C. care-ideas

Paul J. Weinstein Jr.   12/15/97 04:59:13 PM

Record Type: Record

To: Karl.Scholz @ Treas.Sprint.com @ inet, Michael.Barr @ Treas.Sprint.Com @ inet

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Subject: Increasing the Availability of Child Care Facilities In Low Income Neighborhoods

I am writing you regarding a proposal to promote the availability of child care facilities in low-income neighborhoods that has been floated to the DPC and the NEC. The proposal would amend the Low Income Housing Tax Credit (LIHTC) Law to permit the tax credit to subsidize common areas within a housing credit property even if that area is made available to individuals who do not reside within the property. The provision could be limited to make sure that the basic purpose of the Housing Credit program would not be undermined. In addition, the proposal would be budget neutral.

My understanding is that John Orszag from the NEC has forwarded a copy of the proposal with legislative language. The DPC is very interested in this proposal and would like to see if it would fit into the President's child care initiative. My understanding is that the NEC is interested in the idea as well.

Please let me know as soon as possible what are the Department's view of this proposal.

Thanks.

Message Copied To:

Jennifer L. Klein/OPD/EOP
Bruce N. Reed/OPD/EOP
Elena Kagan/OPD/EOP
Jonathan Orszag/OPD/EOP
Nicole R. Rabner/WHO/EOP
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Bruce —
The memo for today's deputies meeting on child care.
Elena

Child care ideas

Draft for Discussion Purposes Only
December 2, 1997

OPTIONS FOR CHILD CARE INITIATIVE

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

A. *Child and Dependent Care Tax Credit.* Modify the Child and Dependent Care Tax Credit (CDCTC) by raising the top rate and moving the phase-out range. One option considered would raise the top rate from 30 percent (current law) to 50 percent and move the phase-out range from \$10,000-\$28,000 (current law) to \$30,000-\$59,000, indexed for inflation thereafter. Presently, the CDCTC phases down from a high of 30 percent at \$10,000 or less of income to 20 percent at more than \$28,000 of income (a phase out rate of one percentage point per \$2,000 of income). Under this option, the credit would phase-out at a rate of one percentage point per \$1,000 of income, from a high of 50 percent at \$30,000 or less of income to 20 percent at more than \$59,000. <u>This option would cost \$5.2 billion through the year 2003; less expensive options, using different rates and phase-out ranges, are also available</u>. The credit could also be made refundable. why not 175K?

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

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

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

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

<u>A possible recommendation is to increase the investment by \$4 billion over five years, which would provide subsidies for approximately 280,000 children per year. Less money would mean proportionately fewer additional children subsidized</u>. 500,000?

~~That's what happens when you can't run a process~~

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

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

1. *Child Care Provider Scholarship Fund.* Announced by the President, the Child Care Provider Scholarship Fund will enable states to provide scholarship funds to students working toward a child care credential. Eligible child care workers must commit to remaining in the field for at least one year for each year of assistance received and will earn increased compensation or bonuses when they complete their course work. The President announced an investment of $250 million over five years. 50

1.5

2. *Expand the Child Care Apprenticeship Training Program.* Expand the Child Care Apprenticeship Program to fund the training of child care workers toward a degree equivalent to the Child Development Associate degree, with on the job observation and practice. The Department of Labor has asked for an appropriation of $10 million for FY 1999. ~~250~~ 300

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

V. **Stay-at-Home Parents**.

A. *Leave Options for Working Parents.*

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

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

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

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

C. *Tax Credits.* Options include:

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

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

C. care idea

THE WHITE HOUSE

WASHINGTON

December 4, 1997

MEMORANDUM FOR DISTRIBUTION

FROM: **BRUCE REED**

RE: **CHILD CARE MEETING**

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

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Domestic Policy Council Principals Meeting
December 5, 1997

PRELIMINARY OPTIONS FOR CHILD CARE INITIATIVE

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

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

<u>Pros:</u>
- The CDCTC parameters have not been adjusted for inflation since 1982.
- Through the tax system, assistance can be provided directly to parents for their child care needs with low administrative costs.

<u>Cons</u>:
- The CDCTC is not well targeted to those with low incomes.
  - -- Under current law, about 1 percent of the CDCTC is received by families with money income in the bottom quintile. About 32 percent of the credit is received by those with income in the top quintile.
  - -- Taxpayers who also claim the \$500 child credit will not benefit from an increase in the CDCTC unless their income is between 130 and 160 percent of poverty.
- The IRS cannot easily verify child care expenditures. In 1988, about one-third of the CDCTC amounts claimed were false or overstated. Compliance efforts since 1988 may have reduced this error rate somewhat, but the IRS continues to have difficulty verifying expenses.

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

Pros:

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

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

Cons:

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

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

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

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

Pros:

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

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

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

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

Cons:

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

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

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

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

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

Pros:

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

Cons:

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

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

Pros:

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

Cons:

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

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

Pros:

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

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

Cons:

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

D. *Early Childhood Development and Quality*

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

Pros:

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

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

Cons:

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

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

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

IV. SCHOOL-AGE OPPORTUNITIES

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

Pros:

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

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

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

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

Cons:

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

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

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

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

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

V. STAY-AT-HOME PARENTS

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

Pros:

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

- No expense to the U.S. Treasury.

Cons:

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

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

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

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

Pros:

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

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

Cons:

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

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

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

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

Pros:

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

Cons:

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

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

Pros:

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

Cons:

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

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

APPENDIX: BACKGROUND ON FEDERAL CHILD CARE INVESTMENTS

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

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

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

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

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

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

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

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

Department of the Treasury
Office of Tax Analysis

December 4, 1997

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

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

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

Department of the Treasury
Office of Tax Analysis

December 4, 1997

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

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

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

Department of the Treasury
Office of Tax Analysis

December 4, 1997

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

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

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

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

Department of the Treasury
Office of Tax Analysis

December 4, 1997

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

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

BRUCE REED **DATE: December 4, 1997**

11:24	Nancy Hoit	781-749-5563
3:37	David Uhlmann Re: Bonnie left you a message about why he's calling	305-0337 301-587-2324 (H) after 6:30
5:45	James Bennett, NYT	862-0359
5:50	Rich Tarplin Re: call him tomorrow (he wants to come in next week to see you and Elena).	690-7627

C. care ideas

DPC PRINCIPALS MEETING
December 5, 1997
Room 180
11:00 a.m.

White House
The First Lady
Frank Raines
Janet Yellen
Gene Sperling
Bruce Reed
Rahm Emanuel
Ron Klain
Ann Lewis
Melanne Verveer
Maria Echaveste
John Hilley
Mickey Ibarra
Michael Waldman
Elena Kagan
Emily Bromberg

Department of Defense
Carolyn Becraft
Linda Smith

Department of the Treasury
Secretary Rubin
Jonathan Gruber
Karl Scholz

Department of Justice
Attorney General Reno
Kent Markus

Department of Agriculture
Shirley Watkins

Department of Labor
Kitty Higgins

Department of Health and Human Services
Kevin Thurm
Olivia Golden
Joan Lombardi
Mary Bourdette

Department of Housing and Urban Development
Paul Leonard

Department of Education
Mike Smith

TY. POTUS charge: next great challenge
GOAL = POTUS memo 1st of next wk
Run thru quickly - components + issues
- Ask for people's views on package, strengths - shortcomings, priorities in world of limited budget

C.care ideas

Domestic Policy Council Principals Meeting
December 5, 1997

PRELIMINARY OPTIONS FOR CHILD CARE INITIATIVE

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

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

Issues: 1. Balance vs block grant
2. Refundability

Pros:
- The CDCTC parameters have not been adjusted for inflation since 1982.
- Through the tax system, assistance can be provided directly to parents for their child care needs with low administrative costs.

Cons:
- The CDCTC is not well targeted to those with low incomes.
  - -- Under current law, about 1 percent of the CDCTC is received by families with money income in the bottom quintile. About 32 percent of the credit is received by those with income in the top quintile.
  - -- Taxpayers who also claim the \$500 child credit will not benefit from an increase in the CDCTC unless their income is between 130 and 160 percent of poverty.
- The IRS cannot easily verify child care expenditures. In 1988, about one-third of the CDCTC amounts claimed were false or overstated. Compliance efforts since 1988 may have reduced this error rate somewhat, but the IRS continues to have difficulty verifying expenses.

B. *Tax Credits to Corporate Sector*. Provide a tax credit to businesses that incur costs related to

providing child care services to their employees. Qualifying expenses could include those a business incurs to build or expand a child care facility, operate an existing facility, train child care workers, reserve slots at a child care facility for employees, or provide child care resource and referral services to employees. Under one option considered (proposed by Senator Kohl), the credit could cover 50% of qualified costs incurred, but could not exceed $150,000 per year. <u>This option has been estimated by the Joint Committee on Taxation to cost $2.6 billion over five years</u>. The option could also be scaled back, for example, to cover a smaller percentage of qualified costs or to limit the types of qualified costs to which the credit could apply. ISSUES: 1. Do it anyway
2. Not 1st choice of how to help neediest

<u>Pros:</u>

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

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

<u>Cons:</u>

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

- Because the proposed credit is likely to disproportionately benefit middle- and higher- wage workers, it may not be an efficient use of scarce federal resources to support child care.

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

II. <u>CHILD CARE AND DEVELOPMENT BLOCK GRANT</u>. Increasing federal investment in the Child Care and Development Block Grant (CCDBG) will enable states to provide child care <u>subsidies to</u> additional <u>low-income working families with children under age 13</u>. According to HHS estimates, for every $100 million of annual additional federal investment in the CCDBG, at least an additional 35,000 children from families with incomes below 200% of poverty will receive subsidized child care. <u>A possible recommendation is to increase the investment by $4 billion over five years, which would provide subsidies for approximately 280,000 children per year. Less money would mean proportionately fewer additional children subsidized</u>. ISSUES: 1. What guidance, if any, to states on who to serve

GO TO p. 9

<u>Pros:</u>

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

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

FRANK: Target toward poor families, younger children. Target ~~[illegible]~~ enforcement of existing stds, not new ones. Target existing models, Do more in fewer places.
JOHN H: Refundable non-starter. Reduce error rates. Unlikely to get a tax bill. Access other block grants. Demo prdos on FMLA. (comp time) Don't do at home or paid leave.
RAHM: Next child care block. Target EITC crowd.
GENE: Extent of educ. from 0-5, 1st teachers. 1 component by name for early learning (eg Parents as teacher)
DOD: Enforcement raises level for everybody.
RON: Don't lose afterschool - easier to ramp up existing programs. More kids/per $. Two-fer - cuts crime.
CEA: Affordability 1st. [illegible]: Afford, safety, health USDA: Food. Bruce: ~~[illegible]~~ Afterschool - $50k for [illegible]
[illegible]: Taxes tough. Stay at home won't make much diff. [illegible] RON: Pull threads together. MARIA: Afterschool

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

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

Cons:

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

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

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

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

Reduced turnover, improved quality

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

Pros:

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

Cons:

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

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

Pros:

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

Cons:

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

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

Pros:

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

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

Cons:

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

D. *Early Learning Quality Fund*. Increase federal investment in activities to improve early childhood education and the quality and safety of child care for young children (ages 0-5). The program would have three goals: (1) to improve early learning and development for our youngest children; (2) to ensure health and safety in child care; and (3) to increase parental involvement. In order to accomplish these goals, funds could be used for the following activities: (1) providing basic training to child care providers (including first aid and CPR, and training in child development); (2) creating and supporting family day care networks (e.g, connecting individual child care providers to centers for education and support); (3) assisting providers in meeting accreditation and licensing requirements; (4) linking child care providers with health professionals; and (5) providing home visits, parent education, and consumer education about child care. This program would provide challenge grants to communities (*e.g.*, counties or local public-private partnerships) to support child care providers and programs. Not Stork Fund
Modeled essentially on Smart Start, more focused ~ Cong. bills

ISSUES: 1. Sufficiently funded?
2. Challenge grants or state pass thru?

Pros:

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

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

Cons:

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

B. *Head Start / Early Head Start*. Increase the Early Head Start (children 0-3) set-aside (5 percent under current law), while increasing overall funding in Head Start to ensure that boosting the set-aside does not reduce the resources available for children 3-5. One option would be to double the set-aside to enable more than 50,000 additional children to receive Early Head Start services in 2002 (relative to current law). How much? 100m/yr.

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

IV. SCHOOL-AGE OPPORTUNITIES

A. *Expansion of the 21st Century Community Learning Center Program*. The 21st Century Community Learning Program provides start-up funds to school-community partnerships to establish before- and after-school programs for school-age children at public schools. Changes to the program would be made to increase community involvement, target high-need communities, and require an increased local match to ensure that programs become self-sustaining after receiving start-up funding. Issues: 1. Educ - HHS
2. Funding (but discretionary, so not much room)

Pros:

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

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

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

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

Cons:

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

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

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

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

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

V. STAY-AT-HOME PARENTS (NOT REALLY STAY AT HOME)

A. *Expand the reach of the Family and Medical Leave Act* (FMLA). Presently, FMLA covers employees of businesses with 50 or more employees. Options include expanding coverage to businesses with 25 or more employees, either all at one time or incrementally. Another option is to extend the time period from 12 weeks (current law) to 24 weeks. Not budgetary - no urgency

Pros:

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

- No expense to the U.S. Treasury.

Cons:

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

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

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

B. *Provide paid parental leave coverage* for a limited amount of time for working parents below a set income level. For example, a new paid leave plan could provide $200 a week for 6 weeks of paid leave to all new parents who have been in the workforce either part-time or full-time for one year and whose family income is below $50,000, at a cost of $1 billion per year. This plan would use the unemployment insurance system to provide the leave payments, but would be paid for by the federal government. Employers not currently covered by FMLA would not be required to allow their employees to take this leave. Issues: 1. Never worked
2. Similar factor for both paid leave + tax credit

Pros:

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

Cons:

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

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

Pros:

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

Cons:

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

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

Pros:

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

Cons:

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

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

APPENDIX: BACKGROUND ON FEDERAL CHILD CARE INVESTMENTS

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

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

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

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

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

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

→ Elmira Home Visits

File: Child care - Ideas

HRC mtg notes 11.20.97

Child Care Initiative

Spending Options

I. Subsidy (Child Care and Development Block Grant)

II. Quality Fund

III. Targeted Investment for Quality/Availability

Child Care Quality Act

- A. Scholarships/Apprenticeships
- B. Consumer Education, Research, and Technology
- C. Enforcement - stds + enforcement → buyers argument - floor
- D. ~~Early Learning~~/Head Start - Betty Caldwell: "Educare" ("Learncare") - home visitation
- E. School-Age Care
- G. DOJ coordination

Tax Options

I. Child and Dependent Care Tax Credit (CDCTC)

- A. Refundable?
- B. Funding Level?

II. Tax Credits for Businesses that Build/Operate Child Care Centers (Sen. Kohl Proposal)

- Liability for pooled c. care/small business

Stay-at-Home Parents Strategies

I. Family and Medical Leave (FMLA) Expansion - drop to 25, pay for UI/paid leave

II. 3/4 Subsidy

III. Child and Dependent Care Tax Credit (CDCTC) Modification

Phase in by income + over several yrs.

BRIEK -
Did you see this?
(p. 4-5)
TOM
Childcare Ideas

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

NOV 18 1997

MEMORANDUM FOR THE PRESIDENT AND THE FIRST LADY

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

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

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

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

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

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

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

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

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

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

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

For families:

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

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

For communities:

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

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

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

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

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

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

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

Donna E. Shalala