

NLWJC - Kagan

DPC - Box 025 - Folder 008

**Family - Child Care Policy: General
[3]**

Child Care Initiative Spending Options

I. Subsidy (Child Care and Development Block Grant)

II. Quality Fund - 0.3 / safety, ~~or~~ licensing, etc.

III. Targeted Investment for Quality/Availability
ODP - no ev. of quality results
Invest - to no bump for back.

training
support of providers
enhancement

serious
evaluation

- A. Scholarships/Apprenticeships
- B. Consumer Education, Research, and Technology
- C. Enforcement
- D. Early Learning/Head Start
- E. School-Age Care

→ Unnumbered questions
→ Make sure we have right options on table

Talking Points for Deputies Meeting on Child Care November 18, 1997

Introduction

Thanks
diversity of options
limited resources
hospitably
hear and
react -
concerns
no decisions - make sure right options are on table

I'd like to start by thanking all of you for the work you and the staff at your agencies have been doing over the past months. The child care conference itself and this policy development process would not have been possible without so many of you.

Today, we will discuss policy options that we have developed over the past months in preparation for a principal's level meeting that we are hoping to schedule next Monday, November 24. This is also a good opportunity to make certain that we feel comfortable that we have all of the options on the table. On the other hand, since I'm looking at Jack Lew, I want to make clear that we are operating in a world with limited resources and, while we want to make sure we have thought through all options, no assumptions should be made about the scope of any child care proposal.

Other issues -
Head Start/
stay-at-home

There are several additional issues that we will not discuss in detail today but that need to be part of this discussion. As many of you know, Head Start is up for reauthorization next year, and we need to consider how that fits with any child care initiative. In addition, several of the principals have raised the possibility of addressing the problems of parents who might choose to stay at home with their young children, and we need to continue to work on options to help them do that.

Other programs

- Finally, I'd like to save some time at the end of the meeting to hear more from some of the agencies that either have programs related to child care or are working on related proposals. Agriculture may want to talk about the Child and Adult Care Food Program; Justice may want to report on an initiative they are coordinating on after-school programming; Labor may want to talk about their proposal on training for child care workers.

Policy Options

goals

- As I said in my memo, agency representatives have generally argued for a child care initiative addressing three goals: affordability; assuring safety and quality; and availability. These goals, the priority we give each of them, and whether we address all of them is, of course, still open for discussion.

some options address more than one goal - e.g. school-age proposals

- I would also like to reiterate that while we have grouped these options under particular goals for the purpose of discussion, clearly some of the options address more than one goal. The most obvious example is proposals for school-age children, where the availability of programs is a concern, but affordability and quality are also key issues.

*in hand -
dist: salary (options etc)
Then: tax
Then: or between two*

③ compare each w/

1. Affordability

Overview of the reach (i.e., who is helped and who is not helped) of both the Child Care and Development Block Grant and the Child and Dependent Care Tax Credit - Karl Scholz, Treasury

②

- Presentation on Child and Dependent Care Tax Credit options - Karl Scholz, Treasury
[Note: You are switching the order of DCTC and CCDBG.]

adjusting credit amounts + scope of deductibility

①

- Presentation on Child Care and Development Block Grant options - Olivia Golden, HHS

vs. not deductibility

[Becky Blank from CEA would like to address the choice between making DCTC refundable and increasing funding for CCDBG. She will distribute paper when she speaks.]

2. Assuring Safety and Quality

- Presentation on quality options - Olivia Golden, HHS

[You should raise the possibility of targeting quality dollars to fund state enforcement efforts.]

[OMB and Treasury have noted in past discussions that: (1) the evidence is quite limited on the benefits of investments in quality; and (2) increased investment in quality may increase child care costs.]

3. Availability

*Schools
-
educational
communities*

- Presentation on proposal to fund school-community partnerships to establish before and after-school programs at public schools - Terry Peterson, Education 40 → 400!
- Presentation on proposal to fund community efforts to build supply and improve the quality of school-age programs - Olivia Golden, HHS 70!

[HHS and Education will propose that we do *both* of these so that money is distributed both to schools and to communities.]

Neither!

Child Care

1. CEA Report -

spend more \$ on cc → more parents work
but know exact abt impact of quality investments

2. Proposal

Times mts - Friday after TG

Taxes ← stay at home
kisses play } mts tomorrow

FMLA - 6 month (but p. don't take advan of even 3 mos)
reducing employee threshold - pol. barrier
so → 25 over period of time

UI benefits - some small ones

(yours is UI) one hr, one unpaid leave - 16 per year is
lowest it will go, probably. (not even 1 hr)
quit \$

Quality

First lady meeting

Family - child care policy - general

Elmora home visitation

Child Care Initiative

look like integrated pkg - so new \$ combined w/ 2d

Spending Options

- I. Subsidy (Child Care and Development Block Grant)
- II. Quality Fund
- III. Targeted Investment for Quality/Availability
 - A. Scholarships/Apprenticeships
 - B. Consumer Education, Research, and Technology
 - C. Enforcement
 - D. Early Learning/Head Start
 - E. School-Age Care

Acceptable from what? the 7 cap? use \$ for

Advocate standards - W/ funding

- target unless states come to a level
- Home initiative
Early HS - quality reforms

Tax Options

- I. Child and Dependent Care Tax Credit (CDCTC)
 - A. Refundable?
 - B. Funding Level? - As much as we can.
- II. Tax Credits for Businesses that Build/Operate Child Care Centers (Sen. Kohl Proposal)

how do you encourage businesses to create? lots of demand but no market

Depends what it's being put against. research reform

Stay-at-Home Parents Strategies

- I. Family and Medical Leave (FMLA) Expansion
- II. 3/4 Subsidy
- III. Child and Dependent Care Tax Credit (CDCTC) Modification

not employ the whole people (over millions were people) - returning ill to pay for leave again - targeted to could be income level

- Rather do 3 than 2 - under one cap?

combo - by push

business why go?

Marriage penalty elimination - 7 hour in.

Family - Child care policy - general

Child Care

Role of Federal Government In Improving Child Care

33% think it is more important for the federal government to help parents afford quality childcare

59% think it is more important for the federal government to make it easier for at least one parent to stay home while their child is very young

Ranked by Strongly Support

Now I am going to tell you about some proposals that the federal government may undertake to make it easier for a parent to care for young children. For each one, please tell me if you strongly support, somewhat support, somewhat oppose or strongly oppose this proposal, and if you think this would be very effective, somewhat effective, not very effective or not effective at all in making it easier for parents to care for their children.	Strongly Support	Support/ Oppose	Very Effective	Effective/ Ineffective
Giving parents who would be eligible for the same child care tax credit as those who pay for child care if they choose to stay at home to care for a child under 2 years old.	47	77/21	41	87/13
Eliminating the marriage penalty in the tax code so married couples- those most likely to have children- do not pay more in taxes than they would individually as singles.	44	83/11	35	78/18
Expanding the Family and Medical leave act to cover employers with fewer than 50 employees.	39	69/36	38	76/21
Creating paid parental leave by requiring employers to pay employees during leave when a child is born.	35	65/21	40	70/27
Creating paid parental leave by providing federal government subsidies to employees for leave when a child is born.	27	60/36	33	67/30
Giving parents who would be eligible for the same child care tax credit as those who pay for child care if they choose to stay at home to care for a child under 2 years old even if it cost billions of dollars.	28	58/34	25	66/26

Fam- Child care policy - general

THE WHITE HOUSE

Richer tax opt-

Greater detail on benchmarking for block grant

One ^{of the} school program

More dev on early learning

Stay-at-home

CDCTC / EMCA
subsidy

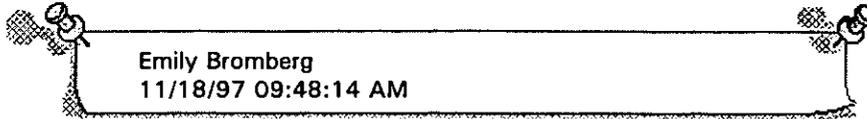
↳ apprentice:
scholarship!

control of
WDA
program.

more of
OPHC's
much more
↑ targeted.

Equal Fund -
Dev community

9/2 fam - child care policy -
general



Record Type: Record

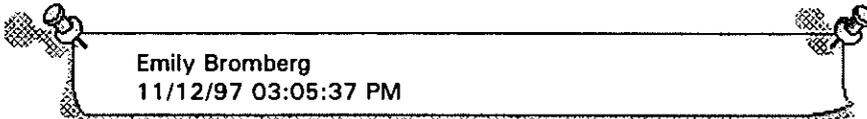
To: Elena Kagan/OPD/EOP

cc:

Subject: Re: child care

this was in response to a question bruce asked about whether states want more money for child care.

----- Forwarded by Emily Bromberg/WHO/EOP on 11/18/97 09:44 AM -----



Record Type: Record

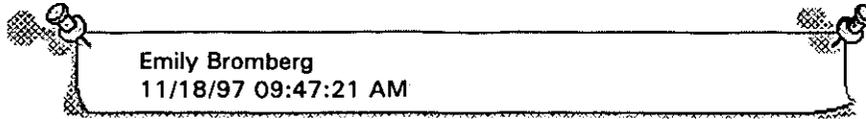
To: Bruce N. Reed/OPD/EOP

cc:

Subject: Re: child care 

clearly they want more money--more subsidized care. they also all agreed on the Teach model, and thought training was a worthy investment (unprompted)--it's a pretty noncontroversial way to add money to quality. Nobody wants new federal requirements--more money, no strings (surprise)

Jan - child care policy - general



Record Type: Record

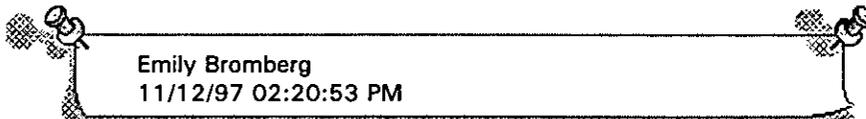
To: Elena Kagan/OPD/EOP

cc:

Subject: child care

as we discussed, this is one of the e-mails i sent bruce on child care. i'll look for the others.

----- Forwarded by Emily Bromberg/WHO/EOP on 11/18/97 09:43 AM -----



Record Type: Record

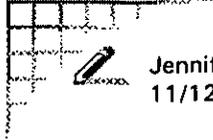
To: Bruce N. Reed/OPD/EOP

cc:

Subject: child care

Jen and I just finished conference calls with 8 Governors Offices: Almond, Voinovich, Edgar, Whitman, Chiles, Hunt, Romer, Carper. For what its worth, here's what I think- Anything other than adding more money to the block grant opens up all the old fights and will be opposed by a significant portion of states (no matter what policy you choose). States mainly think the block grant is working and don't want more complicated funding streams. There is always a split on quality and serving more kids (as there was today and not on party lines)--and I think we should stay out of that. Lastly, it seems like a big loser to me to pick a particular age group--each state has their own view of where the need is. I can't attend the Deputies meeting this week but I look forward to future confrontations with HHS!

Family - child care policy -
general



Jennifer L. Klein
11/12/97 07:46:53 PM

Record Type: Record

To: Elena Kagan/OPD/EOP

cc:

Subject: My thoughts . . .

on child care.

1. More money into CCDBG
2. Maybe DCTC (not refundability, only adjustments of credit amount and income slide)
3. 3 pronged quality initiative
 - \$ for Enforcement
 - Scholarships
 - Research and Consumer Education
4. Incentives to promote coordination of school-age programs.

I'll speak with you soon. Nicole and Signal will know how to reach me in Florida. I assume I'll be back Friday night or Saturday. Thanks.

Outline for Deputies Meeting Memo

- I. Overview of Current Federal Programs/Spending
- II. What are the possible goals?
 1. Helping more parents afford child care
 2. Assuring safety and quality
 3. Making child care more available
- III. Policy Options
 - A. Affordability
 1. What is currently being spent?
 2. Unmet Need -- Who is helped? Who is not helped?
 3. Policy Options (including discussion of what new investment will buy)
 - DCTC
 - options to increase credit amounts
 - options to expand eligibility
 - CCDBG
 - increase CCDBG funding without targeting
 - increase CCDBG funding with targeting/benchmarking
 - B. Safety and Quality
 1. What do we know about the money being spent on quality? What don't we know?
 2. What have we decided not to consider? (i.e., discussion of national standards)
 3. Policy Options
 - increase CCDBG and thereby increase amount spent on quality
 - set up separate quality fund (for a particular purpose (i.e., enforcement) or for particular age group (i.e., infants and toddlers))
 - build on already proposed scholarship proposal
 - invest in consumer education, research and technology
 - C. Availability

Policy Options:

1. Tax credits for businesses
2. Particular problem of school age children (with explanation that it is not just an availability issue) (i.e., do we spend through block grant and enable parents to afford care for school age children or do we need to build infrastructure here)

IV. Additional Issues

1. Helping parents who want to afford to stay home
2. Head Start



Spending on TCs

1. Subsidy -
2. Quality Fund
3. Targeted Quality / Availability investments
 - a. Scholarships / apprenticeships
 - b. Summer etc.
 - c. Enrichment
 - d. Early learning / head start
 - e. School age

good to do
2 ways

- Hand out
- 1/2 School Age
 - 1 Primitives / electric
 - 2

2 weeks -

communities schools

|| 1 dept?

KM-coordinator

3/4 apprenticeships

Cost?

Learn As to end

- niche options etc
- school-age one 7-10
- early learning
- stay-at-home

BETWEEN THE LINES

MAKING CHILD CARE MACHO

As she turns 50, Hillary Clinton seizes the chance to take her pet issue to the big time

BY JONATHAN ALTER

FORGET THE PRESIDENT'S GENITALS. I'M more interested in the genitals of an issue. I'm wondering if child care can develop some *cojones* and move out of the ladies' department into the macho world of big-time, bone-crunching legislation, where the real nuts get cracked. Offended? I hope so, because I'm offended, too. I'm offended by men so out of touch with the needs of children (including their own) that they think of "child care" as just another feminist whine imported from Denmark or someplace. I'm offended by women who claim to recognize that the poor quality of much of the care is a national scandal, but are so badly organized that for a decade many states have actually had to return federal child-care money to Washington because no one persuaded their lame legislatures to match it. And I'm doubly offended by communities all over the country where kids get out of school at 3 p.m. and spend the rest of the day totally unsupervised. Then we wonder why they get into drugs and knock each other up.

Hillary Clinton is offended, too, though she is working hard to control the thermostat of her outrage. With her popularity soaring, she found the perfect way to spend the week before her 50th birthday. After five years in Washington, she is finally immersed in the issue that has been closest to her heart for the last 20. But to what end? The question that hung in the East Room chandeliers last week was whether the White House Conference on Child Care, chaired by the First Lady, was the beginning of a big 1998 idea—a bid to finally catch up to every other industrialized country in the world on this front—or just another gabfest for the faithful.

The statistics are horrifying. Average pay for child-care workers: \$12,000, with turnover greater than every occupation except gas-station attendants. Average training: none. Average portion of a low-income worker's wage that goes for this often inadequate care: 25 percent. According to one study, only one in seven child-care facilities meets minimal standards for quality. Hillary says she wants to "start a national conversation" on all of this, with an eye toward what her husband promises will be a major child-care plan in his State of the Union speech next January. The president asked for public advice on what the specifics should be. Expansion of Head Start to reflect new research on the critical importance of the ages zero to 3? Expanded tax credits for child care? Help for after-school programs (many of which have been canceled in recent years) for



Children's hour: At the conference, the First Lady focused on an issue that has long been close to her heart

older kids? All

of the above? Because the much-touted "conversation" on race relations isn't likely to lead to new lawmaking, child care might be the last signature legislation of the Clinton era.

But first "Billary" (remember *that?*) must prove they learned something from their health-care fiasco. There are two big lessons that seem to have been drawn from that sorry episode—one right, one wrong. The right lesson is that a Washington-designed Rube Goldberg contraption—even if it's good enough for the U.S. military—will fail; 1970s-style federalized child care is DOA. The wrong lesson is that any kind of big new spending program on a so-called liberal issue is doomed. Quite the contrary. Flexible, hardheaded, locally run liberal ideas that relate to women are booming, and almost untouchable by Republicans staring into the abyss of a 17-point gender gap.

The politics of what were once known as woman's issues are rapidly changing. Remember the "Violence Against Women" bill? A few years ago, it was laughed off Capitol Hill; this year it sailed through virtually unopposed, thanks to the gender gap. Meanwhile, welfare reform (a macho issue) has now melded with child care. Any politician who's for forcing welfare mothers to work without providing help with child care now looks like an idiot.

The Christian Coalition notwithstanding, child care can be redefined as apple pie—under two conditions. The first is that the Democrats aim high. If they propose Dick Morris-style incremental change, without serious money, they'll end up with virtually nothing. The second condition is that the issue be framed so as not to offend stay-at-home mothers. Hillary already

seems sensitive to that, stressing that she rejects "one size fits all" ideas about child care. She even points to a North Carolina program that offers new mothers stipends for diapers and baby food if they stay home with their newborns instead of rushing back to work.

Even so, child care is a perfect example of a common conundrum in the Clinton era: how do you replicate what's working in places like North Carolina (the Smart Start early-childhood program). It's not as easy as it sounds. According to market principles, the good ideas should naturally spread, but they don't. "Why is the market dysfunctional in cases like this?" the president asked Treasury Secretary Bob Rubin at the conference last week. Rubin paused, then said, "Are you asking me?" The crowd laughed, but the president was earnest: "I think it's the single most important question about social policy today." Rubin, whose success with the economy allows him some cheekiness, replied, "You're the president of the United States. You're supposed to know the answer to these things."

But of course he doesn't. Even with their bully pulpits and gender gaps, the president and First Lady seem small when arrayed against our longstanding neglect of children. Now we'll see if they're serious about growing larger.



Where did you have your very first sip of Jack Daniel's? We hope you'll write and tell us.

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Q's for policy process

- 1) tax credit? - Kohl or DCTC?
- 2) sep after school piece?
- 3) connection to quality enhancements? (compensation particularly?)
- 4) head start piece?

Elena -
CEA child care
memo to POTUS,
as discussed -
Nixon

cc for Nixon
Child care file

Family - child care policy - general
9-8-97

'97 SEP 5 AM 9:03

Bruc -
FYI.
Pretty
profound.
E.

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

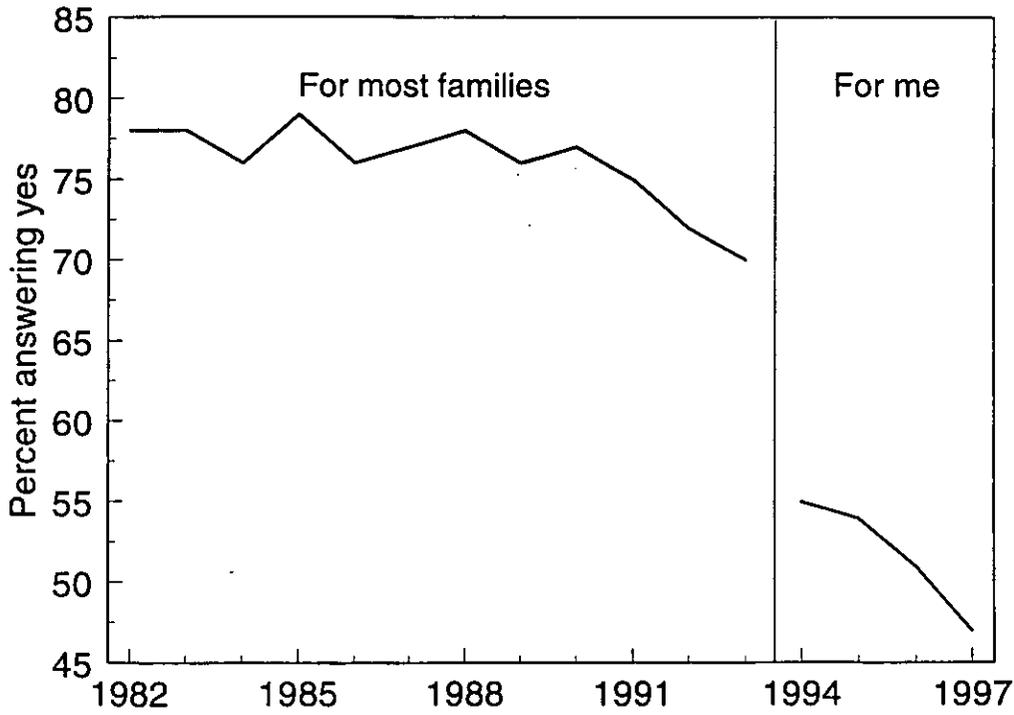
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

September 5, 1997

copied
to:
COS
HRC pages 4
Yellen

CHART OF THE WEEK

Survey Question: Is the Stock Market Too Risky?



During the 1990s, and especially in the past few years, a declining proportion of Americans has thought the stock market is too risky a place to put its money. More than three-quarters of the married men surveyed thought the stock market was too risky for most families through most of the 1980s, but that proportion fell to 70 percent by 1993. The survey question was changed in 1994, but the number of married men responding that the stock market is too risky for them has continued to fall. Responses for women show a similar pattern.

9-8-97

CC: HRC

SPECIAL ANALYSIS

Welfare Reform and the Market for Child Care

As more mothers move off welfare into work, the demand for child care services will increase. Although the supply of child care services is likely to expand to meet this demand without much of a price increase, the cost of child care, even at current prices, represents a large burden for low-income families.

The supply response. Two strands of evidence suggest that increased demand can be met without a substantial increase in the price of child care. First, over the past 20 years, the number of children in paid child care has approximately doubled while the real price of care has not changed. Second, a recent study indicates that changes in the price of child care induce large supply responses. Of course, an initial surge in demand could produce some short-run upward pressure on prices. The cost of entering the child care provider market is relatively low, however, and supply should respond relatively quickly.

The burden of current prices. The current cost of child care can be a significant burden for those without access to subsidized care and may discourage some mothers from working. Among families who pay for child care, poor families with employed mothers spend about 20 percent of their income on child care, while non-poor families spend only 7 percent. Estimates from several studies suggest that a 10 percent reduction in the price of child care increases the probability that a mother will work by 2 to 8 percent. Given that the mother has a job, however, the price of child care does not appear to influence the number of hours worked.

What kind of care? About half of working mothers rely primarily on non-market child care provided by a relative. Studies show that a reduction in the price of child care is associated with an increase in the probability that a working mother will purchase paid care. This may be because those mothers who choose to work when the price of care decreases are more likely to use paid care; also, those already working may choose to substitute paid care for non-market care. Once the decision is made to use paid child care, however, reductions in the price of care or in the price of higher quality care do not appear to induce parents to purchase higher quality care.

Implications. Increased demand for child care will most likely be met by commensurate increases in supply at roughly current prices. However, if they must pay the market price for child care, many low-income parents find child care costs a barrier to employment and a substantial financial burden if they do take a job. Policies that decrease the price of care reduce this burden and encourage more mothers to work; they may also lead working mothers to switch from unsubsidized to subsidized care.

Family-child care policy - general

10-31-97

Child Care Mtg

1. Business group - back before SOTU
1hr participative

2. Child care process - argue through

if wanted: sep small fund
sep after-school

Governors

Carper

Voinovich

Romer

Chiles

Hunt

Pataki

- ~~Dellums~~

-

-

-

Senators

- Dodd

- Votawds

- Kohl

- Kerry

- Hatch

- Kennedy

- Snowe

- DeWine ??

Nov 10

2 deputies mtg - tax

spending

Next wk
Mon.

Next wk
or wk after

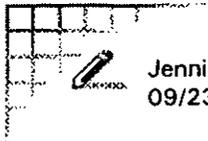
- Us + Gene + Rahm

- Tack / OMB

- ~~Klein~~??

Nov 17

1 principals



Jennifer L. Klein
09/23/97 04:43:13 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

cc:

Subject: Meeting with the First Lady

Nicole and I wanted to let you know that Mrs. Clinton is eager to speak with all of us on two issues -- adoption and child care -- and will likely be asking for a meeting in the next day or so.

On adoption, she is committed to doing whatever she can to move quickly our Administration review of the Senate adoption bill and to urge Congress to work to pass a bill this session. We imagine she hopes to enlist you both in that effort. Nicole and I are being briefed by HHS and Chafee/Rockefeller staff this afternoon and will report back.

On child care, she wants to talk through policy ideas, and hear what you both are thinking on where to target energy and resources. Included in the binder and memo we forwarded last week is an overview of where we were as of last week on policy development. She was generally supportive of the direction that the memo spells out, but had some concerns, including:

1. We need better, bigger thinking on how to address the great need for school-age care;
2. We should consider calling for a bi-partisan process to develop child care safety standards/model state regulations; and
3. We should address the issue of parent choice, i.e. choice to stay at home and ways the federal government can in some instances support that choice.

THE WHITE HOUSE
WASHINGTON

October 14, 1997

MEMORANDUM TO BRUCE REED
ELENA KAGAN

FROM: JENNIFER KLEIN
NICOLE RABNER

CC: MELANNE VERVEER

RE: POLICY OPTIONS FOR CHILD CARE CONFERENCE

As you know, the President will announce two or three small policy initiatives at the White House Conference on Child Care as “downpayments” on his larger child care agenda (which will be outlined in an Executive Memorandum issued at the conference). This memorandum outlines the policy options that we are considering.

Working Group of Business Leaders. The President would appoint Secretary Rubin to co-chair, with a private sector executive, a working group of business leaders on child care. The group would report back within 60 days on strategies for developing public-private partnerships to improve the quality and affordability of child care. We are working with Treasury to set up the working group and to appoint a co-chair who could be announced at the conference. HHS and Treasury support doing this, as do many child care advocates and experts. Treasury has raised some concern that the group might make recommendations that the Administration is not prepared to accept. With those concerns in mind, we have narrowly defined the scope of their work.

Health Outreach in Child Care Centers. The President would announce a plan to enroll eligible children in child care centers in Medicaid or the new state children’s health program. This would build on the Administration’s commitment to linking health care and child care through the Healthy Child Care America Campaign, which promotes safety and healthy development in child care and improves access to immunization, nutrition and other health services in child care settings. We are working with Chris

Jennings and Jeanne Lambrew on a series of proposals, including:

- Clarifying regulations to ensure that child care centers and schools distribute information about these health programs, assist in filling out applications, and grant presumptive eligibility for Medicaid.
- Requiring states in their state plans for the children's health program to describe how they will use child care centers to enroll children.
- Developing an agreement with child care providers, school nurses and teachers to work together on education and outreach to families. This would include release of a Medicaid handbook for child care workers (currently being produced at HHS) and a simple brochure describing the new children's health program.

Chris and Jeanne will discuss any health care proposals with the National Governors Association staff to ensure that states will support our policy.

Scholarships for Child Care Workers. The President would announce a new federal scholarship program for child care workers. Our suggestion had been to announce our support for Senator DeWine's "Quality Child Care and Loan Forgiveness Act" that provides loan forgiveness for students in early childhood education programs. The bill allows 15% of the total amount of a loan to be forgiven for each year of employment and requests an appropriation of \$10 million for fiscal year 1998. Senator Kerry has a similar loan forgiveness bill that requests an appropriation of \$100 million for 1998. DOE is opposed to granting loan forgiveness to people entering particular professions, so the Department is developing an alternative proposal either through adult and vocational education or school-to-work. HHS also requested an increase of \$150 million for FY 1999 in the CCDBG to model a scholarship program after North Carolina's T.E.A.C.H. Program.

The President would also announce an outreach plan to let students in training to become child care workers know that many of them are currently eligible for Pell Grants.

Announcing policy in this area at the conference makes sense given strong agreement that the key to quality child care is the provider. A proposal would receive strong support from the child care and labor communities. However, we obviously need to resolve remaining issues with Education and HHS and to involve OMB and NEC before going forward.

October 14, 1997

MEMORANDUM TO BRUCE REED
ELENA KAGAN

FROM: JENNIFER KLEIN
NICOLE RABNER

CC: MELANNE VERVEER

RE: POLICY OPTIONS FOR CHILD CARE CONFERENCE

As you know, the President will announce two or three small policy initiatives at the White House Conference on Child Care as “downpayments” on his larger child care agenda (which will be outlined in an Executive Memorandum issued at the conference). This memorandum outlines the policy options that we are considering.

✓ **Working Group of Business Leaders.** The President would appoint Secretary Rubin to co-chair, with a private sector executive, a working group of business leaders on child care. The group would report back within 60 days on strategies for developing public-private partnerships to improve the quality and affordability of child care. We are working with Treasury to set up the working group and to appoint a co-chair who could be announced at the conference. HHS and Treasury support doing this, as do many child care advocates and experts. Treasury has raised some concern that the group might make recommendations that the Administration is not prepared to accept. With those concerns in mind, we have narrowly defined the scope of their work. *Co-chair: Sandy Weil?*

Health Outreach in Child Care Centers. The President would announce a plan to enroll eligible children in child care centers in Medicaid or the new state children’s health program. This would build on the Administration’s commitment to linking health care and child care through the Healthy Child Care America Campaign, which promotes safety and healthy development in child care and improves access to immunization, nutrition and other health services in child care settings. We are working with Chris

Jennings and Jeanne Lambrew on a series of proposals, including:

- Clarifying regulations to ensure that child care centers and schools ^{can} distribute information about these health programs, assist in filling out applications, and grant presumptive eligibility for Medicaid.
- Requiring states in their state plans for the children's health program to describe how they will use child care centers to enroll children.
- Developing an agreement with child care providers, school nurses and teachers to work together on education and outreach to families. This would include release of a Medicaid handbook for child care workers (currently being produced at HHS) and a simple brochure describing the new children's health program.

Chris and Jeanne will discuss any health care proposals with the National Governors Association staff to ensure that states will support our policy.

Scholarships for Child Care Workers. The President would announce a new federal scholarship program for child care workers. Our suggestion had been to announce our support for Senator DeWine's "Quality Child Care and Loan Forgiveness Act" that provides loan forgiveness for students in early childhood education programs. The bill allows 15% of the total amount of a loan to be forgiven for each year of employment and requests an appropriation of \$10 million for fiscal year 1998. Senator Kerry has a similar loan forgiveness bill that requests an appropriation of \$100 million for 1998. DOE is opposed to granting loan forgiveness to people entering particular professions, so the Department is developing an alternative proposal either through adult and vocational education or school-to-work. HHS also requested an increase of \$150 million for FY 1999 in the CCDBG to model a scholarship program after North Carolina's T.E.A.C.H. Program.

The President would also announce an outreach plan to let students in training to become child care workers know that many of them are currently eligible for Pell Grants.

Announcing policy in this area at the conference makes sense given strong agreement that the key to quality child care is the provider. A proposal would receive strong support from the child care and labor communities. However, we obviously need to resolve remaining issues with Education and HHS and to involve OMB and NEC before going forward.

Background Checks on Child Care Workers. This announcement could have three parts. First, the President would release a Department of Health and Human Services “checklist” of questions that employers and parents could use in interviewing and doing reference checks on child care providers. The ABA Center on Children and the Law recently completed a study finding that employer reference checks and personal interviews are among the most effective ways to screen child care providers. The Center also reports that 98 percent of respondents conduct personal interviews and 93 percent check references with past employers. However, there is no assurance that these checks are done right. The “checklist” would arm parents and employers with the information they need to do proper and thorough screening.

Second, HHS would issue regulations requiring any child care center receiving federal funding through the Child Care and Development Block Grant (CCDBG) to use the “checklist.” HHS has authority to do this under provisions of the CCDBG allowing them to regulate health and safety in three specific areas (building and premises safety, training, and health and infectious diseases, including immunization). As you know, HHS recently issued regulations under this authority requiring federally-funded centers to ensure that the children in their care are properly immunized.

Third, the President would urge Congress to pass and the states to join the Interstate Crime Prevention and Privacy Compact. This compact, which is ready for transmission to the hill, would give access to criminal records for non-criminal purposes, including background checks on child care providers. While a slow and lengthy process, this would give the President an opportunity to talk about the importance of making this information available so that children in America will no longer be threatened by the few “bad apple” child care workers.

These announcements are controversial for several reasons. Secretary Shalala strongly believes that we should not take any steps in this area at the conference, and is particularly opposed to issuing HHS regulations. Because of the uproar by the states after HHS issued the immunization regulations, Shalala is adamantly opposed to any action in this area. More generally, she is concerned that we will give the impression that we do not support child care providers -- who as a whole work hard, receive meager salaries, and work in difficult conditions. In addition, she believes that announcing a controversial policy at the conference will jeopardize our ability to accomplish our larger child care agenda.

October 23, 1997

MEMORANDUM FOR THE SECRETARY OF HEALTH AND HUMAN SERVICES
THE SECRETARY OF EDUCATION
THE SECRETARY OF THE TREASURY
THE SECRETARY OF LABOR
THE ATTORNEY GENERAL

SUBJECT: Strengthening Child Care in the United States

Parents are the most important people in their children's lives. Studies confirm that fact, but more importantly, parents know it to be true. Each time a parent looks into her son's eyes as he drinks a bottle, or meets her daughter's glance as she scores the winning soccer goal, that parent knows that she matters most to her children. However, child care is a necessity for millions of American families. Millions of children of all income levels are cared for by someone other than their parents every day.

Many parents either choose to or need to work outside of the home. Over half of infants under age one are in day care. Twelve million children under the age of six and seventeen million more age six through 13 have both or their only parent in the workforce. Many families in which one parent does not work outside the home also use child care or early education.

Child care has a tremendous impact on the development of our children and on the kinds of citizens we can expect them grow to be. Research shows that children in better quality child care and early education programs have stronger language, pre-mathematics and social skills than those in lower quality settings, and have better relationships with their teachers and more positive self-perceptions. A recent study on the impact of early education on low-income children's development found that good programs can decrease the chances that the child will later commit a crime and increase the chances that the child will succeed in school and earn more as an adult.

Child care also has a tremendous impact on our nation's economy. In 1995, 62 percent of women with children younger than six and 77 percent of women with children ages six to 17, were in the labor force. All of these working mothers need someone to care for their children in order to work. A lack of reliable child care can cause workers to lose time or be less productive at work. A 1990 study found that nearly one in six mothers employed outside the home reported losing some time from work during the previous month due to a failure of their regular child care arrangements.

I believe that child care is the next great frontier in creating a 21st century social compact that will enable Americans to be good parents and successful workers. There are three key areas that must be addressed: (1) assuring the health and safety of children in child care; (2) helping working families afford child care; and (3) keeping children and youth safe and productive during the hours they are not in school. I, therefore, direct the Secretaries of [...] to report back to me within 45 days with recommendations in the following areas:

I. Protecting the Health and Safety of Children by Improving the Quality of Child Care

The Facts. The quality of child care in this country is too often merely mediocre or even poor. A recent national study of child care centers found that one in eight centers provide care that is barely adequate -- where children are exposed to unsafe, unsanitary conditions. Infants and toddlers are at the greatest risk, with 40 percent in care that poses a threat to their health and well-being. Only 20 percent of our children are in high quality care -- care that actually enhances growth and development. A study of child care in family-based settings found equally disturbing patterns. Over one-third of programs are rated inadequate, meaning that quality is low enough to harm children's development, and only 9 percent offer high quality care.

The people who care for our children are the key to quality. However, the majority of states require no training for child care workers. Child care teaching staff typically earn about \$6.50 an hour or a little more than \$12,000 per year and often receive no benefits. These conditions results in high turnover, threatening the quality of care.

We know that quality matters. Children in poor quality care have been found to have slower cognitive and language development and to show more aggression toward other children and adults. On the other hand, good care can improve a child's chances in life, especially if that child comes from a difficult family situation or disadvantaged background.

The Goal. By the year 2002, all states should develop and implement strategies to eliminate harmful and substandard care and to ensure that children in child care get what they need to succeed in school and as adults.

The Action. Therefore, I direct the Secretary of Health and Human Services to make recommendations in the following areas:

[(A) Develop a proposal to give states incentives to meet benchmarks to improve health, safety and learning of infants and toddlers in child care.]

[health outreach, scholarships/loan forgiveness for child care providers, background checks on child care providers, parent education and consumer information]

II. Helping Working Families Afford Child Care

The Facts. Increasing numbers of working families cannot afford decent child care, which can cost at least \$4,000 a year for one child, and even more for infants and toddlers. While the average family pays about 7 percent of its income for child care, child care consumes about a quarter of the income of low-income families who need to pay for child care.

The Federal government spent \$2.9 billion in direct child care subsidies in fiscal year 1997 -- allowing families to pay for child care for about one million children. However, HHS estimates that we are currently providing child care subsidies for less than a quarter of the families who need them. In addition, the Dependent Care Tax Credit provides more than \$2 billion in tax relief for child care expenses. The amount of the credit has not been adjusted since 1982, despite significant increases in the cost of care over the last 15 years.

The Goal. By 2002, increase substantially the number of families who are able to afford child care.

The Action. I direct the Secretary of the Treasury and the Secretary of Health and Human Services to examine the Child Care and Development Block Grant and the Dependent Care Tax Credit:

- (1) To determine who is being served by each of those funding mechanisms; and
- (2) To make recommendations about how best to use either or both of them to help working families pay for child care. [Clear that could spend money?]

[Business tax credit?]

III. Keeping Children Safe and Giving Them Constructive Activities During After School Time

The Facts. Many school-age children have parents who work and need safe places to be during out-of-school hours. The lack of an adequate supply of child care leaves many families without access to care. This problem affects families with children of all ages, and is often particularly difficult for those with school-age children. While there are currently 50,000 school age programs serving 1.7 million children across the

country, there are more than 16 million school age children in working families.

Experts estimate that nearly 5 million children between five and 14 children spend time alone during a typical week. Children who are left unsupervised are at greater risk for school failure as well as alcohol and tobacco use. In addition, juvenile crime rates peak between the hours of three and seven.

Research also shows that good activities for school-age children can keep children safe and improve their development and school performance. This is particularly true for low-income children, who are less likely to have access to constructive after-school activities.

The Goal. By the year 2002, the number of after-school and summer programs for school-age children should be doubled.

The Action. I direct the Secretary of Education, the Secretary of Health and Human Services, the Secretary of Labor and the Attorney General to examine existing programs that serve school-age children and develop a proposal to coordinate funding streams and to reach more children, particularly in low-income, urban areas.

[Enough on supply of care? Where put Family Leave/parent choice? Mention children with disabilities]

Co HRC (Pace) (Klein) (Rubin)

THE PRESIDENT HAS SEEN
9-30-97

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cc Jen,
Tom,
EK

Executives push family agenda

Meeting needs can retain talent

By Dottie Enrico and Stephanie Armour
USA TODAY

Ogilvy & Mather chief executive Shelly Lazarus was once asked to forgo a family ski trip to attend a worldwide board meeting in Paris. She refused.

"People were horrified," she says. She ended up with a compromise, but she still kept her family first.

"I took the family to Paris for vacation, attended the board meeting, then took everybody to visit (an agency founder) David Ogilvy at his chateau later in the trip."

Despite the stereotypes, there are some high-ranking executives — both men and women — who are refusing to sacrifice family for career. And those executives are setting standards for employees who are grappling with the same demands.

Management experts say that may be exactly what it takes — for top executives to step forward as role models — to change the career-climbing climate that drives some to quit.

"The corporate culture is determined at the top," says Randall Buerkle, an organizational development expert.

"The more progressive organizations really have an empathy for the family," Buerkle says. "I think we'll see more and more of that."

Lazarus, for example, says she believes that, empowering employees to speak up about their personal and professional needs can be a hidden asset for any company worried about holding on to talented performers.

Pepsi-Cola North America CEO Brenda Barnes put a spotlight on the



No sacrifice: Ogilvy & Mather CEO Shelly Lazarus, fourth from left, refused to cancel a trip with her family to attend a worldwide board meeting. The Lazarus clan, from left: Ted, Samantha, Benjamin, Shelly and George.

problem last week when she resigned her post to focus on family.

Though Barnes said she was tired of missing school plays and family time, others have refused to fall into that trap.

Ellen Kullman, a vice president and general manager at DuPont in Wilmington, Del., shuffles her work schedule to meet family demands, taking time away from the office as needed.

"I think people are afraid to use the more flexible programs," Kullman says. "When they see me do it, they feel it's OK for them, too. I'm not apologetic."

Other examples:

► Mike Cook, chairman of Deloitte & Touche, watched in horror as top-performing women left the firm at a dramatically higher rate than men. Five years ago, he set up a task force to find out why.

He discovered that having flexible and job-sharing programs available wasn't enough. Cook says management attitudes, not just behavior, had to change so that workers could feel their careers wouldn't be stalled because they wanted time for personal pursuits.

"I always used to tell my secretary to tell callers I was in a client meeting if I left the office early to spend time with my family," he says. "Think of the message that sends."

"Every employee needs to believe that he or she can have a life outside of the office without feeling like it looks unprofessional," he adds.

► Karen Sones, a vice president at First Tennessee Bank in Memphis, works at home one or more days a week. Other employees have asked her advice on how to set up similar arrangements.

"It's part of the culture," Sones says. "It's talked about enough that employees are not afraid to ask for the time. They've seen others do it."

► Carol Buchanan moved about four years ago to Sonoma County, Calif., with the hope she could work at home. Her employer, Right Management Consultants, agreed.

"It's been four years, and this has been a gift," says Buchanan, a vice president and consultant.

Some change already is taking place, as more companies adopt —

and use — family-friendly policies.

More than 50% of large companies allow working from home, and 50% allow job-sharing, based on a 1997 survey of 519 companies by Watson Wyatt, a human resources consulting firm.

Despite some change, other reports show many employees yearn to take a leap like Barnes'. A study this month from Lutheran Brotherhood showed 32% of people polled would

give up their lifestyle for a simpler one with less pay.

The trick is how to do both.

"All of us have to start putting results and performance first," says Steve Groot, president of the Allstate Indemnity, which has more than 500 employees. "The time has passed where we give undue credit to window-dressing like working during vacations and spending long hours in the office."

Some companies called family-friendly

Working Mother magazine's best companies for mothers (in alphabetical order)

- Allstate Insurance
- Barnett Banks
- Fel-Pro
- Glaxo Wellcome
- IBM
- Johnson & Johnson
- Mercer
- NationsBank
- SAS Institute
- Xerox

Business Week's Top 500 Family-Friendly Companies (in order of ranking)

- MBNA America
- Motorola
- Barnett Banks
- Hewlett-Packard
- Unum
- Lincoln National
- Merrill Lynch
- DuPont
- TJW
- Cigna
- Lucent Technologies
- ITT Hartford
- Ampco
- Texas Instruments
- Rockwell International
- Marrriott International
- First Chicago NBD
- Baxter International
- Medtronic
- Autodesk

Source: Business Week, Sept. 15, 1997, issue.
Family Friend in Business & People's 500 Index

Legal Mondays

NOTICE OF: UNITED STATES V. THE SPY FACTORY, INC. ET AL
81-95 Cr. 737 (SS)

Notice is hereby given that on March 10, 1997, in the case of United States v. The Spy Factory, et al., 81-95 Cr. 737 (SS), the United States District Court for the Southern District of New York entered a Preliminary Order of Forfeiture to Ronald Kimball condemning and forfeiting any and all assets of Ronald Kimball, in an amount not to exceed \$2,334,784.90, including but not limited to, all cash, bank accounts, accounts receivable, trust & escrow accounts, and any equipment and inventory, and any other real property interests, leasehold conveyances, stock and securities and all other property, real and personal, and any property traceable to such property, including but not limited to the following assets of Ronald Kimball outlined in the post-indictment restraining order entered on August 17, 1995:

Accounts held in the name of, on behalf of, or together with, RONALD J. KIMBALL, at the following institutions: (a) Frost National Bank; (b) Dryvitex Mutual Fund (The Shareholder Services Group, Inc., as transfer agent an record keeper, including but not limited to account numbers 910-0001822604 and 010-2321153635; (c) Fidelity investment accounts 022 0443870605 and 31404065213444; and J-account number T016443101 (with individual accounts 004 0438026245; 010 0296425858; 314 0435184298, 325 0482877032 and 455 0045099096); (d) Franklin Templeton Group; (e) Stein, Roe & Farnham Inc., including but not limited to account number 30981121040; (f) USAA Investment Management Company, including but not limited to account numbers 48000533347; (g) Vanguard Group; (h) T. Rowe Price Associates, Inc., including but not limited to account numbers 520489072-9; 520483180-5; 400934029-2; 520469880-8; 5204831847; 520483180-9; (i) Souder Funds, including, but not limited to account number 9981681002; (j) Invesco Funds Group, including, but not limited to account numbers 436348-0-15 and 436348-0-40; (k) Charles Schwab, Inc.; (l) Gabell Funds, Inc., including, but not limited to Gabell Asset Fund account number 60028477; (m) IAI Investment Management Company; (n) Janus Funds, Inc.; (o) Kaufman Funds, Inc.; (p) Strong Funds, Inc.

The following real property held in the name of, on behalf of, or together with RONALD J. KIMBALL: (a) 9225 Maymont Park, San Antonio, Texas 78217; (b) 6155 Village Crest, San Antonio, Texas 78239; (c) 7230-32 Montgomery, San Antonio, Texas.

The following business interests held in the name of, on behalf of, or together with, RONALD J. KIMBALL: (a) Spy Factory, Inc.; (b) Conceptual Development Corp.; (c) Kimball Armor Corp.; (d) Media Graphics; (e) Family Tree; and (f) Hansen Chevrolet.

The following conveyances held in the name of, on behalf of, or together with, RONALD J. KIMBALL: (a) One 1992 Ford Explorer (FM DUS4XINUB38737; (b) One 1993 Jeep Cherokee (LJ4G278Y7SC513362; (c) One 1985 Porsche 1991 GMC Pickup (GNF1T13W7N2180700.

The following stock and securities held in the name of, on behalf of, or together with, RONALD J. KIMBALL: (a) SPY FACTORY, Inc.; (b) Kimball Armor Corp.; (c) Media Graphics; (d) Family Tree; (e) Hansen Chevrolet.

The following notes receivable held in the name of, on behalf of, or together with, RONALD J. KIMBALL: (a) Robin Cunningham Waterside; (c) Trent Kimball, 7802-7610 Windsor Oaks, Conceptual Development.

Any person having mentioned property of this notice under the er's no-

NOTICE: Recent amendments

Credit Reporting Act notify consumer report wish to be excluded from lists", including "pre used in connection with not initiated by such ir ing transactions", Resources ("Lakeside information in its files connection with such tions. Beginning Sept viduals that wish to h them" from prescreen contacting Lakeside at Lombard, IL 60148, Inquiries or by teleph and by providing Lak and address.

NOTICE OF: UNITED STATES V. T
81-95 Cr.

Family-child care policy - general

9-24 Mrs. Clinton / Child Care

1. Schodt

- How much funding - tied up in CC licenses
quality vs supply
- Rationalizing funding streams

DR: Mandatory / thru block grant
guidelines, as in health care --
e.g. quality / standards / MOE

HRC - makes sense,
but channel discrete - several
acceptable directions
make clear what our models are /
best practices.

Commission - Think of chair now.

At conf -

1) Background checks

- get leverage of fed funds - ↑ the usefulness of the data registry
- compact
- b.c. in that federal programs

2) relationships - Pell grants can be used! outreach effort.

Parental choice -

Address at conf - stay here a
make it easier to work at home
Good info on what Pies has already done | "part time
to make choice easier.

Break from marriage penalty for certain years.
You decide when/how to apply for it?

Bridge loan?

Dip into social security?

Draw down ED IPA for 1st 3 years?

Family-child care policy - general

Mtg - Ben Klein / Nicole Rabner

1. School Age Care ^{5-year} \$400m each year (HHS placeholder \$300m)

Funding via three ed. state agencies

School districts then give \$

OR: child care bureaus

Any Poss will become flashpoint

re parochial/private schools

- or church bureaus?

Focus on supply or quality??

safe/decent

broad enrichment

HHS thinks it's too barebones

New mech to rationalize funding sources so states will have simpler to go.

Ed plan - 20,000 communities

Fund all through one stream

2. Affordability

Tax - touch it? if so, what do you do? -

Subsidy

index for inflation? or qualifying expenses? or income side?

how
Bve: re: reliability -
not help them
people on the
subsidy side
more ethic anyway

Best place to target

How subsidy - \$65 per wk ~~state~~

Up to 20% of income paid by person

best states reach 80% of state med inc income

Add more money // target the money??

HARD

3. Quality -

Background checks - compact

HHS req -
provs receiving funding
must do

req states
to report
certain data
set out

Health/safety stds - not basic enough.

Model st. child care stds - bipartisan comm.

Quality Incentive fund - narrow it and target - pin on
states agreeing to meet certain standards

THE WHITE HOUSE

WASHINGTON

September 15, 1997

MEMORANDUM FOR HILLARY RODHAM CLINTON

CC: BRUCE REED
MELANNE VERVEER
ELENA KAGAN

FROM: JENNIFER KLEIN
NICOLE RABNER

RE: CHILD CARE

As you know, over the past few months, we have been preparing for the upcoming White House Conference on Child Care on two tracks: policy development and conference planning. The purpose of this memorandum and binder is to give you an overview of our progress with the policy planning process and to solicit your advice and ideas. Also included in the binder is information for discussion on the conference format.

We have divided the policy development discussions into three broad categories -- **1) quality, 2) affordability, and 3) school-age care** -- and have led an interagency process of examining current child care policy in each of these areas and exploring ways to improve it. Our goal to date has been to identify the major policy challenges for possible focus, which this memo outlines. It is now time to begin to prioritize among the many options and make strategic decisions about where to recommend investing limited resources. Please note also that we do not anticipate announcing many of these options at the conference itself, as the event will take place ahead of the budget process. However, we do expect to have some important policy announcements ready for the conference, as well as a process in place to further develop others for later announcement (perhaps at the State of the Union).

1. Quality

Issues relating to quality of care are perhaps the most challenging and important that we face. As you know, studies reveal a quality crisis in child care. For instance, one study of child care centers shows that 10% of children in center-based care are in care that is dangerous to their health and safety, 70% are in care that is barely adequate, and only 20% are in high quality care. Infants are at greatest risk, with 40% in care that is dangerous to their health and safety.

While there is clear agreement that high quality care for all children is our goal, there exist underlying concerns about pursuing policy that increases the quality of care, but prices care out of the reach of working parents, as well. For that reason, the discussion of quality and affordability go hand-in-hand.

Our discussion of policy related to quality has several components:

- A. Health and safety standards
- B. Professional development and screening
- C. Quality enhancement

A. HEALTH AND SAFETY STANDARDS

National child care standards are extremely controversial. At the same time, experts, advocates and parents seem to agree that with the clear absence of state leadership in this area, there is a role for the federal government to play. The question with which we are grappling is the nature and extent of that role. Included in this binder is a memo prepared by the Department of Maternal and Child Health at HHS that outlines various policy options and examines the advantages and disadvantages of each.

Perhaps the most promising policy option involves a set of national child care standards recently-released by HHS for states' voluntary use. The standards, called *Stepping Stones* (and included in the binder), is a reader-friendly document extrapolated from the 1992 *National Health and Safety Performance Standards: Guidelines for Out-of-Home Care*, which was developed by the American Public Health Association in cooperation with the American Academy of Pediatrics through a grant support by HHS. We could urge, for example, that states use *Stepping Stones* by offering them incentive grants if they agree to use these guidelines.]

[In addition to the options outlined in the memo included in the binder, we are examining immediate steps we might be able to take, along the lines of the regulation recently promulgated that requires immunizations in federally-supported child care settings.

B. PROFESSIONAL DEVELOPMENT AND SCREENING

Professional Development

Experts routinely link the quality of any child care setting to the quality of the child care providers themselves. Yet child care providers are among the lowest paid, least trained professionals, and the profession not surprisingly experiences a very high turn-over rate. We are exploring several policy options related to enhancing professional development, some of which

are explored in the binder:

- Creating a national child care provider scholarship fund which could be available to states conditioned on their setting standards for child care provider preparation and/or facilitating loan forgiveness or Pell Grant expansion to assist and encourage child care professionals to seek training;
- Linking compensation to training for child care providers by requiring that states set higher reimbursement rates for providers that meet higher training standards, to address high turn-over rates and encourage providers to seek higher education; and
- Establishing a National Child Care Provider Day to stimulate national recognition of the important work of child care providers and to urge talented people to join the profession.

Screening of Child Care Providers

Making sure that child care providers are properly screened for criminal/abuse histories is a compelling issue; it is also one that is wrought with complications of cost, jurisdiction and effectiveness. Today, there exists no national standard for criminal (state/FBI records) and/or civil (child abuse registry) background checks for child care providers. Background checks requirements are made at the state level, and today, while state laws routinely require these checks for people who work in banks, for example, no consistent requirement exists for child care providers. While a few federal laws have been passed to either facilitate or encourage such checks, they have had little impact and substantial obstacles remain:

- No national standards exist for background checks. "Background checks" can mean either a criminal history name check, a fingerprint check, or a civil records check. Moreover, states vary widely on who they check (part-time/full-time employees) and the scope of crimes they are checking;
- There is no single database for background checks. The feds and the states have their own information systems and many criminal justice records remain decentralized at the local level. In addition, these information systems may not collect all of the relevant information relevant for day care workers (e.g., sex offender registry may identify a convicted child molester but not a child abuser); and
- The cost of background checks can be substantial. Fingerprint checks are at least three times as expensive as name checks, but are more reliable. Concerns were raised about passing these costs along to the customers, many of whom may already find child care costs prohibitive. Moreover, child care facilities have a high rate of employee turn over.

Since the Supreme Court's decision the Brady Law, there is a heightened sensitivity to imposing mandates on states in this area, particularly without providing additional funding. Our discussion on moving forward was focused on an Interstate Compact bill which the Justice Department is preparing the send to the Hill this month. Under the Compact -- which must first be passed by Congress and then by individual states -- the FBI would maintain an index of all of the state-maintained criminal history records and the ground rules for states to share their information. The Compact would be a solid first step to expand the availability of criminal history records for "non-criminal justice purposes." The downside is that each state needs to ratify the compact if they want to participate-- which could take a long time.

C. QUALITY ENHANCEMENT

Included in the binder is a memo prepared by HHS that outlines policy options specific to the question of child care quality enhancement. A range of ideas are discussed, including:

- Creating a quality incentive fund that would be available to states for quality improvements in a number of areas, such as promoting accreditation, providing consumer education, providing professional training, meeting standards, etc.;
- Establishing a family child care network support fund that would be available to states to establish and support family child care networks. Family child care settings are particularly vulnerable to poor quality, because of their isolation from any support networks; and
- Creating a national public awareness campaign, stimulating technology and establishing a research fund designed to improve consumer awareness and care.

2. Affordability

The federal government has two mechanisms for helping working parents afford child care -- the tax system, through the Dependent Care Tax Credit (DCTC) and the block-grant subsidy system, through the Child Care and Development Block Grant (CCDBG). We are exploring ways to expand and improve each to reach more working parents. Included in the binder are memos that examine the two systems and outline possible approaches to reform. We are waiting for HHS and the Department of Treasury to complete its analysis of how these two systems interact -- what income levels are being adequately covered and who is being left out -- before we devise specific recommendations in this area. To date, the most promising policy proposals are:

- Reforming DCTC to adjust the income slide parameters for eligibility and increasing the

amount of qualifying expenses (neither has not been adjusted for inflation since 1982);
and

- Increasing subsidy dollars to states to reach more people, possibly conditioned on certain quality-related initiatives undertaken by the states.

3. School Age Care

In our many focus groups with experts and advocates on child care, one message was very clear - the need for after-school programs is extreme and the evidence has never been more clear that these programs are good investments, in terms of education enhancement, crime reduction and teen pregnancy prevention. The Department of Education is in the process of completing its proposal for an ambitious expansion of federal support for after-school programs. Included in this binder is a overview of current federal programs in this area and some of the compelling supporting evidence.

**THE WORKING FAMILY
CHILD CARE INITIATIVE 1999-2002**

During the last quarter century, the entrance of mothers into the paid labor force has changed the face of the American work force. Currently, a majority of American families is comprised of either two working parents or is headed by a single working parent. Child Care has become the "new neighborhood". Millions of America's families depend on access to affordable quality child care in order to be productive workers. Their children depend on child care that provides safe, healthy and productive learning environments.

Child Care is an issue that cuts across income lines. However, the struggle to find affordable quality care is particularly acute for low-income working families. The new work requirements contained in the welfare reform law will result in a great number of parents going to work and placing their children in child care. With welfare reform's emphasis on labor force participation of mothers, child care has become an integral aspect to determining the success of welfare to work efforts. As a result, access to affordable and high-quality child care is of primary concern.

As we move into the 21st century, it is time to take bold new action to develop a child care system that works for all of America's working families. This initiative is designed to assure that the FY 1999 budget lays the foundation upon which we can begin to build a more effective child care system to support working families and promote child development. It is designed to move us towards a vision in which:

Every community will have a continuum of affordable, quality care for children from birth through early adolescence.

The Need for Affordable Quality Child Care

Affordability

Access to affordable and high-quality child care remains out of reach for many American families. While the average family pays about 7 percent of its income for child care, child care consumes about a quarter of the income of low-income families who pay for care. Furthermore, as the demand for affordable child care services increases, waiting lists for child care assistance for these families continue to grow.

Federal child care assistance in FY 1997 provides \$2.9 billion in direct subsidies, serving a little more than one million

children. Although estimating the extent of the need for child care assistance is difficult, if we consider working families with children earning at or below 150 percent of poverty (or about \$20,000 for a family of three), we are currently providing child care subsidies for less than one quarter of them.

In addition to child care assistance, the Dependent Care Tax Credit provides more than \$2 billion in tax relief for child care expenses. However, because it is not refundable, the vast majority of low-income working families are unable to access this assistance. For these families, the amount of the credit has not been adjusted since 1982, despite significant increases in the cost of care over the last 15 years.

Supply of care

Even when funds are available, the lack of adequate supply leaves many families without access to care. A recent GAO report documents the need for more child care, particularly for infants and toddlers, school age children and children with disabilities. For example, while there are currently 50,000 school age programs, serving 1.7 million children across the country, there are more than 16 million school age children who have working families. Moreover, this situation is further exacerbated by the lack of "odd-hour care" for families working nightshifts.

Quality

Research has documented the importance of quality child care programs to school readiness. The first years of life are critically important to determining academic success and studies have shown that quality school age child care can have a positive impact on academic achievement, especially for children who are most at risk for school failure.

Despite this correlation between quality of care and education, many stories have raised serious concern about child care quality during the past decade. From the "National Child Care Staffing Study" released in 1989 to the more recent "Cost and Quality Study", we know that the quality of child care for most children remains far from adequate. Furthermore, in recent months, even the basic health and safety of child care has become a national concern.

Although 4 percent of federal dollars are set aside to address quality, there are limited additional resources to help build infrastructure, provide training and consumer services, and make other improvements. Child care providers are the key to a quality program. However, the majority of states require no pre-service training for teachers or family child care providers. Child Care teaching staff typically earn about \$6.50 an hour or a little more than \$12,000 per year and often receive no benefits. This lack of support for the child care workforce results in high

turnover, affecting the overall quality of care.

Guiding Principles for Child Care Policy

Meeting this critical need calls for major new public and private investment and a bold comprehensive approach based on the following principles:

- o Child care is critical to workforce development and child development.
- o A broad range of working parents need some assistance in accessing affordable quality care.
- o The quality of care affects school readiness and academic achievement.
- o The quality of care is directly related to the investments made in programs and providers.
- o All segments of society: parents, schools, employers, health providers, other community agencies, states and the federal government must be involved to ensure access to adequate care.

Goals and Outcomes

This initiative sets forth an approach to address three key issues: affordability, school age care and quality.

We propose the following outcomes for this investment.

To improve the economic and social well-being of working families with children by:

- o Increasing the number of low income families with access to affordable child care by doubling the number of children receiving direct child care assistance by the year 2002 (reaching 2 million low-income children).
- o Increasing the number of families with school-age children who have access to child care by doubling the number of programs serving school age children in after-school and summer programs, including youth sport programs.

To improve the quality of child care to promote childhood development by:

- o Improving the quality and accessibility of care in more than 500 communities across the country, with a particular focus on assuring the health and safety and school readiness of children 0-5.

- o Increasing the number of trained child care providers by expanding access to training and other supports for 50,000-75,000 child care providers per year.
- o Increasing the number of informed consumers and improve child care data and the use of technology by increasing access to consumer education, innovation and data collection in every state.

FY 1999 Budget Request

This proposal will require changes in Title VI of the Personal Responsibility and Work Opportunity Reconciliation Act of 1986. The proposed funding level for **The 1998 Amendments to The Child Care and Development Block Grant** is \$2 billion in mandatory funding for FY 1999.

We are also proposing that this effort be accompanied by changes in the Dependent Care Tax Credit to make this authority more supportive of working low-income families.

The following five initiatives are designed to address the three key issues of **affordability, quality and school age care**. These initiatives build on existing developments in the field, attempting to bring promising programs and practices to scale.

Affordability

1. Child Care Assistance for Working families

- o Increase funding for the Child Care and Development Fund by \$700 million in order to provide at least 1.25 million child care slots in FY 1999, increasing to 2 million slots by FY 2002. *extend to 8 whg fams w/ higher income*
- o States would be allowed to integrate these funds into their Child Care and Development Fund and match with state, local or private sector dollars.
- o Like existing resources in the CCDF, these dollars would enable parents to choose child care in their preferred setting, subject to State health and safety standards.
- o States would be required to set benchmarks to expand eligibility to serve more working families, to make copayments more affordable, and to improve reimbursement rates.

Quality

2. Child Care Caring Communities

- o Increase CCDF funding by \$800 million.

- o Distribute through the CCDBG State formula.
- o Grants of \$500,000-\$2 million would be made to establish family child care networks, promote accreditation, provide consumer education, provide training, meet standards, promote health and parent education in child care and improve access and affordability. Communities would select priorities based on local need, with a focus on care for infants and toddlers.
- o Funds would be federal with a 20 percent local match. Funds would go from the State level to communities across the states.
- o States would have to assure that they would take steps to incorporate key protections for children's health and safety outlined in "Stepping Stones" developed by the American Academy of Pediatrics and the American Public Health Association.
- o Communities would have to form partnerships with the private sector to access funds.

3. T.E.A.C.H USA (Teacher Education and Compensation Helps).

- o Increase CCDF funding by \$150 million.
- o This builds off the success of the T.E.A.C.H program launched in North Carolina and now emerging in 4 other states. (T.E.A.C.H. is a State program that offers a variety of educational scholarship opportunities to child care providers that enhances their skills and marketability.)
- o Funds would be all federal to state, using the CCDBG formula.
- o States would have agree to set standards for child care provider preparation. The licensure of providers would be encouraged. r Hs. fu
- o Funds would primarily be for scholarships, however states could set aside a portion for program development.

4. The 21st Century Child Care Fund

- o Increase CCDF funding by \$50 million.
- o Funds would be administered directly from the Federal level. HHS would:
 - o Establish a consumer hotline for parents which

would connect with local resource and referral agencies.

- o Launch a public awareness campaign for parents on choosing and monitoring quality care and parent involvement.

- o Establish a National Center for Child Care statistics.

- o Support innovations in the use of technology to encourage distance learning and interactive computer programs as part of child care teacher preparation.

- o Support research and demonstrations on child care issues that could benefit other communities.

School-age care

5. **Making the Most of Out of School Time** (The MOST USA Initiative is a community-wide process for expanding the supply of school age child care.)

- o **Increase CCDF funding by \$300 million.**

- o This builds upon projects successfully launched across the country to build the quality, supply and affordability of school age care in communities.

- o Funds would be distributed to the states based on the CCDBG formula.

- o Funds would be federal with a 20 percent local match. Funds would go from the State to schools or community based agencies.

- o Funds would be provided to improve and expand school age services from preschool to early adolescence.

- o The National Youth Sports Program would be integrated into this part of the initiative in order to give children opportunities to participate in organized sports programs during the time they are not in school.

Other Participating agencies:

The involvement of other Federal agencies, both within and outside of HHS, will be determined in the upcoming weeks.

Dependent Care Tax Credit

HHS staff is currently working with Treasury to develop proposals to expand the Dependent Care Tax Credit and make it more supportive of low income working families. Issues under consideration include increasing the income level at which families receive the full credit, increasing the amount that can be claimed towards the credit, and exploring issues around refundability.

**FY 99 Budget Request
Child Care**

Affordability	\$ 700 million
Quality	\$ 1 billion
School-Age	\$ 300 million
TOTAL	\$ 2 billion