff person from Cong. Baker (R-LA) on Thursday to discuss HR 3637, which as Cong. Maloney wrote the President in March would create a secondary mortgage marketing for child care facilities and offer guaranty insurance for those who lend to child care facilities. In addition it contains a section with micro loans for child care facility improvements as well as offer liability insurance to child care providers. The bill with its broad ideological spectrum of support and its market focused approach to expanding child care availability would seem to have some appeal. Can you tell me if we are looking at it and how we think it might fit within the President's child care initiatives?

It also carries a \$10M price tag which would require some budget tradeoffs as well.

Morley

JOHN P. KASICH, OHIO
CHAIRMAN

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JOSEPH PITTS, PENNSYLVANIA
(VACANCY)



U.S. House of Representatives
COMMITTEE ON THE BUDGET
Washington, DC 20515

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(VACANCY)

April 29, 1998

THOMAS S. KAHN, MINORITY STAFF DIRECTOR
AND CHIEF COUNSEL
(202) 226-7200

WAYNE T. STRUBLE, STAFF DIRECTOR
(202) 226-7270

Dear Democratic Colleague:

Child care is a top Democratic priority in this year's budget debate. The President laid the groundwork for a child care initiative during his State of the Union address and his FY1999 budget request. His budget provides \$21.3 billion in new child care funding from 1999 to 2003 to help families meet their child care needs. The President's budget expands child care subsidies for low-income families. It also increases child care tax credits for families and business and creates new initiatives to improve the quality of child care services.

As the Budget Committee moves toward markup of the budget resolution this year, I want to provide you with the attached memorandum about the President's child care proposal and other key child care issues. The attached brief, prepared by Sandra Clark of the House Budget Committee's Democratic staff, describes the use and cost of child care, sources of federal child care assistance and recent child care proposals by the President and Congress. I hope that this information is useful.

If you have any questions or if you would like any additional information, please feel free to call me or the Budget Committee staff at x67200.

Sincerely,

John M. Spratt, Jr.
Ranking Democratic Member



HOUSE BUDGET COMMITTEE

DEMOCRATIC CAUCUS

Congressman John M. Spratt, Jr., Ranking Democratic Member
222 O'Neill House Office Building, Washington, DC 20515 • 202-226-7200
www.house.gov/budget_democrats/

Briefing Paper

Child Care for American Families

April 29, 1998

John M. Spratt, Jr.
Ranking Democratic Member

This document has not been reviewed and approved by the Democratic Caucus of the Budget Committee and may not necessarily reflect the views of all members.

Introduction

President Clinton proposed an historic child care initiative in his fiscal year (FY) 1999 budget. The President's budget provided \$21.3 billion in new child care funding over the five-year period from 1999 to 2003, moving this issue to the forefront of this year's policy debate. Child care is a key element in the lives of many American families, and it ranks among their top concerns. Roughly two thirds of mothers with children under 15 years old are employed outside of the home, and many of them require nonparental care for their children. Often, parents face worries about the availability, affordability, and quality of child care. While many families struggle with these issues, the pressures are often greatest for low-income working families, who must arrange child care on very limited budgets.

The federal government currently helps families address their child care needs in a number of ways. Over the past decade – with strong Democratic leadership – the federal government has greatly increased funding for child care assistance. Despite this federal support, however, many families continue to experience child care problems. In many communities, child care (particularly for certain age groups) is in short supply and, when available, is frequently very expensive. Concerns also persist about the quality of many child care arrangements. And while federal support has grown, it has often targeted families moving from welfare to work, leaving many low-income families who have not received welfare without assistance. The President's initiative and many of the Congressional proposals seek to address these issues.

The Congressional child care debate has already begun to discuss a number of difficult and complicated issues. Among the key questions are: (1) what should be the form of the expansion (tax credits versus direct subsidies to parents); (2) who should benefit (all families with children including those in which parents stay-at-home to care for children versus only families with out-of-pocket child care costs); and (3) how to finance the expansions. These issues are likely to arise during this year's House budget debate.

In order to provide members of the Democratic Caucus and their staff with background information, the Democratic staff of the House Budget Committee has prepared the attached description of the use and cost of child care, federal child care assistance, and recent child care proposals.

The Use and Cost of Child Care

As mothers have increasingly entered the labor force, providing for child care has become a challenge for many American families. Working families often struggle to find child care that enables them to work and also protects and promotes their children's well-being. Child care can pose financial challenges for families, ranking among the top household expense, significantly affecting family budgets and economic well-being.

Use of Child Care

Concerns about nonparental child care are a relatively recent phenomenon. The share of working mothers with children under 18 years old has more than doubled since 1960, increasing from 30.4 percent to roughly 70 percent today. Among mothers with young children (i.e., under 6 years of age), the increase has been more dramatic, rising from 20.2 percent in 1960 to more than 60 percent today.¹

This shift has been influenced by a number of factors. Changes in social norms over the past several decades have made it more acceptable for, and in fact have encouraged, women to work for personal and professional reasons. Economic necessity has also played a role, as men's real wages have declined over the past two decades. Between 1973 and 1995, for example, the median hourly wage for male workers fell from \$13.37 to \$11.62 in 1995 dollars, a decrease of nearly 15 percent.² Thus, additional earnings (either by a female worker or by increased work effort by the male earner) are required to maintain real family wages at their previous levels. The rise in families headed by single parents has also contributed to the trend, as single parents often are the sole source of financial support for their families. In fact, the recently-enacted welfare legislation further promotes the movement of mothers into the workforce by requiring that most mothers receiving public assistance work and by limiting benefits to a specified length of time.

¹ *1996 Green Book*, Committee on Ways and Means, U.S. House of Representatives, 1996.

² *The State of Working America 1996-97*. Lawrence Mishel, Jared Bernstein, and John Schmitt. Economic Policy Institute. 1996.

The increase in mothers' labor force participation has created a tremendous need for child care. As shown in Figure 1, about 10.4 million pre-school children (i.e., children under 5 years old) have mothers who are employed, comprising more than half of all children in this age group. And roughly 70 percent of these children have mothers who work full-time.³

Figure 1
Children Under Five Years Old,
by Mother's Employment Status
 (number of children in millions)

Total Children Under 5	18.7
Mother Not Employed	8.3
Mother Employed	10.4
<i>Full-time</i>	7.1
<i>Part-time</i>	3.4

Source: Congressional Research Service estimates based on U.S. Bureau of the Census March 1997 Current Population Survey (CPS) data.

Note: Totals may not equal the sum of the parts due to rounding.

Another 19.7 million school-age children (5 to 13 years old) have working mothers. Many of these children also need nonparental care outside of school hours.⁴ Child care is an important issue among this group since parents must often arrange for their children's care and supervision during the hours before and after school and during school vacations or weekends when parents are working. In recent years, there has been growing attention to the needs of school-age children. This focus has been prompted, in part, by research suggesting an increase in at-risk behaviors among youth during unsupervised hours. Studies have found that school-age children who are left alone after school are at greater risk of crime (both as victims and as perpetrators), substance abuse, and pregnancy.⁵

³Congressional Research Service estimates based on U.S. Bureau of the Census March 1997 Current Population Survey (CPS) data.

⁴Congressional Research Service estimates based on U.S. Bureau of the Census March 1997 Current Population Survey (CPS) data.

⁵White House Press Release. *Child Care: A Challenge for America's Working Families*. January 7, 1998.

Another group often overlooked in child care discussions are families in which the mother is not employed outside of the home, even though these families frequently place their children in nonparental care. In 1995, for example, nearly one third of children under 6 years of age whose mothers were *not* employed participated regularly in a child care or early education program.⁶ Although this brief largely focuses on preschool age children of employed mothers, some child care proposals would also assist families in which mothers do not work outside of the home.

Parents use a variety of arrangements to meet their child care needs, as shown in Figure 2.

Figure 2
Primary Child Care Arrangement for
Children Under Five Years Old with Employed Mothers, Fall 1994

Type of Arrangement	Percent of Children
Child care center, nursery/preschool	29.4%
Relative (other than father)	25.3%
Father	18.5%
Nonrelative, in provider's home	15.4%
Nonrelative, in child's home	5.1%
Other ¹	6.6%

Source: Bureau of the Census Survey of Income and Program Participation.
Notes: /1 Other includes mother cares for child at work, and preschoolers in kindergarten and school-based activities.
 Percents may not add to 100 percent due to rounding.

Among pre-school children with working mothers, about one-half are cared for primarily by providers who are unrelated to the child: nearly 30 percent in a child care center or nursery/preschool setting and another 20 percent by an unrelated provider either in the provider's home or the child's home. Relatives are also a major source of child care, serving as the primary provider for one-quarter of preschool children with working mothers. And fathers are the primary source of child care for nearly 19

⁶*Child Care and Head Start*. Public Policy Issues Institute. Karen Spar, Congressional Research Service. February 18, 1998.

percent of preschool children whose mothers work.⁷ Many factors influence parents' child care decisions and their arrangements reflect a complex decision making process. Parents' choices must take into account, for example, the availability of child care, its cost, and parents' preferences.

Cost of Child Care

The cost of child care is a major challenge for many families, particularly for low-income families. More than half of all families with preschool children and employed mothers had child care expenses in 1993. On average, these families paid \$74.15 a week for the care of their preschool child(ren) — about \$321 each month.⁸ Not surprisingly, costs varied with the number of children. Families with only one preschool child paid an average of \$66.48 per week for child care, compared to \$109.63 for families with two or more preschool children.

These costs comprise a significant share of family incomes, especially among low-income families. Overall, families spent nearly 8 percent of their income in 1993 on child care for their preschoolers. However, families with incomes below the poverty level (\$14,763 for a family of four in 1993) spent a considerably larger share of their incomes on child care -- nearly 18 percent. Child care costs comprise a significant share of family budgets for nonpoor families as well. For example, in 1993, families with monthly incomes between \$1,200 and \$2,999 (about \$14,400 to \$35,998 annually) spent nearly 12 percent of their income on child care. Since these figures do not include child care expenditures for children who are five years old or older, the share of income devoted to child care is actually higher.

Federal Support for Child Care

The federal government helps families meet their child care needs through a variety of means. Figure 3 summarizes the major sources of federal child care assistance.

⁷<http://www.census.gov/population/socdemo/child/p70-62/tableB.txt>. *Who's Minding Our Preschoolers?: Fall 1994 (Update)*. Lynne M. Casper. U.S. Bureau of the Census. January 14, 1998.

⁸Information on child care costs is from *What Does It Cost to Mind Our Preschoolers? (P70-52)* Lynne M. Casper. U.S. Bureau of the Census. September 1995. Some of the costs are reported per child and other costs are reported per arrangement. The total number of arrangements exceeds the number of children since an individual child may be placed in more than one arrangement.

Figure 3
Major Sources of Federal Support for Child Care

Source of Assistance	Type of Assistance	Eligibility	FY 1998 Federal Funding Level ^a (in billions of dollars)
Child and Dependent Care Tax Credit	nonrefundable tax credit	taxpayers with qualifying employment-related child care expenses	\$2.80
Child Care and Development Fund Total <i>Discretionary</i> <i>Mandatory</i>	grants to states for child care assistance and quality improvement	states determine own eligibility criteria, but federal law limits to families with incomes below 85 percent of state median income	\$3.07 \$1.00 \$2.07
Social Services Block Grant (Title XX)	entitlement grants to states, may be used for child care subsidies	states determine eligibility	\$2.30
Child and Adult Care Food Program	entitlement program providing subsidies for meals served to children in licensed child care	children under age 12 (migrant children under age 15)	\$1.51
Head Start	discretionary program providing a range of services for young children	children age 0 to 5, primarily low-income	\$4.36

a) Sources: The estimated revenue loss for the child and dependent care tax credit is from the Joint Committee on Taxation, *Estimates of Federal Tax Expenditures*, December 1996 (note: estimate is only available to the nearest tenth of a billion dollars). All other funding levels reflect budget authority from the Congressional Budget Office, February 1998 Baseline.

Child Care and Development Fund

The Child Care and Development Fund (CCDF) is the primary source of federal child care assistance for low-income families. The FY 1998 CCDF funding level of \$3.07 billion (\$1.0 billion in discretionary funds and \$2.07 billion in mandatory funds) will serve more than one million children, according to Administration estimates.

The 1996 welfare legislation fundamentally changed the nature of federal child care assistance by creating the CCDF to replace several former child care programs. Under prior law, families who were

receiving or transitioning off the Aid to Families with Dependent Children program (AFDC) were entitled to receive child care assistance. States were also entitled to receive funds up to a capped amount to serve working families who were "at-risk" of coming onto AFDC if they did not receive child care assistance. The welfare legislation repealed these three programs and combined them with a fourth child care program -- the Child Care and Development Block Grant, which provides federal child care funds to states to assist low-income families and to improve the quality of child care. In doing so, the legislation eliminated child care assistance as an entitlement and consolidated child care funding into a single block grant to states. The block grant is larger than the amount the Congressional Budget Office (CBO) estimated would have been spent under the previous entitlement, in part in recognition of the increased need for child care assistance as more families moved from welfare to work.

The CCDF makes funds available to states to provide child care subsidies to low-income families who are either working or attending school. States have considerable flexibility in designing and targeting their child care programs. Under federal law, only families with incomes below 85 percent of the state median income are eligible for the CCDF, but the vast majority of states have established more stringent eligibility criteria. Federal law further requires that states use 4 percent of the CCDF funds for activities to improve the availability and quality of child care.

CCDF funds are divided into discretionary and mandatory components. The legislation authorizes \$1.0 billion each year in discretionary funds, which are subject to annual appropriation and distributed to states based on the proportion of children under 5 years old, the number of children receiving free or reduced-price school lunches, and the state's average per capita income. The welfare legislation also made mandatory funds available for child care, of which a portion is distributed to states with no matching requirements, based on prior-year funding levels. The remaining mandatory funds must be matched by state child care spending (at the federal Medicaid match rates) and are available to states that maintain spending equal to their spending on AFDC-related child care programs under prior law. The maximum allocation of these funds across the states is based on the proportion of the state's children under age 13.

Child and Dependent Care Tax Credit

Another large source of federal support for child care is provided through the tax code. The Child and Dependent Care Tax Credit (CDCTC) provides a nonrefundable credit against income tax liability for a family's work-related child care expenses. A nonrefundable credit, however, does not benefit families

whose income is low enough to owe no regular income tax. In 1995, about 6 million taxpayers benefitted from the CDCTC and claimed more than \$2.5 billion in credits, for an average credit of about \$422.⁹ In FY1998, the CDCTC will provide credits totaling \$2.8 billion.¹⁰

Under the CDCTC, families are eligible to receive a nonrefundable credit for up to 30 percent of their qualifying work-related expenses for the care of a child under 13 years old or a dependent or spouse with disabilities. The maximum qualifying expenses are \$2,400 per year for one qualifying dependent and \$4,800 for two or more dependents. Taxpayers with adjusted gross income (AGI) of \$10,000 or less receive a credit of 30 percent of qualifying expenses. Thus, the maximum amount of the credit is \$720 for one qualifying individual and \$1,440 for two or more qualifying individuals. The credit decreases (on a sliding scale) to 20 percent of qualifying expenses for taxpayers with AGI of more than \$28,000.

Other Child Care-Related Programs

In addition to the tax credit and the CCDF, the federal government provides several other notable sources of support for child care assistance. The Title XX Social Services Block Grant (SSBG) is a capped entitlement that makes funds available to states to provide a wide range of social services, including child care. In FY 1998, SSBG was funded at \$2.3 billion. States have considerable latitude in using the SSBG funds, both in terms of the services provided and eligible populations, although the funds usually target low-income persons and families. Data on the use of SSBG funds are limited, but evidence suggests that the SSBG funds some child care in most states.¹¹

The Child and Adult Care Food Program (CACFP) -- projected to cost \$1.5 billion in FY 1998-- provides federal subsidies for nutritious meals served to children under age 12 (and migrant children under age 15) in licensed child care centers or family day care homes. In addition to its direct benefits, the CACFP has been credited with providing an incentive for child care providers to become licensed, thereby potentially increasing the quality of care.

⁹*Statistics of Income Bulletin*. (Volume 17, Number 2). Internal Revenue Service, Fall 1997.

¹⁰As estimated by the Joint Committee on Taxation.

¹¹*1996 Green Book*. Committee on Ways and Means. U.S. House of Representatives, 1996.

The **Head Start** program's primary focus is not on child care, but it often helps to meet families' child care needs. In FY 1998, the appropriation of \$4.355 billion will serve an estimated 830,000 low-income children. Head Start is a comprehensive early childhood program that provides a range of services to children age 0 to 5 years. Its goal is to promote the healthy development and school readiness of low-income young children through services such as language development, health care, nutrition programs and other social services. Traditionally Head Start has been a part-day, part-year program, but there has been a growing emphasis recently on expanding to full-day, full-year services, which will better meet parents' child care needs.

Other federal programs provide additional child care assistance, although recent accounts of federal child care programs have been somewhat misleading. An analysis by the General Accounting Office (GAO), for example, identified 22 key federal child care programs.¹² Similarly, in 1994, the Congressional Research Service (CRS) developed a list of 46 federal programs related to child care or preschool.¹³ While these numbers indicate programs that have *some* link with child care, they do not provide an accurate account of federal *child care* programs and should be viewed with caution for two reasons.

First, both the GAO and CRS studies included programs providing any child care support, regardless of the magnitude of the child care component. For example, both lists include the Job Corps, even though less than one percent of the program's budget is spent on early childhood activities. Second, the lists include programs that serve young children but have a primary focus other than child care. A number of Department of Education programs that provide preschool education to young children are included in the list, even though the programs are not intended to address families' child care needs and may not do so.

Key Issues in Federal Child Care Assistance

Despite the significant federal investment in child care, many needy families fail to receive assistance. Since the CDCTC is nonrefundable, it primarily assists middle- and higher-income families and does not

¹²*Correspondence to Senator Larry E. Craig.* "Child Care: Federal Funding for Fiscal Year 1997." (GAO/HEHS-98-70R). General Accounting Office, January 23, 1998.

¹³Memorandum on Federal Funding for Child Care. Molly R. Forman. Congressional Research Service, October 1994.

benefit families who are too poor to pay federal income taxes (and only partially benefits those families whose taxes are too low to receive the full credit). In 1995, 43 percent of the total credits went to families with adjusted gross income (AGI) greater than \$50,000 while only 21 percent went to families with AGI below \$25,000. There is no data on the number of families who do not benefit fully from the CDCTC because of its nonrefundable nature. However, comparing the number of taxpayers claiming the CDCTC to the number claiming the Earned Income Tax Credit (EITC), a *refundable* credit that also primarily benefits low-income working families with children, provides some indication of the magnitude of this issue. In 1995, more than 15 million taxpayers with AGI below \$30,000 claimed the EITC compared with less than 2 million claiming the CDCTC.

Low-income working families with no recent welfare history often fail to receive assistance through the CCDF as well. As previously noted, federal law allows states to serve families with incomes up to 85 percent of the state median income. The vast majority of states, however, set more stringent eligibility criteria so that many low-income families fail to qualify for assistance under state guidelines. Since the CCDF is not an entitlement to individual families, even low-income families who meet the eligibility requirements do not receive assistance if funds are not available. Furthermore state policies often give priority for child care subsidies to families receiving or transitioning off Temporary Assistance for Needy Families (TANF), which further limits assistance to low-income families with no connection to the welfare system. As a result, needy families may be turned away or placed on a waiting list for assistance.

Many low-income families, therefore, struggle to secure affordable child care that enables them to hold down their jobs. Those families who cannot find suitable care face difficult choices. Anecdotal evidence suggests that this situation leads some families to abandon their jobs and return to the welfare system. Others are forced to use less costly child care arrangements that may be unsuitable or of questionable quality. Alternatively, many parents rely on informal care provided by family or friends, which may prove less reliable than formal care and does not always support a child's healthy development. And in some cases, children are left alone or in the care of a sibling.

Recent Child Care Proposals

Problems in finding affordable and quality child care has received growing attention by the President and within the Congress, particularly by Democrats. In January, President Clinton unveiled a major child care initiative, and so far, about 40 bills related to child care have been introduced in the 105th Congress.

President Clinton's Initiative

The President's FY 1999 budget proposed a major child care initiative providing \$21.3 billion in new child care funding over the five-year period from FY 1999 to 2003. The initiative encompasses a number of different elements also proposed in Congress, such as expanded subsidies for low-income families, increased child care tax credits for both families and businesses, and new initiatives to expand and improve child care services. These proposals are summarized in Figure 4.

About half of the five-year increase (\$10.5 billion) reflects new funding for mandatory programs. Increases in tax credits and discretionary programs each account for roughly one quarter of the remaining five-year total. The budget pays for a mandatory increase in child care subsidies (\$7.5 billion) with receipts from proposed tobacco legislation, and it also includes a variety of mandatory offsets that cover the cost of the remaining \$3.0 billion in mandatory funding, although it does not link the increase to a specific offset. The child care tax credits are offset by other changes in the tax code.

In addition to the child care expansions, the President's FY 1999 budget reduces funding for the Social Services Block Grant program, which could have adverse implications for child care funding. The budget funds the SSBG at \$1.9 billion in FY 1999, a decrease of \$471 (20 percent) from the authorized level and \$390 million (17 percent) from the FY 1998 level. By FY 2003, SSBG funding falls by \$1.0 billion. As previously noted, most states use some SSBG funds for child care, so this change taken by itself could reduce overall child care funding.

Figure 4
Summary of President Clinton's Child Care Plan

Proposal	Five-Year Total (Budget Authority, in millions of dollars)	Description
Mandatory Spending		
Increase funding for the CCDBG	\$7,500	The Administration estimates that this would roughly double the number of low-income children receiving subsidies to more than two million.
Create an Early Learning Fund	\$3,000	This fund would provide grants to communities for a range of activities to improve care for children age 0 to 5 years including training child care providers, reducing staff-to-child ratios, and educating parents.
Tax Credits		
Expand the Child and Dependent Care Tax Credit	\$4,814	The Clinton proposal would increase the credit for families earning less than \$60,000 a year. Under the plan, families earning less than \$30,000 a year would receive a credit of 50 percent of qualifying expenses, up from the current 30 percent credit. The credit then slides down to 20 percent for families earning \$60,000 or more, thereby increasing the credit for families with incomes between \$30,000 and \$60,000. The maximum qualifying expenses would remain unchanged, except that they (and the income thresholds) would be indexed for inflation starting in the year 2000. The Administration estimates that these changes would increase the amount of the credit for qualifying families by \$358 on average.
Create a Child Care Tax Credit for Businesses	\$478	This would allow a business to deduct up to 25 percent of the costs of providing child care services to their employees, up to a maximum of \$150,000 annually. Examples of qualifying activities include efforts to build or expand child care facilities, operate existing facilities, train child care workers, reserve slots for employees at child care facilities, or provide child care referrals to their employees.

Discretionary Programs		
Expand Before- and After-school Programs	\$800	The proposal would expand the existing 21 st Century Community Learning Center Program within the Department of Education by funding school-community partnerships to establish or expand programs for school-age children.
Increase Funding for Head Start	\$3,814	The Administration estimates that this increase would double the number of infants and toddlers served by Early Head Start to 80,000.
Improve Enforcement of Health and Safety Standards	\$500	Each state establishes its own health and safety standards for regulated child care providers. One concern is that states lack the resources to monitor compliance with these standards. The proposal would increase funding for state efforts to improve licensing and enforcement, modeled after the military's child care programs. This provision would <i>not</i> establish federal licensing standards.
Establish a Child Care Provider Scholarship Fund	\$250	The child care provider's experience and skills are an important determinant of the quality of the arrangement. Unfortunately, staff often lack training and turnover rates are high. This proposal would create a Child Care Provider Scholarship Fund to assist students working toward obtaining a child care credential. The Administration estimates that it will assist 50,000 students per year.
Invest in Research	\$150	The plan includes additional funding for child care data collection, research and evaluation.

Congressional Proposals

The various legislative proposals introduced during the 105th Congress address child care issues in a number of different ways.¹⁴ Among the initiatives are bills that would expand the CDCTC to make child care more affordable, either by making the credit refundable or increasing the amount of the existing credit. Other bills would increase funding for the CCDF either by authorizing additional money, subject to appropriation, or by directly appropriating additional mandatory funding. Some bills would target additional CCDF funds to specific groups such as families not receiving welfare, infants and toddlers, or school-age children. Other proposals would provide tax incentives for employers to expand child care services for their employees. A number of bills contain measures to improve quality through incentive grants to states (with several bills focusing specifically on improving services for younger children), or through efforts to raise the quality of child care workers. Several bills propose comprehensive packages that combine a number of these different approaches.

The Senate Republican budget resolution does not include a major child care initiative and does not provide any mandatory funding increases for child care. It assumes a \$5 billion increase in discretionary funding for child care over the five-year period FY 1999 to 2003, leaving it up to the Appropriation Committees to fund the initiative, which would likely require cuts in other discretionary programs. The budget resolution also mentions "further relief for child care expenses for all families" as an illustrative example of the type of provision that might be considered as part of a broad tax package. It does not, however, specify a change in child care tax credits or discuss how to pay for such an initiative.

Conclusions

Proposals from the Congress and President lay out a wide range of alternatives for improving the availability, affordability, and quality of child care. One of the key features of many of the various initiatives is their wide scope. Both the President's plan and the Congressional proposals target child care issues on a number of different fronts, and would benefit many families, regardless of income or employment status. The increase in CCDF funding would assist low-income families while the expansions in the CDCTC would benefit working families with higher incomes. And many of the

¹⁴For a summary of the bills, see *Child Care Legislation in the 105th Congress* (Issue Brief 98001). Karen Spar. Congressional Research Service, February 26, 1998.

changes aimed at improving the overall quality and supply of child care would benefit *all* families who use child care. In addition, many of the measures address areas that have been long overlooked such as after-school programs for school-age children.

There have been several concerns raised about the various child care proposals. Some have charged, for example, that the President's plan and other proposals focus too heavily on nonparental child care for working parents and do not address the needs of parents who stay at home to care for their children themselves. These concerns prompted the House to enact a resolution (H.Con.Res. 202) on February 11, 1998, expressing the sense of the Congress that the Federal Government should recognize the importance of at-home parents and not "discriminate" against them.

Most people would agree that parents are best able to make choices concerning their employment and child care arrangements. For some families, however, working is not a choice; it is a necessity. And for families receiving public assistance, federal welfare law clearly defines it as such. If there is an expectation that low-income families with children must work and be self-sufficient, there must also be a commitment to ensure that they can afford quality child care. Although child care is often viewed as work support for parents, its most critical role is to ensure and promote the healthy development of children. In fact, substantial numbers of stay-at-home parents also use child care and early childhood programs for non-work-related reasons. Many of the provisions in the President's and Congressional child care proposals aim to improve the supply and quality of child care programs, which would benefit all children, including those whose parents stay at home.

There have also been questions raised about the need for additional child care funding, given the incomplete use of existing child care funds in recent years. In FY 1997, for example, states spent only 72 percent of their allocated funds for that year. However, in FY 1998, state spending has accelerated dramatically and the majority of the FY 1997 funding has been spent. It is important to bear in mind that state child care programs have undergone rapid change since the recent welfare legislation was enacted. The welfare legislation fundamentally changed the nature of child care funding by eliminating child care entitlements, replacing them with a block grant to states and expanding child care funding. At the same time, it enacted policies to move welfare recipients into the work force, leading to greater demand for child care services. States have had to reshape their child care systems and learn to operate within a new financing structure. It is not surprising that many state systems were initially in

flux. This appears to have been worked out, however, and state systems have likely acquired the capacity to spend additional child care funding.

Child care is one of the most difficult issues faced by working parents. It is critical not only to the success of parents working their way off of welfare, but for all working families struggling to meet the demands of the work place and to do the best for their children. In recent years, the federal government has greatly expanded its support for working parents by increasing investments in child care assistance. Nevertheless, many low-income families still fall through the gaps. The proposal set forth by President Clinton and those supported by many Democrats would strengthen the federal commitment to child care. Given the importance of the problem to millions of families across America, it is an issue that the Clinton Administration and the Congress, especially Congressional Democrats, will continue to work to solve.

For Additional Reading

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The New Child Care Block Grant: State Funding Choices and Their Implications, Sharon K. Long and Sandra J. Clark, The Urban Institute, October 1997.

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**PRESIDENT CLINTON:
AFFORDABLE, SAFE HIGH-QUALITY CHILD CARE**

April 23, 1998

"For any American who by choice or by necessity becomes a working parent, child care is a concern -- available, affordable, safe, high-quality child care. For five years I have committed my administration to that goal. We are making substantial strides toward achieving it. But we must move further, and push harder, to build a strong and healthy America in the 21st century."

President Bill Clinton
April 23, 1998

Today, President Clinton calls on Congress to take action to make child care better, safer, and more affordable for America's working families. In a Rose Garden ceremony, the President releases two reports highlighting private sector efforts to provide child care assistance to workers. These reports show that providing child care is good for workers, good for businesses, and good for the economy.

More than ever, America's parents are working: three out of five mothers with children under age six work outside the home. Yet a recent study found that *only one percent* of revenues for child care and early education come from the private sector.

INVESTING IN CHILD CARE -- GOOD BUSINESS SENSE. At the White House Conference on Child Care last October, President Clinton asked Secretary Rubin to convene a group of business and labor leaders to look at child care problems facing working parents and to identify best practices in the private sector and in public-private partnerships. Today, the Treasury Working Group on Child Care releases a new report, *Investing in Child Care*, that finds:

- Child care problems can reduce productivity and profits. The Working Group report finds that businesses benefit from providing child care assistance -- through increased productivity, lower turnover, better recruitment, reduced absenteeism, and improved morale.

INCREASING PRIVATE SECTOR INVOLVEMENT. Today, the Department of Labor releases a new report, *Meeting the Needs of Today's Workforce: Child Care Best Practices*, which examines best practices initiated by businesses, government agencies, unions, not-for-profits, and business/community partnerships to meet the demands of employees who are also parents. The key finding of the report is that, in today's global economy, providing child care and other family-friendly policies helps companies recruit and retain the best workforce for the future. The President also announces a new commitment by the Department of Labor to serve as a clearinghouse for businesses interested in child care, and to set up a business-to-business mentoring program on child care.

CALLING FOR CONGRESSIONAL ACTION. Millions of Americans, struggling to be both good parents and good workers, rely on child care and after-school programs for part of each day. As part of his balanced budget request, the President called for significant new investments in child care -- to help working families pay for child care, build a good supply of after-school programs, improve the safety and quality of care, and promote early learning. To encourage more private sector investment in child care, the President has proposed a new tax credit for businesses that offer child care services to their employees. Today, the President calls on Congress to put aside partisan differences and take action on child care this year.

Congress of the United States *Bruce/Elena -*
Washington, DC 20515 *FYI.*

March 31, 1998 *Jen*

The Honorable Newt Gingrich
Speaker of the House
H232 Capitol Building
Washington, D.C. 20515

Dear Newt:

As members of the Congressional Caucus for Women's Issues, we are writing in support of congressional action during this session on legislation to promote quality child care choices for all American families. **Child care must remain a priority for this Congress.**

We have developed bipartisan consensus on a list of principles that should govern new child care spending this session. These concepts, as well as viable funding proposals, are contained in many of the over 50 bills that have been introduced to date. We believe these principles contain a bipartisan set of goals that will dramatically help the millions of families who struggle every day in America with difficult child care decisions. These decisions are extremely personal. Many parents feel handcuffed by economic concerns, others worry about the safety of child care, and others have children with needs that require special settings. We must respect and enable parents' ability to make the child care choice that is best for their situation. While all families face different circumstances that make their decision-making process unique, they all are confronted with issues related to availability, affordability and quality of care.

Congress can and should take actions that will improve parents' prospects for finding child care that meets these concerns. If we expect our work on welfare reform to be successful, we have to face the hard facts that child care is a necessity for helping parents find independence from public assistance. The Bureau of Labor Statistics reported that in 1996, 96 percent of fathers and 63 percent of mothers with children under age 6 worked. Some of these parents worked part-time and others worked full-time, but they all faced decisions about what to do with their children when they were at work. For most families in America today, child care is not an option, but a necessity. For most working parents, child care is not a luxury, but a fact of everyday life.

These are the key principles on which the Women's Caucus has found bipartisan support. Each principle complements the others and all should be included in any legislation that comes before the House.

Increase Certificate Funding for Low-Income Families — We have put tremendous pressure on the states to comply with our work targets as part of welfare reform. This pressure is causing states to invest the majority of their Child Care and Development Block Grant (CCDBG) funding in finding child care for families who are leaving welfare. This help is crucial for families gaining independence. But if that independence is to be permanent and if the thousands of low-income families who are struggling to maintain jobs are to stay off welfare, we have to invest additional funds in CCDBG to give states the resources they need to meet the increasing demand for

vouchers. When you visit day care centers, you hear of the pressure to drop very low-income working families who have not been on welfare to make room for women coming off welfare. This is unfair and intolerable. It also will not accomplish our goal of fostering work.

Lower Taxes for Working Families and Stay-at-Home Spouses — We must modernize the Dependent Care Tax Credit to provide more realistic assistance for low- and middle-income families who pay taxes. This would allow families to lower their taxes, keep more of their income and help meet child care expenses. In addition, we should seriously consider changing the DCTC to make it available to families in which one spouse stays at home to care for children. If the income guidelines are met, the DCTC should flow to the family regardless of whether a parent or provider cares for the child.

Promote Quality Child Care — Since quality in child care services varies throughout states and localities, we must give communities the flexibility to design programs that best fit their needs. While there is no one-size-fits-all solution for quality child care, there are things we can do at the federal, state and local levels to improve and enhance the quality of care our children receive. These initiatives could include assisting states in enforcing health and safety standards and state-determined staff/child ratios for center-based care, improving provider and parent training and education in early childhood development, and encouraging competitive wages for child care workers.

The Women's Caucus supports action on these critical issues and encourages the Leadership to move forward with legislation before the 105th Congress adjourns. We urge you to join us in finding room for increased funding for child care within our commitment to a balanced budget. We must listen to the concerns of America's working families and help them meet their child care needs.

Sincerely,

Nancy J. Johnson

Eleanor H. Norton

Sen. Kelly

Congresswoman Maloney

Garnie Myrland

Ellen Tauscher

ELEANOR HOLMES NORTON
DISTRICT OF COLUMBIA

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE

SUBCOMMITTEES
PUBLIC BUILDINGS AND
ECONOMIC DEVELOPMENT
WATER RESOURCES AND
ENVIRONMENT



COMMITTEE ON
GOVERNMENT REFORM AND
OVERSIGHT

SUBCOMMITTEE
RANKING MINORITY MEMBER,
DISTRICT OF COLUMBIA

Congress of the United States
House of Representatives
Washington, D.C. 20515

**Statement of Eleanor Holmes Norton at the
Women's Caucus and Lifetime Television
Child Care Priorities Press Conference**

March 31, 1998

With the help of Lifetime Television, the Women's Caucus is today announcing a campaign to secure child care legislation which gives choices to at-work and at-home families when there is no way to care for their children. Though the women Members of Congress have different views on how to provide child care, we are one in saying that there must be child care legislation this session of Congress. Some of us want certificates that low-income families can use in child care facilities. Others want lower taxes for spouses who decide to stay home. All of us want to promote greater quality in all child care. The Women's Caucus recently had a groundbreaking hearing on the astounding new science on the brain development of a child 0-3. The basic cognitive, linguistic, emotional, and motor skills develop in the first three years. These critical life skills depend on high quality child care.

Last year, child care to get people off welfare was the child care issue. This year's issue must be child care for working families. This year, low income families are literally uncompetitive with welfare families because child care block grant funds are going to welfare families. We must not send the message that to get child care you have to go on welfare first. Today we must send the opposite message must be true: get a job and we will help you get child care.

Lifetime Television can help us relieve the silent crisis which is forcing millions of working families alone, beleaguered, and strapped to leave their children in place and in ways that they cannot justify. I support President Clinton's comprehensive bill, but in the face of the crisis we are facing, none of us should cling to the notion of my way or no way.

Rather we must come together around basic child care goals for children and families and provide basic relief to low and moderate income families desperate for that relief. Lifetime Television and the Women's Caucus are leading the way. We know we are leading the way for millions of Americans.

815 15TH STREET, N.W., SUITE 100
WASHINGTON, D.C. 20005-2201
(202) 783-5085
(202) 783-6211 (FAX)

1424 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515-5101
(202) 225-8050
(202) 225-3002 (FAX)
(202) 225-7829 (TDD)

2041 MARTIN L. KING AVENUE, S.E.
SUITE 300
WASHINGTON, D.C. 20020-6734
(202) 678-6900
(202) 678-8644 (FAX)

March 27, 1998

MEMORANDUM

To: Democratic Members, Committee on Ways and Means

From: Deborah Colton
Shannon Rudisill

Subject: Background on Child Care

In recent years, child care has become one of the most pressing issues facing America's working families. There are several reasons why child care is an issue of particular relevance now. More women are working than ever before, in order to support their families, making the demand for child care higher than it has ever been. In addition, the more stringent work requirements that result from welfare reform will contribute to the already escalating demand for child care.

At the same time that more and more children are spending time in child care, recent scientific research has pointed to the importance of the first years of life for early brain development, the foundation for all of a child's future learning. Because of the need to nurture early brain development, the quality of care which we provide for our children is crucial. Mounting evidence indicates that the quality of much of the child care in America not only fails to promote early development, but also places young children's safety at risk.

Finally, the supply and quality of care for school-age children is also of increasing concern. Because data suggest that school-age children are most likely to engage in risky behaviors such as violence and substance abuse during after-school hours, more emphasis is being placed on providing supervised arrangements for school-age children during their out-of-school time.

This memorandum outlines the current facts about child care and its use in the United States, briefly summarizes the major Federal programs that support child care, and reviews President Clinton's FY 1999 child care-related budget proposals. We hope you will find it a useful reference tool for the child care debate.

THE CURRENT STATE OF CHILD CARE IN AMERICA

RISING DEMAND FOR CARE:

Large numbers of working mothers

- Of the 32 million American families with children under age 14, 69% have a mother who worked sometime in the past year. (March 1997 Current Population Survey)
- In the nearly 18 million families with at least one child under 6, 65% of mothers worked sometime in the past year. (March 1997 Current Population Survey)
- In married couples with children under 14, 73% have a mother who worked during the past year. (March 1997 Current Population Survey)
- In 1994, 62% of married mothers with a child under age 6 were in the workforce, compared with 30% in 1970. (Child Care Bulletin, Issue 17, Sept./Oct. 1997)
- In 1994, 40% of preschool children under the age of 5 have full-time at-home mothers. 18 percent of children younger than 5 have mothers who work part-time. (Children's Defense Fund, Feb. 1998 from Census data)

WHERE THE CHILDREN ARE:

Large numbers of children are in child care

- In 1995, of the 21 million children in the United States under age 6, 12.9 million were in child care. (National Center for Education Statistics)
- As of 1995, forty-five percent of children under age one were in child care on a regular basis. (National Center for Education Statistics)

Parents Choose a Variety of Settings

- In 1995, 31% of children under the age of five with a working mother were in center-based care (including preschool arrangements). (National Center for Education Statistics)
- According to the National Center for Education Statistics, in 1995, 16% of children under five with working mothers were in family child care (in the

home of a nonrelative). Another 4-5% of children received care from a non-relative in the child's own home.

- Over time, there has been an increase in the use of center-based care. Experts attribute this in part to the fact that center-based care is often more reliable and perceived to be of higher quality for preschoolers. This hypothesis is buttressed by evidence that parents with higher incomes and mothers' with higher educational attainment choose center-based care more often than those with lower incomes and less education. This is an indication that, as families can afford it, they tend to come into the formal market for center-based care. However, for very young children, families often indicate that they prefer home-based settings, particularly with relatives.

Families in which a Parent Stays Home

- Not all American families include a mother who works outside the home. Of the 14 million families with children under age 14 with total family incomes under \$30,000, 35% have mothers who did not work at all during the past year. For those families with total incomes of \$30,000 or more, 19% have a mother who did not work at all during the past year. (March 1997 Current Population Survey)
- Of the 22 million married-couple families with children under age 14, 27% have a mother who did not work at all during the past year. (March 1997 Current Population Survey)
- Even in families where the mother is *not* in the labor force, 32% of preschool children participate in some type of child care or early education program. (National Center for Education Statistics, 1995)

AVAILABILITY OF CARE: A Crucial Workforce Issue

- A recent Harris poll found that 43% of respondents indicated that they or their spouse could not take a job that they wanted because they did not have satisfactory child care.
- When the supply of care is low, parents often are forced to choose ad hoc arrangements, including leaving children with a variety of neighbors,

cobbling together whatever arrangements they can. These sorts of arrangements tend to be less reliable. A recent *Parents Magazine* poll found that among the 452 respondent families, 588 full days of work and 2044 partial days of work were missed just in the preceding three months, due to a child care emergency.

AFFORDABILITY ISSUES:

Parents Struggle to Afford Care

- Families with annual incomes under \$14,400 that paid for care for children under age 5, paid 25% of their incomes for child care, compared with 6% of incomes spent on child care for families with incomes of \$54,000 and above, according to Census data from 1993.
- In 1993, the average weekly cost per preschool child in paid child care arrangements was \$60 (\$3000 per year). For infant children, the cost averaged \$66 per week (\$3432 per year). The average cost for families with preschoolers was just over \$4100 per year, reflecting the fact that many families have more than one child in care. (Census Bureau)
- In 1995, for families with annual incomes between \$33,600 and \$56,700 and children under age 2, child care was their third largest expense, after housing and transportation. For families in that income range with children between the ages of three and five, child care was second only to housing. These families spent more on child care than they did on food or health care. (Census Bureau)
- As cited above, parents report paying between \$3000-\$3500 in 1993 for care for their young child, not counting public subsidies or private benefits (such as United Way funds or employer-provided subsidy) that may have helped reduce the cost to the parent. In comparison, in 1996 the GAO reported that tuition and fees at a public college or university averaged \$2700 per year, but a family might actually pay less if the student received a scholarship. Therefore, for some families, the cost of care for young children exceeds the cost of sending a child to a public college or university. Furthermore, families pay for child care at an earlier stage in their working lives, when they generally have lower incomes and fewer accumulated resources than they will have when the child enters college. (*Financing Child Care*, Mitchell and Stoney, 1997)

States Stretch Child Care Dollars Thin, Making Care Less Affordable for Families

- In a February 1998 study, the HHS Inspector General found that although experts recommend that poor parents should be required to pay no more than 10% of their incomes for care, at least 22 States require families who receive a subsidy to pay a copayment that is higher than 10% of their incomes.
- HHS expects State subsidy programs to reimburse providers at the 75th percentile of the local market rate, to ensure that families using a subsidy to pay for care can choose affordable care in the local market. Despite this recommendation, the HHS Inspector General found that 29 States do not make payments to providers based on the 75th percentile of the market rate. In part because of the low reimbursement rates, some providers require families to pay the difference between the subsidy and the cost of care, *over and above the copayment that the family has paid in the subsidy program.*

QUALITY: What is Quality?

In the political arena, the definition and measurement of "quality" child care have been controversial for many years. Nevertheless, child development and child care experts have identified a range of practical characteristics which indicate child care quality. Most of these factors are the same ones that would be in place in a safe and healthy home environment, while others are specifically required because of the nature of taking care of children in groups, outside of their own homes.

The following are examples of quality factors. This list is illustrative, not comprehensive or exhaustive.

- **A Safe Facility**
 - Cleaning agents and medication out of children's reach
 - Playground equipment in good repair
 - Sanitary diaper and toileting areas
 - Smoke detectors, fire alarms, and posted evacuation plans

- **Well-Trained Providers**
 - CPR and First Aid Training
 - Child Development Training
 - An Early Childhood Education credential or degree

- **Appropriate Group Sizes and Staff/Child Ratios**
 - Small enough classes and enough adults to provide adequate supervision
 - Small enough classes and enough adults for individual attention to the growth and development of each child

- **Low Staff Turnover**
 - Children, especially younger children, need to form lasting ties to caregivers and not have relationships frequently severed

- **Appropriate Curricula and Classroom Policies**
 - Learning activities appropriate to children's ages and abilities
 - Appropriate disciplinary practices
 - Policies and practices that promote the inclusion of children with disabilities

The Importance of the Early Years of Life

Neuroscientists have recently developed a better understanding of brain development, particularly the importance of the earliest years of life.

- In the first years of a child's life, the brain is developing rapidly by creating "connections" between cells that allow the brain to function. By the time a child is three years old, he or she may have developed up to 1000 trillion connections, twice as many as he or she will have and use as an adult. In order to increase the efficiency of the brain, the connections begin to disappear as the child ages. The child's experiences determine, in large part, which connections remain. Those paths that are used frequently are made permanent, while those that are used less frequently disappear. Therefore, a variety of experiences that utilize and stimulate the young child's brain help determine the "brain circuitry" that will be in place throughout life. ("Brain Facts," I Am Your Child Information Campaign).

Impact of Child Care Quality on Development and School Readiness

- The National Institute of Child Health and Human Development (NICHD) released findings in April 1997 which showed "small but consistent findings ...that the higher the quality of child care in the first three years of life the greater the child's language abilities at 15, 24, and 36 months, the better the child's performance on the Bayley Scales of Infant Development at age two, and the more school readiness the child showed at age three." (NICHD statement, April 3, 1997).

- The National Center for Early Development and Learning reports that: "Outcomes related to quality include cooperative play, sociability, creativity, ability to solve social conflicts, self control, and language and cognitive development." (Early Childhood Research & Policy Briefs, Fact Sheet, Summer 1997)

Concerns about the Quality of American Child Care

- A four-state study of quality in child care centers found only one in seven, or 14%, were rated as good quality. (Cost, Quality, and Child Outcomes in Child Care Centers, University of Colorado- Denver, 1995)

- Thirteen percent of regulated and 50% of non-regulated family child care centers offer care that is inadequate. (The Study of Children in Family Child Care and Relative Care, Families and Work Institute, 1994)

Despite Risks for Children After School, there is a Shortage of School-Age Care

- Youth between the ages of 12 and 17 are most at-risk of committing violent acts or being victims between 2:00 p.m. and 6:00 p.m. (*Fight Crime: Invest in Kids*, Office of Juvenile Justice and Delinquency Prevention)

- A study of low-income third graders in Milwaukee found that, even though family incomes for children in formal after-school programs were lower, they had better grades in reading, math, and conduct and were rated by their teachers as having better work habits and peer relations than children who were informally supervised or not supervised by an adult after-school. (Posner and Vandell, *Child Development* 65, 1994)

- A study by the National Center for Education Statistics in 1993-1994, found that 70% of schools did not offer extended learning programs.

WHAT THE FEDERAL GOVERNMENT IS DOING

Outlined below are the primary ways that Federal policy has sought to improve the affordability, availability, and quality of child care.

(Note: These descriptions of current policy draw heavily on the CRS Issue Brief: Child Care Legislation in the 105th Congress.)

STRATEGIES TO IMPROVE AFFORDABILITY & SUPPLY OF CARE

The Child Care and Development Block Grant

The Child Care and Development Block Grant (CCDBG) is the primary Federal program that supports child care. The CCDBG was created in 1990 and reauthorized and significantly expanded in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. In the House, both the Committee on Ways and Means and the Committee on Education and the Workforce have jurisdiction over this program.

The CCDBG provides block grants to States, based on formulae, to provide child care subsidies to low-income families. Families meet Federal eligibility guidelines if they are working or in training, earn less than 85% of State Median Income (SMI), and have a child under age 13. Under this definition, approximately 10 million children are eligible for child care subsidies under CCDBG.

However, most States set their eligibility lower than 85% of SMI, due to the heavy demands placed on the funds by families at lower income levels. States are also required to target 70% of the funds to families who receive public assistance, are transitioning off public assistance, or are at risk of going onto public assistance. States are required to match a portion of the Federal funding, based on the Federal Medical Assistance Percentage rate and meet maintenance of effort requirements.

States generally provide care through vouchers and certificates that allow parents to place their children in the care of the provider of their choice, whether it is center-based care, a family home provider, or, in some States, relative care. However, providers are required to meet all applicable licensing standards as set by the State. Where the supply of care is inadequate to meet the needs of families, some States

provide contracts or grants to specific providers to increase the supply of care.

The Personal Responsibility Act allows the Secretary of HHS to set-aside not less than 1% and not more than 2% for grants to Tribes. The Secretary has chosen to provide a 2% set-aside for the Tribes. States must spend a minimum of 4% of the total CCDBG on quality activities and may spend no more than 5% on administrative costs.

The CCDBG is funded through both discretionary and capped entitlement grants on the Federal level. In FY 1998, \$3.1 billion was appropriated for the CCDBG. Under the Personal Responsibility and Work Opportunity Reconciliation Act, funding will increase to \$3.7 billion in 2002. *According to HHS, CCDBG served about one out of every 10 eligible children in 1995, the latest year for which data are available.*

One question that has been raised regarding the expansion of the current CCDBG is whether States are spending the funds which they receive under the current authority. In fact, States have obligated (committed to spend through agreements, contracts, etc.) over 99% of their FY 1997 funds. By law, they are not required to actually expend the funds until the end of FY 1998.

Child care outlays drawn from the Federal Treasury were at 72% in FY 1997, however HHS expects all States to expend all of the funds by the end of FY 1998, as required by law. According to CBO, these outlays represent an 8% increase over FY 1996. Further, CBO projects that the outlay rate increase will be 20% between FY 1997 and FY 1998, indicating that States are utilizing the additional funds provided to them in the Personal Responsibility Act. Although, as with many programs, States may be experiencing an adjustment period to build an infrastructure to expend significant additional funds, CBO does project that States will, within five years, "catch up" and spend all of their money in the year in which it is received.

The Child and Dependent Care Tax Credit

The Child and Dependent Care Tax Credit (CDCTC) is a nonrefundable credit, which equals a percentage of the taxpayer's child care expenses. The credit percentage begins at 30% with \$10,000 of adjusted gross income and is phased down to 20% for taxpayers with adjusted gross incomes of \$28,000 or more. The maximum amount of eligible expenses is \$2400 for one child (under age 13), and \$4800 for two or more children. The credit can also be taken to pay for care of a disabled dependent or spouse. Due to the nonrefundable nature of the CDCTC, it does not assist taxpayers who earn too little to have positive tax liability. Revenue loss associated with this tax credit is estimated to be \$2.5 billion in FY 1998.

Head Start

Head Start is administered by the Federal government directly to community grantees to provide comprehensive early childhood services to low-income children. Head Start serves primarily preschool children, although the Early Head Start program, which is much smaller than preschool Head Start, serves children ages 0-3. Head Start has historically been designed to intensively serve the developmental needs of children, but not to serve the child care needs of working families. Programs have typically operated on a part-year and part-day basis. However, more and more grantees are expanding their service to better fit the needs of working families, including the formation of partnerships between Head Start programs and child care programs on the local level. Head Start received \$4.355 billion in appropriations in FY 1998. Head Start's authorization expires at the end of FY 1998. It is within the jurisdiction of the Committee on Education and the Workforce.

Social Services Block Grant (SSBG)

Title XX of the Social Security Act authorizes the Social Services Block Grant, a capped entitlement to the States, allocated based on their populations. SSBG gives States significant flexibility in funding, with no matching requirement and few restrictions. The Congressional Research Service found that in FY 1995, approximately 15% of the SSBG was used by States to pay for child care. Child care services funded under SSBG must meet applicable State and local standards. The current funding ceiling is \$2.38 billion, but Congress appropriated \$2.299 billion in for FY 1998. President Clinton's FY 1999 budget proposes to reduce SSBG funding by \$400 million, presumably, retargeting those funds to CCDBG. SSBG is within the jurisdiction of the Committee on Ways and Means.

QUALITY ENHANCEMENT STRATEGIES

The Child Care and Development Block Grant requires that States set-aside not less than 4% of the total funds to improve the quality of child care. States use this money, as well as other resources, in a variety of ways to ensure the safety of children in child care and promote children's healthy development. With the CCDBG money, States can undertake quality activities to benefit all of the children in care in their State, including those who do not receive subsidy. State child care administrators report tension between funding quality initiatives and addressing the high, unmet demand for subsidies. Based on discussion with state administrators, a 1995 report by the National

Research Council, Institute of Medicine stated, “the set-aside appears to have shored up relatively fragile state and local efforts to improve child care quality and protected a pool of funds that would otherwise have been channeled directly into subsidies.”

Ways to Promote the Elements of Quality

States and local communities, along with professional early childhood education groups, have explored strategies to promote quality. Following are examples of the types of activities States fund:

- **Licensing and Enforcement:**
 - Strong State and local licensing standards
 - Enforcement through unannounced visits to programs
 - Grants and loans to help providers who want to obtain a license, make required improvements, or offset the licensing fee

- **Accreditation:**
 - Grants and loans to help providers meet accreditation standards
 - Technical assistance on meeting accreditation standards

- **Training Providers:**
 - Affordable basic training in health, safety, and child development
 - Scholarships to encourage attainment of credentials or degrees
 - Training linked to better compensation to reduce staff turnover

- **Lower Staff-Child Ratios and Group Sizes**

- **Consumer Education:**
 - Information and education for parents on how to find quality care

- **Supports for Family Child Care Providers:**
 - Training opportunities
 - Back-up care to cover provider’s illness and emergencies

- Equipment and resource lending
- Networks of family child care homes to provide support services

- **Lower Staff Turnover through Increased Training and Compensation**

- **Promote the Inclusion of Children with Special Needs**
 - Specialized child care resource and referral for parents
 - Provider training on including children with special needs

- **Screen Providers**
 - Criminal record and child abuse background checks

PRESIDENT CLINTON'S FY 1999 CHILD CARE PROPOSAL

As part of his FY 1999 budget, President Clinton has proposed a child care initiative. The proposal is a direct response to the White House conference on child care held in the Fall and is a combination of direct grants and tax credits.

The total package costs \$21.3 billion over 5 years. The President has indicated his desire to use part of the Federal share of Medicaid money resulting from the tobacco settlement to fund a third of the package. The remainder is accommodated within the Administration's overall budget. Specific "pay fors" have not been identified.

There are four elements to the President's proposal: expansion of the current child care development block grant, an increase in the child and dependent care credit, a new tax credit to reward businesses that help employees with child care, and a series of initiatives designed to improve the quality of child care.

Child Care and Development Block Grant

Current law.-- Under current law, entitlement funds totaling \$1 billion per year are available to States through the Child Care and Development Block Grant (CCDBG), the primary Federal subsidy program to pay for child care. The authorization for this program was renewed in the 1996 welfare reform law, through 2002.

Proposal.-- The President is proposing to increase funding for CCDBG by \$7.5 billion over 5 years. This would double the number of children receiving child care subsidies to more than 2 million. States may use the funds to subsidize child care and to improve the quality of care.

Child and Dependent Care Tax Credit

Current law.-- There are two provisions of current law that provide benefits to individuals incurring child care expenses necessary for employment, the dependent care credit (section 21) and an exclusion of employer-provided child care assistance (section 129).

The dependent care credit is a nonrefundable credit equal to a percentage of the taxpayer's child care expenses. The credit percentage starts at 30 percent and is phased down to 20 percent between \$10,000 and \$30,000 of adjusted gross income. The maximum amount of expenses eligible for the credit is \$2,400 for one child and \$4,800 for two or more children. An eligible dependent is a child under 13, or a disabled dependent or spouse.

Current law also permits employees to exclude child care assistance provided by their employers. The maximum exclusion is \$5,000 (\$2,500, if married filing separately) regardless of the number of children. This provision is more beneficial than the dependent care credit for employees with incomes subject to marginal rates above 20 percent, but is available to employees only if the employer offers this benefit.

Proposal.-- The Administration proposes to increase the credit percentage applicable under the dependent care credit. The proposal would provide a 50-percent credit rate for taxpayers with incomes under \$30,000. The credit rate would be phased down to 20 percent between \$30,000 and \$59,000 of adjusted gross income. The proposal would not change the dollar limitation on the amount of expenses that can be taken into account. Thus, the maximum amount of eligible expenses would remain at \$2,400 for one child and \$4,800 for two or more children. The President's proposal would increase the credit for families earning less than \$60,000, providing an additional average cut of \$358 for these families and eliminating income tax liability for almost all families with income below 200 percent of poverty (\$35,000 for a family of four) that take the maximum allowable child care expense under the law. It is estimated that the proposal would cost \$5.2 billion over 5 years.

The proposal also would provide a new tax credit to employers providing dependent care assistance to their employees by building or expanding child care facilities, operating existing facilities, training child care workers, reserving slots for employees at child care facilities, or providing child care resource and referral services to employees. The amount of the credit would be 25 percent of the employer's expenses and may not exceed \$150,000 per year. Under current law, employers receive a normal business deduction for those expenses but do not receive any special tax benefits. It is estimated that this proposal would cost \$500 million over 5 years.

Analysis.-- The *actual* benefits received under the President's proposal vary

widely, depending on the number of children and marital status. It will have a far less dramatic impact than one might have expected. Because the credit is not refundable, it is useless for many families with incomes below \$30,000. In addition, the alternative minimum tax diminishes the benefit for single taxpayers with incomes of approximately \$30,000 or more.

Quality Initiatives

Finally, President Clinton has proposed a series of initiatives designed to improve the quality of care for children. Included are:

- **An early learning fund.--** providing challenge grants to States for distribution to communities to improve early learning and child care for children zero to five. A wide range of activities are permitted, designed to improve the training and education of providers, help in meeting accreditation requirements, establish better linkages to health professionals and permit smaller child-to-staff ratios. A total of \$3 billion over 5 years would be made available to the fund.
- **An expansion of Head Start.--** investing \$3.4 billion over five years to deliver on the President's commitment to serving one million children by 2002, and to double the number of infants and toddlers in Early Head Start to 80,000. More detail on this proposal will be available as part of the discussions on reauthorizing Head Start, later this year.
- **Funds to improve licensing and enforce health and safety standards.--** funding State efforts, including increased unannounced inspections of child care settings, and based, in part, on the military's model child care program. A total of \$500 million over 5 years would be available for this purpose. Separately, the President has already taken steps to facilitate background checks on child care providers.
- **Scholarships and training for child care providers.--** investing \$250 million over 5 years to support 50,000 scholarships per year to students working toward a child care credential.
- **Investments in research.--** totaling \$150 million over 5 years to support data collection, research and evaluation. This includes support for a National Center on Child Care Statistics and a child care hotline that would help parents find appropriate quality child care for children.
- **Better after-school care.--** including an \$800 million expansion of the 21st Century Community Learning Center Program which provides start-up funds

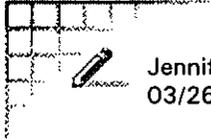
(with a local match) to school-community partnerships to establish before- and after-school care for school-age children.

Parents who Choose to Stay at Home

The President's initiative does not include a proposal for parents who choose to stay at home, however the Administration has said that they are open to ideas.

Most options to assist stay at home parents rely heavily on the tax system and consist of either allowing them to take advantage of the Child and Dependent Care Credit or expanding the Child Tax Credit for all families. Initial analyses of these options show that they are expensive options on a national level and provide only marginal benefits to individual families. While an additional benefit would be helpful for single-earner families, the proposals that have been advanced thus far will not provide enough money per family to allow or encourage many more parents to stay home.

Fam - child care -
notes + resources
general



Jennifer L. Klein
03/26/98 04:59:15 PM

Record Type: Record

To: Elena Kagan/OPD/EOP

cc:

Subject: Child Care

The meeting with Andie went as expected. She was reluctant but finally agreed to set up a Child Care Task Force as part of the Democratic Caucus that will rally behind child care principles, do events, raise awareness, etc.

One other thing. Helen Blank called about a Democratic alternative budget resolution that is being prepared that does not include child care. I talked to Barbara Chow and Martha Foley but neither of them know anything about it. Do you?

March 12, 1998

Please Post



Quality and Affordable Child Care Needed for the Nation's Children

The need for quality child care and after-school activities is a daily concern for millions of American working parents. Quality child care is too often unaffordable or simply not available. Congress must act this year to pass a child care bill that will address these issues.

Every day, three out of five preschoolers are in child care and millions of older children are in after-school activities while their parents work.

- Quality child care and after-school programs can have a positive impact on a child's social, emotional, and cognitive development and are strongly linked to school achievement. However, the quality of many child care programs available in the U.S. is mediocre to poor.
- Constructive before- and after-school activities for school-age children reduce truancy, risk-taking behavior, substance abuse, poor grades, and stress. Yet, nearly five million children are home alone each week after school.

The costs of quality child care are far beyond the reach of many working parents.

- Costs can range from \$4,000 to \$10,000 per child annually; yet, about half of families with children earn \$35,000 or less per year.
- Nationally, child care consumes between six percent and 25 percent of a family's income.
- For a family supported by one minimum wage earner, the cost of care for an infant in a child care center would be at least 50 percent of the family's income, according to a 1995 six-city study.

An effective child care initiative must ensure that all families have access to affordable high-quality care for infants, toddlers, and school-age children.

Here's What You Can Do!

- ✓ Help spread the word; work with friends to distribute this alert in your community.
- ☎ Call your members of Congress and urge them to pass legislation to improve the quality and affordability of child care and after-school activities for all working parents.
- ☞ Work in coalition with your local community-based youth organizations and child care agencies to plan and deliver effective services.

WOMEN'S NETWORK FOR CHANGE ~ American Association of University Women ~ Advocates for Youth ~ American Jewish Congress ~ American Medical Women's Association ~ Business and Professional Women/USA ~ Center for the Child Care Workforce ~ Center for Ethics in Action ~ Center for Policy Alternatives ~ Coalition of Labor Union Women ~ Federally Employed Women ~ Feminist Majority ~ Fifty plus One ~ Girls Incorporated ~ Gray Panthers ~ MANA, A National Latina Organization ~ Ms. Foundation for Women ~ 9to5, National Association of Working Women ~ National Abortion and Reproductive Rights Action League ~ National Abortion Federation ~ National Association of Social Workers ~ National Council of Jewish Women ~ National Council of Negro Women ~ National Organization for Women ~ National Partnership for Women and Families ~ National Women's Law Center ~ National Women's Political Caucus ~ New Girl Times ~ OWL The Voice of Mid-Life and Older Women ~ Planned Parenthood Federation of America ~ ProChoice Resource Center ~ Religious Coalition for Reproductive Choice ~ United States Student Association ~ Wider Opportunities for Women ~ Women Work! ~ Women's Campaign Fund ~ Women's Environment and Development Organization ~ Women's International League for Peace and Freedom ~ YWCA of the U.S.A.

FOR MORE INFORMATION ON THESE ALERTS, CALL 800/608-5286

**PRESIDENT CLINTON:
QUALITY CHILD CARE FOR OUR CHILDREN'S FUTURE**

March 10, 1998

"With more families relying on two incomes or working longer hours to make ends meet, millions of children must spend time in care away from their parents. For them, child care is not just an option, it's a necessity. No parent should have to choose between the job they need and the child they love."

President Bill Clinton
March 10, 1998

Today, President Clinton calls for action making child care better, safer, and more affordable for America's working families. In a speech in Connecticut, the President issues an executive directive to improve federally-sponsored child care, and announces the release of a new report by HHS which reveals a pressing need for greater child care investment.

THE CHILD CARE AND DEVELOPMENT BLOCK GRANT: REPORT OF STATE PLANS released today outlines strategies that the states have developed to administer the Child Care and Development Block Grant and meet the pressing child care needs of working families. The report reveals that because of resource constraints, most states have insufficient funds to subsidize all the families meeting their eligibility requirements. The President's Child Care Initiative addresses the need for more resources and builds on innovation in the states and makes an historic investment -- more than \$20 billion over five years -- to help working families pay for child care, build the supply of after-school programs, improve child care safety and quality, and promote early learning.

ENSURING AFFORDABLE, ACCESSIBLE, SAFE CHILD CARE. The President's child care initiative responds to the struggles our nation's working parents face in finding child care they can afford, trust and rely on. The initiative:

- **Makes child care more affordable for working families.** The initiative invests \$7.5 billion over five years to double the number of children receiving child care subsidies to more than two million by the year 2003. The initiative also invests \$4.8 billion over five years to increase tax credits for child care for three million families and provides a new tax credit for businesses that offer child care services to their employees at a cost of \$500 million over five years.
- **Improves the safety and quality of child care.** The initiative: steps up enforcement of state health and safety standards in child care settings, facilitates background checks on child care providers, increases scholarships and training for child care providers, and invests in child care research and evaluation.
- **Increases access to and promotes early learning and healthy child development.** The initiative includes \$3 billion over five years to establish an Early Learning Fund that helps local communities improve the quality and safety of child care for children ages zero to five. The initiative also increases investment in Head Start and doubles the number of children served by Early Head Start to 80,000.
- **Expands access to safe after-school care.** The initiative increases the 21st Century Learning Center Program by \$800 million over five years to provide after-school care for up to half a million children a year.

ENSURING THE QUALITY OF THE FEDERAL CHILD CARE SYSTEM. The President believes that the federal government should lead the way in improving the child care it sponsors for its employees. The executive directive President Clinton issues today instructs all executive agencies to:

- Reach 100% national accreditation of federally-sponsored child care by the year 2000;
- Ensure proper background checks on child care workers in federally-sponsored child care;
- Explore public-private partnerships to improve child care quality and affordability; and
- Ensure that all federal workers have full information on child care benefits and options available to them.

M E M O R A N D U M

DATE: JANUARY 27, 1998
TO: KAREN TRAMONTANO
FROM: Gigi Georges
RE: President's Child Care Initiative

*Den/Wic/Deeva
FYI*

Attached are the comments we promised on the President's Child Care initiative.
Thanks for the opportunity to weigh in.

We'll look forward to engaging legislatively and politically once this gets rolling in Congress. Let me know if you think there's anything we can do to be helpful.

Talk to you soon.

*• Elena -
Let's talk when you
have a moment -
• There's a bit of a
struggle going on
in labor
• neutrality -
wage retention
increases*

*Shaw -
Kam*

AFT Comments on the President's Child Care Initiative

The AFT strongly supports the President's focus on child care as a national policy priority. Because child care is necessary for so many working families, the AFT has long advocated for the development of quality, affordable care and the expansion of programs that work. And we view the President's initiative as a major step in the right direction. However, we would like to take this opportunity to touch on four components of the President's initiative that, if strengthened, could make a difference in both securing higher educational quality within child care programs and ensuring that working parents most in need of child care have access to it.

1. Modify the CCDBG expansion so that it earmarks a certain amount of funds for child care centers that provide access to low income families.

Numerous studies have shown the difficulties poor families face in gaining access to quality child care. Indeed, the overwhelming majority rely on friends or relatives to watch over their children -- resulting in the kind of care that does not promote school readiness in children.

In addition, there is a qualitative difference between targeting low income families for assistance in paying for child care (by putting money in their hands in the form of vouchers or certificates) and targeting them for availability of high-quality, center-based programs, which they most need.

Given these realities, we urge that in expanding the CCDBG with \$7.5 billion in new funding over five years, the administration consider earmarking some portion for existing child care centers in low income areas. Note that we are not offering this as an alternative to block granting. Rather, within the block grant, we are suggesting another way in which a percentage of available funds to states can be earmarked -- much as earmarking is already specified for certain purposes in the existing CCDBG.

2. In expanding the 21st Century Learning Centers, maintain schools as the locus of coordinating with non-school organizations.

The AFT is extremely pleased to see the extent of funding proposed in the President's expansion the 21st Century Learning Centers. Providing for more after school care, particularly by funding school-community partnerships that use public schools, makes smart use of existing resources and provides the basis for strongly coordinated extra-curricular programs.

Although the administration's initiative appears to use public schools as the main locus for after school activity, it does provide that to some extent, community based organizations also serve as after school providers. Because there is a wide range in the quality of CBOs, because even those CBOs that maintain quality programs often do not have the scope of facilities that school buildings have to serve large numbers of children, and because safety is a consideration when children must be transported from school to the CBO, we urge that whenever possible, 21st Century Centers be set up at school sites.

AFT Comments...

In this way, school districts, working together with community based youth service providers, can make the most of the resources that are available to them.

3. In proposing an increase in the investment in Head Start and Early Head Start, ensure that attention to quality be a top priority.

Given Head Start's strong record of providing quality comprehensive child development and family support services, the AFT is pleased to see the President's proposal for expansion. We urge that the highest attention to quality continue be extended to those children who are served through expansion. Based on the strong research on early childhood brain development, this is particularly important when it comes to the Early Head Start program. Moreover, we encourage the administration to seek ways to ensure follow through and program coordination as children move from one step to the next -- between Early Head Start, Head Start, and the beginning of their K-12 schooling. Coordination is one way to get the most out of educational programming.

In addition, we'd like to suggest that consideration be given to opening Head Start to non-poverty children on a sliding scale fee basis. We strongly believe that expanding the opportunity for participation to middle class families will not only provide greater overall access to quality pre-school education, but it will help diversify and integrate the existing program. It will also encourage an even broader population to become vested in Head Start, which is one way ensure the continuation of a proven quality federal program.

4. Target the proposed enforcement reach of the State Enforcement of Health and Safety Standards fund, the Child Care Research and Evaluation and Information Services fund, and the Child Care Provider Scholarship fund to centers in low income areas.

The AFT regards the proposed establishment of these three funds as a laudable effort to build in a set of standards and quality control. Because problems of standards and oversight are most acute in high-poverty areas, we urge the administration to target these funds to low income centers. This focus would also go hand in hand with our notion of targeting some block grant money to these centers.

While we believe that everything possible should be done to ensure that programs meet tests of quality, we understand the difficulties that arise in calling for standards from the national level. That is why, within the various frameworks that the administration's proposal lays out to ensure quality and safety, we hope that the strongest efforts possible be made to ensure proper accreditation of day care providers, track and evaluate existing centers, and promote and replicate programs with proven effectiveness. We have a number of specific ideas in this arena, and would welcome the opportunity to discuss them in greater detail at a later date.

We hope that these comments will prove helpful as you enter into discussions of specific child care legislation with Congress. Please let us know if there is any way we can be helpful in ensuring that the expansion of quality, affordable and accessible child care become a reality in the coming months.

**PRESIDENT CLINTON:
CHILD CARE THAT STRENGTHENS AMERICAN FAMILIES**

February 24, 1998

"Not a single American family should ever have to choose between the job they need and the child they love."

President Bill Clinton
January 27, 1998

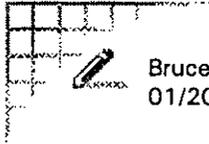
Today, President Clinton speaks to the National Council of Jewish Women to talk about the Administration's historic commitment to child care, and the work we must do as a nation to educate our children, to care for them, and to give them the brightest possible future.

ENSURING AFFORDABLE, ACCESSIBLE, SAFE CHILD CARE. The President's child care initiative responds to the struggles our nation's working parents face in finding child care they can afford, trust and rely on. The new initiative:

- **Makes child care more affordable for working families.** To help working families struggling to meet the costs of child care, the initiative invests \$7.5 billion over five years to double the number of children receiving child care subsidies to more than two million by the year 2003. The initiative also increases tax credits for child care for three million families and provides tax credits to businesses that provide child care services to their employees.
- **Increases access to and promotes early learning and healthy child development.** To improve early learning, the initiative includes \$3 billion over five years to establish an Early Learning Fund that helps local communities improve the quality and safety of child care for children ages zero to five. The initiative also increases investment in Head Start and doubles the number of children served by Early Head Start to 80,000.
- **Improves the safety and quality of child care.** To help ensure safe, quality child care, the initiative: steps up enforcement of state health and safety standards in child care settings, facilitates background checks on child care providers, increases scholarships and training for child care providers, and invests in child care research and evaluation.
- **Expands access to safe after-school care.** To help create safe, positive learning environments for American school-age children who lack adult supervision during a typical week, the initiative increases the 21st Century Learning Center Program by \$800 million over five years to provide after-school care for up to half a million children a year.

This initiative is an important part of the President's agenda to strengthen America's families. Because of the President's leadership: federal funding for child care has increased by nearly 70% since 1993; the 1996 welfare reform law increased child care funding by \$4 billion over six years; the Healthy Child Care America Initiative is ensuring that children in child care are in safe and healthy environments; Head Start funding has increased more than 57% since 1993, serving more than 830,000 children and their families; and the first ever White House conferences on child care and early development were held in 1997.

Fam-child care policy -
general



Bruce N. Reed
01/20/98 12:08:40 PM

Record Type: Record

To: Elena Kagan/OPD/EOP, Jennifer L. Klein/OPD/EOP, Neera Tanden/WHO/EOP

cc:

Subject: time poll

A TIME/CNN poll says they want to slash the national debt accumulated in those deficit-spending years. Maybe they feel guilty about their own credit-card bills or are worried that today's prosperity could melt into tomorrow's slowdown. And while those polled like some of Clinton's spending plans, such as expanded Medicare, they are less certain about him. Most believe that America is better off than in 1992, but that Clinton has turned out to be an "average" President.

Which of these proposals about how to spend some of the budget surplus should be a top priority or high priority?

Reducing the national debt-- 78%

Providing more tax credits for child care-- 74%

Extending Medicare to include some 55- to 64-year-old Americans--
71%

Cutting federal income taxes-- 68%

Ending the income tax "marriage penalty"-- 50%

Increasing spending on federal highway programs-- 44%

Jen, EK
(whole page)

FOCUS ON CHILD CARE

Parents, the Ultimate Experts, Critique the Clinton Proposal

Diverse Elements
For Many Needs

By MARGARET O. KIRK

WHATEVER the merits of its specifics, President Clinton's proposals to spend \$21.7 billion over five years to improve child care taps into one of the most vexing daily concerns of many parents at nearly every income level.

Keith and Sondra Conley of Morganton, N.C., put their first child, Arielle, into day care when she was 18 months old, as soon as a spot opened in a group at the nearby Presbyterian Learning Center. Today, Arielle, almost 5, still attends the center, at a cost of \$290 a month. And the Conley's second daughter, due at the end of January, is already on the center's waiting list for a slot in August 1998, when Sondra plans to return to teaching fourth grade.

"It's very difficult to find day care for children from birth to age 2, because the care is so expensive," said Mr. Conley, 40, a coordinator of student services at Western Piedmont Community College. "You put them on the waiting list as soon as you find out your wife is pregnant."

Mitral L. Williams of Oakland, Calif., has her children on a waiting list, too. For two years, this 27-year-old single mother has been waiting to receive subsidized child care, as she worked part time and went to school to get off welfare.

Without subsidized care, she said, the child care she could afford was so inadequate for her children, now ages 1 and 5, that she recently quit school and lost her work assignment. "The stress with bad child care, getting calls to come get your children, worrying about them, leaving them with whomever I could find — I couldn't take it," she said. "My first responsibility is to keep my kids safe, and I was placing them in unsafe conditions because I couldn't afford anything better."

Amanda and Robin Mitchell-Boyask, who live in Philadelphia, have managed to avoid day care waiting lists, but staff turnover has been a big concern at the center their two children, 15 months and 3½, attend four days a week.

"Our center is very good, but people talk about staff motivation and turnover as something that needs addressing," said Ms. Mitchell-Boyask, 33, a fund-raiser for the Curtis Institute of Music, which is near the center. "There is a massive need for improved training and improved salaries, or



Arielle Conley's parents, Keith and Sondra, of Morganton, N.C., found affordable care.

The President's plan, announced earlier this month, touches on issues that are important to these families and those of the nearly 13 million children under age 6 who are estimated to be in child care nationwide. The plan includes initiatives to improve affordability, availability, quality and safety through such diverse elements as proposals for \$5.7 billion in new or expanded tax credits for individuals and businesses, a \$3.8 billion increase in Head Start financing and \$800 million in additional financing for after-school programs.

One part of the proposal, a \$7.5 billion increase for the Child Care and Development Block Grant program that is administered by the states, is intended to provide subsidized child care for people like Ms. Williams. According to Federal estimates, this new money could double the number of children receiving subsidized day care, to two million.

And the President's \$3 billion Early Learning proposal to improve the education and the quality and safety of care for young children is modeled in part after the North Carolina program called Smart Start, which helped provide day care for the Conleys'

The President's plan also includes \$250 million to create a Child Care Provider scholarship fund, which would provide money to child-care workers to continue their education and training in an effort to reduce staff turnover. According to child-care experts, this turnover averages 42 percent a year nationwide.

THE child-care package faces the objections of Republican leaders in Congress, some of whom say money should go back into the taxpayers' pockets instead of to Federal programs. They are expected to introduce their own plan after the State of the Union address on Jan. 27. The proposal has already had at least one immediate impact, said Marcy Whitebook, co-director of the Washington-based Center for the Child Care Workforce. "For all the debates about what do we think of child care, the President's proposal acknowledges that it is definitely woven into the fabric of our society," she said.

"The question I have about the proposal is: Do we have the balance right?" she added. "Although there is money for scholarships, there is nothing to reward the pro-

Minding the Children

President Clinton's child care proposal would spend \$21.7 billion in the form of subsidies and tax credits over five years. It blends several initiatives, expanding some existing programs and adding new ones.

Child Care and Development Block Grant *Increase of \$7.5 billion*
To double, to two million, the number of children from low-income families in subsidized child care programs by 2003.

Child and Dependent Care Tax Credits *Increase of \$5.2 billion*
To extend credits on a sliding scale to three million families earning as much as \$60,000 a year. On average, would result in tax cut of \$358 for qualifying families.

Head Start/Early Head Start Programs *Increase of \$3.8 billion*
To expand child development programs' reach to one million children by 2002.

Early Learning Challenge Grants *\$3 billion*
To create a fund to support and improve early learning and the quality and safety of care for children up to age 5.

After-School Programs *Increase of \$800 million*
To provide after-school care for up to 500,000 children.

Corporate Child Care Tax Credits *\$500 million*
To encourage companies to offer child care services for employees, either on site or by contracting with off-site providers.

Child Care Provider Scholarship Fund *\$250 million*
To support 50,000 scholarships a year for child care workers to improve their skills.

Health, Safety and Research Initiatives *\$650 million*
To help improve states' licensing systems and enforcement of health and safety standards, including background checks for child care workers.

According to Childspace Cooperative Development Inc., a nonprofit group in Philadelphia that works to improve child-care salaries and conditions, the average hourly wage of child-care teaching assistants is \$5.70; teachers make \$7.22. Fewer than a third of all centers offer health care benefits to their teaching staff.

The proposed \$250 million scholarship fund is patterned after a program that does address the wage-and-turnover issue — another North Carolina program, called T.E.A.C.H. Early Childhood Project, started by the state's Day Care Services Association in 1990.

The T.E.A.C.H. program rewards day care workers who study for an associate degree, said Susan Russell, executive director of the association. After completing course work, the teacher is guaranteed a salary increase through either a raise or bonus. In return, the teacher promises to remain in the sponsoring child-care program or the field for three months to a year, at a minimum.

T.E.A.C.H. participants have a yearly turnover of just 10 percent, Ms. Russell said. Jackie Parrish, 28, a day care teacher in

program with "keeping me in child care and keeping me in school."

"They gave me money and I agreed to stay," he said. "I'm happy, and I really love my job taking care of kids. And I get a raise."

Mr. Mitchell-Boyask, 36, is impressed with the efforts of the President's proposal to improve the quality of day care services through training, accreditation or licensing, and says he hopes all this will help to decrease staff turnover.

Ms. Williams also thinks the proposals have merit. "Anyone coming off of welfare needs subsidized child care," she said. "The President's plan seems to say that."

She is still on the waiting list for subsidized day care, but was able to get her younger son enrolled in a new Early Head Start program that just opened, an initiative the Clinton plan intends to expand. It is only a half-day program, however, and it doesn't solve her need for extended day care and for after-school care for her 5-year-old. But Ms. Williams said she felt fortunate. Her younger son will "be safe and happy," she said.

"And for me to have time to go look for a job, I'll be happy. I'll be able to take it from

Family-child care policy-general

A Tantalizing Field, but Not for Unschooled Investors

By SANA SIWOLOP

ADD President Clinton's new initiative to the list of factors that make child care so tantalizing a field for investors.

Mr. Clinton's plan, a Lego-like assortment of measures, ranging from tax credits for families and employers to scholarships for child-care providers, has yet to be fully drawn or to pass muster with Congress. But its \$21.7 billion price tag over the next five years — organized child care now generates just \$30 billion annually — has quickly gained the industry's attention and perked up many child-care companies' stocks.

The industry looks good on the demand side, too. Study after study has shown that — other than maybe 12 hours of uninterrupted sleep — affordable, high-quality child care is one of the highest priorities for parents of young children.

Moreover, only 14 percent of children are in care arrangements that promote healthy development, according to a recent Yale study that confirms earlier findings. Such studies mean there are ample opportunities for companies to snare parents who want to replace nannies and family day-care providers with organized, high-quality care.

And there is plenty of room for child-care companies to grow. The business is dominated by small, often poorly financed non-profit providers, with the 50 largest for-profit companies accounting for less than 10 percent of industry capacity.

But while the field has great potential, it is not for the unschooled investor. Its public companies — the field's three biggest ventures are private — are small, with revenues of less than \$100 million each. That makes their stocks risky and relatively illiquid, and analyst coverage sparse.

The industry has slim margins and sometimes hefty costs, too, and those traits can spell trouble in this acquisition-minded field. Indeed, Kindercare Learning Centers, the industry leader, went bankrupt in 1992. It was recently bought by an affiliate of Kohlberg Kravis Roberts and taken private.

Child care is also highly regulated; opening a center can easily involve a half-dozen public agencies. Some companies even try to minimize the risk of new regulations by intentionally doing their growing only in states that already have strict oversight.

Besides understanding the sector's risks — including the chance that Mr. Clinton's plan will fizzle — investors must also realize that it is many fields in one. There are the traditional companies, which primarily pro-

The "Ups and Downs" chart that normally appears on this page is on page 7 today.

vide care at their own stand-alone facilities. There are the work-based companies, which aim for the employer market. And at least one other venture, through a network of preschools, elementary schools and middle schools, tries to hold onto its charges from toddlerhood to the teen-age years.

Each strategy poses different risks and prospects for the investor.

Consider Children's Discovery Centers of America and Childtime Learning Centers, the two major public companies that take the traditional approach.

Both these companies get high marks for their educational programs. About 10 percent of Childtime's centers are accredited by the National Association for the Education of Young Children, an industry group, with 30 percent more in the process. That compares with less than 10 percent for centers nationwide. And Children's Discovery tries to distinguish itself by promoting the flexible curriculum developed by Jean Piaget, the late Swiss psychologist.

Childtime's stock has done well recently, rising about 40 percent since early September, to \$14.75 at Friday's close. Harvey Eisen, a portfolio manager at the Travelers Group who has a stake in the stock, particularly likes the company's management.

But the stock of the company, which has about 230 centers in 16 states and the District of Columbia, had been sluggish until inklings of Mr. Clinton's plan surfaced in October. Leslie A. Nelkin, an analyst at Furman Selz, suspects that the sluggishness may have stemmed from the lack of any big revenue gains for the company.

Children's Discovery went on an acquisition binge in the early 1990's; it swallowed 85 new child-care centers in 1994 and 1995, for example. The company could not quickly absorb such growth, however, and the problem was worsened by increased competition for smaller acquisitions. A result was that in 1996, Children's Discovery's earnings slid 68



Frank C. Dougherty for The New York Times

Children's Discovery tries to distinguish itself from other child care companies by having a flexible curriculum. This Oakland, N.J., center is open from 7 A.M. to 7 P.M.

percent.

Lately, Children's Discovery has beefed up its margins, in part by growing in a more controlled manner. And its stock, which closed Friday at \$9.50, may be a good buy; it trades at only about half of its 1995 peak.

But whatever the pros and cons of the individual companies, revenues in the traditional segment of child care are growing only by 10 to 15 percent a year. Investors seeking faster growth may want to turn to employer-sponsored child care, for which revenues are growing 25 percent yearly.

Because they can usually use an employer's location, companies in this \$2 billion-a-year sector also tend to chew up less capital than traditional ventures consume. Edgar Larsen, a portfolio manager at AIM Capital Management in Houston, likes the employer-based sector for another reason: the companies often get multiyear contracts, making the flow of revenue more certain.

Mr. Clinton's proposal, with its tax breaks for employers who sponsor child care, further enhances the sector's appeal.

"While the Clinton initiative may not be a

catalyst for large companies, it really will create the incentive for small and medium-sized companies to do this," said Michael T. Moe, an analyst at Nationsbank Montgomery Securities.

Investors have flocked to this sector and the stocks of its two primary public companies have soared. Corporate Family Solutions, which went public in August at \$10 a share, was trading at \$23.75 at Friday's close. Shares of Bright Horizons Children's Centers, which went public in November, have gone to \$19.50 from \$14.50.

While Bright Horizons has large clients like I.B.M. and Warner Brothers, Mr. Moe prefers Corporate Family Solutions. That company also has contracts with large outfits, like Citibank and Toyota, and it is skilled as well at using its child-care business as a basis to provide family support, elder care and other services to companies.

But Mr. Larsen, whose firm has stakes in both companies, cautions that the stocks are now very pricey. Corporate Family Solutions trades at 52 times its estimated 1998 earnings per share, while the multiple of Bright Horizons is 45.

How can investors play this sector at a reasonable price? Mr. Larsen's strategy is to buy the stocks on weakness; the sector's volatility means that this opportunity often arises. Corporate Family Solutions, for instance, went from \$18 in early September to \$15 in mid-November to nearly \$24 now.

"If the multiple was 30 to 35 times 1998 earnings, I would be interested," he said.

MR. NELKIN of Furman Selz offers another tactic for investing in the employer-based sector: Go with either Children's Discovery Centers or Childtime Learning Centers. Despite their mostly traditional approach, these companies also furnish some employer-based care, Mr. Nelkin said. About 27 percent of Children's Discovery centers are employer-based. Yet the companies' 1998 multiples — 22 for Children's Discovery and 16 for Childtime — are far lower than those of Corporate Family and Bright Horizons.

Nobel Education Dynamics takes a different tack than other child-care companies. It tries to get its preschools and middle schools into its network of elementary and middle schools. Nobel does not publish its pass-along rate, but Mr. Nelkin thinks that between one-quarter and one-third of Nobel's preschoolers stay in its 129-school system.

Nobel's tactics may ultimately work, but like many child-care companies it has had its missteps. Its earnings slid recently, for instance, sending its price-to-earnings ratio to a lofty 58. One reason for the slide, Mr. Nelkin said, appears to be the company's overestimation of demand when it bought nine schools in Indianapolis in 1995.

Like their charges, child-care companies often have such growing pains. Enduring them is the price investors must pay in order to be there when — and if — the industry matures.

Child's Plays

Child-care companies pursue a range of strategies. Here are three examples:

Company/symbol Strategy	Annual revenues	Analysts' appraisals	Est'd 1998 P-E ratio	Friday's close
Childtime Learning Centers CTIM Mostly stand-alone centers	\$78.6 million	The company is one of this new industry's largest, but the stand-alone segment is growing just 10%-15% a year.	16	\$14.75
Corporate Family Solutions CFAM Employer-based care	\$62.9 million	Work-based centers are increasing revenues by 25% annually, but this company's stock is pricey.	52	\$23.75
Nobel Education Dynamics NEDI Child care and schooling	\$58.9 million	Revenues are rising at Nobel, which has expanded into elementary and middle schools, but demand overestimation has hurt profits.	58	\$ 7.50

Sources: Bloomberg Financial Markets analysts' reports

PRESIDENT CLINTON ANNOUNCES CHILD CARE INITIATIVE

January 7, 1998

President Clinton today announced an historic initiative to improve child care for America's working families. The President's FY 1999 budget will include **approximately \$20 billion over five years for child care, the largest single investment in child care in the nation's history.** President Clinton's initiative responds to the struggles our nation's working parents face in finding child care that they can afford, trust, and rely on. The President's proposal will help working families pay for child care, build the supply of good after-school programs, improve the safety and quality of care, and promote early learning.

- **Doubles the number of children receiving child care subsidies** to more than two million by the year 2003 by increasing funding for the Child Care and Development Block Grant by \$7.5 billion over 5 years.
- **Increases tax credits for three million working families to help them pay for child care** by investing \$5.2 billion over 5 years in the Child and Dependent Tax Credit. The President's proposal also provides a new tax credit for businesses that offer child care services for their employees.
- **Provides after-school care for up to half a million children per year** by expanding the 21st Century Community Learning Center program by \$800 million over 5 years to provide funds to school-community partnerships to establish or expand programs for school-age children.
- **Improves child care safety and quality and enhances early childhood development** by establishing a new Early Learning Fund as well as supporting enforcement of state child care health and safety standards, providing scholarships to up to 50,000 child care providers per year, and investing in research and consumer education.

Child Care Block Grant Increase	\$7.5 billion over five years
Child and Dependent Tax Credit Reform	\$5.2 billion over five years
Tax Credit for Businesses	\$500 million over five years
After-School Program	\$800 million over five years
Early Learning Fund	\$3 billion over five years
Head Start Increase	\$3.8 billion over five years
Standards Enforcement Fund	\$500 million over five years
Child Care Provider Scholarship Fund	\$250 million over five years
Research and Evaluation Fund	\$150 million over five years
TOTAL:	\$21.3 billion over five years

MAKES CHILD CARE MORE AFFORDABLE FOR WORKING FAMILIES

Doubles the Number of Children Receiving Child Care Subsidies to More than Two Million. The President proposes to expand the Child Care and Development Block Grant to help working families struggling to meet the costs of child care. This block grant is the primary federal subsidy program to pay for child care, enabling low-income parents to work. Funds are distributed by formula to the states to operate direct child care subsidy programs, as well as to improve the quality and availability of care. The President's initiative will more than double the number of children served from the one million served in FY 95 (the latest year for which data are available). The President's budget will increase funding for the block grant by \$7.5 billion (with a match) over five years, which will enable states to provide subsidies for more than two million children by 2003.

Increases Tax Credits for Child Care for Three Million Working Families. The Child and Dependent Tax Credit 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 credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. The President's proposal increases the credit for families earning under \$60,000, providing an additional average tax cut of \$358 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty (\$35,000 for a family of four) that take the maximum allowable child care expenses under the law. The President's budget will include \$5.2 billion over five years to expand the Child and Dependent Care Tax Credit for three million working families.

Provides New Business Tax Credits. The child care initiative includes a tax credit to businesses that provide child care services for their employees, by building or expanding child care facilities, operating existing facilities, training child care workers, reserving slots for employees at child care facilities, or providing child care resource and referral services to employees. The credit covers 25% of qualified costs, but may not exceed \$150,000 per year. The President's budget will include approximately \$500 million over five years for these tax credits.

PROMOTES EARLY LEARNING AND HEALTHY CHILD DEVELOPMENT

Promotes Early Learning. Research shows that children's experiences in the earliest years are critical to their development and future success. The President's proposed Early Learning Fund provides challenge grants to communities (distributed by states) to support programs to improve early learning and the quality and safety of child care for children ages zero to five. Funds may be used for the following activities: providing basic training to child care providers (including first aid and CPR); connecting individual child care providers to centers for education and support; assisting child care providers to meet accreditation and licensing requirements; linking child care providers with health professionals; reducing group sizes and child-to-staff ratios; and providing home visits, parent education, and consumer education

about child care. The President's Early Learning Fund builds on state initiatives such as North Carolina's Smart Start, which helps North Carolina's children enter school healthy and ready to succeed. Smart Start funds a broad variety of local efforts, including improving staff-to-child ratios, health linkages that have raised immunization rates, and parent education and mentoring programs to give new parents support. The President's budget will include \$3 billion over five years for this fund.

Increases Investment in Head Start and Doubles the Number of Children Served by Early Head Start. Head Start provides early, continuous and comprehensive child development and family support services, preparing children for a lifetime of learning and development. The President is committed to reauthorize Head Start and reach one million children by 2002. The President's budget will invest \$3.4 billion over five years to keep on track his commitment to serving one million children by 2002, and to double the number of infants and toddlers in Early Head Start to 80,000.

IMPROVES THE QUALITY OF CHILD CARE

Steps Up Enforcement of State Health and Safety Standards. Building on the military's model child care program, this proposed initiative will fund state efforts to improve licensing systems and enforce child care health and safety standards, including by increasing unannounced inspections of child care settings. The President's budget will include \$500 million over five years for this program.

Facilitates Background Checks on Child Care Providers. On the day of the White House Conference on Child Care, the President transmitted to Congress the National Crime Prevention and Privacy Compact, which will facilitate effective background checks on child care providers by eliminating state law barriers to sharing criminal history information for non-criminal purposes. Although the vast majority of child care providers are dedicated to the teaching and nurturing of children, one tragedy in child care is too many. Background checks are an important way to ensure that the people watching our children are fit for this responsibility.

Increases Scholarships and Training for Child Care Providers. At the White House Conference on Child Care, the President proposed establishing a 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. The President proposed a federal investment of \$250 million over five years, which will support 50,000 scholarships per year. The President is also proposing to expand the Department of Labor's Child Care Apprenticeship Program to fund the training of child care providers.

Invests in Research. Because too little is known about our child care system, the President's budget will increase support for data, research, and evaluation. This research fund will also support a National Center on Child Care Statistics and a child care hotline that parents can call to get information about how to find child care in their communities and how to identify

appropriate, quality care for their children. In addition, the research fund will support demonstration projects to test approaches to help new parents who choose to stay home to care for their newborns or newly adopted children. The President's budget will include \$150 million over five years for this fund.

EXPANDS AND STREAMLINES AFTER-SCHOOL CARE

An estimated five million school-age children spend time as “latchkey kids” without adult supervision during a typical week. Research indicates that during these unsupervised hours children are more likely to engage in at-risk behavior, such as crime, drugs, and alcohol use. To meet this pressing demand, the President is proposing a dramatic expansion of after-school care.

Provides After-School Care for up to Half a Million Children a Year. The President proposes a dramatic expansion of the 21st Century Community Learning Center Program to provide start-up funds (with a local match) to school-community partnerships to establish or expand before- and after-school programs for school-age children. The program increases the supply of after-school care in a cost-effective manner primarily by funding programs that use public schools and their existing resources, such as computers, gymnasiums, and sports equipment. The program also includes a set aside to fund programs run by community organizations. The President's budget will request \$800 million of entirely new money for this program, for a total of \$1 billion over five years.

Improves Coordination of Federal After-School Initiatives to Help Communities Make Best Use of Existing Resources. The President will put in place a collaborative effort involving numerous federal agencies to eliminate duplication and better coordinate federal funding for after-school programs in three to five pilot cities, including the District of Columbia.

**PRESIDENT CLINTON'S PROPOSAL:
CHILD CARE THAT STRENGTHENS AMERICAN FAMILIES**

January 7, 1998

" No government can raise or love a child. Mothers and fathers do. But government can empower Americans with the tools they need to meet their most vital responsibilities as parents and as workers. So today, I am proud to propose the single largest child care investment in the history of our nation. It is a comprehensive and fiscally-responsible plan to make child care more affordable and accessible, to raise the quality and assure the safety of care for millions of American families. This is an issue that touches nearly every family, one that should rise above politics and partisan interests."

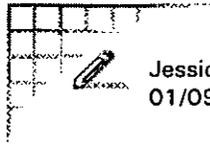
President Bill Clinton
January 7, 1998

President Clinton announces an historic initiative to improve child care for America's working families. The initiative proposes approximately \$20 billion over five years for child care, including elements to **help working families pay for child care, build a good supply of after-school programs, improve the safety and quality of care, and promote early learning.**

ENSURING AFFORDABLE, ACCESSIBLE, SAFE CHILD CARE. The President's child care initiative responds to the struggles our nation's working parents face in finding child care they can afford, trust and rely on. The new initiative:

- **Makes child care more affordable for working families.** To help working families struggling to meet the costs of child care, the initiative invests \$7.5 billion over five years to double the number of children receiving child care subsidies to more than two million by the year 2003. The initiative also increases tax credits for child care for three million families and provides tax credits to businesses that provide child care services to their employees.
- **Increases access to and promotes early learning and healthy child development.** To improve early learning, the initiative includes \$3 billion over five years to establish an Early Learning Fund that helps local communities improve the quality and safety of child care for children ages zero to five. The initiative also increases investment in Head Start and doubles the number of children served by Early Head Start to 80,000.
- **Improves the safety and quality of child care.** To help ensure safe, quality child care, the initiative: steps up enforcement of state health and safety standards in child care settings, facilitates background checks on child care providers, increases scholarships and training for child care providers, and invests in child care research and evaluation.
- **Expands access to safe after-school care.** To help create safe, positive learning environments for the more than five million school-age children who lack adult supervision during a typical week, the initiative provides after-school care for up to half a million children a year and improves coordination of federal after-school initiatives to help communities.

BUILDING STRONGER FAMILIES FOR THE 21ST CENTURY. This initiative is an important part of the President's agenda to strengthen America's families. Because of the President's leadership: federal funding for child care has increased by nearly 70% since 1993; the 1996 welfare reform law increased child care funding by \$4 billion over six years; the Healthy Child Care America Initiative is ensuring that children in child care are in safe and healthy environments; Head Start funding has increased more than 57% since 1993, serving more than 830,000 children and their families; and the first ever White House conferences on child care and early development were held in 1997.



Jessica L. Gibson
01/09/98 06:36:48 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

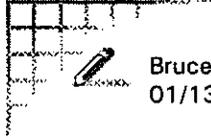
Subject: Sen. Kennedy

Stephanie Robinson, Sen. Kennedy's child care assistant, called to compliment the White House on the announcement and tell all of us that the Senator was extremely pleased and positive about the progress. He has a release that details his support. If anyone wants a copy please let me know.

Stephanie emphasized that the Senator felt VERY strongly that anyone who is making statements on the child care proposal (Secretary, FLOTUS, VPOTUS, Mrs. Gore and POTUS) should emphasize its connection with the tobacco settlement and not offer alternatives to the tobacco money. The Senator feels that if we offer alternatives to the funds from the tobacco settlement to early in the game, Republicans will quickly reject the funding option in favor of other options. I told Stephanie that I would make sure everyone knew the Senator's concerns.

Message Sent To:

Anne E. McGuire/WHO/EOP
Jennifer L. Klein/OPD/EOP
Nicole R. Rabner/WHO/EOP
Neera Tanden/WHO/EOP
Elena Kagan/OPD/EOP
Janet Murguia/WHO/EOP
lgriffi1 @ os.dhhs.gov @ INET @ LNGTWY
Barbara Chow/OMB/EOP
Laura D. Schwartz/WHO/EOP
Laura Emmett/WHO/EOP



Bruce N. Reed
01/13/98 11:51:23 AM

Record Type: Record

To: Jennifer L. Klein/OPD/EOP, Elena Kagan/OPD/EOP, Neera Tanden/WHO/EOP, Nicole R. Rabner/WHO/EOP

cc:

Subject: another happy liberal

Clinton's bold stroke on child care

By Thomas Oliphant, Globe Columnist, 01/13/98

ASHINGTON

The linchpin of President Clinton's comprehensive child-care initiative may turn out to be something that has nothing to do with child care: a tax or its equivalent on tobacco products as part of a settlement of the industry's mammoth legal problems.

In the unveiling last week, the critical fact lost in the shuffle is that the president intends for roughly a third of the \$21 billion proposal to be financed by revenue from the tobacco racket - a topic touched on earlier in the weeklong policy blitz when Clinton revealed his intention to propose a balanced budget for next year.

And the tobacco revenue is what makes the initiative truly comprehensive.

People forget quickly around here, but as recently as last month President Clinton was focusing on child care from the limited perspectives of a fiscal strait jacket and New Democrat ideology. In simpler English, he was talking about tax credits.

There is a great deal right about tax credits for child care. For one thing, they empower individuals rather than nonprofit or governmental bureaucracies; for another, they encourage variety and diversity in a field that can benefit greatly from it.

However, tax credits work only for families that can afford the huge cost of day care up front, to be recouped the following April at income tax time. Tax credits cannot help millions of working poor and low-income families, for whom the current make-do solutions to their difficulties with child care are woefully inadequate and will become even more so as welfare reform moves forward.

Reaching those families requires specific programs - not just child-care operations themselves, but early-learning efforts grafted onto them - above all, Early Start and Head Start. And support for those programs requires

more attention to matters like standards for care centers, including appropriate training and wages in a field where too many people lack adequate skills as well as pay.

In Congress, the leading proposals of the past year have advocated block grants to the states for child care, and many governors have moved to expand their programs substantially and on a bipartisan basis. Republican Pete Wilson of California last week became the latest example.

In the House, the heroine in this area is Representative Rosa DeLauro, Democrat of Connecticut, who had already developed a comprehensive proposal back when the president and Mrs. Clinton were hosting White House conferences to publicize recent research on the centrality of the earliest childhood experiences to healthy development. DeLauro's notion about major expansions of Early Start and Head Start combined with a serious program of grants to the states was heavily borrowed as Clinton put his own initiative together.

If anything, child-care politics in the Senate are even more remarkable, because the closest thing to the Clinton proposal is an initiative that links John Kerry with a conservative of impeccable credentials: Christopher Bond, Republican of Missouri.

But the linchpin is the cigarette tax. In September, at the urging primarily of Senator Kennedy, President Clinton agreed to make such a levy a condition of his support for a congressionally approved deal with the tobacco companies, primarily to put real teeth in an effort to greatly reduce smoking by young people, but also to provide money for other children and health-related efforts. Now Clinton has signaled a specific use he supports of some of that money. The result is to hold the president's feet to two fires, since without a tax it becomes far more difficult to finance a comprehensive child-care policy responsibly.

With the conservative movement asleep or distracted by internecine wars, Clinton's jumping of the policy gun discloses some shrewd balanced-budget thinking. Much of what he wants to do flows directly from last year's deal with Congress and is either within the negotiated five-year limits or paid for by cuts elsewhere in the budget.

Other initiatives, like expanding eligibility for Medicare to people over 55 who have lost insurance coverage, are meant to be financed within the confines of the affected program itself. And for high-priority proposals involving children and health care, a link to higher excise taxes on cigarettes is looming.

Not bad, especially if the president takes the next step and links any budget surpluses that may appear if the economy stays healthy to the long-term reform of Medicare and Social Security and not to more tax cuts for people with high incomes.

Family - child care policy -
general



TANDEN_N @ A1
01/07/98 07:06:00 PM

Record Type: Record

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

cc:

Subject: ASHCROFT: CLINTON CHILDCARE PLAN LACKS FLEXIBILITY FOR ...

Date: 01/07/98 Time: 13:25

bAshcroft: Clinton Childcare Plan Lacks Flexibility for Parents

To: National Desk

Contact: Steve Hilton, 417-881-7068 or Greg Harris, 202-224-4589
both of the Office of U.S. Sen. John Ashcroft

WASHINGTON, Jan 7 /U.S. Newswire/ -- U.S. Sen. John Ashcroft (R-Mo.) said today that the president's expected proposals on child care fail to give American families what they need most: more time for parents to be with their children.

Ashcroft said, "Moms and dads desperately need help in balancing the competing demands of work and family. Flexible work schedules -- long available to federal employees -- can enable parents to be at home when it counts the most, by taking time off from the job without losing pay. The president's tax credits will never empower a parent to take time off to be with a child when it really, really matters. Flexible scheduling is an essential ingredient of any serious child care plan.

"It is unconscionable to deny to private sector workers the flexible scheduling benefits that are enjoyed by federal employees. If President Clinton is serious about helping working parents, he should support flextime options such as those provided for in the Family Friendly Workplace Act (S.4). We should be giving all workers new choices in how to meet the competing demands of job and family.

"Although the president has supported flextime in words, the administration has followed the lead of organized labor in opposing the extension of this important benefit to all workers. Unfortunately, some of the members of the president's new working group on corporate child care represent the greatest source of opposition to the Family Friendly Workplace Act."

Ashcroft's Family Friendly Workplace Act would enable workers, if they choose, to take paid time off using flexible hours banked from a previous week; to schedule 80 hours of work over two weeks, in different combinations, in order to meet personal needs; and to choose time-and-one-half off instead of time-and-one-half pay for overtime. The House has passed legislation allowing comp time off; in the Senate, the Ashcroft bill has been the target of a filibuster supported by organized labor.

-0-

/U.S. Newswire 202-347-2770/
APNP-01-07-98 1333EST

January 6, 1998

ANNOUNCEMENT OF CHILD CARE INITIATIVE

DATE: January 7, 1998
LOCATION: East Room
TIME: 2:30 p.m.
FROM: Bruce Reed
Melanne Verveer
Elena Kagan

I. PURPOSE

To announce the child care initiative in your FY 1999 budget and highlight your commitment to helping American families succeed at home and at work.

II. BACKGROUND

Your child care initiative of about \$20 billion over five years is the largest single child care investment in our nation's history. The initiative will help working families afford child care, improve the safety and quality of child care, promote early learning, and build the supply of good after-school programs.

At the White House Conferences on Early Childhood Development and on Child Care, you and the First Lady called together parents, experts, and advocates to discuss the importance of the earliest years of life and the challenge of ensuring that children get the care they need in those critical years and beyond. This initiative responds to what you heard at those conferences -- that America's working families, more than ever, are pressed to find safe, affordable care for their children. The child care initiative also builds on your record of providing opportunity to American families that includes: significant expansions of the Earned Income Tax Credit; an increase in the minimum wage; welfare reform; the Family and Medical Leave Act; children's health insurance; and the \$500 per child tax credit.

The child care initiative will:

- Double the number of children receiving child care subsidies to more than two million by the year 2003 by increasing the Child Care and Development Block Grant by \$7.5 billion over five years.
- Help three million working families pay for child care by increasing their tax credits under the Child and Dependent Tax Credit (estimated at \$5.2 billion over five years).

- Provide a new tax credit for businesses that provide child care services for their employees (estimated at \$500 million over five years).
- Establish an Early Learning Fund to provide grants to communities to promote early childhood development and improve child care quality for young children, with an investment of \$3 billion over five years.
- Provide after-school care for 500,000 children per year by expanding the 21st Century Community Learning Center program, which provides start-up funds to school-community partnerships to establish or expand before- and after-school programs for school-age children, through an investment of \$1 billion over five years.
- Step up enforcement of state child care health and safety standards by establishing a Standards Enforcement Fund for state efforts to improve licensing systems and enforce standards, including by increasing unannounced inspections of child care settings, with an investment of \$500 million over five years.
- Promote training of child care providers by establishing a Child Care Scholarship Fund to support 50,000 scholarships per year, with an investment of \$250 million over five years.
- Invest in research by establishing a Research and Evaluation Fund to increase support for data, research, and evaluation in child care, as well as finance a child care hotline for parents and a National Center on Child Care Statistics, with an investment of \$150 million over five years.
- Increase Head Start to serve one million children by 2002 and double the number of children served by Early Head Start with an increased investment of \$3.4 billion over five years.

Child and Dependent Tax Credit Reform	\$5.2 billion over five years
Tax Credit for Businesses	\$500 million over five years
Child Care Block Grant Increase	\$7.5 billion over five years
Standards Enforcement Fund	\$500 million over five years
Early Learning Fund	\$3 billion over five years
Head Start Increase	\$3.4 billion over five years
Child Care Provider Scholarship Fund	\$250 million over five years
Research and Evaluation Fund	\$150 million over five years
21st Century Learning Center Program	\$1 billion over five years
TOTAL:	\$21.5 billion over five years

III. PARTICIPANTS

Briefing Participants:

Secretaries Shalala, Riley and Rubin, Bruce Reed, Gene Sperling, Melanne Vermeer, Ron Klain, Elena Kagan, Susan Liss, Jennifer Klein, June Shih

Meet and Greet Participants:

Members of Congress (subject to change):

Senator Mary Landrieu
Representative Rosa L. DeLauro (D-CT)
Representative Ellen O. Tauscher (D-CA)
Representative Eleanor Holmes Norton (D-DC)
Representative Marge Roukema (R-NJ)
Representative Constance A. Morella (R-MD)
Representative James P. Moran (D-VA)
Representative Barbara B. Kennelly (C-CT)
Representative Patrick Kennedy (D-RI)
Representative Robert A. Weygand (D-RI)

Other Elected Officials:

Governor Lincoln Almond (R-RI)
State Senator Pat Piper (D-MN)
State Representative Jane Maroney (R-DE)
County Commissioner Jane Campbell (D-OH)
County Commissioner Jane Hague (R-WA)
County Councilmember Marilyn Praisner (D-MD)

Children and Families:

Bridie Eckenrode and daughter Sandy Eckenrode (8 years old)
Mark Dalton and daughter Hilary Dalton (6 years old)
Gary Dikeos and son Darien Dikeos (5 years old)
Beverly Lancaster-Hyde and daughter Camille Hyde (4 years old)
Sally D'Italia and daughter Sarah (15 years old)
Tanya Sanders and daughter Tia (15 years old)
Mary Anne Carter and son Matthew Lundy (5 years old)
Binnie Harris and son Juan Gary Jr. (4 years old)
Leslie Bermudez and daughter Vivianna (7 years old)
Marcus Wilkins and daughter Rebecca (8 years old)
Yvonne Reyes and son Mulawin Diwa Reyes-Lozada (4 years old)

Event Participants:

The President
The Vice President
The First Lady
Mrs. Gore

Cabinet Members Attending:

Secretaries Shalala, Rubin, Riley, Slater, and Administrator Barram

Audience:

Approximately 160 leaders in the child care community, including experts and advocates (see attached list). Most were also present for the White House Conference on Child Care.

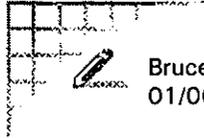
IV. PRESS PLAN

Open Press.

V. SEQUENCE OF EVENTS

- YOU will proceed to the Red Room for a briefing.
- YOU will proceed to the Blue Room to meet with elected officials and Members of Congress.
- YOU will meet with children and their parents in the Blue Room.
- YOU, the First Lady, the Vice President, and Mrs. Gore will proceed to the East Room, accompanied by children.
- YOU, the First Lady, the Vice President, and Mrs. Gore will proceed to stage.
- YOU, the First Lady, and the Vice President will be seated on stage.
- Mrs. Gore will make opening remarks and introduce the First Lady.
- The First Lady will make remarks and introduce the Vice President.
- The Vice President will make remarks and introduce YOU.
- YOU will make remarks.
- YOU, the First Lady, the Vice President, and Mrs. Gore will depart.

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Bruce N. Reed
01/06/98 09:29:31 PM

Record Type: Record

To: Neera Tanden/WHO/EOP, Elena Kagan/OPD/EOP, Jennifer L. Klein/OPD/EOP

cc:

Subject: AP Story

It's too bad they broke some of the stuff, but the story looks OK and they still don't have the big news on the block grant. You might want to talk with Ellen Galinsky to get her to say more helpful things.

Check out my quote near the end of the story, where the reporter actually has me saying, "It's 1998." I think I said, "In 1998..."

Clinton Plans Child Care Package

By Sandra Sobieraj
Associated Press Writer
Tuesday, January 6, 1998; 7:53 p.m. EST

WASHINGTON (AP) -- President Clinton has assembled a \$20 billion package of tax credits and other programs to make child care more accessible and affordable, congressional and White House sources said Tuesday.

The proposals include a permanent 25 percent tax credit for businesses that establish and run child care facilities for workers, or reserve slots in existing centers, the sources said, speaking on condition of anonymity.

The package, to be unveiled Wednesday, also includes what one source called "dramatic expansions" of both the income tax credit that parents can take for child care expenses and federal contributions to state child care subsidies for low-income parents and welfare recipients entering jobs.

Two White House officials discussing the package on condition of anonymity would not say how much Clinton would ask Congress to increase this so-called "child care development block grant" program. Overall, the package of tax credits and subsidies would cost \$20 billion over five years, they said.

White House domestic policy chief Bruce Reed called the package "a sweeping plan to help parents balance the demands of work and family by making child care more accessible, more affordable and safer."



lay out comprehensive, ambitious
the proposal to help Americans
balance the demands of work &
family by
making cc more affordable &
more accessible
and improving its quality + ensuring
its safety

Family-child care policy-general

Clinton's plan would limit the dependent-care tax credit to a family's total tax liability. Only the earned-income tax credit aimed at working poor families is now refundable, providing them a check from the government if the credit exceeds their tax liability.

Advocates have pushed to also make the child-care credit refundable so that poor parents who pay no taxes would get new government subsidies for their child care expenses. Republicans have opposed expanding the welfare aspects of federal tax breaks.

``If (the administration) really wanted to be helpful, efforts need to be made to get it refundable, otherwise people from low-income jobs and households have much less access," said Ellen Galinsky, president of the New York-based Families and Work Institute. The institute has consulted extensively with first lady Hillary Rodham Clinton, who has made child care a pet project.

Clinton, accompanied by Vice President Al Gore and Mrs. Clinton, was to detail the package in a splashy East Room ceremony Wednesday afternoon. He hoped to set a bipartisan tone, inviting several Republican governors and members of Congress to share in the announcement.

The Senate last year passed a bill by Sen. Herbert H. Kohl, D-Wis., that, for a short term, would have allowed businesses to reduce their federal tax liability by \$1 for every \$2 they spend on child care for their employees.

Although the House never voted on it, supporters said the Senate action bodes well for the smaller but permanent 25 percent tax credit that Clinton will advocate.

The White House was also counting on a boost from this year's election climate, where help for middle-class families would prove popular with many voters.

``I think there is broad bipartisan support in Congress and in statehouses around the country for doing more on child care," Reed said. ``It's 1998. I think it is clear there will be real interest in the president's plan."]

Other pieces of the package were announced at the Clintons' White House conference on child care in October. They include:

--Establishing a scholarship fund to provide \$250 million over five years for additional training of up to 50,000 child care providers. The workers, who would get \$1,500 each, would have to remain in the field at least a year. They'd be guaranteed a raise when they finished.

--Eliminating state barriers to checking criminal backgrounds of child care workers. That plan must be approved by Congress and all 50 states.

--Legislation enforcing state health and safety standards in federal child care centers.

However, the plan would not establish any national child care standards, officials said. They noted that Clinton has opposed such national standards for child care since his days as chairman of the National Governors Association.

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Family-child care policy -
general

DRAFT; 1/6/98, 8 PM

**Remarks by Vice President Al Gore
Child Care Announcement
Wednesday, January 7, 1998**

From the day we took office -- five years ago this month -- President Clinton and I have had an unshakable commitment to making the toughest job in the world -- being a parent -- easier for working Americans. And I believe we have achieved an enormous amount for those who are balancing the demands of work and family.

Family and Medical Leave has let millions of parents take time off from work to care for their children. We expanded the Earned Income Tax Credit and increased the minimum wage -- so no parent working full-time has to raise their children in poverty. We expanded Head Start, and created Early Head Start. We cut taxes for 27 million families with children -- insisting that those tax cuts go to the hardest-pressed working families.

Today, we take another giant step, to help parents succeed both at home and at work. Today, with more children being raised by working parents than ever before -- and with the leadership of President and Mrs. Clinton -- the issue of child care has been placed at the center of our national debate. And that's exactly where it should be. Quality child care isn't a luxury, it's a necessity. It not only gives parents peace of mind -- it gives children safe places to learn and to grow. And as Tipper mentioned earlier, our Family Conferences have highlighted the special role that after-school care plays in strengthening our children's future.

For parents whose workday ends long after school has let out, after-school care means the security of knowing that their children are in good hands, and not in harm's way. Every week, at least five million children spend time as latch-key kids. At best, they walk home alone, returning to empty houses. At worst, they end up on the streets, and in trouble. Children from 12 to 17 have the greatest risk of being involved with violent crime between the hours of 2:00 and 6:00 p.m. -- that vast wasteland of time after the school bell has rung for our children -- but before the work whistle has blown for their parents.

Of course, getting kids off the street corners and into quality after-school care is about more than just keeping them out of trouble. It's about giving them something to say "yes" to. We know that new economy requires our kids to learn more than ever before. But today, children spend less than 20% of their waking hours in school. With after-school programs, young people can expand their horizons of creativity, receive one-on-one mentoring and tutoring, learn about computers, and learn the skills they will need to compete and win in the 21st Century. It simply doesn't make sense to close down our schools every afternoon

when they can serve as sanctuaries of learning and centers of community all day long. Our schools -- at all levels -- are public institutions built with public investments. And we'll get a better return on that investment if we keep our school doors open and provide after-school programs for our children. After-school care must be a part of our effort to build up America's public schools, for the benefit of all Americans.

Today is a proud moment in our crusade to give all our children a better, brighter future. But this day would never have been possible without the leadership of President and Mrs. Clinton. For five years, I have seen them take on the tough issues and stand up for hard-working families. With a strong commitment and a clear vision, President and Mrs. Clinton are making affordable and accessible child care a reality for millions of Americans. Now it is my honor to introduce the President of the United States, America's first parent, Bill Clinton...

CHILD CARE: A CHALLENGE FOR AMERICA'S WORKING FAMILIES January 7, 1998

Millions of Americans, struggling to be both good parents and good workers, rely on child care and after-school programs for part of each day. As the White House Conference on Child Care showed, America's working families, more than ever, are pressed to find safe, affordable care for their children.

Millions of America's children are in child care. In 1995, of the approximately 21 million infants, toddlers, and preschool children under the age of six in the U.S., more than 12.9 million children were in child care. Forty-five percent of children under age one were in child care on a regular basis. [National Center for Education Statistics, U.S. Department of Education]

Children are in care for many hours each working day. In 1990, more than half of children under five with mothers in the workforce were in child care 35 hours or more each week. [National Child Care Survey, 1990]

Families struggle to afford child care. Working parents who rely on child care often have a hard time paying for it. In 1993, the average family with an employed mother and a child under five spent about \$74 per week for child care for all preschoolers in the family. [U.S. Department of Commerce, Bureau of the Census, 1997] Infant care is generally more expensive: in 1995, center-based care for infants averaged \$112 per week. [Cost, Quality and Child Outcomes in Child Care Centers, University of Colorado at Denver, 1995] For families with children between three and five, child care is the second or third greatest household expense. [U.S. Department of Commerce, Bureau of the Census, 1997]

In 1993, families with annual incomes under \$14,400 paying for child care for children under five years old spent 25 percent of their income on child care, compared with six percent for families with incomes of \$54,000 or more. [What Does it Cost to Mind Our Preschoolers?, U.S. Bureau of the Census, Current Pop. Reports, 1995]

Many children are in settings that are not healthy or safe and do not promote early learning and development. Recent studies have raised concerns about the quality of care:

- ▶ A four-state study of quality in child care centers found that only one in seven centers (14 percent) were rated good quality. [Cost, Quality and Child Outcomes in Child Care Centers, University of Colorado at Denver, 1995]
- ▶ According to another study, 13 percent of regulated and 50 percent of unregulated family child care providers offer care that is inadequate. [The Study of Children in Family Child Care and Relative Care, Families and Work Institute, 1994]
- ▶ In the words of one well-respected report, "Many children living in poverty receive child care that, at best, does not support their optimal development and, at worst, may compromise their health and safety." [New Findings on Children, Families, and Economic Self-Sufficiency, National Research Council, 1995]

The quality of child care matters. Research shows that when children are in better quality child care programs, they have stronger language, pre-mathematics, and social skills; better relationships with their teachers; and stronger self-esteem. In some instances, quality has even greater impact on children who are typically at-risk. [Cost, Quality, and Child Outcomes in Child Care Centers, University of Colorado, 1995]

After-school programs are in short supply. The Bureau of the Census estimates that in 1997 38.8 million children between the ages of five and 14 lived in the U.S., of whom 24 million had parents in the workforce or school. [1994 SIPP data from the Bureau of the Census] Experts estimate that nearly five million school-age children spend time as "latchkey kids" without adult supervision during a typical week. [National Institute for Out-of-School Time at Wellesley College]

Good after-school programs matter. Constructive activities for children and youth are critical to enhancing their development and keeping them out of trouble. Studies show that school-age children who are left alone after school are at greater risk of truancy, risk-taking behavior, substance abuse, poor grades, and stress. ["Characteristics of Eighth-Grade Students Who Initiate Self-Care in Elementary and Junior High School, Pediatrics, 1990] Youth between the ages of 12 and 17 are most likely to commit violent acts or be victims themselves between 2:00 pm and 6:00 pm. [OJJDP 1997]

Studies also indicate that children under adult supervision in a formal program during after-school hours show improved academic achievement and better attitudes toward school than their peers in self- or sibling-care. [Miller and Marx, 1990, in Supplement to the National Assessment of Chapter 1]

HS started in 1965 under Johnson, initially as
a small demo (\$85 M). Almost \$1 B spent
on HS during Johnson Admin.

Current HS spending = \$4.4 B in FY 1998

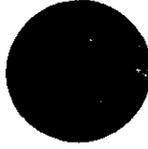
Total amount added to HS in balanced budget
agreement = ~~NAIVE~~ \$2.4 B (FY 98-2002)

Total amount added to HS with this
initiative = \$3.8 (FY 99-2003) (\$900 M of new \$ goes
to EHS)

With that amount, \$5.375 will be spent in 2002

Second largest CC investment was creation of
CCDBG in 1990.

Health-Medicare buy-in
and
Fam-child care policy -
general



1/8/98

NOTE TO: Rahm Emanuel
Bruce Reed
Gene Sperling
Chris Jennings

Could you let me know if you have thoughts/comments on the attached Q and A? I'm planning to use them as a supplement to your documents to brief Secretary Shalala for "Face the Nation" this weekend.

Our fax here is 690-5673.

Thanks.

Melissa Skolfield

Additional Q and As

Q: In a previous State of the Union address, the President said that "the era of big government is over." This year, he seems to be saying that "the era of big government is back." What do you say to critics warning that your Medicare and child care proposals are expansive new government programs?

A: They're wrong. First, let's remember that these initiatives are being proposed as part of the first balanced budget in 30 years -- at a time when the government work force is substantially smaller than it was when President Clinton took office. Within that context, we still ought to be responding to the real needs of our citizens. For working parents, it's child care. And for those approaching retirement age, it's access to health care. It's that simple.

Q: Senator Gramm has said of your Medicare proposal that "if your mother is on the Titanic and the Titanic is sinking, the last thing on Earth you want to be preoccupied with is getting more passengers on the Titanic." What is your response?

A: With all due respect, he just hasn't been paying attention. Thanks to President Clinton, legislation was enacted in 1993 to extend the life of the Medicare trust fund without a single Republican vote. Last year, Congress adopted our plan to extend the life of the trust fund for at least another decade. And the President has appointed a Medicare commission to recommend additional steps we can take.

But our proposal will not cost the Medicare trust fund one dime. It's a carefully targeted proposal that is designed to be self-financing.

Q: Senator Gramm has warned that your proposal will encourage more people to retire early, thus jeopardizing both the Medicare and Social Security trust funds. What is your response?

A: We don't think that will happen, for two reasons. First, the program is targeted to people who are most likely to already be out of the work force -- 62- to 65-year-old retirees, their spouses, and younger retirees who were promised health insurance by employers who later canceled it, for example. Second, the proposal requires that those who choose to take advantage of it pay the full cost, so there's no reason to think it would be more attractive than employer-sponsored health plans.

Q: Rep. Thomas and others are already saying that your Medicare proposal risks tax hikes or Medicare budget cuts to help pay for it, and those fears seem to be warranted. According to the New York Times, Gene Sperling and other unnamed Administration officials are already hinting that your Medicare proposal will not require those 55 to 65 to

pay the full premiums, so it really won't be self-financing. Can you really promise here today that you don't intend to subsidize the cost of health care for these people?

A: As we've said, our initiative is being proposed within the context of a balanced budget, and is designed to be self-financing over time. There will be costs in the first five years, and we've said that – but those upfront costs will be fully paid for by other offsets, such as savings from our efforts to reduce fraud and abuse.

Q: Isn't your child care initiative paid for with a tobacco tax? And if you're assuming that Congress will pass tobacco legislation, doesn't that make this child care initiative pretty tenuous?

A: As I've said, our budget proposal will make clear that our child care proposal can be fully paid for within the context of a balanced budget. Our budget will assume that Congress will pass tobacco legislation, and we believe they will. It is a top priority for the president, and it has bipartisan support.

Q: How much of this child care proposal is paid for by a tobacco tax? Which part?

A: Approximately one-third of the child care proposal is paid for with the revenue from tobacco legislation. We believe that is a realistic assumption. But again, let's not get hung up on the financing. As the President has said, every initiative in his budget submission, including this one, will be paid for within the context of a balanced budget. The budget we send to Congress will include a number of proposals to pay for new initiatives like this one – including tax proposals and other spending offsets. Many of our financing proposals will have bipartisan support. Child care has bipartisan support. Tobacco legislation has bipartisan support. We believe we're going to be able to work with Congress to pass this important child care initiative.

The President's Child Care Initiative

January 7, 1998

Internal Questions & Answers

1. What is the President announcing today?

President Clinton today announced an historic initiative to improve child care for America's working families. The President's FY 1999 budget will include **approximately \$20 billion over five years for child care, the largest single investment in child care in the nation's history**. President Clinton's initiative responds to the struggles our nation's working parents face in finding child care that they can afford, trust, and rely on. The President's proposal will help working families pay for child care, build the supply of good after-school programs, improve the safety and quality of care, and promote early learning.

- **Doubles the number of children receiving child care subsidies** to more than two million by the year 2003 by increasing funding for the Child Care and Development Block Grant by \$7.5 billion over 5 years.
- **Increases tax credits for three million working families to help them pay for child care** by investing \$5.2 billion over 5 years in the Child and Dependent Tax Credit. The President's proposal also provides a new tax credit for businesses that offer child care services for their employees.
- **Provides after-school care for 500,000 children per year** by expanding the 21st Century Community Learning Center program by \$1 billion over 5 years to provide funds to school-community partnerships to establish or expand programs for school-age children.
- **Improves child care safety and quality and enhances early childhood development** by establishing a new Early Learning Fund as well as supporting enforcement of state child care health and safety standards, providing scholarships to up to 50,000 child care providers per year, and investing in research and consumer education.

Child Care Block Grant Increase	\$7.5 billion over five years
Child and Dependent Tax Credit Reform	\$5.2 billion over five years
Tax Credit for Businesses	\$500 million over five years
After-School Program	\$1 billion over five years
Early Learning Fund	\$3 billion over five years
Head Start Increase	\$3.4 billion over five years
Standards Enforcement Fund	\$500 million over five years
Child Care Provider Scholarship Fund	\$250 million over five years
Research and Evaluation Fund	\$150 million over five years
TOTAL:	\$21.5 billion over five years

2. The President has been in office for five years. Why is he proposing a child care initiative now? Is this a new problem?

The child care initiative underscores President Clinton's commitment to strengthening America's families. As the President has said, child care is "the next great frontier if we're going to make sure all Americans can succeed at home and at work." (7/28/97) The initiative that the President announced today builds on the Earned Income Tax Credit, the Family Medical Leave Act, the Child Tax Credit, the new children's health insurance program, and a host of other legislation the President has fought for to help American families.

The initiative also builds on President Clinton's continuing efforts to improve and increase funding for child care. Under President Clinton, federal funding for child care has increased by 70%, helping parents pay for the care of about one million children. The 1996 welfare reform law increased child care funding by \$4 billion over six years to provide child care assistance to low-income working families moving from welfare to work.

3. How are you going to pay for this big package?

The President's budget carefully pays for each and every element of his child care initiative. The package is funded in a variety of ways -- some on the mandatory and others on the discretionary side of the budget. The offsets for the mandatory items include -- but are not limited to -- expected revenues from a national tobacco settlement, which the President hopes and believes Congress will pass this year.

4. Since much of the funding of this proposal is based on the tobacco settlement, aren't you counting your chickens before they've hatched? What will you do if the tobacco settlement does not go through?

First, the initiative is paid for in a number of ways -- only one part comes from tobacco revenues. Second, and more important, we believe that a national tobacco settlement will pass. The President strongly supports legislation consistent with his principles, and many Republicans and Democrats alike are working vigorously to craft comprehensive legislation. Of course, no offset proposed in a budget is guaranteed; the Congress can reject any proposed way of financing a program. If Congress does not pass comprehensive tobacco legislation, we will work with Congress to find other offsets. This is a high Administration priority, and we will find an effective funding mechanism.

5. Aren't you just creating a new federal bureaucracy?

The President's child care initiative creates no new federal bureaucracy. Rather, it relies on states and communities to decide for themselves how best to address the child care challenges they face. Indeed, the funds for each major initiative flow either to states or communities, or

in the case of tax credits, to individuals themselves.

6. The White House Conference on Early Learning and Development highlighted the crucial development that takes place in the first years of a child's life. Given that the best caregiver is a parent, what are you doing to help parents stay at home with their children during this important time?

The program announced today is primarily oriented toward families where both caregivers go to work, usually for reasons of financial necessity. It is designed to ensure that children in these families receive quality care even though their parents are in the workforce.

The President believes strongly, however, that we should support parents who can and choose to stay home. Today's announcement also includes two proposals that will help these parents stay at home. First, the Administration will support demonstration projects in states and communities to test policies to help new parents who choose to stay home to care for their newborns or newly adopted children. Second, the President's Early Learning Fund supports parents who stay at home by supporting home visits and parent education.

These initiatives build on President Clinton's record of providing real choices and opportunities for parents. He has fought for: a \$500 per child tax credit for families with children; the Earned Income Tax Credit that gives 15 million working families tax relief; health insurance for children; increases in the minimum wage; and the Family and Medical Leave Act. President Clinton is committed to helping parents make the choices that are right for their families, whether that means working or staying home to care for their children.

7. What role did the First Lady have in developing this initiative?

The First Lady has been a strong voice for children and families for over twenty-five years and continues to work on these issues. Mrs. Clinton played an important role in developing the White House Conference on Early Learning and Development and the White House Conference on Child Care. During the policy development process for the child care initiative, the President looked to the First Lady for her advice and expertise on the problems with the child care system and on possible solutions.

8. How do you expect to get Republican support for this initiative?

Child care traditionally has been a bipartisan issue. In fact, two of the central elements of the President's child care initiative were strongly supported by previous Republican Presidents and Members of Congress. Both Presidents Reagan and Bush supported the expansion of the Child and Dependent Care Tax Credit, and President Bush supported the creation of the Child Care and Development Block Grant.

Many Members of the House and Senate from both sides of the aisle have shown a commitment to taking action by introducing legislation that would improve the quality of

child care, make it more affordable, and promote early learning. We look forward to working with them to pass significant child care legislation this year.

TAX CREDITS

9. Today, the Child and Dependent Care Tax Credit (CDCTC) favors middle-income taxpayers and offers less relief to lower-income taxpayers. Wouldn't it be more fair to make the CDCTC refundable?

The President's proposed expansion of the CDCTC would wipe out tax liability for most families with incomes under 200% of poverty (e.g., \$35,000 for a family of four) who have the maximum allowable child care expenses. In addition, the President's proposal significantly expands the Child Care and Development Block Grant, which is an effective mechanism to help low-income working families with child care costs. The two proposals together offer significant relief to both low- and middle-income parents.

10. Wouldn't eliminating the marriage penalty help millions of working families with children? Why aren't you supporting eliminating the penalty as part of your child care initiative?

The Administration believes that proposals currently on the table to eliminate the marriage penalty are prohibitively expensive in the context of a balanced budget. The President chose instead to provide targeted tax cuts to assist American families struggling to meet child care costs. These tax cuts will help more than three million families to pay for high-quality child care.

Helping working families, especially those with children, has been the centerpiece of the President's agenda on tax cuts. In 1993, the President expanded the Earned Income Tax Credit to give the average recipient with two children more than \$1,000 in tax relief. In 1997, the President signed into law a \$500 per child tax credit that will help 27 million families meet the costs of raising their children. In addition, his \$1,500 HOPE Scholarship Tax Credit and Lifelong Learning Tuition Tax Credit will help nearly 13 million students meet the costs of college and higher education. The President will continue to focus tax and overall economic policy on helping working families.

11. Won't the employer credit for child care expenses that the President is proposing create a windfall for companies already operating child care centers or otherwise subsidizing employee child care?

Very few for-profit employers are currently making child care services available to their employees. The credit will provide a real incentive to employers to create new employee child care programs. Also, for those employers who already have a child care program, the credit will help support expansion of services.

SUBSIDIES

12. Why are you expanding the Child Care and Development Block Grant (CCDBG) when states aren't using all of their child care subsidy money now?

In fact, we are very encouraged by state reports which show they have obligated over 99% of the child care fund available under the new welfare law for FY 1997. This demonstrates the tremendous need states have for child care, and President Clinton has continued to urge states to invest their dollars into helping these working families. But let's be clear—this current initiative is not aimed at mothers on welfare. It's aimed at working parents who desperately need this assistance. For example, working families with annual incomes under \$14,400 that pay for care for children under five spend 25% of their income on child care -- and even then it's difficult finding accessible, quality care.

13. According to some news stories, states have big surpluses which they could spend on child care. Rep. Clay Shaw recently issued a report saying that states have significant and growing surplus federal welfare dollars. The report also said that given the surpluses and the increase in child care funding under the new welfare law, there isn't a need now for more child care money. Why are you proposing to add to CCDBG?

The Administration is very pleased that a strong economy and state welfare reform efforts have helped families move from welfare to work. But let's be clear—this initiative is not aimed at mothers on welfare. It's aimed at working parents. For example, working families with annual incomes under \$14,400 that pay for care for children under five spend 25% of their income on child care. Currently, we're serving only a small percentage of eligible children from working families: there are approximately 10 million children who are eligible for federal child care assistance, but we are able to serve only over a million of these children.

For America's working families to succeed in the workplace, they need quality choices in affordable and accessible child care. The President's initiative, with its combination of increased subsidies for low-income families and tax credits for moderate- and middle-income families, will provide working parents the opportunity to remain self-sufficient and succeed both at home and at work.

14. When the President signed the welfare bill, he claimed that the big increase in CCDBG would make welfare reform work. Now that he is proposing adding to it, is he admitting that his previous child care efforts were not sufficient?

No. The President fought to spend \$4 billion more on child care in welfare reform legislation to help mothers on welfare go to work, and he continues to believe that child care is a critical component of welfare reform. However, low-income parents who have never been on

welfare are also struggling to afford child care, and *all* working families want their children to be in safe, healthy settings where they can learn and grow. These initiatives address the concerns and needs of *all* working families in this country. In particular, expansion of the block grant will enable many states to provide subsidies for the first time to the non-welfare working poor.

15. In order to keep up with the additional need for child care under welfare reform, aren't states creating new slots at the expense of quality? What protection do you have against states just increasing slots without regard to quality if you simply increase the block grant?

The President believes that we must make child care more affordable as well as improve quality because he believes that both are important. That is why his child care initiative includes investments in both, and that is why the President fought hard during the welfare debate to preserve 4% of funding through the child care block grant for state investments in quality.

QUALITY

16. What does the Early Learning Fund actually do? How will you measure results?

Recent scientific research has demonstrated that experiences during the earliest years of life - before children reach school age -- are critical to their cognitive, emotional, and physical development. Nurturing and stimulating children in the first years of life help their brains develop and prepare them for the challenges of school and later life. We also know that too much child care for infants and toddlers is inadequate: one respected study found that 13% of regulated and 50% of unregulated family child care providers offer care that is inadequate for children ages zero to three. President Clinton's proposed Early Learning Fund is designed to improve early learning and development for our youngest children; to ensure health and safety in child care; and to support parents as they raise their children.

The President's Early Learning Fund builds on state initiatives such as North Carolina's Smart Start, which helps North Carolina's children enter school healthy and ready to succeed. Smart Start funds a broad variety of local efforts, including improving staff-to-child ratios, health linkages that have raised immunization rates, and parent education and mentoring programs to give new parents support.

17. How is the Early Learning Fund different from Early Head Start?

Early Head Start is a relatively small program that reaches only certain poor families. The new initiative will promote early learning and provide parent support and education to parents at a wider range of income levels. The Early Learning Fund also differs from Head Start and Early Head Start because it targets support to communities that have developed innovative approaches to foster early learning and meet the child care needs of families.

18. Wasn't the President already committed to serving one million children by 2002? What's new in this Head Start initiative?

The President's child care initiative proposes an additional \$1 billion targeted to Early Head Start to double the number of infants and toddlers served, in addition to his commitment to reauthorize all of Head Start to reach one million children by 2002. The total cost is \$3.4 billion.

19. Much of the research the White House has highlighted tells us what we need to do to ensure healthy child development. Given that these practices are the same everywhere, why have you not proposed national standards?

We do know what works. As we learned at the White House Conference on Child Care, safe facilities, ongoing guidance from health professionals, and child care providers who are well trained and adequately compensated result in quality care. However, we also learned at the conference that many states have good quality standards, but do not have the resources to fund enforcement of those standards. The President's Standards Enforcement Fund will help states improve licensing, enforce standards, and increase unannounced inspections of child care settings. In addition, particularly when it comes to the youngest children, different states face different challenges in their child care systems. That is why the President's Early Learning Fund gives states a menu of allowable activities to promote early learning and development so that states can concentrate on those areas where they are falling behind. In this way, the quality of care will improve across the country.

20. At the White House Conference on Child Care, you championed the National Crime Prevention and Privacy Compact. What happened to the Compact?

The National Crime Prevention and Privacy Compact has been transmitted to Congress. The Compact is an important part of the President's child care initiative, and the President will push for its passage when Congress returns.

21. Won't the scholarship fund raise the wages of child care workers, and in turn, increase the cost of child care and make it unaffordable for many families?

This proposal is modeled after North Carolina's T.E.A.C.H. program; North Carolina has not seen higher costs since it put T.E.A.C.H. in place. Because child care workers are likely to stay in their jobs longer if they are trained and better compensated, any additional costs of increased wages will be offset to some extent by savings associated with reduced staff turnover.

22. If you are proposing a huge increase in federal research of child care issues, shouldn't you wait to make policy based on what you learn from the research?

While there is much we don't know about our child care system, we do know enough to act. Child care is a pressing problem in America: 45% percent of all children under the age of one are in child care on a regular basis; much of this is inadequate; and families with annual incomes under \$14,400 that pay for care for children under five spend about 25% of their income on child care. We cannot afford to wait to improve the quality of care these children receive.

AFTER- SCHOOL PROGRAMS

23. Your after-school proposal requires programs to be run in the schools. What do you do for those children in communities where the school will not or cannot provide an after-school program?

While a major purpose of the 21st Century Learning Centers Program is to make use of underutilized school facilities, the program includes a set aside to fund programs run by community groups. In addition, the President's FY 1999 budget includes \$95 million for after school and other prevention programs administered by the Department of Justice. Innovative programs that are run by community groups in museums, recreation centers or other places outside schools may receive funding from this after-school initiative.

GENERAL

24. Much attention has been given to the au pair system since nineteen year old Louise Woodward was tried for killing a baby in her care. What are you doing to reform the au pair system?

The U.S. Information Agency (the agency that runs the au pair program) announced in September updated regulations on the screening and placement of au pairs. Under the new regulations: au pairs who care for children under two years old must have 200 or more documented hours of infant-care experience; au pair training will include 24 hours of child-development instruction; au pairs will be limited to working 10 hours a day and 45 hours a week; their pay will be increased from \$115 to \$139 a week; and the screening and selection process will be improved.

25. What are the child care options for parents who work at the White House?

Employees of the Executive Office of the President (EOP) can enroll their children in the nearby U.S. Kids Child Development Center, a center accredited by the independent National Association for the Education of Young Children. Additionally, White House parents may enroll their children in any of the 27 other Federal child care centers in the greater Washington, D.C. area.

26. What is the child care system for federal employees?

There are more than 230 child care centers for civilian government employees in federal buildings in as many as 36 states, including 108 centers overseen by the General Services Administration (GSA). Seventy-three percent of GSA sponsored centers are accredited by the independent National Association for Education of Young Children, and GSA is working to reach 100% accreditation within two years. Striving to meet the needs of parent workers, 89% of GSA centers have infant care, 74% have drop-in/emergency care, and 42% provide summer programs for school-aged children. In addition, more than 80% of centers are open 11 or more hours per day. Notably, nearly 70% of the child care center directors have ten or more years of experience in early childhood education.

27. Apparently many low-income federal employees cannot afford the federal child care system. What are you doing to help them?

The federal government, like the private sector, still faces challenges in providing affordable care to lower paid employees. GSA has studied this problem intensively this year and has released a report to Congress outlining a plan to increase revenues and enrollment, reduce operating costs, and expand the availability of tuition assistance for parents who can't afford to pay full fees.

28. You have touted the military's child care system as a model for the nation. Isn't it good because they spend so much?

While the military does invest significant resources into their child care system, they also set and enforce high quality standards (including through unannounced inspections), support family day care networks, offer a strong resource and referral system, and provide a wide variety of care options, all of which increase quality without large investments.

The Department of Defense's Child Care System serves over 200,000 children daily (age zero to 12), making it the largest employer-sponsored child care program in the nation. Through this system, the military offers full-day, part-day, and hourly child care, part-day preschools, before- and after-school programs for school age children, and extended hour care. Because of the Department of Defense's commitment to excellence in child care, since 1992, the number of military child care facilities that are accredited by the independent National Association for the Education of Young Children has risen from 55 to 353. Currently, over 75% of military child care programs are accredited, as compared to only 7% of other child care facilities nationwide.

29. Washington D.C.'s child care system is in crisis. What are you doing to improve the child care system in this city?

Administration officials, concerned over the state of child care in the District, have met with D.C. officials on several occasions to discuss ways to improve the quality of care the children who live in the District receive. A working group including major stakeholders -- the Department of Health and Human Services, the Office of Management and Budget, the office

of the Mayor, the D.C. Council, the Control Board, and other city agencies have forged a partnership to improve the quality of child care services in the District. The District's Department of Consumer and Regulatory Affairs has issued a draft Strategic Plan to improve child care quality.

In addition, the President will include D.C. as one of three to five pilot cities involved in an interagency effort to eliminate duplication and better coordinate federal funding streams for after-school programs.

Final
Child
Care
Paper

January 6, 1998

ANNOUNCEMENT OF CHILD CARE INITIATIVE

DATE: January 7, 1998
LOCATION: East Room
TIME: 2:30 p.m.
FROM: Bruce Reed
Melanne Verveer
Elena Kagan

I. PURPOSE

To announce the child care initiative in your FY 1999 budget and highlight your commitment to helping American families succeed at home and at work.

II. BACKGROUND

Your child care initiative of about \$20 billion over five years is the largest single child care investment in our nation's history. The initiative will help working families afford child care, improve the safety and quality of child care, promote early learning, and build the supply of good after-school programs.

At the White House Conferences on Early Childhood Development and on Child Care, you and the First Lady called together parents, experts, and advocates to discuss the importance of the earliest years of life and the challenge of ensuring that children get the care they need in those critical years and beyond. This initiative responds to what you heard at those conferences -- that America's working families, more than ever, are pressed to find safe, affordable care for their children. The child care initiative also builds on your record of providing opportunity to American families that includes: significant expansions of the Earned Income Tax Credit; an increase in the minimum wage; welfare reform; the Family and Medical Leave Act; children's health insurance; and the \$500 per child tax credit.

The child care initiative will:

- Double the number of children receiving child care subsidies to more than two million by the year 2003 by increasing the Child Care and Development Block Grant by \$7.5 billion over five years.
- Help three million working families pay for child care by increasing their tax credits under the Child and Dependent Tax Credit (estimated at \$5.2 billion over five years).

- Provide a new tax credit for businesses that provide child care services for their employees (estimated at \$500 million over five years).
- Establish an Early Learning Fund to provide grants to communities to promote early childhood development and improve child care quality for young children, with an investment of \$3 billion over five years.
- Provide after-school care for 500,000 children per year by expanding the 21st Century Community Learning Center program, which provides start-up funds to school-community partnerships to establish or expand before- and after-school programs for school-age children, through an investment of \$1 billion over five years.
- Step up enforcement of state child care health and safety standards by establishing a Standards Enforcement Fund for state efforts to improve licensing systems and enforce standards, including by increasing unannounced inspections of child care settings, with an investment of \$500 million over five years.
- Promote training of child care providers by establishing a Child Care Scholarship Fund to support 50,000 scholarships per year, with an investment of \$250 million over five years.
- Invest in research by establishing a Research and Evaluation Fund to increase support for data, research, and evaluation in child care, as well as finance a child care hotline for parents and a National Center on Child Care Statistics, with an investment of \$150 million over five years.
- Increase Head Start to serve one million children by 2002 and double the number of children served by Early Head Start with an increased investment of \$3.4 billion over five years.

Child and Dependent Tax Credit Reform	\$5.2 billion over five years
Tax Credit for Businesses	\$500 million over five years
Child Care Block Grant Increase	\$7.5 billion over five years
Standards Enforcement Fund	\$500 million over five years
Early Learning Fund	\$3 billion over five years
Head Start Increase	\$3.4 billion over five years
Child Care Provider Scholarship Fund	\$250 million over five years
Research and Evaluation Fund	\$150 million over five years
21st Century Learning Center Program	\$1 billion over five years
TOTAL:	\$21.5 billion over five years

III. PARTICIPANTS

Briefing Participants:

Secretaries Shalala, Riley and Rubin, Bruce Reed, Gene Sperling, Melanne Vermeer, Ron Klain, Elena Kagan, Susan Liss, Jennifer Klein, June Shih

Meet and Greet Participants:

Members of Congress (subject to change):

Senator Mary Landrieu
Representative Rosa L. DeLauro (D-CT)
Representative Ellen O. Tauscher (D-CA)
Representative Eleanor Holmes Norton (D-DC)
Representative Marge Roukema (R-NJ)
Representative Constance A. Morella (R-MD)
Representative James P. Moran (D-VA)
Representative Barbara B. Kennelly (C-CT)
Representative Patrick Kennedy (D-RI)
Representative Robert A. Weygand (D-RI)

Other Elected Officials:

Governor Lincoln Almond (R-RI)
State Senator Pat Piper (D-MN)
State Representative Jane Maroney (R-DE)
County Commissioner Jane Campbell (D-OH)
County Commissioner Jane Hague (R-WA)
County Councilmember Marilyn Praisner (D-MD)

Children and Families:

Bridie Eckenrode and daughter Sandy Eckenrode (8 years old)
Mark Dalton and daughter Hilary Dalton (6 years old)
Gary Dikeos and son Darien Dikeos (5 years old)
Beverly Lancaster-Hyde and daughter Camille Hyde (4 years old)
Sally D'Italia and daughter Sarah (15 years old)
Tanya Sanders and daughter Tia (15 years old)
Mary Anne Carter and son Matthew Lundy (5 years old)
Binnie Harris and son Juan Gary Jr. (4 years old)
Leslie Bermudez and daughter Vivianna (7 years old)
Marcus Wilkins and daughter Rebecca (8 years old)
Yvonne Reyes and son Mulawin Diwa Reyes-Lozada (4 years old)

Event Participants:

The President
The Vice President
The First Lady
Mrs. Gore

Cabinet Members Attending:

Secretaries Shalala, Rubin, Riley, Slater, and Administrator Barram

Audience:

Approximately 160 leaders in the child care community, including experts and advocates (see attached list). Most were also present for the White House Conference on Child Care.

IV. PRESS PLAN

Open Press.

V. SEQUENCE OF EVENTS

- YOU will proceed to the Red Room for a briefing.
- YOU will proceed to the Blue Room to meet with elected officials and Members of Congress.
- YOU will meet with children and their parents in the Blue Room.
- YOU, the First Lady, the Vice President, and Mrs. Gore will proceed to the East Room, accompanied by children.
- YOU, the First Lady, the Vice President, and Mrs. Gore will proceed to stage.
- YOU, the First Lady, and the Vice President will be seated on stage.
- Mrs. Gore will make opening remarks and introduce the First Lady.
- The First Lady will make remarks and introduce the Vice President.
- The Vice President will make remarks and introduce YOU.
- YOU will make remarks.
- YOU, the First Lady, the Vice President, and Mrs. Gore will depart.

CHILD CARE: A CHALLENGE FOR AMERICA'S WORKING FAMILIES

January 7, 1998

Millions of Americans, struggling to be both good parents and good workers, rely on child care and after-school programs for part of each day. As the White House Conference on Child Care showed, America's working families, more than ever, are pressed to find safe, affordable care for their children.

Millions of America's children are in child care. In 1995, of the approximately 21 million infants, toddlers, and preschool children under the age of six in the U.S., more than 12.9 million children were in child care. Forty-five percent of children under age one were in child care on a regular basis. [National Center for Education Statistics, U.S. Department of Education]

Children are in care for many hours each working day. In 1990, more than half of children under five with mothers in the workforce were in child care 35 hours or more each week. [National Child Care Survey, 1990]

Families struggle to afford child care. Working parents who rely on child care often have a hard time paying for it. In 1993, the average family with an employed mother and a child under five spent about \$74 per week for child care for all preschoolers in the family. [U.S. Department of Commerce, Bureau of the Census, 1997] Infant care is generally more expensive: in 1995, center-based care for infants averaged \$112 per week. [Cost, Quality and Child Outcomes in Child Care Centers, University of Colorado at Denver, 1995] For families with children between three and five, child care is the second or third greatest household expense. [U.S. Department of Commerce, Bureau of the Census, 1997]

In 1993, families with annual incomes under \$14,400 paying for child care for children under five years old spent 25 percent of their income on child care, compared with six percent for families with incomes of \$54,000 or more. [What Does it Cost to Mind Our Preschoolers?, U.S. Bureau of the Census, Current Pop. Reports, 1995]

Many children are in settings that are not healthy or safe and do not promote early learning and development. Recent studies have raised concerns about the quality of care:

- ▶ A four-state study of quality in child care centers found that only one in seven centers (14 percent) were rated good quality. [Cost, Quality and Child Outcomes in Child Care Centers, University of Colorado at Denver, 1995]
- ▶ According to another study, 13 percent of regulated and 50 percent of unregulated family child care providers offer care that is inadequate. [The Study of Children in Family Child Care and Relative Care, Families and Work Institute, 1994]
- ▶ In the words of one well-respected report, "Many children living in poverty receive child care that, at best, does not support their optimal development and, at worst, may compromise their health and safety." [New Findings on Children, Families, and Economic Self-Sufficiency, National Research Council, 1995]

The quality of child care matters. Research shows that when children are in better quality child care programs, they have stronger language, pre-mathematics, and social skills; better relationships with their teachers; and stronger self-esteem. In some instances, quality has even greater impact on children who are typically at-risk. [Cost, Quality, and Child Outcomes in Child Care Centers, University of Colorado, 1995]

After-school programs are in short supply. The Bureau of the Census estimates that in 1997 38.8 million children between the ages of five and 14 lived in the U.S., of whom 24 million had parents in the workforce or school. [1994 SIPP data from the Bureau of the Census] Experts estimate that nearly five million school-age children spend time as "latchkey kids" without adult supervision during a typical week. [National Institute for Out-of-School Time at Wellesley College]

Good after-school programs matter. Constructive activities for children and youth are critical to enhancing their development and keeping them out of trouble. Studies show that school-age children who are left alone after school are at greater risk of truancy, risk-taking behavior, substance abuse, poor grades, and stress. ["Characteristics of Eighth-Grade Students Who Initiate Self-Care in Elementary and Junior High School, Pediatrics, 1990] Youth between the ages of 12 and 17 are most likely to commit violent acts or be victims themselves between 2:00 pm and 6:00 pm. [OJJDP 1997]

Studies also indicate that children under adult supervision in a formal program during after-school hours show improved academic achievement and better attitudes toward school than their peers in self- or sibling-care. [Miller and Marx, 1990, in Supplement to the National Assessment of Chapter 1]

PRESIDENT CLINTON ANNOUNCES CHILD CARE INITIATIVE

January 7, 1998

President Clinton today announced an historic initiative to improve child care for America's working families. The President's FY 1999 budget will include **approximately \$20 billion over five years for child care, the largest single investment in child care in the nation's history.** President Clinton's initiative responds to the struggles our nation's working parents face in finding child care that they can afford, trust, and rely on. The President's proposal will help working families pay for child care, build the supply of good after-school programs, improve the safety and quality of care, and promote early learning.

- **Doubles the number of children receiving child care subsidies** to more than two million by the year 2003 by increasing funding for the Child Care and Development Block Grant by \$7.5 billion over 5 years.
- **Increases tax credits for three million working families to help them pay for child care** by investing \$5.2 billion over 5 years in the Child and Dependent Tax Credit. The President's proposal also provides a new tax credit for businesses that offer child care services for their employees.
- **Provides after-school care for up to half a million children per year** by expanding the 21st Century Community Learning Center program by \$800 million over 5 years to provide funds to school-community partnerships to establish or expand programs for school-age children.
- **Improves child care safety and quality and enhances early childhood development** by establishing a new Early Learning Fund as well as supporting enforcement of state child care health and safety standards, providing scholarships to up to 50,000 child care providers per year, and investing in research and consumer education.

Child Care Block Grant Increase	\$7.5 billion over five years
Child and Dependent Tax Credit Reform	\$5.2 billion over five years
Tax Credit for Businesses	\$500 million over five years
After-School Program	\$800 million over five years
Early Learning Fund	\$3 billion over five years
Head Start Increase	\$3.8 billion over five years
Standards Enforcement Fund	\$500 million over five years
Child Care Provider Scholarship Fund	\$250 million over five years
Research and Evaluation Fund	\$150 million over five years
TOTAL:	\$21.7 billion over five years

MAKES CHILD CARE MORE AFFORDABLE FOR WORKING FAMILIES

Doubles the Number of Children Receiving Child Care Subsidies to More than Two Million. The President proposes to expand the Child Care and Development Block Grant to help working families struggling to meet the costs of child care. This block grant is the primary federal subsidy program to pay for child care, enabling low-income parents to work. Funds are distributed by formula to the states to operate direct child care subsidy programs, as well as to improve the quality and availability of care. The President's initiative will more than double the number of children served from the one million served in FY 95 (the latest year for which data are available). The President's budget will increase funding for the block grant by \$7.5 billion (with a match) over five years, which will enable states to provide subsidies for more than two million children by 2003.

Increases Tax Credits for Child Care for Three Million Working Families. The Child and Dependent Tax Credit 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 credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. The President's proposal increases the credit for families earning under \$60,000, providing an additional average tax cut of \$358 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty (\$35,000 for a family of four) that take the maximum allowable child care expenses under the law. The President's budget will include \$5.2 billion over five years to expand the Child and Dependent Care Tax Credit for three million working families.

Provides New Business Tax Credits. The child care initiative includes a tax credit to businesses that provide child care services for their employees, by building or expanding child care facilities, operating existing facilities, training child care workers, reserving slots for employees at child care facilities, or providing child care resource and referral services to employees. The credit covers 25% of qualified costs, but may not exceed \$150,000 per year. The President's budget will include approximately \$500 million over five years for these tax credits.

PROMOTES EARLY LEARNING AND HEALTHY CHILD DEVELOPMENT

Promotes Early Learning. Research shows that children's experiences in the earliest years are critical to their development and future success. The President's proposed Early Learning Fund provides challenge grants to communities (distributed by states) to support programs to improve early learning and the quality and safety of child care for children ages zero to five. Funds may be used for the following activities: providing basic training to child care providers (including first aid and CPR); connecting individual child care providers to centers for education and support; assisting child care providers to meet accreditation and licensing requirements; linking child care providers with health professionals; reducing group sizes and

child-to-staff ratios; and providing home visits, parent education, and consumer education about child care. The President's Early Learning Fund builds on state initiatives such as North Carolina's Smart Start, which helps North Carolina's children enter school healthy and ready to succeed. Smart Start funds a broad variety of local efforts, including improving staff-to-child ratios, health linkages that have raised immunization rates, and parent education and mentoring programs to give new parents support. The President's budget will include \$3 billion over five years for this fund.

Increases Investment in Head Start and Doubles the Number of Children Served by Early Head Start. Head Start provides early, continuous and comprehensive child development and family support services, preparing children for a lifetime of learning and development. The President is committed to reauthorize Head Start and reach one million children by 2002. The President's budget will invest \$3.8 billion over five years to keep on track his commitment to serving one million children by 2002, and to double the number of infants and toddlers in Early Head Start to 80,000.

IMPROVES THE QUALITY OF CHILD CARE

Steps Up Enforcement of State Health and Safety Standards. Building on the military's model child care program, this proposed initiative will fund state efforts to improve licensing systems and enforce child care health and safety standards, including by increasing unannounced inspections of child care settings. The President's budget will include \$500 million over five years for this program.

Facilitates Background Checks on Child Care Providers. On the day of the White House Conference on Child Care, the President transmitted to Congress the National Crime Prevention and Privacy Compact, which will facilitate effective background checks on child care providers by eliminating state law barriers to sharing criminal history information for non-criminal purposes. Although the vast majority of child care providers are dedicated to the teaching and nurturing of children, one tragedy in child care is too many. Background checks are an important way to ensure that the people watching our children are fit for this responsibility.

Increases Scholarships and Training for Child Care Providers. At the White House Conference on Child Care, the President proposed establishing a 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. The President proposed a federal investment of \$250 million over five years, which will support 50,000 scholarships per year. The President is also proposing to expand the Department of Labor's Child Care Apprenticeship Program to fund the training of child care providers.

Invests in Research. Because too little is known about our child care system, the President's budget will increase support for data, research, and evaluation. This research fund will also support a National Center on Child Care Statistics and a child care hotline that parents can

call to get information about how to find child care in their communities and how to identify appropriate, quality care for their children. In addition, the research fund will support demonstration projects to test approaches to help new parents who choose to stay home to care for their newborns or newly adopted children. The President's budget will include \$150 million over five years for this fund.

EXPANDS AND STREAMLINES AFTER-SCHOOL CARE

An estimated five million school-age children spend time as “latchkey kids” without adult supervision during a typical week. Research indicates that during these unsupervised hours children are more likely to engage in at-risk behavior, such as crime, drugs, and alcohol use. To meet this pressing demand, the President is proposing a dramatic expansion of after-school care.

Provides After-School Care for up to Half a Million Children a Year. The President proposes a dramatic expansion of the 21st Century Community Learning Center Program to provide start-up funds (with a local match) to school-community partnerships to establish or expand before- and after-school programs for school-age children. The program increases the supply of after-school care in a cost-effective manner primarily by funding programs that use public schools and their existing resources, such as computers, gymnasiums, and sports equipment. The program also includes a set aside to fund programs run by community organizations. The President's budget will request \$800 million of entirely new money for this program, for a total of \$1 billion over five years.

Improves Coordination of Federal After-School Initiatives to Help Communities Make Best Use of Existing Resources. The President will put in place a collaborative effort involving numerous federal agencies to eliminate duplication and better coordinate federal funding for after-school programs in three to five pilot cities, including the District of Columbia.

The President's Child Care Initiative

January 7, 1998

Internal Questions & Answers

1. What is the President announcing today?

President Clinton today announced an historic initiative to improve child care for America's working families. The President's FY 1999 budget will include **approximately \$20 billion over five years for child care, the largest single investment in child care in the nation's history.** President Clinton's initiative responds to the struggles our nation's working parents face in finding child care that they can afford, trust, and rely on. The President's proposal will help working families pay for child care, build the supply of good after-school programs, improve the safety and quality of care, and promote early learning.

- **Doubles the number of children receiving child care subsidies** to more than two million by the year 2003 by increasing funding for the Child Care and Development Block Grant by \$7.5 billion over 5 years.
- **Increases tax credits for three million working families to help them pay for child care** by investing \$5.2 billion over 5 years in the Child and Dependent Tax Credit. The President's proposal also provides a new tax credit for businesses that offer child care services for their employees.
- **Provides after-school care for 500,000 children per year** by expanding the 21st Century Community Learning Center program by \$800 million over 5 years to provide funds to school-community partnerships to establish or expand programs for school-age children.
- **Improves child care safety and quality and enhances early childhood development** by establishing a new Early Learning Fund as well as supporting enforcement of state child care health and safety standards, providing scholarships to up to 50,000 child care providers per year, and investing in research and consumer education.

Child Care Block Grant Increase	\$7.5 billion over five years
Child and Dependent Tax Credit Reform	\$5.2 billion over five years
Tax Credit for Businesses	\$500 million over five years
After-School Program	\$800 million over five years
Early Learning Fund	\$3 billion over five years
Head Start Increase	\$3.8 billion over five years
Standards Enforcement Fund	\$500 million over five years
Child Care Provider Scholarship Fund	\$250 million over five years
Research and Evaluation Fund	\$150 million over five years
TOTAL:	\$21.7 billion over five years

2. The President has been in office for five years. Why is he proposing a child care initiative now? Is this a new problem?

The child care initiative underscores President Clinton's commitment to strengthening America's families. As the President has said, child care is "the next great frontier if we're going to make sure all Americans can succeed at home and at work." (7/28/97) The initiative that the President announced today builds on the Earned Income Tax Credit, the Family Medical Leave Act, the Child Tax Credit, the new children's health insurance program, and a host of other legislation the President has fought for to help American families.

The initiative also builds on President Clinton's continuing efforts to improve and increase funding for child care. Under President Clinton, federal funding for child care has increased by 70%, helping parents pay for the care of about one million children. The 1996 welfare reform law increased child care funding by \$4 billion over six years to provide child care assistance to low-income working families moving from welfare to work.

3. How are you going to pay for this big package?

The President's budget carefully pays for each and every element of his child care initiative. The package is funded in a variety of ways -- some on the mandatory and others on the discretionary side of the budget. The offsets for the mandatory items include -- but are not limited to -- expected revenues from a national tobacco settlement, which the President hopes and believes Congress will pass this year.

4. Since much of the funding of this proposal is based on the tobacco settlement, aren't you counting your chickens before they've hatched? What will you do if the tobacco settlement does not go through?

First, the initiative is paid for in a number of ways -- only one part comes from tobacco revenues. Second, and more important, we believe that a national tobacco settlement will pass. The President strongly supports legislation consistent with his principles, and many Republicans and Democrats alike are working vigorously to craft comprehensive legislation. Of course, no offset proposed in a budget is guaranteed; the Congress can reject any proposed way of financing a program. If Congress does not pass comprehensive tobacco legislation, we will work with Congress to find other offsets. This is a high Administration priority, and we will find an effective funding mechanism.

5. Aren't you just creating a new federal bureaucracy?

The President's child care initiative creates no new federal bureaucracy. Rather, it relies on states and communities to decide for themselves how best to address the child care challenges they face. Indeed, the funds for each major initiative flow either to states or communities, or

in the case of tax credits, to individuals themselves.

6. The White House Conference on Early Learning and Development highlighted the crucial development that takes place in the first years of a child's life. Given that the best caregiver is a parent, what are you doing to help parents stay at home with their children during this important time?

The program announced today is primarily oriented toward families where both caregivers go to work, usually for reasons of financial necessity. It is designed to ensure that children in these families receive quality care even though their parents are in the workforce.

The President believes strongly, however, that we should support parents who can and choose to stay home. Today's announcement also includes two proposals that will help these parents stay at home. First, the Administration will support demonstration projects in states and communities to test policies to help new parents who choose to stay home to care for their newborns or newly adopted children. Second, the President's Early Learning Fund supports parents who stay at home by supporting home visits and parent education.

These initiatives build on President Clinton's record of providing real choices and opportunities for parents. He has fought for: a \$500 per child tax credit for families with children; the Earned Income Tax Credit that gives 15 million working families tax relief; health insurance for children; increases in the minimum wage; and the Family and Medical Leave Act. President Clinton is committed to helping parents make the choices that are right for their families, whether that means working or staying home to care for their children.

7. What role did the First Lady have in developing this initiative?

The First Lady has been a strong voice for children and families for over twenty-five years and continues to work on these issues. Mrs. Clinton played an important role in developing the White House Conference on Early Learning and Development and the White House Conference on Child Care. During the policy development process for the child care initiative, the President looked to the First Lady for her advice and expertise on the problems with the child care system and on possible solutions.

8. How do you expect to get Republican support for this initiative?

Child care traditionally has been a bipartisan issue. In fact, two of the central elements of the President's child care initiative were strongly supported by previous Republican Presidents and Members of Congress. Both Presidents Reagan and Bush supported the expansion of the Child and Dependent Care Tax Credit, and President Bush supported the creation of the Child Care and Development Block Grant.

Many Members of the House and Senate from both sides of the aisle have shown a commitment to taking action by introducing legislation that would improve the quality of

child care, make it more affordable, and promote early learning. We look forward to working with them to pass significant child care legislation this year.

TAX CREDITS

9. Today, the Child and Dependent Care Tax Credit (CDCTC) favors middle-income taxpayers and offers less relief to lower-income taxpayers. Wouldn't it be more fair to make the CDCTC refundable?

The President's proposed expansion of the CDCTC would wipe out tax liability for most families with incomes under 200% of poverty (e.g., \$35,000 for a family of four) who have the maximum allowable child care expenses. In addition, the President's proposal significantly expands the Child Care and Development Block Grant, which is an effective mechanism to help low-income working families with child care costs. The two proposals together offer significant relief to both low- and middle-income parents.

10. Wouldn't eliminating the marriage penalty help millions of working families with children? Why aren't you supporting eliminating the penalty as part of your child care initiative?

The Administration believes that proposals currently on the table to eliminate the marriage penalty are prohibitively expensive in the context of a balanced budget. The President chose instead to provide targeted tax cuts to assist American families struggling to meet child care costs. These tax cuts will help more than three million families to pay for high-quality child care.

Helping working families, especially those with children, has been the centerpiece of the President's agenda on tax cuts. In 1993, the President expanded the Earned Income Tax Credit to give the average recipient with two children more than \$1,000 in tax relief. In 1997, the President signed into law a \$500 per child tax credit that will help 27 million families meet the costs of raising their children. In addition, his \$1,500 HOPE Scholarship Tax Credit and Lifelong Learning Tuition Tax Credit will help nearly 13 million students meet the costs of college and higher education. The President will continue to focus tax and overall economic policy on helping working families.

11. Won't the employer credit for child care expenses that the President is proposing create a windfall for companies already operating child care centers or otherwise subsidizing employee child care?

Very few for-profit employers are currently making child care services available to their employees. The credit will provide a real incentive to employers to create new employee child care programs. Also, for those employers who already have a child care program, the credit will help support expansion of services.

SUBSIDIES

12. Why are you expanding the Child Care and Development Block Grant (CCDBG) when states aren't using all of their child care subsidy money now?

In fact, we are very encouraged by state reports which show they have obligated over 99% of the child care fund available under the new welfare law for FY 1997. This demonstrates the tremendous need states have for child care, and President Clinton has continued to urge states to invest their dollars into helping these working families. But let's be clear—this current initiative is not aimed at mothers on welfare. It's aimed at working parents who desperately need this assistance. For example, working families with annual incomes under \$14,400 that pay for care for children under five spend 25% of their income on child care -- and even then it's difficult finding accessible, quality care.

13. According to some news stories, states have big surpluses which they could spend on child care. Rep. Clay Shaw recently issued a report saying that states have significant and growing surplus federal welfare dollars. The report also said that given the surpluses and the increase in child care funding under the new welfare law, there isn't a need now for more child care money. Why are you proposing to add to CCDBG?

The Administration is very pleased that a strong economy and state welfare reform efforts have helped families move from welfare to work. But let's be clear—this initiative is not aimed at mothers on welfare. It's aimed at working parents. For example, working families with annual incomes under \$14,400 that pay for care for children under five spend 25% of their income on child care. Currently, we're serving only a small percentage of eligible children from working families: there are approximately 10 million children who are eligible for federal child care assistance, but we are able to serve only over a million of these children.

For America's working families to succeed in the workplace, they need quality choices in affordable and accessible child care. The President's initiative, with its combination of increased subsidies for low-income families and tax credits for moderate- and middle-income families, will provide working parents the opportunity to remain self-sufficient and succeed both at home and at work.

14. When the President signed the welfare bill, he claimed that the big increase in CCDBG would make welfare reform work. Now that he is proposing adding to it, is he admitting that his previous child care efforts were not sufficient?

No. The President fought to spend \$4 billion more on child care in welfare reform legislation to help mothers on welfare go to work, and he continues to believe that child care is a critical component of welfare reform. However, low-income parents who have never been on

welfare are also struggling to afford child care, and *all* working families want their children to be in safe, healthy settings where they can learn and grow. These initiatives address the concerns and needs of *all* working families in this country. In particular, expansion of the block grant will enable many states to provide subsidies for the first time to the non-welfare working poor.

15. In order to keep up with the additional need for child care under welfare reform, aren't states creating new slots at the expense of quality? What protection do you have against states just increasing slots without regard to quality if you simply increase the block grant?

The President believes that we must make child care more affordable as well as improve quality because he believes that both are important. That is why his child care initiative includes investments in both, and that is why the President fought hard during the welfare debate to preserve 4% of funding through the child care block grant for state investments in quality.

QUALITY

16. What does the Early Learning Fund actually do? How will you measure results?

Recent scientific research has demonstrated that experiences during the earliest years of life - before children reach school age -- are critical to their cognitive, emotional, and physical development. Nurturing and stimulating children in the first years of life help their brains develop and prepare them for the challenges of school and later life. We also know that too much child care for infants and toddlers is inadequate: one respected study found that 13% of regulated and 50% of unregulated family child care providers offer care that is inadequate for children ages zero to three. President Clinton's proposed Early Learning Fund is designed to improve early learning and development for our youngest children; to ensure health and safety in child care; and to support parents as they raise their children.

The President's Early Learning Fund builds on state initiatives such as North Carolina's Smart Start, which helps North Carolina's children enter school healthy and ready to succeed. Smart Start funds a broad variety of local efforts, including improving staff-to-child ratios, health linkages that have raised immunization rates, and parent education and mentoring programs to give new parents support.

17. How is the Early Learning Fund different from Early Head Start?

Early Head Start is a relatively small program that reaches only certain poor families. The new initiative will promote early learning and provide parent support and education to parents at a wider range of income levels. The Early Learning Fund also differs from Head Start and Early Head Start because it targets support to communities that have developed innovative approaches to foster early learning and meet the child care needs of families.

18. Wasn't the President already committed to serving one million children by 2002? What's new in this Head Start initiative?

The President's child care initiative proposes an additional \$1 billion targeted to Early Head Start to double the number of infants and toddlers served, in addition to his commitment to reauthorize all of Head Start to reach one million children by 2002. The total cost is \$3.8 billion.

19. Much of the research the White House has highlighted tells us what we need to do to ensure healthy child development. Given that these practices are the same everywhere, why have you not proposed national standards?

We do know what works. As we learned at the White House Conference on Child Care, safe facilities, ongoing guidance from health professionals, and child care providers who are well trained and adequately compensated result in quality care. However, we also learned at the conference that many states have good quality standards, but do not have the resources to fund enforcement of those standards. The President's Standards Enforcement Fund will help states improve licensing, enforce standards, and increase unannounced inspections of child care settings. In addition, particularly when it comes to the youngest children, different states face different challenges in their child care systems. That is why the President's Early Learning Fund gives states a menu of allowable activities to promote early learning and development so that states can concentrate on those areas where they are falling behind. In this way, the quality of care will improve across the country.

20. At the White House Conference on Child Care, you championed the National Crime Prevention and Privacy Compact. What happened to the Compact?

The National Crime Prevention and Privacy Compact has been transmitted to Congress. The Compact is an important part of the President's child care initiative, and the President will push for its passage when Congress returns.

21. Won't the scholarship fund raise the wages of child care workers, and in turn, increase the cost of child care and make it unaffordable for many families?

This proposal is modeled after North Carolina's T.E.A.C.H. program; North Carolina has not seen higher costs since it put T.E.A.C.H. in place. Because child care workers are likely to stay in their jobs longer if they are trained and better compensated, any additional costs of increased wages will be offset to some extent by savings associated with reduced staff turnover.

22. If you are proposing a huge increase in federal research of child care issues, shouldn't you wait to make policy based on what you learn from the research?

While there is much we don't know about our child care system, we do know enough to act. Child care is a pressing problem in America: 45% percent of all children under the age of one are in child care on a regular basis; much of this is inadequate; and families with annual incomes under \$14,400 that pay for care for children under five spend about 25% of their income on child care. We cannot afford to wait to improve the quality of care these children receive.

AFTER- SCHOOL PROGRAMS

23. Your after-school proposal requires programs to be run in the schools. What do you do for those children in communities where the school will not or cannot provide an after-school program?

While a major purpose of the 21st Century Learning Centers Program is to make use of underutilized school facilities, the program includes a set aside to fund programs run by community groups. In addition, the President's FY 1999 budget includes \$95 million for after school and other prevention programs administered by the Department of Justice. Innovative programs that are run by community groups in museums, recreation centers or other places outside schools may receive funding from this after-school initiative.

GENERAL

24. Much attention has been given to the au pair system since nineteen year old Louise Woodward was tried for killing a baby in her care. What are you doing to reform the au pair system?

The U.S. Information Agency (the agency that runs the au pair program) announced in September updated regulations on the screening and placement of au pairs. Under the new regulations: au pairs who care for children under two years old must have 200 or more documented hours of infant-care experience; au pair training will include 24 hours of child-development instruction; au pairs will be limited to working 10 hours a day and 45 hours a week; their pay will be increased from \$115 to \$139 a week; and the screening and selection process will be improved.

25. What are the child care options for parents who work at the White House?

Employees of the Executive Office of the President (EOP) can enroll their children in the nearby U.S. Kids Child Development Center, a center accredited by the independent National Association for the Education of Young Children. Additionally, White House parents may enroll their children in any of the 27 other Federal child care centers in the greater Washington, D.C. area.

26. What is the child care system for federal employees?

There are more than 230 child care centers for civilian government employees in federal buildings in as many as 36 states, including 108 centers overseen by the General Services Administration (GSA). Seventy-three percent of GSA sponsored centers are accredited by the independent National Association for Education of Young Children, and GSA is working to reach 100% accreditation within two years. Striving to meet the needs of parent workers, 89% of GSA centers have infant care, 74% have drop-in/emergency care, and 42% provide summer programs for school-aged children. In addition, more than 80% of centers are open 11 or more hours per day. Notably, nearly 70% of the child care center directors have ten or more years of experience in early childhood education.

27. Apparently many low-income federal employees cannot afford the federal child care system. What are you doing to help them?

The federal government, like the private sector, still faces challenges in providing affordable care to lower paid employees. GSA has studied this problem intensively this year and has released a report to Congress outlining a plan to increase revenues and enrollment, reduce operating costs, and expand the availability of tuition assistance for parents who can't afford to pay full fees.

28. You have touted the military's child care system as a model for the nation. Isn't it good because they spend so much?

While the military does invest significant resources into their child care system, they also set and enforce high quality standards (including through unannounced inspections), support family day care networks, offer a strong resource and referral system, and provide a wide variety of care options, all of which increase quality without large investments.

The Department of Defense's Child Care System serves over 200,000 children daily (age zero to 12), making it the largest employer-sponsored child care program in the nation. Through this system, the military offers full-day, part-day, and hourly child care, part-day preschools, before- and after-school programs for school age children, and extended hour care. Because of the Department of Defense's commitment to excellence in child care, since 1992, the number of military child care facilities that are accredited by the independent National Association for the Education of Young Children has risen from 55 to 353. Currently, over 75% of military child care programs are accredited, as compared to only 7% of other child care facilities nationwide.

29. Washington D.C.'s child care system is in crisis. What are you doing to improve the child care system in this city?

Administration officials, concerned over the state of child care in the District, have met with D.C. officials on several occasions to discuss ways to improve the quality of care the children who live in the District receive. A working group including major stakeholders -- the Department of Health and Human Services, the Office of Management and Budget, the office

of the Mayor, the D.C. Council, the Control Board, and other city agencies have forged a partnership to improve the quality of child care services in the District. The District's Department of Consumer and Regulatory Affairs has issued a draft Strategic Plan to improve child care quality.

In addition, the President will include D.C. as one of three to five pilot cities involved in an interagency effort to eliminate duplication and better coordinate federal funding streams for after-school programs.

Family-child care policy -
general

PRESIDENT CLINTON'S PROPOSAL: CHILD CARE THAT STRENGTHENS AMERICAN FAMILIES

January 7, 1998

"No government can raise or love a child. Mothers and fathers do. But government can help provide parents the tools they need to meet this most vital responsibility and succeed at work. Today, I am proud to propose a comprehensive \$20 billion plan to make child care more affordable, accessible and safe for American families. It will be the single largest child care investment in the history of our nation. Child care is an issue that touches nearly every family in America, one that should rise above politics and partisan interests."

President Bill Clinton
January 7, 1998.

President Clinton announces an historic initiative to improve child care for America's working families. The initiative proposes approximately \$20 billion over five years for child care, including elements to **help working families pay for child care, build a good supply of after-school programs, improve the safety and quality of care, and promote early learning.**

Ensuring affordable, accessible, safe child care. The President's child care initiative responds to the struggles our nation's working parents face in finding child care they can afford, trust and rely on. The new initiative:

- **Makes child care more affordable for working families.** To help working families struggling to meet the costs of child care, the initiative invests \$7.5 billion over five year to double the number of children receiving child care subsidies to more than two million by the year 2003. The initiative also increases tax credits for child care for three million families and provides tax credits to businesses that provide child care services to their employees.
- **Increases access to and promotes early learning and healthy child development.** To improve early learning, the initiative includes \$3 billion over five years to establish an Early Learning Fund that helps local communities improve the quality and safety of child care for children ages zero to five. The initiative also increases investment in Head Start and doubles the number of children served by Early Head Start to 80,000.
- **Improves the safety and quality of child care.** To help ensure safe, quality child care, the initiative: steps up enforcement of state health and safety standards in child care settings, facilitates background checks on child care providers, increases scholarships and training for child care providers, and invests in child care research and evaluation.
- **Expands access to safe after-school care.** To help create safe, positive learning environments for the more than five million school-age children who lack adult supervision during a typical week, the initiative provides after-school care for up to half a million children a year and improves coordination of federal after-school initiatives to help communities.

Building stronger families for the 21st Century. The President's agenda to strengthen

America's families includes: federal funding for child care has increased by nearly 70% since 1993; the 1996 welfare reform law increased child care funding by \$4 billion over six years; the Healthy Child Care America Initiative ensures that children in child care are in safe and healthy environments; Head Start funding has increased more than 57% since 1993, providing service to more than 830,000 children and their families; and the first ever White House conferences on child care and early development.



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Record Type: Record

To: Jennifer L. Klein, Neera Tanden, Nicole R. Rabner, Elena Kagan

cc:

Subject: CLINTON WOULD SPUR BETTER CHILD CARE WITH SUBSIDIES, ...

Date: 01/07/98 Time: 08:29

CClinton would spur better child care with subsidies, tax credits

WASHINGTON (AP) In a \$20 billion effort to help working parents find good child care, President Clinton is proposing increased subsidies and incentives for businesses to pitch in.

Among the proposals being unveiled at the White House today was a permanent 25 percent tax credit for employers that establish and run child care facilities for workers, or reserve slots in existing centers, congressional and White House sources said Tuesday, speaking on condition of anonymity.

The president also was to propose what one source called ``dramatic expansions'' of both the income tax credit that parents can take for child care expenses and federal contributions to state child care subsidies for low-income parents and welfare recipients entering jobs.

Clinton, accompanied by Vice President Al Gore and first lady Hillary Rodham Clinton, was to detail the package in a splashy East Room ceremony this afternoon. He hoped to set a bipartisan tone, inviting several Republican governors and members of Congress to share in the announcement.

Two White House officials would not say how much Clinton would ask Congress to increase the ``child care development block grant'' program to the states that currently reaches 1 million children. Overall, the package of tax credits and subsidies would cost \$20 billion over five years, White House officials said.

Bruce Reed, the White House domestic policy chief, called it ``a sweeping plan to help parents balance the demands of work and family by making child care more accessible, more affordable and safer.''

Clinton's plan would limit the dependent-care tax credit to a family's total tax liability. Only the earned-income tax credit aimed at working poor families is refundable, providing them a check from the government if the credit exceeds their tax liability.

Advocates have pushed to also make the child-care credit refundable so that poor parents who pay no taxes would get new government subsidies for their child care expenses. Republicans have opposed expanding the welfare aspects of federal tax breaks.

``If (the administration) really wanted to be helpful, efforts need to be made to get it refundable, otherwise people from low-income jobs and households have much less access,''

Galinsky, president of the New York-based Families and Work Institute. The institute has consulted extensively with Mrs. Clinton, who has made child care a priority project.

The Senate last year passed a bill by Sen. Herb Kohl, D-Wis., that, for a short term, would have allowed businesses to reduce their federal tax liability by \$1 for every \$2 they spent on child care for their employees.

Although it did not survive negotiations with the House, supporters said the Senate action bodes well for Clinton's smaller but permanent 25 percent tax credit \$1 off a company's tax bill for every \$4 spent on employee child care.

The White House also was counting on a boost from this year's election climate, where help for middle-class families would prove popular with many voters.

"I think there is broad bipartisan support in Congress and in statehouses around the country for doing more on child care," Reed said. "It's 1998. I think it is clear there will be real interest in the president's plan."

Other pieces of the package were announced at the Clintons' White House conference on child care in October. They included:

Establishing a scholarship fund to provide \$250 million over five years for additional training of up to 50,000 child care providers. The workers, who would get \$1,500 each, would have to remain in the field at least a year.

Eliminating state barriers to checking criminal backgrounds of child care workers. That plan must be approved by Congress and all 50 states.

Legislation enforcing state health and safety standards in federal child care centers.

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