

Child Care - 7
2001 Budget 2000
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THE CLINTON-GORE ADMINISTRATION
ENSURING AFFORDABLE, ACCESSIBLE AND SAFE CHILD CARE
January 27, 2000

President Clinton's FY 2001 budget includes a comprehensive child care initiative to address the struggles our nation's working parents face in finding child care they can afford, trust and rely on. Through unprecedented tax relief and subsidy support the President's balanced budget includes a package of proposals to help working families pay for child care, improve the safety and quality of care, expand after-school programs and promote early learning.

Today, More Than Ever, Working Families Struggle With Child Care. Today, the number of children with parents that work outside of the home is higher than ever before. In 1996, three out of four mothers with young children worked outside of the home, compared to one in four in 1965. Additionally, studies have shown that that child care expenses are often the second or third largest item in a low-income working family's household budget, and that the availability of child care subsidies enables more low-income parents to work. During the Clinton-Gore Administration funding for child care has more than doubled. Despite these efforts, many eligible children do not receive assistance. In FY 1999, states provided child care assistance to approximately 1.75 million children, or only 12 percent of the roughly 15 million low-income children eligible for assistance under federal law.

The President's Initiative Significantly Expands Access to Quality, Affordable Child Care and Early Learning Programs by:

Proposing the Largest Head Start Expansion in History. The President's budget boosts funding for Head Start by \$1 billion – the largest funding increase ever proposed for the program -- to provide Head Start and Early Head Start slots to approximately 950,000 children, nearing the President's goal of serving one million children in 2002. Head Start is our nation's premier early childhood development program preparing low-income children for a lifetime of learning and development by providing early, continuous and comprehensive child development and family support services. Early Head Start, created by the Clinton-Gore Administration in 1994, brings Head Start's successful comprehensive services to families with children ages zero to three and to pregnant women, and works to enhance children's overall development and enable parents to be better caregivers of and teachers to their children. Since 1993, this Administration has already boosted funding for Head Start by 90 percent.

Helping Low-Income Families Afford Child Care. The President's budget expands the Child Care and Development Block Grant to help working families struggling to afford child care. The President's budget request will increase funding for child care subsidies by \$817 million in FY 2001, enabling the program to serve nearly 150,000 more children next year. These new funds, combined with the child care funds provided in welfare reform, will enable the program to serve over 2.2 million children in 2001, an increase of nearly one million since 1997. The block grant is part of the Child Care and Development Fund, the primary federal subsidy program that helps families pay for child care, thereby enabling low-income parents to work. Today, millions of families who are eligible for assistance with their child care costs do not receive any help; in

1999, only about 12 percent of the 15 million low-income children eligible for assistance under federal law, received subsidies.

Assisting Over 8 Million Families with Child Care Expenses. The Child and Dependent Care Tax Credit (CDCTC) provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. In his FY 2001 budget, President Clinton is proposing to expand the Child and Dependent Care Tax Credit by making it refundable for families who earn too little to claim the credit today, but who also do not feel the full benefit of child care subsidies; increasing the credit for families earning up to \$60,000; and helping stay-at-home parents meet their added expenses. The President's budget includes \$30 billion over 10 years, benefiting over 8 million families with their child care expenses and includes:

- **Making the Tax Credit Refundable for Nearly Two Million Working Parents.** Many low-income families with significant child care costs currently are not eligible for the maximum Child and Dependent Care Tax Credit (CDCTC). A typical family of four with an income below \$25,000 does not have any income tax liability and thus is not eligible for much-needed relief from their often-significant child care expenses. To help these low-income families, the President is proposing to make the CDCTC refundable. This proposal, when combined with the President's other CDCTC expansion proposals, will provide an average tax cut of \$902 to help offset the costs of child care. For example, a single mother who has one child, earns an annual salary of \$15,000, and spends about \$2,400 per year on child care, will receive a tax credit of \$1,200, an increase of \$817 over current law. The President's budget proposal to make the Child and Dependent Care Tax Credit refundable will assist nearly two million families.
- **Greater Tax Relief for Child Care to 4.4 Million Working Families.** The Child and Dependent Care Tax 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 is proposing to increase the credit for families earning up to \$60,000, providing an additional average tax cut of \$249 for these families and eliminating income tax liability for nearly all families with incomes below 200 percent of poverty that claim the maximum allowable child care expenses. For example, a family of four with an annual salary of \$35,000, and child care expenses of \$3,100, would receive a tax credit of \$1,395, an increase of \$775 over current law. The President's Child and Dependent Care Tax Credit expansion proposal will assist over four million working families paying for child care.
- **Providing Tax Relief to Parents Who Stay at Home.** The President believes that we should support parents in whatever choice they make for the care of their children. Therefore, he is proposing to enable parents who stay at home with children under one to take advantage of the Child and Dependent Care Tax Credit by claiming assumed child care expenses of \$500. The President's budget will provide an average tax cut of \$154, benefiting almost 2 million parents.

Creating New Child Care Tax Incentives for Businesses. To encourage employers to provide child care services for their employees, the President is proposing the creation of a new tax credit

to businesses that provide child care services for their employees, such as building or expanding child care facilities, operating existing facilities, training child care workers, or providing child care resource and referral services. The credit covers 25 percent of qualified costs (and 10 percent of resource and referral service expenses), but may not exceed \$150,000 per year per business. The President's budget includes \$1.4 billion over 10 years for this tax credit.

Doubling After-School to Help Every Child in Every Failing School Meet High Standards.

The President will call on Congress to invest \$1 billion to expand after-school and summer school for students across the nation – more than doubling the \$453 million enacted last year, and the largest expansion ever proposed. With this increase, we can enable every child in every failing school to participate in quality extended learning programs and work toward higher academic standards. Studies have shown that extended learning programs such as after-school and summer school help improve student achievement in reading and math, as well as increase student safety and reduce juvenile crime. Under the President's proposal, the number of children served will nearly triple from 850,000 to 2.5 million children.

Promoting Early Learning. High quality early childhood programs can significantly improve children's success in school, boosting grade retention, achievement, and even high school graduation rates. To ensure that children have access to early childhood programs that promote their cognitive development, the President's budget includes \$3 billion over five years for the Early Learning Fund to help improve child care quality and early childhood education for children under five years old. The Early Learning Fund will provide community grants for activities that foster cognitive development, improve child care quality and promote readiness for school. Resources could be used, for example, to help child care providers get training or certification, support licensing or accreditation of child care facilities, and reduce child-to-staff ratios -- factors associated with positive developmental outcomes for young children.

Supporting High-Quality Early Childhood Educators. The President's budget includes \$30 million to ensure that well-trained professionals are teaching our young children. We know that the training and education of early childhood educators and caregivers are directly related to the quality of the early education they provide, and the quality of their service, in turn, is directly related to children's readiness for school. As a result, early childhood educators with more education and training provide the higher-quality language stimulation and literacy experiences that are critical for children's success in schools. The Early Childhood Professional Development initiative will provide competitive grants to local partnerships that provide professional development for teachers such as universities, local school districts that provide pre-school, and child care providers such as Head Start. The initiative would focus on equipping early childhood educators with the tools they need to help children develop the language and literacy skills that are the foundations for academic success.

Encouraging the Pursuit of Higher Education by Offering College Campus Based Child

Care. To encourage low-income parents to pursue higher education, the President's budget includes \$15 million – a \$10 million increase over last year's funding level -- to provide an additional 150 college campuses with grants to support the establishment or expansion of child care services. States may also use a share of the Child Care and Development Block Grant for this purpose.

CHILD CARE - FY 2000

Families Agenda for the Fiscal Year 2000 Budget

Over the last 30 years, there have been increasing pressures on the family --more dual-earner couples, families working longer hours, all creating a squeeze that leaves parents with less and less time with their children. At the very least, this time squeeze is a source of anxiety for parents --at its worst, it places more children at risk. As part of the fiscal year 2000 budget, the Clinton Administration can put forward an agenda that puts families first by helping parents as they cope with this most important of all duties --raising their children.

Expansion of the Child Care and Development Block Grant. We propose to expand the Child Care and Development Block Grant as previously proposed in the FY 1999 Budget. The block grant is the primary federal child care subsidy program, helping low-income working families struggling to pay for child care. 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. Currently, over one million children are served by the program, leaving roughly nine million children who are eligible but unserved. **Cost: \$7.5 billion over five years.**

Tobacco
Money

Early
Learning
Fund

Expansion of the Child and Dependent Care Tax Credit. The Child and Dependent Care Tax Credit provides tax relief for families 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. As in the FY 1999 Budget, we propose increasing 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) who take the maximum allowable child care expenses under the law. **Cost: \$5.1 billion over five years to expand the credit for three million working families.**

Stay at
Home?

New Parent Paid Leave Plan. Many workers who have access to unpaid (whether through the FMLA or employer-provided leave) are unable to take it because they simply cannot afford to do so. To address this problem, the President could propose a New Parent Paid Leave Plan to provide eligible parents with partial wage replacement for up to six or twelve weeks following birth or adoption. The cost of the plan will vary considerably based on the selected eligibility criteria. One option: all new parents with median income or below (roughly \$37,000/yr) who have been in the workforce for at least one year would be eligible for a \$200/week partial wage replacement for up to four weeks (weekly figure based on average UI benefit). Eligible workers would be required to use the federal benefit immediately following birth or adoption and before using any employer-provided leave benefit, but could receive the benefit whether or not they ultimately returned to work. The program would be administered through the Unemployment Insurance System.

UI Reform?

Federal
program?
State option

Head Start

Cost of option: very roughly, \$875 million for FY 2000 (including start-up and administrative expenses). We will have more options and better costing next week.

FMLA Expansion to Businesses with 25 Workers. Since the Family and Medical Leave Act was enacted in 1993, millions of Americans have taken FMLA-covered leave to care for a newborn or adopted child, attend to their own serious health needs, or care for a seriously ill parent, child or spouse -- without fear of losing their job or health insurance. Under current law, workers are eligible for FMLA coverage only if they work at a business with *50 or more* employees and if they have worked at least twelve months and 1,250 hours for the employer. (Today, about 67 million Americans -- over half of all workers -- are covered by the FMLA. Senator Dodd proposed lowering the threshold to businesses with 25 or more employees, and Senator Kennedy champions a proposal to lower the threshold to 10. While the President has consistently referenced his support for expanding the FMLA benefit, the Administration has not formally presented a proposal in this area. **We recommend advancing a specific proposal to lower the FMLA threshold to 25 or more workers, expanding coverage for up to ten million more American workers.** No budget implications.

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6-mo newborn?

Parent Education and Support Fund. The White House Conference on Early Childhood Development and Learning spotlighted the critical importance of children's earliest years of life to their development and later success in life. Parents play the central role in providing children with developmentally appropriate stimulation and attention during these years. In addition, studies have revealed the promise of home-visitation programs to reduce child abuse and support children's development. **We propose the creation of a competitive grant program administered by HHS to fund parent education and support programs,** including the development or expansion of home visitation programs, efforts to educate and engage parents in child care and other efforts to improve child care quality, and the establishment of "second chance maternity homes" to support teen mothers and teach parenting skills. This fund would support programs such as HIPPIY, Parents as First Teachers, home visitation, and other parenting education programs. **Cost: \$500 million over five years.**

Parent grants?
more focus
no

What ever happened to family preservation?

Tax Relief for Parents, Including Parents who Stay at Home. The following are a series of proposals that would benefit families in which a parent stays at home (all estimates are rough and preliminary). We are currently exploring a variety of iterations of each proposal, but will settle on only one proposal. Also note that these proposals interact differently with an expanded Child and Dependent Care Tax Credit, and therefore, the selection of one of these policies will be informed by our decision on the DCTC. Options:

a. Expand the Child Tax Credit. The Child Tax Credit is currently \$500 per child for children under 17. We propose to double the credit to \$1,000 per child for those

children under the age of four. The Child Tax Credit begins to fade out for taxpayers whose adjusted gross income exceeds \$110,000 each year (\$75,000 if not married). **Cost: Roughly \$11 to \$13 billion over 5 years.** Another option is to double the credit for families with children under the age of two, which would cost roughly \$4 billion over five years.

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b. Increase the Standard Deduction. Most lower-income families (incomes of less than \$50,000) do not itemize their deductions, choosing to take the standard deduction (and using the simpler form) instead, while most higher income families choose to itemize. Therefore, a proposal to expand the standard deduction for children would help lower-income families. Currently, the standard deduction is roughly \$7,200 for married couples, and \$6,350 for heads of households. We could increase the standard deduction by \$1,000 for families with children for each child under 13, regardless of the marital status of the parents, and would cover roughly 3 million taxpayers (three quarters of whom are married couples) and 3 million children. The average benefit would be \$170 per taxpayer. **Cost: \$2.5 to \$3.5 billion over five years.** We are currently exploring a variety of other options, including a proposal to expand the standard deduction by \$2,000 per family.

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c. Expand the DCTC. We could extend the benefits of our DCTC proposal to stay-at-home parents with children age three and under, by applying the same eligibility guidelines and assuming minimum child-care expenses of \$150 per family per month. This proposal would also phase out the credit for families with annual income over \$105,000. **Cost: A variant of this proposal was estimated at roughly \$13 billion over 5 years (\$8 billion above our DCTC proposal).**

Expansion of After-School Programs. 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 can propose a dramatic expansion of after-school care. Areas of expansion:

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a. 21st Century Learning Centers: 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. We should build on the success of our recent expansion of the program by increasing funding by \$500 million this year. **Cost: \$700 million for FY 2000.** [Part of these funds would be used for summer-school programs for school districts that end social promotion.]

b. Supporting community-based after-school programs. Because so many of the most effective after-school programs are community based, such as the Boys and Girls Clubs, we propose expanding the Department of Justice's At-Risk Youth

? Initiative. We propose expanding the program by \$50 million, but targeting the funds for after-school initiatives by community-based organizations. **Cost: \$250 million over five years.**

✓ c. Expanding AmeriCorps' support for after-school. An expanded AmeriCorps could increase the availability of after school and summer programming for children and youth while providing additional opportunities for young adults to earn money for college through service. AmeriCorps Members serve with many of the major community-based organizations that provide after school care (including YMCA, Save the Children, and Boys and Girls Clubs); many others serve in public schools. We propose supporting a targeted initiative in which ten thousand AmeriCorps Members would conduct a 10-week summer program involving up to 100,000 middle-school children. **Cost: Roughly \$35 to \$40 million per year, or a cost of \$200 million over five years.**

Child Welfare: Children "Aging Out" of Foster Care. Each year, nearly 20,000 18-year-olds "age out" of the public child welfare system. These young adults entered foster care due to abuse and neglect, were unable to return to their birth families, and were not adopted. Federal financial support for these young people ends just at the time they are making the critical transition to adulthood. Research shows that they face unstable housing and homelessness, low educational achievement, depression, poor health, and violence and incarceration. When they turn 18, they also very often find themselves with no health insurance, as Medicaid eligibility ends at age 18. Areas for increased investment:

? a. Expand the Independent Living Program. Administered by HHS, the Independent Living Program provides services to foster care children aged 16 to 18 to help them (1) make the transition to independence by earning a high school diploma; (2) receive vocational training; and (3) learn daily living skills such as budgeting, locating housing, planning a career, and finding a job. Begun in 1986, the program assists 85,000 young people and has been funded at \$70 million since 1992. **We recommend increasing the Independent Living Program by 50 percent -- to \$105 million in FY 2000 and \$525 over five years.**

? b. Expand the Transitional Living Program. The Transitional Living Program is an HHS-administered, \$15 million competitive grant program that funds community-based organizations that provide services to this population, including housing support. We recommend doubling the increasing to **\$30 million in FY 2000 and \$75 million over five years.**

? c. Provide Medicaid Coverage. We recommend giving states the option of using Federal Medicaid dollars to provide health care coverage for this population -- **cost TBD; roughly hundreds of millions over 5 years).**

✓ **Child Welfare: Adoption Registry.** In 1996, the President called for a plan to double to number of children adopted each year from the foster care system. *Adoption 2002* -- the initiative developed by HHS in response to President's charge -- included efforts to break down barriers to adoption. The Administration secured \$10 million in FY 1999 for HHS discretionary Adoption Opportunities Grants for this purpose. One use of this grants will be the creation of an Internet-based adoption registry of foster care children waiting to be adopted, so that prospective adoptive parents can learn about these waiting children. **We recommend increasing the Adoption Opportunities grants by 20 percent to \$12 million for FY 2000 and \$60 million over five years, targeted to the upkeep of this Internet-based national adoption registry.**

✓ **Child Welfare: Court Improvement.** The Adoption and Safe Families Act of 1997, aimed at moving children in foster care more quickly to adoptive and other permanent homes, shortened the timeframes in which permanency decisions must be made for children in foster care. This has put more pressure on an already over-burdened and resource-deficient family and juvenile court system. Courts particularly need additional support to improve automation and computer systems to track foster care children and to reduce the pending backlogs of abuse and neglect cases. In addition, the Court Appointed Special Advocate program, which pairs a trained volunteer with child abuse cases to serve in an advocacy role, needs to be expanded to under-served areas. We recommend the creation of a new DOJ-administered grant program to automate the data collection and tracking of proceedings in abuse and neglect courts and a one-time grant to expand CASA to under-served areas. **Cost: TBD, roughly 15 million for FY 2000 and \$55 million over five years.**

[Flexible Work Hours for Families. Bruce/Elena: We are beginning to think through this proposal, and are looking for guidance as to whether we should continue to pursue it.] Options:

* put paid leave here? a. Tax credit for businesses that provide flexible work schedules for their employees. We propose to offer tax credits to companies that offer a variety of family-friendly benefits, including flexible work hours for their employees, compressed work weeks, part-time work with benefits, job sharing, career sequencing, and extended parental leave. Such a tax credit would enable parents to spend more time with their children by providing companies, both small and medium sized, the ability to respond to the time crunch families are facing. In addition, it builds on our flex-time and family-leave proposals. Awaiting estimation by Treasury.

Discretionary? b. Subsidies: We propose that the Commerce Department would make grants to states who would in turn provide grants to eligible businesses that provide flexible work hours for their employees, including flexible work hours for their employees,

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compressed work weeks, part-time work with benefits, job sharing, career sequencing, and extended parental leave. Within the grant-making process, priority would be given to small and medium sized businesses. Businesses would be required to ensure that the funds would be used to supplement and not supplant any ongoing efforts in this area. **Very rough cost estimate: \$500 million over five years.**