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Child care - Statistics

TO: Friends of NBCDI
FROM: Carla Taylor, Senior Public Policy Analyst cyt
DATE: Monday, March 23, 1998
RE: Federal Funding for Child Care and NBCDI Child Care Briefing Document (enclosed)

The enclosed NBCDI child care briefing packet, ***Child Care in 1998: Where We Stand***, is being widely distributed as we continue our efforts to promote the passage of comprehensive child care legislation. It formed the basis of discussions between our affiliate presidents, who recently convened in Washington, DC, and members of Congress. In light of the rejection of President Clinton's budget plan, including new spending on child care, by the Senate Budget Committee last week, it is critical that Congress gets the message that those who care about children will not support a budget that promotes tax cuts and highway spending increases over child care. The President's budget proposed using $65 billion of tobacco settlement money to offset spending on domestic programs including child care. Under the Senate GOP budget plan, funds from a tobacco settlement would be used for Medicare instead. Given the current status of tobacco settlement and budget negotiations, it is important that additional child care funding does not depend *only* on a tobacco settlement. It is critical that we ensure alternative funding sources are available for child care. Additionally, **a minimum wage increase** is needed to help families transitioning from welfare to work and low-income working families afford child care. The enclosed child care briefing document summarizes our child care priorities as they relate to federal funding and other areas.

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CHILD CARE IN 1998: WHERE WE STAND

The Main Point

Making high quality child care affordable is critical to:

- 1) **The healthy development of children.** Children enter school ready-to-learn and;
- 2) **The economic stability of families.** Child care is a major expense for many working families. Helping parents afford quality child care is necessary for them to stay in the workforce and maintain their ability to support their families.

Improving Child Care in America

Funding

Problem: Only 1 out of 10 eligible children who need child care assistance are getting it. President Clinton's child care plan would increase this number to 2 out of 10. This leaves 8 out of 10 children with unmet need for child care assistance (U.S. Department of Health and Human Services).

Recommended Fix:

- Appropriate the Social Services Block Grant (Title XX) at the authorization level of $2.38 billion as included in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Do not make further cuts to Title XX, precisely at a time when more families need child care assistance to meet the work requirements of welfare reform. Almost 15 percent of Title XX supports child day care.

- Ensure that additional funding for the Child Care and Development Block Grant (CCDBG) is mandatory.

- Use the budget surplus to fund child care. President Clinton and Republican leaders support using the surplus to protect the futures of this nation's older Americans by stabilizing Social Security. The surplus should also be used to stabilize the futures of this nation's youngest through high quality, affordable child care.

Supply

Problem: As more families are entering the workforce as a result of welfare reform, the demand for child care is outpacing the supply, especially for infants and school-aged children. According to a 1997 Government Accounting Office Report, state and local officials in the four cities and

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counties GAO reviewed, regarded their current supply of known child care as inadequate for meeting even the demand they currently face.(Known child care refers to regulated care, some unregulated care, and providers who are listed in a child care resource and referral agency database.) The gap between supply and demand for child care is likely to increase as welfare reform continues (GAO, Welfare Reform: Implications of Increased Work Participation for Child Care, 1997).

Recommended Fix:

- Family day care is the most highly utilized form of care. Additional public and private resources should be directed to recruiting and training family day care providers and connecting them with community-based supports such as technical assistance, mentoring, and medical services.

- Increase investment in Head Start to serve 1 million children by 2002. To accomplish this, the appropriation level for Head Start must be increased by at least $575 million for FY 1999.
  - **This would increase the number of African American children served by Head Start by 74,229, from 285,771 to approximately 360,000 children.**

- Clinton Plan: Provides $500 million over 5 years in tax credits for businesses as an incentive to offer child care services to employees.

Problem: Approximately 5 million children spend time without adult supervision after school as "latchkey kids". The juvenile crime rate is highest between 3 p.m. and 8 p.m., the hours between the end of the school day and the time parents return home from work (Fight Crime Invest in Kids, 1997).

Recommended Fix:

- Provide care before and after school and when school is not in session to provide children with opportunities to enrich their learning.

- Provide funding that supports flexibility in the provision of before- and after-school care by schools and community-based organizations.

- Clinton Plan: Provides after-school care for up to half a million children per year by expanding the 21st Century Community Learning Center program by $800 million over 5 years to provide funds to school-community partnerships to establish or expand programs for school-age children.

Problem: Many parents transitioning from welfare to work are likely to obtain work in low-

skilled jobs that operate during nonstandard hours. However, many of the known providers at sites reviewed in a GAO study did not offer child care at nonstandard work hours (GAO, Welfare Reform: Implications of Increased Work Participation for Child Care, 1997). This points to the emerging problem of unmet need for nonstandard hour child care.

Recommended Fix:

- Support data collection, research and evaluation to determine the level of need for nonstandard- hour care. This could be funded through President Clinton's child care proposal which invests $150 million over 5 years for research in child care.

Affordability

Problem: Child care often consumes a prohibitively large portion of poor families' budgets. In 1993, child care consumed 18 percent of a poor family's budget and 7 percent of a non-poor family's budget (Census Bureau, What Does it Cost to Mind Our Preschoolers, 1995). A family earning $15,000 per year, spends approximately 24 percent of its income on child care (Mitchell, Stoney, Dichter, 1997). **Because the median family income of black families ($16,491) is only 66 percent of that of white families ($24,949), and the poverty rate of African American families (26.4%) is almost 3 times the poverty rate of white families (8.5%), the impact of child care on the salaries of black families is greater** (Bureau of the Census, Current Population Reports, p60-194, Poverty in the United States , 1995; Bureau of the Census, Current Population Reports, p60-197, Money Income in the United States, 1996; Tidwell, The Black Report: Charting the Changing Status of African Americans, 1997).

Recommended Fix:

- Raise the minimum wage to enable parents to provide for their children. Support the Clinton plan to raise the minimum wage and the Fair Minimum Wage Act introduced by Senator Edward Kennedy (D-MA) and Representative David Bonior (D-MI). This legislation would increase the minimum wage by $1.00 in two 50-cent intervals to $6.15 by 2000.
  - Now is the time to increase the minimum wage because our economy is strong and can withstand the increase.
  - Increasing the minimum wage creates a positive incentive to work for families transitioning from welfare to work.
  - Fifty-seven percent of the gains from the increase would go to working families in the bottom 40 percent of the income scale (Bernstein, 1997).**Since African Americans are disproportionately poor, they have much to gain from an increase in the minimum wage. An increase in the minimum wage would benefit more than 12 million workers, including nearly 2 million black Americans** (Jeffries, 1996; Mishel, Bernstein, and Rosell, 1995).

Clinton Plan:

- Increases the ability of low-income families to afford child care. Doubles the number of children receiving child care subsidies to more than 2 million by increasing funding for the Child Care and Development Block Grant (CCDBG) by $7.5 billion over 5 years.

- Increases the ability of low- and middle-income families to provide for their children by expanding the amount and eligibility of the Child and Dependent Care Tax Credit for 3 million families by $5.2 billion over 5 years. **This is particularly significant for African American middle class families. Between 1967 and 1996, the number of African American families earning between $35,000 and $75,000 increased by almost 10 percent.** The President's proposal increases the credit for families earning under $60,000 and eliminates income tax liability for almost all families with incomes below 200 percent of poverty ($35,000 for a family of four) that take the maximum allowable child care expenses under the law.

Problem: Approximately 60 percent of the total revenue for child care is provided by families, while only about 1 percent is covered by businesses (Mitchell, Stoney, Dichter, 1997). Businesses, that have a stake in this nation's children as the workforce of the future, should invest a more equitable share of their profits in child care.

Recommended Fix:

- Provide grants to states to promote partnerships with business to provide child care for employees.

- Clinton Plan: Include approximately $500 million over 5 years for tax credits to businesses that provide child care services for their employees by building or expanding child care facilities, operating existing facilities, training child care workers, or providing child care resources and referral services to employees.

Quality

Problem: Forty percent of the infant and toddler rooms in this country endanger children's health and safety. Seven in ten centers provide mediocre care which may compromise children's ability to enter school ready to learn (Cost, Quality and Child Outcomes in Child Care Centers, 1995). This is particularly troubling within the context of brain development research that confirms the first three years of life are critical to the healthy development of children.

Recommended Fix:

Clinton Plan:

- Establishes Early Learning Fund. The Early Learning Fund provides challenge

grants to communities to support programs to improve early learning and the quality and safety of child care for children ages 0-5. Eligible activities include providing basic training for child care providers (including first aid and CPR); connecting individual child care providers to centers for education and support; assisting child care providers to meet accreditation and licensing requirements; linking child care providers with health professionals; reducing group sizes and child-to-staff ratios; and providing home visits, parent education, and consumer education about child care. Proposed Funding Level: $3 billion/5yrs.

- Steps up Enforcement of State Health and Safety Standards. Funds state efforts to improve licensing systems and enforce child care health and safety standards, by increasing activities such as unannounced inspections of child care settings. Proposed Funding Level: $500 million/5yrs.

- Facilitates Background Checks on Child Care Professionals. Eliminates state law barriers to sharing criminal history information for non-criminal purposes.

- Increases Scholarships and Training for Child Care Professionals. Provides funds to states to provide scholarships 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 is also proposing to expand the Department of Labor's Child Care Apprenticeship Program to fund the training of child care providers. Proposed Funding Level: $250 million/5yrs.

- Invests in Research. Increases funding for data, research and evaluation. Includes support for a National Center on Child Care Statistics and a child care hotline for information on finding child care in communities and identifying appropriate quality child care. The plan also supports demonstration projects to test approaches to help new parents who choose to stay at home to care for their newborns or newly adopted children. Proposed Funding Level: $150 million/5yrs.

Problem: Child care providers are among the most poorly paid professionals. This contributes to high turnover. High staff turnover jeopardizes the quality of child care because the development of a bond between the caregiver and child and continuity of the relationship are critical to healthy child development. Additionally, people who have the responsibility of helping to shape the minds of this nation's youngest, should be more adequately compensated.

Recommended Fix:

- Improve the compensation, benefits and opportunities for job mobility of child care professionals.

- Increase the minimum wage. Since most child care providers earn the minimum wage, increasing the minimum wage would be a first, but critical step, toward improving the quality of child care by reducing the rate of turnover among child care providers. However, additional increases in the salaries of child care providers are needed, along with improved benefits and opportunities for job mobility, given the valuable and highly-specialized nature of their work.

- Clinton Plan: Increases Scholarships and Training for Child Care Professionals.

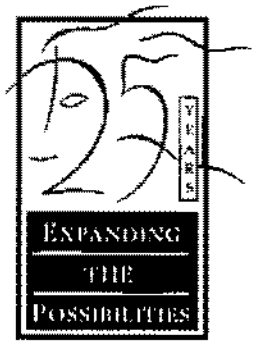
Firing Back in the Face of Criticism: Criticisms and Responses

Minimum Wage

- *Criticism*: Increasing the minimum wage increases unemployment among low-wage workers because as employers are forced to pay workers more, they will make up the difference by hiring less workers.

Response:

- A report by the Economic Policy Institute on the first phase of the minimum wage increase in 1996 illustrates that "the increase did not adversely affect employment opportunities for teenagers and young adults, groups that opponents of the minimum wage identified as particularly vulnerable. Yet, an increase in the minimum wage has important benefits for low-wage workers. Fifty-seven percent of the gains from an increase will go to working families in the bottom 40 percent of the income scale" (Bernstein, Schmitt 1997).



NATIONAL WOMEN'S LAW CENTER

Child Care — Statistics

Mr. Bruce Reed
Assistant to the President for Domestic Policy
White House, West Wing, 2nd floor
1600 Pennsylvania Ave., NW
Washington, DC 20500

April 30, 1999

Bruce
Dear ~~Mr. Reed~~:

We are enclosing, for your information, a set of our new and updated materials on child care, which we are also distributing to all Congressional offices this week. This mailing is part of the effort that we, along with other child care advocates, are making to press Congress for action on child care in the wake of the successful inclusion of language in the budget resolution recognizing need to improve our national investment in child care.

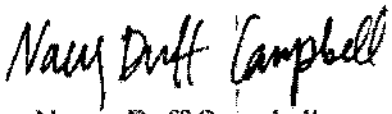
Specifically, we are urging Congress to approve a significant increase in mandatory spending under the Child Care and Development Block, as well as full funding for the Head Start program and other measures to promote early education such as the Kennedy-Stevens Early Learning Trust Fund Act, and valuable programs for school-age children through the 21st Century Learning Centers. We also urge that along with adoption of these measures, improvements to the Dependent Care Tax Credit be made part of any tax legislation this Congress considers.

Enclosed please find the following three items:

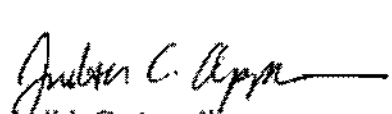
- *Women's Stake in Improving the Availability, Affordability, and Quality of Child Care and Early Education*, a fact sheet describing the vital interest that women, both as parents and as child care providers, have in a greater child care investment;
- *Here's What U.S. Parents Really Need*, an op-ed piece that discusses the importance of avoiding a divisive approach to child care based on the notion of a "mommy war" that doesn't really exist; and
- *Tax Relief for Employed Families: Improving the Dependent Care Tax Credit*, an examination of the current structure of the Dependent Care Tax Credit with suggestions for ways to strengthen it.

We hope these materials are useful to you, and we look forward to continuing to work with you on this critical issue for women and their families.

Sincerely,



Nancy Duff Campbell
Co-President



Judith C. Appelbaum
Vice-President and Director
of Employment Opportunities

Cristina Firvida
Counsel

NATIONAL WOMEN'S LAW CENTER

25 YEARS

EXPANDING THE POSSIBILITIES

INFORMATION

Tax Relief for Employed Families:
Improving the Dependent Care Tax Credit

The dependent care tax credit ("DCTC") assists families in meeting the costs of child and adult care by allowing taxpayers to offset a portion of their employment-related dependent care expenses against their federal income tax liability. The DCTC has provided significant federal assistance to millions of families with child and dependent care expenses since its enactment in 1976. In 1997, the most recent year for which Internal Revenue Service data are available, 5.4 million taxpayers claimed the credit and received over $2.3 billion in tax relief.[1]

Since the credit was last expanded in 1981, however, its value has eroded, particularly for low-income families with employment-related care expenses. The loss in value of tax support for child and dependent care expenses is significant for many families who are struggling to pay for increasingly expensive care for their children and adult dependents.

To provide a framework for evaluating proposals to change the DCTC, this paper examines the current structure of the DCTC, the sound policies the credit serves, and the reasons why the value of the DCTC has eroded. In addition, it suggests several ways in which to strengthen and restore the value of the DCTC for families with employment-related child care expenses.[2]

I. What is the Dependent Care Tax Credit?

The DCTC allows taxpayers who have employment-related[3] expenses for the care of a child under the age of 13, or for the care of a spouse or dependent who is physically or mentally incapable of self-care, to set off a percentage of those expenses against their federal income tax liability. The amount of the credit that may be claimed is determined by the amount of the taxpayer's expenses and the taxpayer's adjusted gross income ("AGI").[4] A credit may be claimed for a percentage of the taxpayer's qualifying expenses up to $2,400 for one child or dependent or $4,800 for two or more children or dependents, with the percentage varying according to the taxpayer's AGI to provide the greatest benefit to low-income taxpayers.[5] Families with AGIs of $10,000 or less are eligible for a credit equal to 30% of their qualifying expenses, while families with AGIs over $28,000 are eligible for a credit equal to 20% of their qualifying expenses.[6] Between $10,000 and $28,000 AGI, the value of the credit decreases as the applicable percentage declines by one percentage point for each $2,000 increase in AGI.[7] **The maximum value of the credit for a family with an AGI of $10,000 or less is $720 for one dependent ($1,440 for two or more dependents), and for a**

family with an AGI of $28,000 or more is $480 for one dependent ($960 for two or more dependents).

Dependent Care Tax Credit Amounts

Adjusted Gross Income	Maximum Credit for One Child/Dependent	Maximum Credit for Two or More Children/ Dependents	Adjusted Gross Income	Maximum Credit for One Child/Dependent	Maximum Credit for Two or More Children/ Dependents
$0-$10,000	$720	$1,440	$20,001-$22,000	$576	$1,152
$10,001-$12,000	$696	$1,392	$22,001-$24,000	$552	$1,104
$12,001-$14,000	$672	$1,344	$24,001-$26,000	$528	$1,056
$14,001-$16,000	$648	$1,296	$26,001-$28,000	$504	$1,008
$16,001-$18,000	$624	$1,248	$28,001+	$480	$960
$18,001-$20,000	$600	$1,200			

The DCTC permits flexibility in care arrangements, covering both in-home and out-of-home care in a variety of settings.[8] However, institutional care, such as that provided by a nursing home, is not covered for adult dependents, and care provided by a dependent care center (defined as a facility which receives payment for its services and provides care for more than six individuals) must meet all applicable state and local laws and regulations, such as licensing requirements, and building and fire code regulations.[9]

The DCTC is not refundable -- that is, a family whose credit is larger than its tax liability is *not* entitled to receive the difference from the Internal Revenue Service as a tax refund. For example, a family that qualifies for a credit of $600 but only owes $400 in taxes will receive a credit of only $400. If the credit were refundable, the family would receive a tax refund of $200. In addition, although the expense limitations of $2,400 and $4,800 once represented average care costs, they do not reflect the cost of care today, have not been raised since 1981, and are not indexed for inflation.

II. Policies Served by the Dependent Care Tax Credit

Several sound policy goals underlie the provisions of the DCTC:

- **Assisting Families with Employment-Related Child and Dependent Care Expenses.** Many families have employment-related child and dependent care expenses that put a severe strain on the family budget. Nationally, child care consumes between 6% and 25% of a family's income, with a larger proportion of a family's income consumed by child care the lower the family income.[10] In 1993, the most recent year for which Census data

are available, the average child care cost for families with a pre-school age child was $79 per week, or $4,100 a year.[11] More recent data suggest that the cost of child care today can range from $4,000 to $10,000 annually.[12] Yet about half of families with young children earn less than $40,000 a year,[13] and single mothers with children earn even less -- in 1997, the median income of families with children headed by a woman was $17,256, 40% less than the median income of families with children headed by a man ($28,668) and more than two-thirds less than the median income of married couples with children ($54,395).[14] Employment-related care expenses for adults can also be very high. The average cost of adult day care varied from a low of $16.50 per day in New Hampshire to a high of $54 per day in California in 1995[15] -- $4,290 and $14,040 a year, respectively. Many families simply do not have the financial resources to pay for care of children or adult dependents; as a result, the cost of employment-related care keeps many individuals out of, or limits their participation in, the job market.

- **Targeting Assistance to Low- and Moderate-Income Taxpayers.** The DCTC is targeted to provide the greatest benefit to low- and moderate-income taxpayers by providing a credit of a greater percentage of care expenses to lower-income families than to higher-income families. Targeting the credit this way gives more help to families who are most in need of assistance with employment-related child and dependent care expenses, which consume a large proportion of their income.

- **Promoting Tax Equity.** The credit is available only for child and dependent care expenses that enable the taxpayer to participate in the labor force. An important purpose of the credit is to assure fair treatment in our nation's tax policies between families who have employment-related child and dependent care expenses and families who do not have such expenses. The DCTC reflects a recognition that families with the same income and family size who have employment-related, out-of-pocket child and dependent care expenses have less ability to pay taxes than families with the same income and family size who do not have such expenses. For example, a family that earns $25,000 a year but must spend $3,000 on child care to earn that income has less available income than a family that earns $25,000 and has no employment-related care expenses. The DCTC promotes fairness by providing a credit to partially offset a family's employment-related care expenses, thereby helping to equalize its ability to pay taxes.

- **Providing Tax Support for Both Child and Adult Care Expenses.** The DCTC covers expenses incurred for the care of children as well as of spouses and dependents who are incapable of self-care. This is an important recognition of the fact that many families are responsible for the care of not only their children but also of spouses and dependents other than children, all of whom require care when their caregiver is employed.

III. How the Value of the Dependent Care Tax Credit Has Eroded for Families

Although the DCTC is designed to help all families meet their employment-related care expenses, several circumstances have contributed to diminish the value of the credit for millions of families, particularly low- and moderate-income families. These factors include the credit's lack of refundability and indexing for inflation, and the increasing cost of child care. As a result, fewer and fewer low- and moderate-income families are able to benefit from the credit each year.

- **The DCTC is not refundable.** Families who have no or low federal income tax liability receive no or low benefit from the credit because it is non-refundable -- that is, a family whose credit amount exceeds its federal income liability is not able to receive the difference in the form of a tax refund. The DCTC's non-refundability affects primarily families with more limited incomes -- the very families whose need for assistance with employment-related care expenses is the greatest. For example, in tax year 1999, a married couple with two children filing a joint tax return will have no federal income tax liability if it has an income of $18,200 or less.[16] Likewise, a single parent with one child filing a return for 1999 will have no tax liability if he or she has an income of $11,850 or less[17] -- more than the $10,712 the single parent will earn if he or she has a full-time, minimum-wage job.[18] Without refundability, families below these income levels are unable to benefit from the assistance with employment-related care expenses that the DCTC offers.

- **Over time, fewer and fewer families receive the benefit of the DCTC's low-income targeting because the credit is not refundable and because the sliding scale thresholds are not indexed for inflation.** The tax code's basic provisions that determine individual liability -- the personal exemption, standard deduction, tax brackets, and for low-income taxpayers, the EITC -- are all indexed.[19] Indexing these provisions avoids increasing a family's tax burden when the only change in its adjusted gross income is the result of inflation. In contrast, the amount of AGI at which the DCTC's maximum percentage of qualifying expenses begins to decline is not indexed, and has not been adjusted since 1981.

  Because the basic tax provisions determining individual tax liability are indexed, but the DCTC is not, the amount of income a family may have before incurring any federal income tax liability increases each year, but the income thresholds at which a family may claim the DCTC's highest percentages of qualifying care expenses as a tax credit do not. As a result, each year fewer low-income families have enough federal income tax liability to claim the DCTC's highest percentages of expenses. In addition, because the DCTC is not refundable, families who have no income tax liability as the result of indexed

deductions, exemptions and tax brackets are unable to derive any benefit from the DCTC at all.

For example, in 1984, the last year before any of the basic tax code provisions were indexed, both a married couple with two children filing jointly and a single parent with one child would have owed federal income taxes if either had an income of considerably less than $10,000, the income threshold for taking the maximum DCTC of 30% of qualified dependent care expenses.[20] By comparison, for tax year 1999 the tax thresholds for all married couples and heads of household with children are above $10,000, the thresholds for heads of household with two or more children or dependents are above $14,000, and the thresholds for married couples with two or more children or dependents are above $18,000. As these figures illustrate, almost **no** families are eligible for the highest credits of 30-25% of their expenses, since even families with only one or two children or dependents do not pay taxes at the income levels eligible for these percentages.

The combination of the DCTC's lack of indexing and refundability has contributed to a dramatic decline in the number of very low-income families who claim the DCTC, as IRS data demonstrate. In 1984, nearly 7.5 million taxpayers claimed the DCTC, representing 7.5% of all tax filers.[21] Many of those claimants were very low-income families -- 22% of claimants were in the bottom income quintile.[22] Most of the claimants were low- to moderate-income families -- 60% of all 1984 claimants were in the first three income quintiles.[23] Only 9% of families claiming the DCTC in 1984 were in the top income quintile[24]. In 1997, the most recent year for which IRS data are available, 5.4 million taxpayers claimed the DCTC,[25] representing a little over 3.5% of all filers.[26] Although the majority of families claiming the credit in 1996 continued to be low- to moderate-income families -- 55% of all claimants were in the first three income quintiles -- there was a dramatic decrease in the number of very low income families claiming the credit.[27] Only 13% of the 1997 claimants were in the bottom income quintile.[28]

IRS data also demonstrate that low-income families are receiving less and less of the tax assistance that the DCTC offers. Families claiming the DCTC in 1984 received over $2.6 billion in tax assistance.[29] Families in the bottom quintile received almost 22% of the tax assistance, while families in the top quintile received only 10% of the tax assistance. Families claiming the DCTC in 1997 received over $2.3 billion in tax assistance through the credit, and a smaller proportion of this assistance went to low-income families than in 1984.[30] Only 11% of the tax assistance went to families in the bottom quintile, while more than 21% of the tax assistance went to families in the top quintile. In total, 950,000 fewer families in the bottom quintile filed for the DCTC in 1997 than in 1984, and the families in the bottom quintile claiming the DCTC in 1997 received $317 million less than similarly situated families did in 1984.[31]

- **Inflation has dramatically diminished the value of the DCTC for all families.** The DCTC's qualifying expense limits have not been increased since 1981, and are not indexed for inflation. As a result, while the cost of child and dependent care has increased, the amount of qualifying expenses that determines the maximum DCTC has remained the same, diminishing for all families the credit's value in offsetting actual care expenses. Merely to restore the value of the expense limits as enacted in 1981 would require changing the limits from $2,400 for the care of a single dependent to $4,340 in 1999 dollars, and from $4,800 for the care of two or more dependents to just above $8,680 in 1999 dollars.[32]

IV. How to Strengthen the Dependent Care Tax Credit for Families with Employment-Related Child Care Expenses

Several changes should be implemented to strengthen and restore the value of the DCTC, especially for low- and moderate income families with employment-related child care expenses:

- **The DCTC should be refundable.** Low- and moderate-income families who have no or low federal income tax liability receive no or very little benefit from the credit because it is non-refundable. Without refundability, the DCTC is unavailable to the very families it is designed to help the most. The DCTC should be made refundable to restore the targeted value of the DCTC to those families who need the greatest assistance with child care expenses.

- **The DCTC should be indexed for inflation.** The DCTC's lack of indexing has eroded the value of the credit for families at all income levels and, in combination with its non-refundability, the credit's lack of indexing has reduced significantly the number of low- and moderate-income families who can benefit from the credit. Both the expense and income limits should be adjusted annually for inflation, as are all other basic tax provisions that determine individual tax liability. Indexing the DCTC would prevent the DCTC from continuing to suffer an erosion in value, and would prevent low- and moderate-income families from continuing to receive little or no tax assistance in meeting their child care expenses.

- **The limits on qualifying child and dependent care expenses should be raised.** The DCTC would provide more meaningful assistance to families with child and adult care expenses if the limits on qualifying expenses more accurately reflected the cost of care today. As shown above, inflation alone has greatly diminished the value of the dependent care expenses that qualify for a credit. The expense limits should be raised to an amount that fairly reflects the cost of purchasing care today, rather than the cost of purchasing care almost two decades ago.

- **The percentages of qualifying expenses that may be taken as a credit should be raised.** Currently, families receive a credit for only a small percentage of their actual child or dependent care expenses (20% to 30% of their qualifying expenses). Raising the percentages would help families cover the cost of more of these expenses. Moreover, raising the percentages would especially help low-income families, who are less likely than other families to spend up to the maximum care expense limits and are losing a greater proportion of their income to care expenses than other families.

Finally, the DCTC should continue to provide tax assistance for families at every income level:

- **The DCTC should remain available to families at all income levels.** One feature of the DCTC that should not be changed is its availability to families at all income levels. Although it can be argued that higher-income families do not need help in paying for child care, to impose an income limitation on the DCTC would make it the only employment-related tax benefit with an income ceiling. The result would be that taxpayers at all income levels could deduct business-related expenses for exclusive club memberships, luxury business cars and conventions in exotic locations, but not for the child and other dependent care that enables them to work. Singling out the DCTC, while leaving these and other employment-related expenses untouched, sends the signal that the child and other dependent care needs of working families are optional and less important than other employment-related expenditures. If Congress wants to limit tax assistance for employment-related expense, it should impose an income limit on **all** such assistance, not single out the child and dependent care assistance that is essential to so many families' economic livelihood.

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1. Internal Revenue Service, Statistics of Income Bulletin (Fall 1998), Individual Income Tax Returns, 1997: Early Tax Estimates, Table 5. The figures are estimates based on tax returns received through April, 1998.

2. The scope of this paper is limited to evaluating and suggesting improvements to the assistance that the DCTC has historically offered to families with employment-related child care expenses. This paper does not address recent proposals to offer assistance to stay-at-home parents by extending the DCTC to families with young children who have no employment-related child care expenses. In addition, although families with children may receive tax assistance through other tax credits, such as the Earned Income Tax Credit and the $500 Child Tax Credit, this paper does not address the assistance that these tax credits provide to families with children.

3. An expense is "employment-related" for the purposes of claiming the DCTC if it is a child or dependent care expense that is necessary to enable the taxpayer to be gainfully employed or to seek gainful employment. 26 U.S.C. § 21(b)(2); (insert volume) C.F.R. §1.44A-1(c)(1).

4. 26 U.S.C. § 21(c) and (d).

5. *Id.*

6. 26 U.S.C. §21(d).

7. *Id.*

8. 26 U.S.C. § 21(b)(2).

9. 26 C.F.R. §1.44A-1(5)(1).

10. Caspar, L., What Does It Cost to Mind Our Preschoolers?, Current Population Reports, Household Economic Studies, P70-52 (Washington, D.C.: Bureau of the Census, U.S. Department of Commerce, Sept. 1995), Table 3.

11. What Does It Cost to Mind Our Preschoolers?, Table 2. The average weekly cost for a family using family day care was $52, or $2,700 annually; for parents using in-home babysitters or organized child care centers, it was $65 per week, or $3,400 annually. *Id.*

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16. These calculations are based on the federal income tax standard deduction for a married couple filing jointly and the personal exemptions for a four-person family for tax year 1998. The calculations do not include the DCTC, the EITC or the $500 per-child tax credit.

17. These calculations are based on the federal income tax standard deduction for a head of household and the personal exemptions for a two-person family for tax year 1998. The calculations do not include the DCTC, the EITC or the $500 per-child tax credit. Annual minimum wage earnings are based on 40 hours a week, 52 weeks a year, at $5.15 an hour, the current minimum wage.

18. These annual minimum wage earnings are based on 40 hours a week, 52 weeks a year, at $5.15 an hour, the current minimum wage.

19. The Economic Recovery Act of 1981 annually indexed the personal exemption, standard deductions and tax brackets, with the indexing to begin in tax year 1985. The Tax Reform Act of 1986 annually indexed the EITC, with the indexing to begin in tax year 1987. The Tax Reform Act of 1986 also substantially increased the standard deductions and personal exemptions. This one-time increase in the amounts of the standard deductions and personal exemptions, which was in addition to the annual indexing of these tax code provisions, has contributed in part to the erosion of the DCTC's value by widening the gap between the income levels at which a family may claim the maximum DCTC percentages and the income levels at which families incur federal income tax liability.

20. In 1984, a married couple with two children filing jointly would owe federal income taxes if they had an income greater than $7,400, and a single parent with one child would owe federal income taxes if he or she had an income greater than $4,300. These calculations are based on the federal income tax standard deductions and personal exemptions for tax year 1984.

21. Internal Revenue Service, Statistics of Income, Individual Income Tax Returns,1984, Table 3.3 (1986). 1984 is used as a benchmark for showing the decline in the number of low-income families claiming the DCTC due to the DCTC'S lack of indexing and refundability because 1984 is the last tax year in which none of the tax code's basic provisions were indexed.

22. *Id*; Bureau of Census, U.S. Dep't of Commerce, Historical Income Tables, Table F-1, Income Limits for Each Fifth and Top 5 Percent of Families (All Races): 1947 to 1997. These quintiles represent the income quintiles of the entire U.S. population and is not limited to the portion of the population that files federal income tax returns. The upper income limit of the bottom quintile in 1984 was $12,575. Due to limitations in published income tax data, the estimate of the proportion of families in the bottom quintile claiming the DCTC in 1984 includes families with an adjusted gross income of up to $15,000.

23. The upper income limit of the third quintile in 1984 was $31,684. Due to limitations in published income tax data, the estimate of the proportion of families in the first three income quintiles claiming the DCTC in 1984 includes families with an adjusted gross income of up to $30,000.

24. The lower income limit of the top quintile in 1984 was $45,564. Due to limitations in published income tax data, the estimate of the proportion of families in the top quintile claiming the DCTC in 1984 includes families with an adjusted gross income greater than $50,000.

25. Part of the overall decline in the number of families who claimed the DCTC between 1984 and 1997 is due to changes in the DCTC contained in the Family Support Act of 1988. The Family Support Act required that, beginning in 1989, all taxpayers claiming the DCTC provide the care provider's name, address and taxpayer identification number on their tax returns; a qualifying child be under age 13 (lowered from 15); and taxpayers

receiving tax-free assistance from their employers under a dependent care assistance program reduce by the amount that assistance the amount they claim under the dependent care credit. These changes combined resulted in 31% fewer families at all income levels claiming the DCTC for tax year 1989 than for tax year 1988. Although the changes in the Family Support Act contributed to some of the decline in the number of low- and moderate-income families who claim the DCTC, the number of these families has continued to drop since 1989 when the Family Support Act changes were implemented -- in 1997, 13% fewer families in the bottom three income quintiles claimed the DCTC than in 1989. Internal Revenue Service, Statistics of Income, Individual Income Tax Returns, 1989, Table 3.3, and Individual Income Tax Returns, 1997: Early Tax Estimates, Table 5.

26. Internal Revenue Service, Statistics of Income, Individual Income Tax Returns, 1997: Early Tax Estimates, Table 5.

27. The upper income limit of the third quintile in 1997 was $53,616. Due to limitations in published income tax data, the estimate of the proportion of families in the bottom quintile claiming the DCTC in 1997 includes families with an adjusted gross income of up to $50,000.

28. The upper income limit of the bottom quintile in 1997 was $20,586. Due to limitations in published income tax data, the estimate of the proportion of families in the bottom quintile claiming the DCTC in 1997 includes families with an adjusted gross income of up to $20,000.

29. Individual Income Tax Returns, 1984, Table 3.3.

30. Individual Income Tax Returns, 1997: Early Tax Estimates, Table 5.

31. These differences are based on data provided in Individual Income Tax Returns, 1984, Table 3.3, and Individual Income Tax Returns, 1997: Early Tax Estimates, Table 5.

32. These calculations are based on the following formula: Amount in 1999 dollars = (Amount in 1981 dollars/Average CPI-U for 1981) x (Average CPI-U for the first quarter of 1999).

The National Women's Law Center is a non-profit organization that has been working since 1972 to advance and protect women's legal rights. The Center focuses on major policy areas of importance to women and their families including family economic security, employment, education, health and reproductive rights -- with special attention given to the concerns of low-income women.

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Here's what U.S. parents really need

By Nancy Duff Campbell
and Judith C. Appelbaum

Subsidies and tax credits to make child care more affordable. Expanded after-school programs for school-age kids. Measures to improve the quality of child care programs. To most of us, those are components of a sound government policy to help parents. To some, they are cause to instigate another battle in the "mommy wars."

Last year, when President Clinton proposed a package of initiatives to improve child care, conservatives pounced. "Putting people in a position where they are pressured to choose work over parenthood is exactly what the president and the first lady intend to do," wrote Danielle Crittenden and David Frum in *The Weekly Standard*. "The policy as a whole is irrationally biased toward the form of child care most parents like least — institutionalized group care — and against what many parents want most: to be able to afford to have one parent stay home," wrote syndicated columnist Michael Kelly.

And so the "mommy wars" erupted, at tremendous cost. The rhetoric became overheated. Critical child-care proposals were scuttled in Congress. And employed parents were forced to struggle for another year without the federal support that could give them access to higher quality, more affordable child-care programs.

In his State of the Union address this year, President Clinton again proposed a child-care package. This time, however, he also proposed a tax break for stay-at-home parents.

Some people are wondering if we are in for another "mommywar," with renewed efforts to pit mothers at home against mothers in the paid labor force. That must not happen. Our public policies should support all parents in the decisions they think best. The tax break for stay-at-home parents is a good idea, as part of a package that also improves child care for employed parents, especially those who need it most.

The supposed conflict between employed and stay-at-home parents is false. They are not even two separate groups. Many parents — and women in particular — move in and out of the work force. They are stay-at-home parents at some points in their lives, and employed parents at others.

But it is indisputable that, in America today, an overwhelming majority of American mothers work outside the home. The Labor Department reports that more than seven of 10 mothers with children under age 18, and three of four mothers with school-age children, are in the paid labor force. No more than one in four families with children under age six fits the traditional family model of an employed father and a stay-at-home mother. Our policies do not reflect this new reality.

Most mothers who work outside the home — married as well as single — do not have any other choice. Their families depend on their incomes.

Indeed, in overhauling the welfare system three years ago, our nation made a societal judgment that needy single parents *should* be in the work force rather than at home with their children. As our new welfare paradigm moves more single mothers into jobs, the need for affordable, quality child care will only intensify.

In large part, that need is going unmet. Too often, in too many communities, high-quality child care is unaffordable or unavailable.

It is time to pull our nation's policies into line with the realities of parenting today, and long past time to end the pointless, counterproductive "mommy wars."

It is simply not true that helping employed parents pay their child care expenses reflects a bias against stay-at-home parents. In fact, a family whose child care expenses are partially offset by a subsidy or a tax credit will still have less disposable income than a family with the same income and no child-care costs.

It is also not true that offering a modest tax credit for stay-at-home parents reflects a bias against parents who are in the workforce. This is especially so when, as in the Clinton proposal, the credit is targeted to the low-income families who need help the most and when it is coupled with an expansion of the Family and Medical Leave Act to let employees in small and mid-sized companies take up to 12 weeks of unpaid leave when their families give birth or adopt a child.

It's time to stop paying lip service to a "mommy war" that is not real. A divisive approach to child care and child rearing benefits no one. Lawmakers do not have to choose between employed and stay-at-home parents. Their best course is to enact policies that support all parents, regardless of whether they hold paying jobs, stay home with their children, or do both.

BARRY MAGUIRE

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NATIONAL WOMEN'S LAW CENTER

25 YEARS
EXPANDING THE POSSIBILITIES

INFORMATION

WOMEN'S STAKE IN IMPROVING THE AVAILABILITY, AFFORDABILITY, AND QUALITY OF CHILD CARE AND EARLY EDUCATION

The child care needs of American women and their families have increased dramatically in recent years, as women with children have entered the paid workforce in unprecedented numbers. *Seven out of ten American women*

, representing a major societal change since the 1940's when fewer than one in five women with children worked outside the home. Working parents know that providing their children with a safe and nurturing child care environment can make an important contribution to their children's healthy development. Yet high-quality child care is too often unaffordable or simply not available; recent studies have shown that most child care and early education in the United States fails to provide developmentally appropriate activities, and in the most egregious cases, fails to maintain basic safety and sanitary standards. Women and their families thus have a tremendous stake in public policies that will help make high-quality child care available and affordable to those who need it.

Women have another interest in effective child care policies as well: as child care providers. The vast majority of child care providers in this country -- some 98% -- are women. These women are working in a demanding occupation, charged with providing loving care and a healthy learning environment for the children entrusted to them. Yet the compensation these teachers and care-givers receive -- between $10,500 and $14,800 per year, on average, often with no benefits -- shortchanges not only the workers but also the children in their care, because the lack of decent wages and career advancement opportunities in child care make it difficult to attract and retain trained, qualified care-givers.

Women thus have a profound and dual interest in the enactment of effective child care policies. As parents, they need access to high-quality child care that will help their children learn and grow. As providers of child care services, they need compensation, training and advancement opportunities that will reflect the value of their important work while enhancing their skills and the quality of the care they provide to our nation's children.

It is not surprising, then, that child care is high on the list of working women's concerns.[1]

I. Working Families and the Need for Child Care

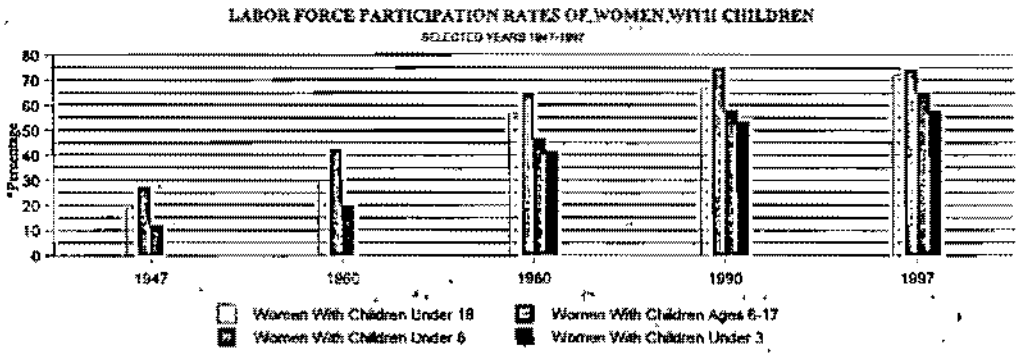
It is an undeniable fact of American life today that a large and steadily growing majority of women with children -- married and single, with children of all ages from pre-school to teens -- must look to child care to provide a safe and nurturing environment for their children during working hours. In addition, an increasing number of women with children are seeking a college education, and these women, too, need affordable, high-quality child care if they are to have access to the enhanced job prospects and increased earning power that a college degree can bring them.

The Reality of the Workforce

A large majority of American women with children work outside the home.

- Nearly 72% of American women with children under age 18, and 74% with children between the ages of 6 and 17, are in the paid labor force.[2]
- 65% of women with children under age 6 are in the paid labor force, and 58% of mothers with infants (under age 1) are either in the paid labor force or looking for paid employment.[3]
- 73% of all employed women with children under age 18, almost 70% of these women with children under age 6, and over 65% of these women with children under age 3 are working *full time*.[4]

Labor force participation rates for women reflect a steady and dramatic increase over the last 50 years.



Sources: *1. U.S. Bureau of Labor Statistics, Current Population Survey, 1997.*
2. U.S. House of Representatives Committee on Ways and Means 1996 Green Book, Table10-1.

National Women's Law Center, Washington, DC, February 1999

- In 1947, at the end of World War II, only 19% of women with children under age 18 were in the paid labor force. By 1960, that number had jumped to nearly one-third, by 1980 it was over half, and by 1990 it was over two-thirds.[5]

- Similarly, in 1947, only 12% of women with children under age 6 were in the paid labor force; by 1960 that number had climbed to over 20%, by 1980 it was over 46%, and by 1990 it was over 58%.[6]

- As women have moved into the labor force in greater numbers, they have increasingly taken jobs that are both full time and year round, partly due to economic necessity and partly due to their movement into traditionally male-dominated occupations that require full-time, year-round work.[7]

Mothers working outside the home today include married women as well as women who are sole heads of their households.

- In nearly 70% of married couples with children under age 18, the mother is in the paid labor force, and 70% of these women are working full time.[8]

- Over 70% of mothers who are sole heads of households with children under age 18 are in the paid labor force, and 80% of these women are working full time.[9]

- Today, only 23% of married-couple families with children under age 18, and only 25% of married couples with children under age 6, fit the traditional model of husband as sole breadwinner.[10]

Most women who work outside the home do so as a result of economic necessity.

- Some 10 million households with children -- almost 30% of all U.S. households with children -- are headed by women alone (women who are divorced, separated, widowed or never married).[11] These women must earn a living in order to feed, clothe, house and otherwise sustain themselves and their children.

- Child support alone does not enable these women to provide for their children, because so few child support orders are established or enforced, and when they are, the amount collected is generally insufficient to contribute significantly to meeting the demands of raising a child.[12]

- In a 1997 survey of working women, more than half of the married women respondents (52%) reported that they contribute half or more of their household income.[13]

A mother's income can often mean the difference to a family between living below the poverty line and living above it. A mother's income can also protect her against total economic dependency.

- One in five married women with children who do not work outside the home live in poverty, while only one in one hundred married women with children who work full-time live in poverty.[14]

- Some married women work in order to protect against complete financial dependence on a spouse and being left with no job skills and inadequate means of support in the event of divorce -- a concern that is well-founded, in light of the inadequacy of child support awards, as noted above.

Many Families Need Help Paying for Child Care

Working parents who rely on child care often have a hard time paying for it.

- For families with children between the ages of three and five, at all income levels, child care and early education is the third greatest expense after housing and food.[15]

- Nationally, child care consumes between 6% and 25% of a family's income.[16] However, one study of child care prices in six cities found that, for a minimum-wage worker, the average cost of care for an infant in a child care center would be at least 50% of the family's annual income.[17]

- The cost of child care today can range from $4,000 to $10,000 annually.[18] Yet about half of families with young children earn less than $40,000 a year,[19] and single mothers with children earn even less -- in 1997, the median income of families with children headed by a woman was $17,256, 40% less than the median income of families with children headed by a man ($28,668) and more than two-thirds less than the median income of married couples with children ($54,395).[20]

- The following are *average* annual child care costs for *one* 4-year old child in a child care center in selected cities:

Atlanta: $4,990	**Columbus:** $4,940	**Kansas City:** $5,200	**Raleigh:** $5,070
Boston: $7,900	**Denver:** $4,580	**Los Angeles:** $4,630	**Seattle:** $6,140[21]

Many low-income families who are eligible for child care and early education assistance never receive it.

- The Head Start Program (a comprehensive child development program designed to help low-income children enter school ready to learn and succeed) currently serves more than 800,000 low-income children and their families.[22] However, due to limited funding, the program still serves only 40% of all eligible children.[23]

- The Child Care and Development Block Grant allows states to help pay for child care for families with incomes up to 85% of state median income. However, all but four states disqualify families for help before they reach this federally authorized level.[24]

- In some states, the income eligibility cutoffs are so low that only the poorest of the working poor can qualify. For example, in West Virginia, the cut-off is at $15,000 per year for a family of three (barely above the 1997 federal poverty level of $13,330), while Iowa and South Carolina cut off eligibility at $16,700.[25]

- As of January 1998, about half the states had to turn away eligible low-income working families or put them on a waiting list due to inadequate funds. In California, over 200,000 families – mostly non-welfare, low-income workers – are on the child care subsidy waiting list.[26]

- A 1998 Children's Defense Fund study confirms that inadequate federal and state funding prevents at least nine out of ten eligible children in low-income working families from getting the child care assistance they need.[27]

Child care subsidies are often too low to meet the needs of working families.

- In some cases, the amount the state will pay for care is so low that parents cannot find qualified providers who can afford to serve their children.[28] Delaware, for example, pays a maximum child care subsidy for a four-year-old in a child care center that is $200 per month less than the amount needed to allow parents to access care from three-quarters of Delaware providers.[29]

- In other cases parents have to pay so much in parent fees or co-payments that child care expenses remain a staggering financial burden.[30] In South Dakota, for example, a parent earning $1,670 per month must contribute $500 per month (30% of the family's income) in order to get a child care subsidy.[31]

Families are required to pay the lion's share of the cost of child care and early education, with very little help from the government, in contrast to government support for higher education.

- Families pay roughly 60% of total annual estimated expenditures for child care and early education, while families pay only about 23% of the cost of a public higher education.[32] The total government resources for higher education far exceed those for child care and early education, amounting to about $4,552 for every postsecondary student compared to $1,395 for every child under age six in child care.[33] This disparity in government support is compounded by the fact that families are usually better off financially by the time their children enter college than they are when their children are younger and in need of child care.[34]

- Just as there is ample evidence that a college education results in economic and other benefits to graduates, researchers have found that seven dollars in public expenditures is saved for every dollar spent for quality child care and early childhood education.[35]

High-Quality Child Care and After-School Programs are Often Unavailable

Working parents need access not just to affordable child care, but to a child care setting that is safe and nurturing and will contribute to their children's healthy development and education.

- Research on early brain development and school readiness demonstrates that the experiences children have and the attachments they form in the first three years of life have a decisive, long-lasting impact on their later development and learning.[36]

- Recent breakthroughs in neuroscience show that early interactions directly affect the way the brain is "wired".[37] Brain development is non-linear: there are prime times for acquiring different kinds of knowledge and skills.[38] By age two, a child's brain contains twice as many synapses and consumes twice as much energy as the brain of an adult.[39]

- The quality of child care has a lasting impact on children's emotional well-being, social skills and ability to learn.[40] Children in poor-quality child care have been found to be delayed in language and reading skills, and display more aggression toward other children and adults.[41]

- Children in higher-quality preschool classrooms display greater receptive language ability and pre-math skills, view their child care and themselves more positively,

have warmer relationships with their teachers, and have more advanced social skills than those in lower-quality classrooms.[42] In addition, higher-quality programs can lead to children's long-term success, including better school achievement, higher earnings as adults, and decreased involvement with the criminal justice system.[43]

- Many young children are being cared for in settings in which books and toys required for physical and intellectual growth are missing; warm, supportive relationships with adults are lacking; and in some cases, basic sanitary conditions are not met and safety problems are endangering infants.[44]

Constructive activities for school-age children and youth are critical to their development and to help keep them out of trouble.

- It is estimated that nearly five million children are left unsupervised after school each week, and many children are in settings that do not help them grow and learn because there are no constructive activities to promote their physical and intellectual development.[45] The problem is most acute in low-income communities, where fewer before- and after-school programs are offered.[46]

- Studies have indicated that school-age children who are left alone after school are at greater risk of truancy, risk-taking behavior, substance abuse, poor grades, and stress.[47] FBI data show that violent juvenile crime triples in the hour after the school bell rings with nearly half occurring between 2 p.m. and 8 p.m.[48]

- In a recent survey, 92% of police chiefs nationwide identified an increased government investment in programs like child care and after-school programs as the most effective anti-crime weapon by a four-to-one margin over trying more juveniles as adults or even hiring additional police officers.[49]

II. The Early Childhood Workforce: Women As Child Care Providers

The vast majority of child care providers in this country are women.

- The child care workforce is 98% female, and one-third women of color.[50]

- These women -- approximately 2.3 million early childhood teachers and teachers' assistants, family child care providers, and in-home providers[51] -- carry the responsibility of providing a safe, nurturing, and stimulating setting for the children entrusted to them each day. The services these women provide can have a critical

impact on the successful development of the children in their care.

In light of their tremendous responsibility, child care workers are shockingly under-compensated.

- The U.S. Department of Labor reports that, in 1997, the median weekly salary for a family child care provider was $202 per week, which is $10,504 annually, based on 52 weeks of wages.[52] *This is below the poverty threshold* for a household that includes one parent and one child.[53]

- For an early childhood teaching assistant, the median weekly salary was $239 per week, or $12,428 annually, and for a worker in a child care center it was $285 per week, or $14,820 annually.[54]

- Child care workers thus earn far less than the median earnings for all workers ($26,156 in 1997), and less than the median earnings for bus drivers ($21,060), janitors ($16,276), or bartenders ($16,024).[55]

- Many child care workers receive little if anything in benefits from their employers. Even among child care centers, the availability of health care coverage for staff workers remains woefully inadequate.[56]

Many child care workers cannot afford to stay in the system.

- In order to support themselves, many child care workers are forced to hold second jobs, live with their parents, rely on a second income, or forgo health insurance and medical care.

- As a result, many do not stay long in child care: 31% of all teaching staff leave their child care centers each year.[57]

This system is shortchanging not only the providers, but the children as well.

- The compensation of child care staff is clearly linked to the quality of care and education children receive. According to one study, "teachers' wages, their education and specialized training were the most important characteristics that distinguish poor, mediocre, and good-quality centers."[58]

- Another study identified staff wages as the most important predictor of the quality of care children receive: better quality centers paid higher wages, hired teachers with more education and training, and experienced lower staff turnover.[59]

- Reducing turnover is critical, because the stability of the relationship between the child and the care-giver is important to the child's social development.[60] For

example, the U.S. Department of Defense, in its Military Child Development System, ties wages and advancement for its child care workers to training and education, and in so doing has significantly reduced turnover and thereby improved the morale and motivation of care givers and the quality of care.

III. SOLUTIONS: CRITICAL COMPONENTS OF AN EFFECTIVE CHILD CARE POLICY

An effective child care initiative must ensure that all families have access to affordable, high-quality child care for infants and toddlers as well as school-age children. It must include the following components.

(1) Help Working Families Pay for Child Care

Without assistance, the cost of decent child care is beyond the reach of many low- and moderate-income families. To help these families with their child care expenses:

- The Child Care and Development Block Grant should be substantially expanded to enable states to better serve eligible families; and
- The Dependent Care Tax Credit should be improved to better meet the needs of families, by making the credit refundable, adjusting the sliding scale of percentages of eligible expenses that can be claimed, and raising the limits on eligible expenses.

(2) Protect the Health and Safety of Children by Improving the Quality of their Care and Education

A stronger child care infrastructure must be created, through funds to states for:

- Improved licensing standards and enforcement, including sufficient staff to adequately monitor and inspect programs to reduce the risk of harm;
- Increased reimbursement for programs meeting high-quality standards;
- Policies to improve staff compensation and benefits in order to attract qualified staff and reduce staff turnover;
- Scholarships for care-givers pursuing a degree in early childhood education;

- Statewide staff development systems and policies that help to improve training for staff;

- Targeted funding to enable child care and early education programs to offer comprehensive services through linkages and support from health, social services, and mental health systems;

- Improved consumer education efforts, including the expansion of local resource and referral programs; and

- Support to child care and early educations programs to use technology, such as long-distance learning, more effectively.

(3) Expand Good Care for Infants and Toddlers

Substantial funding should be made available for states to strengthen and enrich programs serving very young children, as well as increase support to parents of young children and other care-givers. Specifically, funds should be available for activities such as:

- Operating family child care networks that serve infants and toddlers;

- Expanding the supply of infant and toddler care, especially for care that is in short supply;

- Supporting initiatives to increase the compensation of care-givers caring for very young children;

- Providing specialized training for care-givers working with infants and toddlers;

- Expanding resource and referral programs;

- Assisting programs serving young children in becoming accredited;

- Helping child care programs serving young children to link with other essential services in the community;

- Providing parenting education and support programs;

- In addition, the Family and Medical Leave Act should be expanded to cover more workplaces and employees, and to provide leave for a broader range of family needs. Strong family leave policies are critical, as they enable working parents to stay home during the critical early months of a child's life or when a child is seriously ill, and to

play an active role in their children's early development.

(4) Keep Children and Youth Safe and Productive through Better Use of Out-of-School Time (School-Age Care)

- Sufficient funds must be made available to local communities to support before- and after-school, summer, and weekend activities for more children and youth. These activities should be available in a range of settings, including schools, child care settings, homes, and community and youth centers. Resources should be used to start, operate, and expand programs; support staff training and professional development, accreditation, and program assessment and improvement; and facilitate coordination that can make the most of public and private resources.

(5) Continue Support for Head Start and the Child and Adult Care Food Program

- Head Start is an essential component of any initiative to strengthen families' access to strong early learning experiences. The Head Start program should continue on its path toward serving all eligible children. It should also recognize the growing need to reach younger children by expanding funds available for Early Head Start.

- The Child and Adult Care Food Program (CACFP) should allow for-profit child care centers serving low-income children to participate in CACFP, and restore the option of a fourth meal or snack for children spending extended hours in child care centers and family child care homes.

The National Women's Law Center is a non-profit organization that has been working since 1972 to advance and protect women's legal rights. The Center focuses on major policy areas of importance to women and their families including child and adult care, child support, employment, education, reproductive rights and health, public assistance, tax reform, and social security– with special attention given to the concerns of low-income women.

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