Child Care — Administration proposal

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Statement of Donna E. Shalala
Secretary of Health and Human Services
On the Child Care Improvement Act of 1999

"I am extremely pleased that Reps. Tauscher and Cardin and their colleagues are introducing legislation today that addresses the child care needs of low and moderate income working families. The Child Care Improvement Act of 1999, sponsored by Rep. Cardin, and the Affordable Child Care, Education, and Security Act (ACCESS), sponsored by Rep. Tauscher and others, are comprehensive bills that address the primary child care concerns of America's families. These proposals embody the core elements of the child care initiative included in the President's FY 2000 budget.

"When it comes to addressing the needs of America's working families, we must begin with child care. Because whenever I talk with working parents, the conversation inevitably turns to their child care concerns. Consistently, they tell me that the three biggest child care headaches are: Can I find it? Can I afford it? Can I trust it? That's why the President proposed his child care initiative, the largest single investment in child care in our nation's history. The initiative will help answer those questions by creating more care, by providing greater tax relief for working parents, and by improving the quality of care. It will also give child care a giant booster shot.

"Of course, child care is more than a family concern, and it's more than a community concern. It's a national concern, because today's children will define our nation's course and determine its greatness. Fortunately, leaders like Reps. Tauscher and Cardin, and many of their colleagues, understand this. They know that child care is not a nagging, personal expense, but a fundamental national investment.

"These bills will help parents pay for child care, and they will assist states, communities and employers to improve the safety and quality of care. In other words, they will help families find, afford and trust child care. But because we believe that all parents deserve help, these bills also provide new tax relief for parents who choose to stay at home and care for their children.

"These proposals, like the President's initiative, are not only an investment in child care. They are an investment in America's families, in America's future and in the possibility and potential of every child. Parents should never have to choose between being a good worker and a good parent. I urge all members of the 106th Congress to join together in a bipartisan fashion to enact child care legislation this year, and help America's working families."

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Draft
Golden testimony
6/3/99 W&M
hearing

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Madam Chairman and members of the Subcommittee, I am pleased to appear before you today to talk about one of the Administration's highest priorities, child care. Child care is extremely important to the wellbeing of our Nation's children and to their parents' ability to work and maintain employment. For this reason, I welcome the opportunity to outline President Clinton's historic child care initiative. First, I would like to express my gratitude for your leadership on this issue -- demonstrated both by the hearing today and by the important legislation introduced by Chairman Johnson in the last Congress, as well as bills that have been sponsored by Mr. Cardin, Mrs. Tauscher, Mrs. Maloney and others this year. I am convinced that with our mutual commitment to this issue, we can make a difference to the millions of working families who are struggling to find and pay for decent care for their children.

The Clinton Administration is dedicated to providing support and resources to ensure healthy, safe, affordable child care settings that are so desperately needed to help families work and help children grow strong and become ready for school. In particular, we believe it is time to focus on the child care needs of low-income working families who are struggling to hold onto their jobs and care for their children. We need to focus on their struggles to find safe and affordable care for three reasons: for the sake of our economy, our parents, and our children. Employers tell us over and over that the struggle to find affordable child care is a major obstacle to recruiting and retaining a stable workforce. Parents tell us, in the words of one working mother from Rhode Island: "It is becoming almost impossible for me to hold down a full-time job and pay my child care on my small salary, but I don't want to stop working. I need to take care of my family and show my children the importance of work." And from the perspective of children, as President Clinton said in his State of the Union speech last year, "Not a single American family should ever have to choose between the job they need, and the child they love."

The President's child care initiative makes a commitment to America's families that they do not have to make this choice. It helps working families pay for child care that they trust -- whether with a neighbor, in a family child care home, or in a child care center -- by providing subsidies to low-income families and by expanding the child care tax credit to help families with moderate incomes afford the high cost of safe and healthy care. It improves the safety and quality of care and promotes early learning by enabling States and communities to invest in staff training and recruitment, improved linkages to health care, enforcement of standards, and other proven approaches to make sure that our youngest and most vulnerable children are in homes and centers that are healthy and safe, and offer them the opportunity to learn and develop. It expands after-school programs, so that over one million children can be safe and supervised after school hours and their parents can have peace of mind on the job. And, because the President believes that parents should be supported in whatever choice they make for care of their children, it also provides new tax relief for parents who stay home with children under age one.

In the past several years, we have worked with Congress in a bipartisan manner to build a solid foundation for child care. In enacting welfare reform, Congress and the Administration made a

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commitment to help families on welfare move to work by increasing the resources for child care subsidies so parents on welfare and leaving welfare could find, afford, and keep child care. It is now time to provide the same commitment to working families who are struggling to hold onto their jobs and afford child care. Last year, the Administration and the Congress made a modest down-payment on this commitment, including an investment in research and evaluation. This year, it is time to build on that down-payment to enact the President's initiative, so that millions of low and moderate income working families can find child care, afford child care, and trust child care, without going on welfare to get the help they need.

In the remainder of my testimony, I would like to address the huge need for affordable care for working families; the importance of care that is healthy, safe, and of high quality; and the way the President's initiative responds to these critical needs.

Affordable Child Care for Working Families: The Critical Need

An enormous and growing number of children spend time every day in child care ? whether with a neighbor, in a family child care home, in a child care center, or in an after-school program. Since the cost of child care, particularly care of a quality parents can trust, is so high, parents who work for modest wages face unacceptable choices -- essentially, to construct makeshift arrangements for their children at the cost of their own peace of mind, or to stop working.

According to the National Center for Education Statistics (NCES), in 1995 more than half of the approximately 21 million infants, toddlers and preschool children under the age of six in the U.S., or 12.9 million children, were in care. Forty-five percent of infants under age one were in child care on a regular basis. And according to a recent report on the National Institute of Child Health and Human Development (NICHD) study of child care, only about 14 percent of children were home full-time with their mothers throughout their first three years. These very young children are the most vulnerable to care that is not high quality, yet high quality care for them is especially costly, creating difficult dilemmas for parents with modest incomes.

Second, these statistics are not surprising when you consider the high, and growing, labor force participation of parents. In 1996, 96 percent of fathers and 63 percent of mothers with children under the age of six worked. And during this same time, nearly 74 percent of mothers with children between the ages of six and 17 were in the paid labor force. Mother's participation in the work force has increased dramatically in recent years. For single mothers with incomes under 200 percent of poverty, the percent employed as of the Census Bureau's March current population survey rose from 44 percent in 1992 to 54 percent in 1997, driven by the culture change of welfare reform, and the consistently strong and growing economy.

Looking ahead, the continued strength of the economy, along with the continued effectiveness of welfare reform and the increases in work participation required under the welfare reform

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legislation, suggests continued increases in parents' work participation and the need for child care. To take just one example, Michigan has identified the growth in the need for child care as the principal issue it expects to face in the near future. The increased number of TANF families who are working and the increased hours of work have resulted in a much greater demand for child care services. At the same time, the availability of child care for working families is critical to allowing them to retain their jobs and avoid having to seek cash assistance.

Third, for many of these working families, the cost of child care is an enormous burden. A family earning less than $14,000 a year, and paying for the care of a child under age five, without State or Federal assistance, typically spends 25 percent of its income on child care. But even families earning twice the minimum wage, with modest wages of $20,000 to $30,000 a year, face incredible challenges in paying for care, particularly if they have more than one child. In California, the average cost of full-time care for a child under two years in a licensed center is $7,020 -- 68 percent of minimum wage earnings, and almost one quarter of the annual gross income for a family earning $30,000 a year. In Boston, the average annual child care costs for one 4- year old is $7,900 and in Seattle $6,140. The National Women's Law Center reports that the cost of child care can range from $4,000 to $10,000 annually.

Disproportionately high child care costs can force families to make difficult choices ? essentially, whether to put together makeshift child care arrangements that risk compromising the

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quality and safety of their children's care, to skimp on fundamental living expenses such as food, clothing, shelter and health insurance, or to stop working entirely. At the White House Conference on Child Care in October 1997, a child care provider spoke eloquently about a mother who made the first choice: she was leaving her 6-year-old alone on the school playground after school because her earnings from a fast food job left her unable to come up with an alternative. When the school principal realized what was happening and told her he would have to report her for child neglect if she did not come up with an alternative, she was referred to a child care provider who was eventually able to come up with a subsidy slot for her ? but who said emphatically that not every story has such a happy ending.

The second and third choices, to skimp on basic necessities like food or clothing or to leave work entirely, also are made far too frequently, as the mother from Rhode Island I quoted earlier said so eloquently. Employers as well as parents report on the unacceptable choices facing families. At a recent child care resource and referral leadership forum, a Massachusetts employer told the story of a single mother employed by her medical clinic, who came to her when her family day care provider gave two weeks notice that she could no longer care for the woman's child. The woman needed affordable child care in order to work and would have to quit her job if care could not be found. The employer's Work and Family office worked in partnership with her and frantically searched for another provider but on the last day of the first provider's notice, had come up with no prospects.

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A recent GAO study demonstrates the pervasiveness of these issues by analyzing the trade-offs low-income mothers face when they want to work, but face high child care costs. According to the study, child care subsidies are often a strong factor in a parent's ability to work, and reducing child care costs of a family increases the likelihood that poor and near-poor mothers would be able to work. GAO observed that affordable child care is a decisive factor that encourages low-income mothers to seek and maintain employment.

What Help Is Out There for Working Families: Far Too Little

Today, the primary source of help for low-income families who cannot afford child care is the Child Care and Development Block Grant (CCDBG). CCDBG funds flow to the states, who provide help for parents by subsidizing care of the parent's choice -- with a family member, neighbor, family child care home, child care center, or after-school program. The key strength of CCDBG is that the flexibility of providing subsidies directly to parents supports parents' ability to choose the care that is best for their child.

However, while CCDBG is a flexible and effective way of getting critically needed help to parents, it is reaching far too few families. Nationally, there are approximately 10 million children who are income eligible for assistance under the Child Care and Development Block Grant. Even with increased funding provided for child care program under PRWORA, our data show that only about 1.25 million of these children received help from the Block Grant's fund in 1997. In reaching only a little over 10 percent of the eligible families, the Child Care and Development Block Grant offers many low-income families scant hope of access to good, affordable child care arrangements.

Low-income working families miss out on CCDBG assistance for two main reasons. First, forced into a trade-off between scarce dollars and enormous need for child care, many states have made policy and eligibility choices that focus assistance on families on welfare, families leaving welfare, and families at the very lowest income levels -- leaving out parents who are struggling to hold onto a modest job without turning to welfare for help. While the CCDBG Act allows States to serve families with incomes up to 85 percent of the State median, only nine States actually set their eligibility levels that high. Due to the high demand for child care assistance and limited funding, State child care plans currently show that in 12 States, a family of three with an income of just $20,000 a year is not eligible for any help with child care. Only one-third (16) of the States can afford to assist the child care needs of working families earning 200 percent of the poverty level -- that's only $27,300 for a family of three. In Maryland CCDBG eligibility is limited to families making less than $22,440. Further, a report issued by the Department's Office of the Inspector General found that in order to maximize dollars, States often set high family co-payment rates, which limit parental choice of type of child care.

Second, in practice, states are unable to meet the enormous demand for child care even given the low eligibility levels that they have been forced to adopt. As a result, states across the country report extensive waiting lists and unmet need. Iowa has subsidized child care slots for almost 75,000 children from birth to age 5 -- less than half of what is needed. In California, waiting lists are estimated to total between 100,000 and 200,000 slots. And in Florida, there were 25,000 children on waiting lists in September 1997 and the State froze intake except for families on welfare or for children at risk of abuse or neglect. Similarly, in December 1997, Massachusetts reported 12,500 children -- including 600 in the child protective system -- on waiting lists. A recent article in a Texas newspaper reported that "on an average day, the Texas Workforce Commission, using federal and State funds, pays for about 81,000 day-care slots for low-income families and will have up to 40,000 names on a waiting list for such help." The article goes on to report that program officials say this is only the tip of the iceberg of unmet need among low-income families.

Finally, even though states have access to several funding sources to meet child care needs, there is no way for them to meet these demands without a major Federal investment. This investment must be large enough to make a dent in meeting the needs of working families by being dedicated to child care and reliably available over time so that families can depend on receiving the modest assistance they need to get and keep steady work. Currently, the states have obligated 100 percent of the funds available to them through the Child Care and Development Block Grant,

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including the matching funds which require them to appropriate their own money to draw them down. To draw down the full amount of funds in FY 98, states appropriated $1.6 billion in maintenance of effort and matching funds, and a number of states report additional appropriations of state resources.

While States have the authority to transfer TANF funds to CCDBG as well, and about 28 states did so in 1998, states are not in a position to solve the huge unmet child care needs of the working poor by trading off dollars that may well be critical to meeting the intensive needs of the families who still remain on welfare caseloads as they continue to make their transition to work. In fact, 17 states have already committed every penny of their TANF dollars for FY97 and FY98 and have no additional resources available for transfers to child care. Included on this list are Connecticut and California, with its child care waiting list of more than 100,000 families. Other states are making the understandable choice of reserving some of their TANF resources for - rainy day funds -- which show up in the expenditure data as if they were uncommitted -- thus using the option that Congress provided for states to protect themselves from possible future economic downturns. Given how important stable child care arrangement are to working families who are seeking to maintain their employment, it doesn't make sense to ask States to use a potentially <u>unstable</u> source of funds to expand the available child care for these families. By, for example, risking rainy day funds for child care, States risk a major upset in the lives of families if economic difficulties down the road were to force dollars to be shifted back from child care to cash assistance.

Besides the Child Care and Development Block Grant, the other major source of help for families in paying for child care costs is the Child and Dependent Care Tax Credit. Unfortunately, many low and moderate working families fall into a gap, with incomes not low enough to be eligible for a subsidy, yet too low to get an appreciable amount of help from the tax credit. As I indicated earlier, due to the pressing need for child care assistance, only nine States provide child care assistance at the maximum income level set by Congress in the CCDBG Act, so that families with incomes as low as $20,000 or $25,000 are not eligible for assistance in many states ? and in many other states, they may be eligible but at the end of a long list of families waiting for help. At these income levels, families are often caught in a gap, with no help from the subsidy and little or no help from the tax credit.. Such working families, that cannot benefit from subsidies or tax credits, have needs that are not being addressed under current law.

The Administration's proposal addresses these needs through an expanded subsidy and a strengthened tax credit. But before I go on to discuss the proposal in detail, I would like to address the other critical aspect of child care need: the importance of care that is safe, healthy, and of high quality.

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Quality

We know that quality matters to children's healthy and safe development and that the lack of affordable child care options for many families greatly reduces their ability to find quality care they can trust. There are serious concerns, supported by an extensive body of research, about the quality of care many children receive. Recently, even the basic health and safety of children in child care has become a national concern. Fortunately, as I will discuss later, we also know what to do to improve quality so that children can grow, thrive and enter school ready to learn.

We are concerned that far too many children receive care that is unsafe, unhealthy, and potentially damaging to their development. For example, a four-State study by the University of Colorado found that only one in seven centers was rated as good quality. The Families and Work Institute also reported that 13 percent of regulated and 50 percent of unregulated family care providers offer care that is inadequate.

Just as the national school lunch and child health programs were enacted to help develop strong bodies for low-income children, recent advances in knowledge about brain development in very young children argue for improving our country's ability to build strong minds. With more and more very young children in child care regularly at an early age -- often for long hours, child care is a crucial linkage for comprehensive, healthy child development to prepare children to be successful in school.

Research shows that when children are in quality child care programs, they develop stronger language, pre-mathematics, and social skills. Quality child care also promotes school readiness by enhancing nurturing relationships between children and their care givers, thus strengthening the child's self-esteem. The NICHD recently reported that higher caliber child care for young children was consistently related to high levels of cognitive and language development. Such programs ensure that children are safer, healthier, and intellectually stimulated. Quality programs provide responsive care by consistent, knowledgeable, and experienced care givers.

I'd like to now turn to our initiative and explain how we believe it provides the best solution to these issues.

Our Solution -- The President's Historic Initiative

The President's initiative responds to these issues by helping people pay for care in two ways: subsidies for the lowest working families through the CCDBG and tax credits for families at a moderate income level. The time is ripe for using dedicated child care funds to improve both the quality and availability of care for young children through age 5 and the affordability of child care for all eligible children.

Support for Working Families

As I've already stated today, the financial impact that child care costs have on low-income working families is great and we believe that additional subsidy funds are needed. Our proposal includes an expansion of the Child Care and Development Block Grant of $7.5 billion over five years for increased support for working families. This support will enable the program to make child care more affordable for an additional 1.15 million children by 2004, for a total of 2.4 million children in low-income working families. These 1.15 million children and their families deserve a chance to have the means to purchase care without sacrificing life's other basic needs. This funding will make a significant difference to the hundreds of thousands of families currently on waiting lists.

In addition to the new CCDBG activities, the President has proposed a tax initiative that will help bolster both the affordability and availability of care. The proposal would increase the Dependent and Care Tax Credit for families earning under $60,000, providing an additional average tax cut of $354 for these families, and eliminating income tax liability for almost all families of four with incomes below $35,000 who are saddled with high child care costs. The President's budget includes $5 billion over five years to expand this tax credit for nearly three million working families paying for child care.

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Early Learning Fund

Because child care is becoming routine for so many very young children, we must ensure that the quality and educational nature of that early care is such that parents are comfortable with their choice and that the care makes children ready to learn when they arrive at school. To this end, we are also proposing to include funding of $3 billion over five years to support an Early Learning Fund. The Early Learning Fund will, for the first time, specifically devote funding to communities to enhance the quality and availability of care, with a focus on promoting school readiness for children through age five.

Services under the Fund will be delivered at the community level to enable communities and parents to take action based on their assessment of what's needed and what will work best. Importantly, the proposal would require that a significant part of the funds be used to serve low-income communities, where the need for, and the impact of, improvements would be greatest. In addition, the proposal requires that performance measures be established to assess progress towards meeting goals established by the community.

The Early Learning Fund would directly support activities to improve quality outcomes. For example, provider training, licensing/accreditation assistance and salary/benefit enhancements allowed under the Fund would increase the number of qualified, experience child-oriented staff

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caring for our children. Standards enforcement and the linking of providers to health professionals and services would lead to safe, clean and stimulating child care environments. The Early Learning Fund would also be used to improve staff ratios and reduce group size -- long recognized as important indicators of quality and enhancements to a learning environment.

The end result of this investment will be young children who are healthy, safe and eager to learn, and arrive at school better prepared for the challenges ahead.

Support for Parents at Home, Employers, and After School Care

In addition to assisting working families, we recognize that parents should be supported in whatever choice they make for care of their children. Thus, the President's initiative also provides new tax relief to parents who stay at home with children under age one. The President's proposal will benefit 1.7 million families and will provide an average tax credit of $178 at a cost of $1.3 billion over five years.

Second, the initiative also includes a new tax credit for 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 resource and referral services. The President's budget includes approximately $500 million over five years for these tax credits that

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will be of much help in expanding the availability of quality care.

Finally, we also propose to expand after-school opportunities for over one million children. Experts agree that school-age children who are left unsupervised at home after school are far more likely to use alcohol, drugs, and tobacco; commit crimes; receive poor grades; and, drop out of school than those who are involved in supervised, constructive activities. That is why President Clinton is committed to tripling funding for the 21st Century Learning Center Program, which supports the creation and expansion of after-school and summer school programs throughout the country. The program increases the supply of after-school care in a cost effective manner, primarily by funding programs that use public school facilities and existing resources. The program will target funds toward school districts that have programs in place to end social promotion. The President's budget includes $600 million in FY 2000 to help roughly 1.1 million children each year participate in after-school and summer school programs.

Conclusion

As we move into the 21st century with our new knowledge about brain development in very young children, and as our economy moves deeper into the technology age, we cannot ignore child care as both a support to the current workforce and a crucial component in the development of a school-ready, work-ready new generation. The Early Learning Fund will support quality at the community level in a way that ensures accountability for good performance. The additional matching funds will allow States to help many more working families. Expanding the Child Care and Development Block Grant by adding to the dedicated child care funds is a good investment for the future -- an investment which supports the economy, families, and, most importantly, our children.

We look forward to working with you to enact legislation to make quality child care more affordable and available for working families.

Thank you. I would be happy to answer your questions.

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Child Care

1999

PRESIDENT CLINTON'S CHILD CARE INITIATIVE: STRENGTHENING AMERICAN FAMILIES

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

Expanding the Child Care Block Grant to Create Better, Safer and More Affordable Child Care:

- **Providing Child Care Subsidies to More than One Million Additional Children:** The President will propose to expand the Child Care and Development Block Grant to help working families struggling to afford child care. This block grant is the primary federal subsidy program to pay for child care, enabling low-income parents to work. Funds are distributed by formula to the states to operate direct child care subsidy programs, as well as to improve the quality and availability of care. Today, however, millions of families who are eligible for assistance with their child care costs do not receive any help. In FY 1997, states provided child care assistance to only 1.25 million of the 10 million low-income children eligible for assistance. The President's budget will increase funding for child care subsidies by $7.5 billion over five years, enabling the program to serve an additional 1.15 million children by FY 2004.

- **Promoting Early Learning:** The President will propose to increase the block grant to provide challenge grants to communities (distributed by states) to improve early learning and the quality and safety of child care for children ages zero to five. Research shows that children's experiences in the earliest years are critical to their development and ability to reach school ready to learn. The President's budget will provide $3 billion over five years to help get children ready to learn.

- **Improving Child Care Quality:** Last year, Congress fully funded the President's request to increase investment in improving child care by providing States with additional resources for quality enhancement efforts such as performing inspections of child care facilities, providing resource and referral services for parents, assisting providers with training and scholarships, and creating networks for family day care providers. The President's FY 2000 budget will provide $173 million for this initiative.

Giving Greater Tax Relief for Child Care to Three Million Working Families. The Child and Dependent Care Tax Credit provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. The President proposed to increase the credit for families earning under $60,000, providing an additional average tax cut of $354 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty ($35,000 for a family of four) that claim the maximum allowable child care expenses. The President's budget will include $5 billion over five years to expand the Child and Dependent Care Tax Credit for nearly three million working families paying for child care.

Providing Tax Relief to Parents Who Stay at Home. The President believes that we should support parents in whatever choice they make for the care of their children. He, therefore, proposed to enable parents who stay at home with children under one to take advantage of the Child and Dependent Care Tax Credit by claiming assumed child care expenses of $500. The President's budget will provide an average tax credit of $ 178, at a cost of $1.3 billion over five years, which will benefit 1.7 million parents.

Creating New Child Care Tax Incentives for Businesses. The President proposed to create a new tax credit to businesses that provide child care services for their employees, by building or expanding child care facilities, operating existing facilities, training child care workers, or providing child care resources and referral services. The credit covers 25% of qualified costs, but may not exceed $150,000 per year. The President's budget will include approximately $500 million over five years for these tax credits.

Expanding After-School Opportunities. The President proposed to triple funding for the 21st Century Learning Center Program, which supports the creation and expansion of after-school and summer school programs throughout the country. Experts agree that school-age children who are unsupervised during the hours after school are far more likely to use alcohol, drugs, and tobacco, commit crimes, receive poor grades, and drop out of school than those who are involved in supervised, constructive activities. The program increases the supply of after-school care in a cost-effective manner, primarily by funding programs that use public school facilities and existing resources. In awarding these new funds, the Education Department will give priority to school districts that are ending social promotion by requiring that students meet academic standards in order to move to the next grade. The President's budget will include $600 million in FY 2000 to help roughly 1.1 million children each year participate in after-school and summer school programs.

PRESIDENT CLINTON:
CHILD CARE THAT STRENGTHENS AMERICAN FAMILIES

February 24, 1998

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

President Bill Clinton
January 27, 1998

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

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

- **Makes child care more affordable for working families.** To help working families struggling to meet the costs of child care, the initiative invests $7.5 billion over five years to double the number of children receiving child care subsidies to more than two million by the year 2003. The initiative also increases tax credits for child care for three million families and provides tax credits to businesses that provide child care services to their employees.

- **Increases access to and promotes early learning and healthy child development.** To improve early learning, the initiative includes $3 billion over five years to establish an Early Learning Fund that helps local communities improve the quality and safety of child care for children ages zero to five. The initiative also increases investment in Head Start and doubles the number of children served by Early Head Start to 80,000.

- **Improves the safety and quality of child care.** To help ensure safe, quality child care, the initiative: steps up enforcement of state health and safety standards in child care settings, facilitates background checks on child care providers, increases scholarships and training for child care providers, and invests in child care research and evaluation.

- **Expands access to safe after-school care.** To help create safe, positive learning environments for American school-age children who lack adult supervision during a typical week, the initiative increases the 21st Century Learning Center Program by $800 million over five years to provide after-school care for up to half a million children a year.

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

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CHILD CARE INITIATIVE/STATE SPENDING

State Ability to Spend Child Care Dollars

QUESTION:

Why is new funding for child care programs necessary when States are not even spending the resources they currently have? States are only drawing down their money at a 70% rate-- that suggests they don't need additional funds.

ANSWER:

- In fact, we do project that the States will spend virtually all of their child care funds for the 1997 fiscal year. The State financial reports received thus far are very encouraging and show that States have obligated over 99 percent of the FY 1997 child care funds available to them under the new welfare law.

- We believe that the amount obligated represents a better measure of a States' commitment to child care programs and the need for child care assistance. Obligations represent the amount of money that States have committed to spending. They reflect the amount of contracts and agreements that States have made for which expenditures and outlays will be made at a later point. States are required to obligate their funds within one year, and the overwhelming majority have done so. States have two years to actually spend their money and several years to draw down (i.e. outlay) funds from the Federal Treasury. While it is true that child care outlays were 72 percent for FY 1997, we project that States will **expend** all their funds within the two years as required.

- The passage of the Personal Responsibility and Work Opportunity Reconciliation Act made major changes in the funding for State child care programs, and it was expected that States would require some time to make the transition. However, despite these significant reforms in the program, States reacted quickly and have drawn down the vast majority (72 percent of 1997 funds) of child care money.

- There is a tremendous need for child care assistance, particularly among low income working families. While our most recent data from 1995 indicates that funds in that year allowed us to serve over about 1 million children, that is a small percentage of those eligible since there are approximately 10 million children eligible for the Child Care and Development Block Grant. Further, without assistance, working families with annual incomes under $14,400 who pay for care for children under five spend 25 percent of their incomes on child care -- and even then, it's difficult to find accessible, high- quality care.

March 2, 1998

Child Care and Development Block Grant (CCDBG)
Historical and Projected Outlay Rates

FY	Appropriation ($'s in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
1991 1/	$731,915	44.0%	43.9%	9.4%	0.8%	
1992	$825,000	49.8%	40.7%	6.7%	1.7%	0.8%
1993	$892,711	50.5%	37.3%	7.7%	4.1%	0.2%
1994	$892,616	61.0%	25.3%	12.2%	1.4%	
1995	$934,642	66.8%	17.2%	14.5%	1.5%	
1996	$934,642	62.4%	21.6%	14.5%	1.5%	
1997	$19,100	67.9%	22.0%	8.4%	1.6%	
1998	$1,002,672	62.0%	22.0%	14.5%	1.5%	

1/ FY 1991 outlay rates do not add to 100% due to deobligation of approx. $13 million in unliquidated funds.

Mandatory and Matching Child Care
Historical and Projected Outlay Rates

FY	Appropriation ($'s in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
1997	$1,967,000	71.0%	18.7%	6.7%	3.4%	
1998	$2,070,792	70.9%	18.9%	6.8%	3.5%	

Numbers may not add due to rounding.

Prepared by ACF/DHHS 2/19/98

PROGRESSIVE POLICY INSTITUTE

January 28, 1998

Jen — Have you seen?
Cynthia

Dear PPI Friend:

In his State of the Union address, President Clinton outlined a new $21.7 billion package of measures to address the child care needs of working families. With this proposal, he has pushed the question of how working parents care for their children—and how government can help them—to the top of the public agenda.

The enclosed PPI Backgrounder, *The President's Child Care Initiative: Investing in Equity*, praises the President's plans to enlarge child care block grants to the states, but argues for an alternative to the President's proposed expansion of the dependent care credit as the best way to use the tax code to help working parents. In this backgrounder, Margy Waller, senior analyst for social policy, proposes:

- directing states to treat all poor, working families equitably by creating seamless, universal child care systems with the block grant funds;
- eliminating and redirecting the existing dependent care credit, including the President's proposed $5.2 billion expansion, into the Child Tax Credit created last year;
- targeting the expansion of the Child Tax Credit to families with children under age six, and household income of less than $60,000; and
- taking steps to redesign the Child Tax Credit to be fully refundable to all working families, so that lower income households get the full benefit of the tax break.

We hope you find this backgrounder useful as the debate over this critical issue heats up.

Cordially,

Jerry Irvine
Press Secretary

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PPi

PROGRESSIVE POLICY INSTITUTE

Backgrounder

January 1998

The President's Child Care Initiative

Investing in Equity

by Margy Waller

With more families needing two incomes to make ends meet, and a new work-based welfare policy propelling more single mothers into the workplace, more American parents—single and married—are working than ever before. The number of mothers with preschool-age children taking jobs has increased more than five times since 1947. Today, more than 10 million children of working mothers are in child care.

Against this backdrop, the question of how working parents care for their children—and how government can help them—has risen to the top of the public agenda. President Clinton has outlined a new $21.7 billion package of measures to address the child care needs of working families—the third major child care policy initiative in as many years aimed at this growing problem.

The 1996 welfare law sent states $4 billion more in federal child care funds through the Child Care and Development Block Grant. The 1997 budget law created a new $500 Child Tax Credit ($400 in 1998) for low- and middle-income working families with children under age 17 that takes effect this year, on top of the existing income exemption for parents of children. Now the President, with considerable help from the First Lady, has proposed increasing the underfunded child care block grant and expanding the Child and Dependent Care Tax Credit (hereafter referred to as the dependent care credit, for clarity). Spending more on the block grant is a sound step, but we are skeptical about the expansion of the dependent care credit and propose in this backgrounder an alternative that will achieve more targeted and equitable ends. The President's package also includes a bundle of small initiatives.

To begin, it is a good idea to expand the federal investment in child care through state block grants. These grants provide subsidized care for the children of very low-wage workers, including families leaving the welfare system. With 3.6 million families still on state welfare caseloads, and states under increasing pressure to require recipients to work, the demands on the child care block grant are significant. As such, spending more to ensure care for the children of working welfare recipients—those in transition from welfare to work, and other low-wage working families—is consistent with "making work pay," a principle that the Progressive Policy Institute (PPI) has consistently argued should underlie welfare policy at every turn.

But the President's second idea, expanding the dependent care tax credit, while admirable in its aims, could be better targeted. First, the credit is not "refundable," and therefore does not help the many low-wage earners who have no tax liability to be reduced

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by the credit. Second, it is inequitable because it targets all of the resources on families who purchase child care, and discriminates against families whose economic circumstances may be similar but choose either parental or informal care for their children.

Still, the proposal is headed in the right direction, and with adjustment, can more equitably support working families with children. PPI proposes:

- Expanding the Child Care and Development Block Grant (by including the President's proposed expansion of $7.5 billion and redirecting the $9 billion in smaller initiatives to the block grant), while directing states to treat all poor, working families equitably by creating seamless, universal child care systems;
- Eliminating and redirecting the existing dependent care credit, including the President's proposed $5.2 billion expansion, into the Child Tax Credit created last year;
- Targeting the expansion of the Child Tax Credit to families with children under age six, and household incomes of less than $60,000; and
- Redesigning the Child Tax Credit to be fully refundable to all working families, so that lower-income households get the full benefit of the tax break.

Creating a Seamless Child Care System

The President's major initiative would increase spending by $7.5 billion for the Child Care and Development Block Grant states use to provide child care assistance to working poor parents. This block grant was expanded as part of the federal welfare reform legislation in 1996, and it is intended to assist welfare recipients who go to work as well as other working poor families.

However, the block grant is widely seen as insufficient to meet the expected needs of welfare recipients now required to work, and many states have reduced assistance to non-welfare working families in order to meet the needs of welfare mothers. The often-unstated foundation underlying welfare reform is that to "make work pay," state and federal governments must spend more money, and child care is perhaps the most expensive building block of this strategy. Without increased federal funding for welfare families who must work, these parents cannot otherwise afford child care. But surely no one intends the non-welfare poor to bear the burden of this expense. This outcome can be avoided only by creating a seamless and universal system of access to child care for all poor, working households.

Seamless, universal child care systems ensure that all low-wage workers with children—those on welfare and working, those in transition from welfare to work, and those with no previous receipt of welfare—have access to the same child care system. Access to a seamless system means parents don't have to find a new provider, reapply for assistance, or deal with a new set of rules as they move from welfare to workfare to low-wage, unsubsidized jobs in the regular labor market. All low-wage working parents are treated equitably in a child care system that bases eligibility for child care on income, not on current or recent receipt of welfare.

The President's proposal to increase investment in the system should be designed to move the states toward such a seamless, universal system of child care for working families that treats all poor, working families equitably and ensures that entry-level workers have the support they need to begin moving up the ladder of work—a kind of horizontal equity that is sorely needed. The question is how to steer states toward this more equitable—and practical—system. The answer is that any new federal funds should be the lever to this goal.

For years prior to the new welfare law, states urged the federal government to create one flexible block grant for child care to eliminate the crazy quilt of child care funding streams that forced states to treat families in similar economic circumstances differently. The federal welfare legislation eliminated the mandated inequities and complexities by collapsing several old programs into one block grant—though only a few states have taken full advantage of the new flexibility to create a universal and seamless system.

States can, and will, choose to draw the line for eligibility based on family income in different places; but, they should have to treat all families in similar circumstances in the same way. *That is why the Administration's proposal should require states to demonstrate on an annual basis the progress they are making toward creation of a universal, seamless system.* While such progress may be difficult to quantify, the obligation prepares states for the next step: requiring that such equitable systems be in place in exchange for federal funding when the block grant is reauthorized in 2003.

Finally, the President's proposal has *seven* other small components totaling $9 billion. There is money for a corporate tax credit, after-school programs, an early learning fund, Head Start, standards' enforcement, scholarships for child care providers, and research. With the exception of the tax credit for businesses that provide child care services to employees (which is not likely to increase business investment much), these proposals would enhance the capacity and quality of the child care system. But each alone is too small to make a significant difference. Congress should add these funds into the flexible block grant to states, while the President uses his considerable talents to educate and persuade the states to address the need to build capacity and quality in the child care system. The federal government should not dictate the means of creating an affordable, accessible, quality system of child care, but should monitor the outcomes of state policy decisions while making federal funding contingent upon the creation of a state system that meets federal goals.

Making Tax Policy for Children More Equitable

The second big idea in the White House child care proposal is to rework the dependent care credit by giving a bigger tax break to families with an annual income below $60,000 who have both a tax liability and child care expenses. The White House estimates that the new tax break would eliminate federal tax liability for families of four with household income of less than $35,000, and provide a tax break of $358 on average to other eligible taxpayers. Currently, families with child care expenses can get a tax credit of up to $1440 for two children, regardless of how much they earn. However, low-income families do not benefit from the existing dependent care credit because they don't owe any federal income tax that can be reduced by the credit. Many families will not benefit from the expansion for the same reason. Despite urging by both Democrats and Republicans in Congress, the Administration has resisted making the dependent care credit refundable. Furthermore, many of these working families are not likely to be eligible for assisted child care from block grant funds because their income is slightly higher than the eligibility limits set by individual states.

Proponents of the tax reform proposal rightly point out that the dependent care credit has not been adjusted since 1981 and needs to reflect inflation if it is going to be the principal vehicle for assisting working families with children. However, the dependent care credit has two large flaws: as noted above, it is not available to entry-level workers who do not have sufficient tax liability to receive the benefit of the credit, and it discriminates against families who do not purchase child care for their children.

A better approach would be to eliminate the dependent care credit and shift the money into the Child Tax Credit created by the 1997 budget law. This would promote simplicity, benefit all low- and moderate-income families with young children, and reward work by providing more assistance to low-income families. Taxpayers with dependent children have long been able and would still be able to take a personal exemption for each child, and the Child Tax Credit is *in addition* to the exemption. While the existing Child Tax Credit is available to working families with children under age 17, PPI proposes that the expansion benefit only families with children under age six and annual income less than $60,000, those families with the greatest expenses relative to income.

The current Child Tax Credit has the advantage of steering tax breaks to families that need it most, since it benefits only families with earnings below $120,000 (couples filing jointly), while the existing dependent care credit has no income limit. (The President's proposed expansion, however, would benefit only families with income below $60,000.) Also, the Child Tax Credit is partially refundable to families with no tax liability, while the dependent care credit is not refundable at all—and the White House does not propose to make it so. (Through a little-noted provision in the law passed in 1997 creating the Child Tax Credit, only families with more than two children are eligible for a refundable tax benefit.) Thus, the Child Tax Credit provides a more equitable distribution of tax benefits for low-wage workers than the dependent care credit. PPI proposes that over time the equity should be expanded by making the Child Tax Credit fully refundable to ensure that tax policy supports working families with the greatest needs—those with the lowest incomes.

In short, where the President proposes to give more help to moderate-income families who purchase their child care, PPI instead would spend the same money to support all working families with preschool-age children. The two tax breaks present different policy choices. One, the dependent care credit, seeks to partially reimburse *some* working families for the *cost of purchased child care*. The other, the Child Tax Credit, provides a tax break for *all working families with children*. Defenders of the White House proposal note that if we broaden the group of beneficiaries, we'll be forced to reduce the amount of support each family receives. That is true, but the imperative for tax policy intended to support families should be to reduce expenses for those with the greatest need. Of the two tax breaks, only the Child Tax Credit is refundable and therefore available to families with the greatest need for a tax break.

The shift from one tax break to the other would have only minimal impact on most families: at the same time they lose the dependent care credit, they would get the benefit of the Child Tax Credit for the first time this year. In fact, for the same amount of money as is currently expended for the dependent care credit ($2.8 billion per year), as well as the President's proposed expansion ($1 billion per year), many more families with young children would see an increase in available resources. The impact on families currently receiving the dependent care credit would be minimal since the average credit claimed in 1996 was only $445, and the maximum credit is only $720 for one child. (Of course, families with children between the ages of six and twelve would no longer get the dependent care credit and would not be eligible for PPI's proposed expansion of the Child Tax Credit on top of the existing tax credit. However, the greatest costs for child care are incurred by families with children who are not yet in school.) When fully phased in, the Child Tax Credit will be worth $500 per child—*before* adding PPI's proposed increase. Thus, few families would suffer a real loss in tax benefits, while many would gain.

Conclusion

The federal government has a legitimate role to play in helping families. First, public policy should reward work by ensuring that no family with a full-time worker lives in poverty. Creating a new employment system to replace the welfare system requires investment by both the federal government and the states. Available federal resources should be given to states with a charge to achieve this outcome without mandating the inputs. The important goal is the creation of a system to "make work pay" with all that means—assistance with health care, transportation, housing, earned income credits, and in this case, child care. The states' responsibility is to create a seamless system that treats all low-wage workers equitably. And the federal government should monitor the capacity and quality of the system created by the states. States that fail to meet federal goals should ultimately be denied ongoing federal resources.

Second, family friendly tax policy can support all low-and moderate-income families without discriminating. Very poor working parents should receive the same tax breaks as low- and moderate-income families. And these parents should be empowered to use the additional household income to choose the means of providing care to their children. The considerable commitment made by the President's proposal can be strengthened by creating a universal and seamless system of child care for the poorest working families and equitably granting tax breaks to all working families with young children.

Margy Waller is senior analyst for social policy for the Progressive Policy Institute.

For further information about PPI publications, please call the publications department at 1-800-546-0027 (in the Washington, DC, metro area: 202-544-6172), write the Progressive Policy Institute, 518 C Street, NE, Washington, DC, 20002, or visit our web site at: http://www.dlcppi.org/.

FT6 -

Child Care -

Administration

Proposal

PRESIDENT CLINTON ANNOUNCES CHILD CARE INITIATIVE
January 7, 1998

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

- **Doubles the number of children receiving child care subsidies** to more than two million by the year 2003 by increasing funding for the Child Care and Development Block Grant by $7.5 billion over 5 years.

- **Increases tax credits for three million working families to help them pay for child care** by investing $5.2 billion over 5 years in the Child and Dependent Tax Credit. The President's proposal also provides a new tax credit for businesses that offer child care services for their employees.

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

- **Improves child care safety and quality and enhances early childhood development** by establishing a new Early Learning Fund as well as supporting enforcement of state child care health and safety standards, providing scholarships to up to 50,000 child care providers per year, and investing in research and consumer education.

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

MAKES CHILD CARE MORE AFFORDABLE FOR WORKING FAMILIES

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

Increases Tax Credits for Child Care for Three Million Working Families. The Child and Dependent Tax Credit provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. The President's proposal increases the credit for families earning under $60,000, providing an additional average tax cut of $358 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty ($35,000 for a family of four) that take the maximum allowable child care expenses under the law. The President's budget will include $5.2 billion over five years to expand the Child and Dependent Care Tax Credit for three million working families.

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

PROMOTES EARLY LEARNING AND HEALTHY CHILD DEVELOPMENT

Promotes Early Learning. Research shows that children's experiences in the earliest years are critical to their development and future success. The President's proposed Early Learning Fund provides challenge grants to communities (distributed by states) to support programs to improve early learning and the quality and safety of child care for children ages zero to five. Funds may be used for the following activities: providing basic training to child care providers (including first aid and CPR); connecting individual child care providers to centers for education and support; assisting child care providers to meet accreditation and licensing requirements; linking child care providers with health professionals; reducing group sizes and child-to-staff ratios; and providing home visits, parent education, and consumer education about child care. The President's Early Learning Fund builds on state initiatives such as North Carolina's Smart Start, which helps North Carolina's children enter school healthy and ready to succeed. Smart Start funds a broad variety of local efforts, including improving staff-to-child ratios, health linkages that have raised immunization rates, and parent education and mentoring programs to give new parents support. The President's budget will include $3 billion over five years for this fund.

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

IMPROVES THE QUALITY OF CHILD CARE

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

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

Increases Scholarships and Training for Child Care Providers. At the White House Conference on Child Care, the President proposed establishing a Child Care Provider Scholarship Fund to enable states to provide scholarship funds to students working toward a child care credential. Eligible child care workers must commit to remaining in the field for at least one year for each year of assistance received and will earn increased compensation or bonuses when they complete their course work. The President proposed a federal investment of $250 million over five years, which will support 50,000 scholarships per year. The President is also proposing to expand the Department of Labor's Child Care Apprenticeship Program to fund the training of child care providers.

Invests in Research. Because too little is known about our child care system, the President's budget will increase support for data, research, and evaluation. This research fund will also support a National Center on Child Care Statistics and a child care hotline that parents can call to get information about how to find child care in their communities and how to identify appropriate, quality care for their children. In addition, the research fund will support demonstration projects to test approaches to help new parents who choose to stay home to care for their newborns or newly adopted children. The President's budget will include $150 million over five years for this fund.

EXPANDS AND STREAMLINES AFTER-SCHOOL CARE

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

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

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

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

January 7, 1998

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

President Bill Clinton
January 7, 1998

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

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

- **Makes child care more affordable for working families.** To help working families struggling to meet the costs of child care, the initiative invests $7.5 billion over five years to double the number of children receiving child care subsidies to more than two million by the year 2003. The initiative also increases tax credits for child care for three million families and provides tax credits to businesses that provide child care services to their employees.

- **Increases access to and promotes early learning and healthy child development.** To improve early learning, the initiative includes $3 billion over five years to establish an Early Learning Fund that helps local communities improve the quality and safety of child care for children ages zero to five. The initiative also increases investment in Head Start and doubles the number of children served by Early Head Start to 80,000.

- **Improves the safety and quality of child care.** To help ensure safe, quality child care, the initiative: steps up enforcement of state health and safety standards in child care settings, facilitates background checks on child care providers, increases scholarships and training for child care providers, and invests in child care research and evaluation.

- **Expands access to safe after-school care.** To help create safe, positive learning environments for the more than five million school-age children who lack adult supervision during a typical week, the initiative provides after-school care for up to half a million children a year and improves coordination of federal after-school initiatives to help communities.

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

The President's Child Care Initiative
January 7, 1998

Internal Questions & Answers

1. What is the President announcing today?

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

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

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	TOTAL:	**$21.7 billion over five years**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Many Members of the House and Senate from both sides of the aisle have shown a commitment to taking action by introducing legislation that would improve the quality of child care, make it more affordable, and promote early learning. We look forward to working with them to pass significant child care legislation this year.

TAX CREDITS

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

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

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

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

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

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

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

SUBSIDIES

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

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

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

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

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

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

No. The President fought to spend $4 billion more on child care in welfare reform legislation to help mothers on welfare go to work, and he continues to believe that child care is a critical component of welfare reform. However, low-income parents who have never been on welfare are also struggling to afford child care, and *all* working families want their children to be in safe, healthy settings where they can learn and grow. These initiatives address the concerns and needs of *all* working families in this country. In particular, expansion of the block grant will enable many states to provide subsidies for the first time to the non-welfare working poor.

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

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

QUALITY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AFTER- SCHOOL PROGRAMS

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

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

GENERAL

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

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

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

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

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

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

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

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

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

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

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

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

Administration officials, concerned over the state of child care in the District, have met with D.C. officials on several occasions to discuss ways to improve the quality of care the children who live in the District receive. A working group including major stakeholders -- the Department of Health and Human Services, the Office of Management and Budget, the office of the Mayor, the D.C. Council, the Control Board, and other city agencies have forged a partnership to improve the quality of child care services in the District. The District's Department of Consumer and Regulatory Affairs has issued a draft Strategic Plan to improve child care quality.

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

President Plans On $21 Billion For Child Care

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By KATHARINE Q. SEELYE

WASHINGTON, Jan. 7 — A day after proposing an expansion of the Medicare program, President Clinton said today that he wanted to spend $21 billion in grants and tax breaks over the next five years on child care.

In a ceremony at the White House, Mr. Clinton called the new spending initiative "the largest single investment in child care in the nation's history."

Under his proposal, which some Republican leaders in Congress are likely to oppose, the states would receive $7.5 billion over the next five years, in addition to the $3 billion they now receive. This would double to two million the number of children receiving subsidized day care.

In addition, Mr. Clinton proposed expanding current tax credits for day care to three million families, who would receive an average tax cut of $358. For a family of four earning $35,000, he said, this tax cut could amount to more than it is paying in taxes, thus eliminating for some families their entire Federal income tax. The tax credits, based on a sliding scale, are available to parents earning up to $60,000.

He also proposed providing tax credits to companies that provide day care for employees.

Officials insisted the Administration could still balance the budget

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nounced to much fanfare on Monday.

The fiscal good news continued today with the Congressional Budget Office predicting a deficit that would be just $5 billion by the end of this year.

Administration officials also said they planned to use money from the hoped-for settlement between the Government and the tobacco industry to pay for one-third of the child-care program, although approval of the settlement in its current form faces stiff opposition in Congress.

Last year's bill overhauling the welfare system provided $4 billion in new money for child care so that parents could work. But Administration officials said this was not enough for welfare families or other low-income families who need to work but have no day care for their children. Hillary Rodham Clinton said today at the ceremony that the lack of adequate child care was "part of America's unfinished business."

In appealing for support for his proposals, Mr. Clinton suggested that families at all income levels had a hard time reconciling their work schedules with rearing children. The conflict that many working parents experience was, he said, "part of the fabric of American life."

The proposals, which Congress must approve, met with skepticism from some Republicans but little outright hostility. Mr. Clinton has been so successful in promoting family issues that Republicans, especially moderates, are reluctant to oppose them directly, lest they reinforce their party's image in this election year that they lack compassion.

Unfortunately for the Republicans, Congress, which they control, is out of session at the moment, leaving Mr. Clinton on a bare stage to make a string of upbeat announcements that Democrats are happy to support as they seek to regain control on Capitol Hill.

On Monday, Mr. Clinton said he would balance next year's Federal budget, the first time a President has proposed doing so since 1971. On Tuesday, he proposed expanding Medicare by allowing hundreds of thousands of people between ages 55 and 65 to enroll in the health-care program for the elderly.

Today, he invited several moderate Republicans to the child-care ceremony. "This is an American issue that both Democrats and Republicans are embracing," he said. Among the Republicans was Gov. Lincoln C. Almond of Rhode Island, who said afterward that he viewed Mr. Clinton's proposal as "a good investment in the future."

House Republicans, mindful that day care is an important issue to women, appointed two women — Representatives Deborah Pryce of Ohio and Jennifer Dunn of Washington state — to respond to the proposal. Refraining from flat-out criticism, they said Republicans wanted to return money to taxpayers rather than spend it.

Representative Bill Archer, the Texas Republican who is chairman of the Ways and Means Committee, was also more critical of Mr. Clinton's approach than of his specific proposal, faulting him for "many small ideas these days, which, taken together, return to the era of big government."

Paul Hosefros/The New York Times

President Clinton announced a child-care proposal yesterday. Children enrolled in day care walked with him and the Vice President and their wives to the event. One child found the band conductor especially interesting.

The New York Times

THURSDAY, JANUARY 8, 1998

FL – Child Care – Admin Proposal

Grappling Hot Potato: Social Securi

By RICHARD W. STEVENSON

WASHINGTON, Jan. 7 — To one camp, Social Security is an inviolable promise to provide all workers the foundation of a comfortable retirement, and the program's looming financial problems should not be an excuse to dismantle what is in many ways the Federal Government's premier antipoverty program.

From another perspective, Social Security's obligations to future retirees so greatly exceed its projected receipts that the system cannot and should not be maintained as a mammoth Government entitlement. It should instead be remade to push more responsibility — and risk — into the hands of individuals.

Somewhere within that ideological gulf, the Clinton Administration, the Republican leadership and Congressional Democrats say they have begun looking for a politically and economically feasible way of assuring that the Social Security system does not become insolvent in the decades after the huge baby-boom generation begins retiring around 2010.

The White House and Speaker Newt Gingrich both said this week that they wanted to begin tackling the issue, one of the most politically explosive on Washington's agenda, and wanted to reach a final deal sometime between the mid-term Congressional elections in November and the start of the 2000 Presidential race a year or so later.

Because the problems in Social Security have been apparent for years, there is no shortage of proposed solutions bouncing around Washington. But while many politicians, economists and public policy experts say there is room for a compromise, there is little consensus on which of the competing and often painful proposals should be adopted.

"Substantively, the ground has been plowed," said Senator Judd Gregg, the New Hampshire Republican who is chairman of the Budget Committee's task force on Social Security. "The question of whether anything is going to grow is one of political leadership."

Also unresolved is just what process President Clinton, Republican leaders and Democrats in Congress will use to hash out their differences and avoid turning Social Security into a bitterly partisan issue subject to demagoguery by both sides.

And all sides are still trying to gauge public opinion, both among retirees receiving Social Security benefits now and later generations who face the prospect of making bigger contributions to finance their parents' retirements while receiving little when they reach old age.

"We have to try to raise the sense of national urgency," said Gene Sperling, the White House's economic policy adviser.

The revenue raised for Social Security by payroll taxes on workers and employers currently exceeds what the system pays out in benefits, allowing the Government to accumulate a surplus. But after the baby boomers start to retire in droves around 2010, benefit payments will begin to exceed revenue, and under current projections the program will run through the surplus by 2029. After that, revenue each year would be sufficient to pay no more than about 75 percent of promised benefits.

Those who favor maintaining the Social Security system more or less in its present form include many Democrats, unions and the big

The only thing Government leaders agree on is the need to agree.

groups representing the elderly. They advocate relying on financial changes to increase revenue or limiting benefits to avoid big changes in the system's structure or obligation to make guaranteed payments based on lifetime earnings. Most White House officials lean toward keeping a system that guarantees a defined amount of money to retirees.

"We need to also encourage private savings, but that should not come at the expense of the Social Security system that provides a base, a floor of support for millions and millions of Americans," Franklin D. Raines, the White House budget director, said on Sunday on the NBC News program "Meet the Press."

To keep the current system intact would require choosing among options including a reduction in benefits, an increase in taxes and an acceleration in the already scheduled increase in the retirement age.

There is also support for trying to increase the amount of money the Government makes investing the pool of funds it holds to pay future benefits. That trust fund is now invested in Government bonds; many analysts say the Government should invest part of the money in stocks.

The other general approach, favored by many conservative Republicans, calls for reducing the level of payment guaranteed by the Gov ment but putting more of the ta paid back into the hands of indivi uals to invest.

The most modest of these propos als would allow individuals to allo cate some fraction of the money they contribute to Social Security to particular investment vehicles. The most radical approaches call for largely replacing the system with mandatory retirement savings accounts.

After two years of work, a Federal advisory panel reported last year that it was deeply split about which approach to take. Six of 13 members supported bolstering the current system, in part by allowing the Government to invest part of the Social Security trust fund in the stock market. Five favored creating mandatory savings accounts managed by individuals, reducing the current program to a minimum safety net of assured payments.

Two of the panel's members, however, advocated a middle-ground approach that many analysts think could point the way to a compromise: retain the current system but offset a decline in benefits with a mandatory savings account that would be financed by an increase in the payroll tax.

Many of the proposals circulating on Capitol Hill seek to strike a similar balance between fixing the current system and taking a more market-oriented approach.

But powerful groups representing the elderly are wary of substantial changes. "We feel that retirement should be built on the foundation of a defined benefit plan you can count on," said John Rother of the American Association of Retired Persons.

There are some measures that could prove politically palatable. Nearly four million employees of state and local governments are not covered by Social Security, and bringing them into the system would generate more revenue.

Many analysts think there will be no way to avoid steps that will be unpopular. The retirement age for full benefit eligibility is already scheduled to rise gradually to 67 from 65 between 2003 and 2029.

The tax levied to finance Socia Security might have to be increased Currently, a 6.2 percent payroll tax matched by the employer, is paid o wages up to a cap of $68,400. On option sure to be considered is sut stantially raising or eliminating th cap, placing a higher tax burden o people with higher incomes. Othe options include reducing benefits fo the wealthy and cutting cost-of-li ing increases.

The New York Times

THURSDAY, JANUARY 8, 1998

Clinton Rolls Out Child Care Plan

$22 Billion in Spending, Subsidies Proposed; Some Republicans in Congress Show Support

By John F. Harris
Washington Post Staff Writer

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President Clinton proposed yesterday to broadly expand the federal government's role in child care, offering a long menu of spending measures and tax credits designed to offset the financial burden on working parents.

Escorted into the White House East Room by a dozen local children, Clinton said the budget he will present to Congress calls for $21.7 billion in spending and tax subsidies over the next five years—what he called "the single largest national commitment to child care in the history of the United States."

Taken together, the proposals represent the largest item on Clinton's domestic agenda this year. And if all the nine different proposals were to pass, they would add up to among the most expensive social policy initiatives of Clinton's presidency.

Clinton said he wants to spend $7.5 billion over five years to increase block grants to states to subsidize child care for low-income parents. He wants to expand the Child and Dependent Tax Credit program to allow more generous subsidies for families earning less than $60,000. He wants to spend $3.8 billion over five years to increase funding for the Head Start preschool program. And he wants an additional $3 billion and to create an Early Learning Fund, which would pay for local programs designed to improve training and safety at child care centers.

The ideas are sure to play a central role in this year's congressional session as both parties try to align themselves with popular issues to gain advantage in the impending midterm elections. But the precise partisan and ideological lines of the child care debate yesterday were blurry.

Some moderate Republicans, including Rep. Constance A. Morella (Md.), attended Clinton's White House event. And conservative support on at least some provisions seems likely. Administration officials said their proposal for the Early Learning Fund borrows from legislation that Sen. Christopher S. Bond (R-Mo.) cosponsored with Sen. John F. Kerry (D-Mass.).

Polls have showed that the child care issue is a critical one to many female voters, and Rep. Deborah Pryce (R-Ohio), who was asked by House Speaker Newt Gingrich (R-Ga.) to respond to Clinton's proposal for the House GOP leadership, was cautious. Pryce said she was pleased that Clinton had resisted "the urge to have the federal government control child care" and was putting considerable emphasis on tax credits, but she said the plan's "glaring omission" was a lack of help for "stay-at-home moms."

Other voices were more critical. Rep. William F. Goodling (R-Pa.), chairman of the House Committee on Education and the Workforce, issued a statement noting that the federal government already sponsors some 50 child care programs and complained that Clinton "is trying to tell us we need even more while ignoring the tremendous child-

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care reforms implemented by Congress."

Clinton's child care event followed by a day his announcement of a plan to expand availability of Medicare to early retirees. White House aides also have described numerous other spending items that will be contained in next year's budget, such as a plan to restore food stamp eligibility to legal immigrants. Rep. E. Clay Shaw Jr. (R-Fla.), who chairs the subcommittee that will review part of the child care package, said Clinton "seems to be proposing a new program almost every day now. Maybe the era of big government is not over after all."

The White House treated the rollout of the child care package as a major event. Clinton was joined by first lady Hillary Rodham Clinton, and Vice President Gore and his wife, Tipper—all of whom made remarks—in addition to several Cabinet members. The president's voice took on an emotional timbre when he noted that his mother had confronted the child care dilemma. "I've often wondered," he said, "how my mother, when she was widowed, would have been able to go back to school if I hadn't been able to move in with my grandparents."

The Washington Post
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FINAL

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"I was lucky and it turned out reasonably well for me," he said, as the audience chortled. "How many children are out there with exactly the same potential who never got the same break?"

Clinton advisers hope that the child care plan, in addition to being popular in its own right, will increase pressure to pass a comprehensive tobacco settlement. One-third of the $22 billion is to be funded with money the government hopes to reap from such a settlement, said White House domestic policy adviser Bruce Reed. But administration officials said if an accord does not pass, they would look for other ways to fund child care.

The tax credit will affect the largest number of families, some 3 million, if Clinton's plan is approved. Under current law, families are eligible to take a tax credit of 20 percent of child care expenses, with a maximum credit of $2,400 for one child, and $4,800 for two or more children. People with incomes of less than $28,000 can take an even larger credit—up to 30 percent of their child care expenses.

Under Clinton's plan, the size of the credit and eligibility would expand widely. Families with incomes under $30,000 could take a credit for up to 50 percent of their child care expenses. And people who make between $30,000 and $60,000 would be eligible for credits that would range, on a sliding scale, between 50 percent and 20 percent.

The $7.5 billion in child care grants, according to an administration estimate, would double the number of children whose families receive subsidies to more than 2 million by 2003. In addition, this money would supplement about $4 billion annually in child care assistance included under last year's overhaul of welfare. The new money, officials said, would help many low-income families who were never on welfare but who remain stranded on waiting lists for subsidized child care.

The grants let states determine who qualifies for the subsidies and give them latitude about how to direct the funds.

To encourage more businesses to provide child care benefits, the administration is proposing to allocate about $100 million per year to give businesses a tax credit, up to $150,000, for a quarter of their child care costs. A similar proposal by Sen. Herb Kohl (D-Wis.) won bipartisan support in the Senate last year.

Clinton's plan envisions $800 million over five years in funds that, combined with local dollars, would subsidize the start-up child care programs at schools before and after school hours, addressing the "latchkey" problem of youngsters who are unsupervised while parents work.

Finally, the plan includes several proposals aimed at addressing the quality of child care. Over five years, there would be $500 million to help states pay for more frequent health and safety inspections at day-care sites; $250 million for states to fund about 50,000 for people seeking child care training credentials; and $150 million for a new National Center on Child Care Statistics to study what types of child care programs work well, as well as establish a hot line to help parents find child care.

Hillary Clinton's 1996 book, "It Takes a Village," was about child care issues, and she supervised a White House symposium on the subject last fall. Yesterday, she said she has "seen the results of our failures to invest in our children at the most critical stages of their young lives" and that "the daily struggle that many parents undergo to balance the demands of work and family is only now getting the attention it deserves."

Staff writer Judith Havemann contributed to this report.

The Washington Post
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The Washington Post, Thursday, January 8, 1998

Miami Mayor's Antics Are Talk of the Town

Angry Telephone Message Left at Newspaper Is Latest Action to Inflame Critics

By Donald P. Baker
Washington Post Staff Writer

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MIAMI, Jan. 7—Even if the voice on the answering machine at the Miami Herald had not been a familiar one, the caller left no doubt: "This is the mayor of Miami," said Xavier L. Suarez.

The volatile mayor, whose actions and antics have shaken an already unstable city government—his first three appointees as city manager quit rather than heed his demand to fire a popular police chief—warned the newspaper to "be nicer to me, my people, my citizens and my city" or face the loss of $200,000 a year in city ads.

"I note that we are subsidizing you and your newspaper with ads related to official notices of the city," Suarez said. Derisively referring to the publisher of the Herald as "maximum leader of the free world for the publishing company," the mayor threatened to "figure out every possible way of advertising in any possible newspaper except yours" if he didn't get better treatment.

The newspaper, which has shadowed Suarez closely since he took office Nov. 14, the day after he was elected after barely surviving a primary on the strength of absentee ballots that are still being investigated

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for possible fraud, responded by making his recorded call available on its call-in information service.

Suarez, a 48-year-old, Harvard-educated lawyer who served as mayor from 1989 to 1993, promised to take swift and decisive action to get the city back on track upon being elected Miami's first executive mayor. City voters approved a charter change in September that gave the mayor greater powers.

But few expected that in seeking that goal Suarez would:

- Knock on the door of a retired city employee late at night to confront her about a critical letter she had written to him, only to be greeted by a .38-caliber gun and a request to go away.
- Pledge to make Miami the world's cleanest city by the end of 1997, even if garbage workers had to work "pro bono overtime," an idea the workers' union quickly shot down.
- Burst into tears in front of reporters on two occasions. He later explained that "my son told me I have to show my emotions. That's impact. That's a leader who is getting things done. Someone who shares warmth. That's Fiorello LaGuardia. That's Ed Koch."
- Drive to the Herald in his bathrobe in the middle of the night to buy an early edition of the newspaper, saying he had a "hunch" that it would contain a negative story about him.
- Make an impromptu visit to former New York City mayor Koch and developer Donald Trump during a trip in which he unsuccessfully attempted to convince Wall Street analysts that the city's budget crisis was a myth.

Herald columnist Carl Hiaasen wrote at that time that "before he comes home, he should drop by Bellevue for a checkup. Because the mayor is either certifiably nuts or seriously undermedicated."

But it's not just columnists who are talking about the mayor's actions. His conduct is debated daily on the city's radio stations, especially the Spanish language ones, and at the walk-up coffee windows in Little Havana, the heart of Cuban American Suarez's constituency. Many support his attack on the Herald and other bastions of the business establishment.

And University of Miami political scientist Annette Steinacker said that Suarez is right in "legitimately testing the boundaries" of his new powers by attempting to replace the police chief and reduce the number of city workers. But she said he is wrong in continuing to push issues that he can't win.

"He is destroying Miami," former mayor Maurice Ferre bluntly told a Spanish radio audience.

"Things are just a little bit bizarre down there," observed Gov. Lawton Chiles (D).

Despite its glistening skyline and

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shimmering beaches, multicultural Miami is the nation's fourth poorest city, still growing because of an unending stream of legal and illegal immigrants. Affluent residents, meanwhile, have fled to the suburbs.

Former mayor Joe Carolla, who was defeated by Suarez in a runoff election, said last fall that Miami had "just gone through the worst year in our history. We not only had the biggest scandal, but we probably had the worst financial time of any major city."

With a deficit of $70 million, equal to about a quarter of its $275 million annual budget, the city had to endure a state-imposed oversight commission that still, to the dismay of Suarez, controls local spending.

The corruption, unearthed in an FBI probe called "Operation Greenpalm," has resulted in prison sentences for a former city manager for accepting bribes; the resignation of the ports director amid charges of lavish entertainment and illegal campaign contributions—offset when he was hired as a consultant to straighten out the mess he left—and the indictment of one of the city's five commissioners, or council members, on charges of money laundering and mortgage fraud.

That commissioner, Humberto E. Hernandez Jr., whose predecessor is serving a 27-month prison term for accepting a $200,000 payoff from a firm bidding on a city computer contract, promptly was tapped by Mayor Suarez to head a counter-investigation into the state attorney's investigation of voter fraud.

"Who better?" quipped Suarez after his selection of Hernandez, whose trial is upcoming.

City Commissioner J.L. Plummer Jr. said today that Suarez is "going too fast. People have urged him to slow down, take things easier, be more methodical in his actions."

When Suarez tried to bully the commissioners into endorsing some of his proposals, telling them to "get on this train or get left at the depot," Plummer replied, "I don't get on runaway trains."

As far as Suarez's call to the Herald, Plummer said he "has every right to express his opinion, as wrong or as right as he would be. But it's not the kind of statement I would have made."

Barry E. Johnson, chairman of the Greater Miami Chamber of Commerce and director of corporate affairs for AT&T in Florida, said the chamber has seen a number of issues "quite disturbing to the local business community since the election," citing the revolving door in the city manager's office and other personnel changes.

Johnson added that he is "concerned about the image of Miami, our signature city in Dade County," but that he is hopeful that the latest city manager will bring "stability that will allow the city to move forward, and gain some traction in its continuing financial comeback."

Suarez's fourth pick for city manager, Jose Garcia-Pedrosa, who took a pay cut from being city manager of Miami Beach to come across Biscayne Bay, told a reporter after his swearing-in Monday that he hoped to bring "a lowering of our voices and a tranquillity" to City Hall.

"Miami needs to get off the front pages of the newspapers and stop being the lead story on radio and TV," he said.

Today, it was Garcia-Pedrosa on the firing line, trying to explain Suarez's phone call.

"There's no chapter two, no sequel," said Garcia-Pedrosa, adding that the mayor asked him to begin "a calming process. That's why he felt it appropriate for me to appear" at a news conference instead of the mayor.

Suarez issued a statement saying his phone call to the newspaper "was clearly meant as a privileged business communication by the CEO of an important Herald client to its sales managers." Instead, the newspaper treated the call as a front-page news event and suggested the mayor was seeking to violate its First Amendment rights.

"Our integrity is not for sale," said publisher David Lawrence Jr. "We have covered vigorously the city's fiscal crisis and absentee voter scandal, and we're not backing off."

Special correspondent Catharine Skipp contributed to this report.

To hear the mayor's taped call to the Herald, call Post Haste at 202-334-9000 and press 8179.

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Seeing Budget in Balance, CBO Projects a Decade of Surpluses

By Eric Pianin
Washington Post Staff Writer

The Congressional Budget Office (CBO) issued revised projections yesterday showing that for the first time in 30 years the federal budget is effectively in balance and that Congress and the White House can look forward to mounting surpluses in the coming decade.

While the deficit for fiscal 1998 was once forecast as high as $120 billion, the new report shows that it will total only $5 billion, little more than a rounding error in an annual federal budget of $1.7 trillion. Even without further belt-tightening by Congress and the administration, the surging economy would wipe out the remaining vestiges of the deficit by 2001 and generate surpluses of as much as $138 billion by 2008.

The CBO numbers are the latest in a tide of good economic news that keeps getting better. They trump President Clinton's own forecast of a few days ago that the deficit this year will finish at somewhere below $22 billion. The CBO's new forecast is even more extraordinary, analysts say, because the congressional agency traditionally has been more conservative than the president's Office of Management and Budget (OMB). Some of the bloodiest budget battles in 1995 were fought over GOP contentions that the administration was using overly optimistic economic forecasts.

"Our projections show we are effectively in balance for the next decade and the deficits for the next three years are so small that a puff of wind can blow them to the positive side of the ledger," said CBO Director June E. O'Neill.

Gene Sperling, the senior White House economics adviser, said the report "confirms our view that we can reach balance by fiscal year 1999 and shows that if the economy continues to perform stronger as expected, who knows, maybe we can do it this year." Clinton said Monday that he will submit to Congress a balanced budget for the coming fiscal year, three years ahead of the 2002 target date established in last summer's balanced budget and tax package.

Herbert Stein, who was chairman of the Nixon administration's Council of Economic Advisers in 1969, the last time the budget was in balance, called the release of CBO's new numbers "a happy moment." But he cautioned that the congressional groundswell for more tax cuts and spending could offset the salutary effects of the looming surplus.

"The temptation is to say, 'Ha, we finally have surpluses to do all these things we want to do,'" Stein said. "But we have ahead of us a period of very large deficits as the baby boomers come into their Social Security and Medicare benefits. We shouldn't dissipate the surpluses for tax cuts or new spending."

While both the administration and GOP leaders have said they favor using some of the surplus to begin paying down the accumulated $5.4 trillion national debt, House Speaker Newt Gingrich (R-Ga.) and Senate Majority Leader Trent Lott (R-Miss.) favor additional tax cuts this year.

Clinton and many Democrats favor smaller targeted tax cuts along with expansion of Medicare, child care and other programs. Gingrich also has called for more spending for defense, highways and scientific research in the event of a surplus.

Budget experts, including CBO officials themselves, caution that economic forecasting is a highly imprecise science and that even minor unexpected shifts in the economy, revenue and spending could throw off the lastest projections by many billions of dollars. A year ago, for instance, CBO forecast the deficit for fiscal 1997 at $124 billion; thanks to a surge in revenue, the deficit came in at $22 billion.

"Any projection should be taken with a grain of salt," said O'Neill, the CBO chief.

Yet if CBO's projections hold up, they would herald a new era of government spending and tax policy unfettered by Congress's decades-old obsession with staggering deficits.

Gingrich, House Budget Committee Chairman John R. Kasich (R-Ohio) and others already have called for a national debate over how best to spend the anticipated surpluses.

"We're on the edge of surpluses in the 80-, 90-, 100-billion dollar a year category," Gingrich said in a speech this week. "The time has really come for talking about a generation of goals."

The new CBO report also has important implications in a long-standing dispute over whether the government should continue to count the huge Social Security trust fund in computing the annual deficit. Under the government's accounting system, trust fund surpluses have been used for years to mask the true size of the federal deficit.

Sen. Byron L. Dorgan (D-N.D.) and other critics argue that this is dishonest accounting that puts the trust fund at risk.

Henry Aaron, a Brookings Institution economist, noted that "we will be in surplus at some point even without including the trust fund accumulations," if the CBO projections hold up.

FOR MORE INFORMATION

To review Post coverage of last year's budget agreement and tax cuts, click on the above symbol on the front page of The Post's Web site at www.washingtonpost.com

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POLITICS & POLICY

Clinton's Medicare Plan Ignites Election-Year Debate

By LAURIE MCGINLEY

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — President Clinton's latest bid to expand health coverage, primarily by opening Medicare to older Americans who aren't yet 65, has ignited what may be a prolonged, election-year fight with Republicans in Congress. Here are some of the big questions surrounding the president's package:

Q: What's in the proposal?

A: There are three main parts, two involving Medicare and one involving employer-sponsored health plans. The heart of the plan would allow individuals age 62 through 64 to buy into Medicare for $300 a month until they turn 65; then they would pay the regular Medicare premium plus an extra fee of $10 to $50 a month, depending on how old they were when they enrolled. People eligible would include not only early retirees but also those who are self-employed or aren't provided insurance by their employers.

Under the second part, workers 55 and older who are laid off would have the right to buy Medicare coverage for $400 a month. The third component would let retirees buy in to their former employers' health plans if those companies break a promise to provide them with health coverage. Considering the costs involved in all three proposals, the White House figures that about 300,000 people would be able to participate, the vast majority of whom would be in the 62- to 64-year-old bracket.

Q: What happens to the proposal next?

A: The White House will include additional details about it in its new budget, to be released next month. It hasn't decided whether to send its own legislative proposal to Congress or to simply endorse one developed by Democrats, including Massachusetts Sen. Edward Kennedy, who are interested in introducing the package as a bill. At some point, the Congressional Budget Office will do its own estimates of the proposal's costs and the number of likely participants. A higher-than-expected price tag could throw an early monkey wrench into supporters' plans.

Q. Can Mr. Clinton win passage of his plan from the Republican-controlled Congress?

A: Not easily, but it's not impossible, either. Conservative GOP leaders insist that expanding Medicare is precisely the wrong way to go at a time when Washington is bracing to tackle the program's long-term solvency problems. And even moderate Republicans, who could join with Democrats to form a majority, have given the plan a tepid reaction. But many Republicans may find it hard to attack an election-year Valentine for older Americans, who typically vote at higher rates than their younger counterparts. "The Republican Congress can't sit on 'No,' forever," agrees GOP consultant Ed Gillespie, who predicts Congress will find some other method of expanding coverage.

Yet Democrats in Congress, burned badly by Mr. Clinton's last big, unsuccessful health-care initiative in 1994, still have vulnerabilities of their own. "The public has demonstrated it doesn't think government needs to solve all our problems," warns GOP pollster Linda DiVall. One possible middle-ground: permitting the near-elderly to "buy-in" to Medicare while also raising the age of ordinary eligibility to 67 from 65, as Democratic Sen. Bob Kerrey of Nebraska has proposed.

Q: Why expand Medicare if the program is headed for bankruptcy?

A: That's exactly what the critics want to know. Robert Moffit, deputy director of domestic policy studies at the Heritage Foundation, says that the buy-in plan would create an incentive for workers to retire earlier at a time when people should be working longer to preserve the solvency of the Medicare trust fund. The Healthcare Leadership Council, which represents hospitals, managed-care plans and pharmaceutical companies, says it's "premature to act now to expand this financially beleaguered and management-challenged program." Congress last year approved a slew of changes in Medicare that the Health Care Financing Administration, which runs the huge program, is far from digesting.

Supporters counter that it's important to help older Americans who are often caught in [illegible]ween when their employment and their insurance end and when Medicare begins. Frequently, they are charged high rates or denied coverage entirely in the private market. Administration officials insist the initiative wouldn't burden the Medicare trust fund because the long-term cost would be borne solely by the beneficiaries themselves.

Backers also dispute the notion that the buy-in would prod people to prematurely leave jobs, where most of their health care is covered. John Rother, a top official at the American Association of Retired Persons, argues that the buy-in plan would give people the freedom to stay in the work force, but at jobs they want — like starting their own business or being a consultant.

Q: Will the beneficiaries really pay the entire cost of taking part in Medicare early or will the taxpayers get stuck with some of the cost?

A: There will be some up-front costs — $2 billion to $3 billion over five years — that the White House says will be paid for by new Medicare fraud and abuse measures, but the administration says the policy is designed to be self-financing over time. The big question is whether that can be sustained in later years. The cost of the buy-in — can people who have been laid off really afford to pay $400 a month? — creates fairness questions and will prompt demands from some advocates and Democrats that government subsidies be provided to those who can't afford to take part in the program.

"That's an issue that needs to be addressed," says Ronald Pollack, executive director of Families USA. In the regular Medicare program, the government pays for the monthly premiums and some other costs for low-income people, but the subsidies were put in effect only after the program was a quarter century old.

Q: What are some of the other risks?

A: Some analysts say there's a danger that companies and private insurers would push the really sick people into the early Medicare program, while keeping the healthier ones for themselves. That would cause the government's costs to skyrocket. "This program has to be designed very carefully," says Gail Shearer, director of health policy analysis for Consumers Union, which backs the initiative.

But Willis Gradison, head of the Health Insurance Association of America, which represents insurers, says state insurance rules would prevent such cream-skimming. Employer groups acknowledge some companies might use the Medicare buy-in as an excuse to drop health coverage for early retirees, but that the number of such firms likely would be small. And the AARP's Mr. Rother says companies will continue dropping retiree health coverage regardless of what Medicare does.

Q: Why is the business community upset about the third part of the proposal, which would allow retirees to buy in to the employer-sponsored health plan until age 65 if the companies broke promises to supply retiree health benefits?

A: Even though the retirees would pay the full premium plus an extra amount, companies worry their medical bills still would exceed that, leaving the companies footing the rest of the bill. They're also philosophically opposed. "Employers will argue that it's another mandate being imposed on a voluntary health-benefits system," says Paul Fronstin, an economist with the Employee Benefits Research Institute.

—John Harwood contributed to this article.

Uninsured Americans

President Clinton this week proposed three ways to expand health-insurance options for uninsured older people. Here are the numbers who would be affected:

	NO. OF PEOPLE
Total uninsured, all ages	41.5 million
Uninsured, age 55 to 64	3 million
Uninsured, age 62 to 65	1 million
No. expected to take advantage of proposals	300,000

Source: The White House

THE WALL STREET JOURNAL
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A Dangerous Experiment in Child-Rearing

> *Social science confirms that children raised in day-care centers and similar institutions are often emotionally maladjusted and mentally impaired.*

By Andrew Peyton Thomas

A harmful social phenomenon is fast gaining popular acceptance—a vice so common that the problem is rarely even discussed, and almost never forthrightly. A new Census Bureau study makes clear the magnitude of the problem. Examining nearly 57,000 households across the U.S., the bureau found that 55% of new mothers return to the work force *within one year* of giving birth. In 1976, by contrast, the figure was only 31%. Ours is now a day-care culture. And the Clinton administration appears determined to keep it that way. Yesterday the president proposed a $21.7 billion program of new spending and tax breaks to subsidize day care.

It is one thing for both parents to work outside the home when their kids are older. But for both parents in a majority of families to be employed before their children can even walk is startling. We are witnessing a momentous experiment in the raising of children. Yet there are few stirrings in the culture suggesting anything but a complacent acceptance of this revolution in child rearing. Few political, cultural or religious leaders have spoken out against the growing practice of abandoning infants to paid strangers. Yet recent research, not to mention common sense, tells us that this quiet overhaul of American families is a profound tragedy whose bitter fruit will be reaped for decades to come.

'Psychological Thalidomide'

Social science confirms that babies raised in day-care centers and similar institutions are often emotionally maladjusted. Child development expert Edward Zigler of Yale has gone so far as to call day care "psychological thalidomide." Research beginning in the early 1970s has found that such children are more likely to be violent, antisocial and resistant to basic discipline. A 1974 study in the journal Developmental Psychology reported that children who entered day care before their first birthday were "significantly more aggressive" and more physically and verbally abusive of adults than other children.

A 1985 study by Ron Haskins in Child Development, another scholarly journal, compared two groups of day-care children and found that those who had spent more time in day care suffered from proportionately greater ill effects, regardless of the quality of care. Teachers were more likely to rate these early-care children as "having aggressiveness as a serious deficit of social behavior." Similarly, Jay Belsky of Pennsylvania State University warns, based on his research, that full-time day-care babies are at risk of "heightened aggressiveness, non-compliance and withdrawal in the preschool and early school years."

Other studies have concluded that lengthy stays in day-care centers impair children's mental ability. In 1995, the National Institute of Mental Health published a joint U.S.-Israeli study that found children raised in Israeli communes known as *kibbutzim*, who received 24-hour day care, were at significantly greater risk of developing schizophrenia and other serious mental disorders. Last April the National Institute of Child Health and Human Development released a long-term study of 1,364 children from 10 states. The study,

They don't belong in day care.

which examined children from diverse ethnic and socioeconomic backgrounds, reported that a child's placement in day care provided a "significant prediction" of poorer mother-child interaction and reduced cognitive and linguistic development.

These are remarkable findings, especially given that social scientists, in the main, hold no brief for traditional family values. But if you are a parent skeptical of this social science, ask yourself this straightforward question: Do you truly believe that a stranger can care for your child as well as you can?

Defenders of day care often say it is essential for women's equality in the work force. This simplistic notion, however, ignores the experiences of real men and women. Often it is fathers who are the biggest fans of day care: They like the extra income their wives can bring in by depositing children in institutions during the day. It is mothers who usually feel the sting of guilt, that despised but just gadfly of conscience.

Americans today are sophisticated at rationalizing vice, but the justifications offered for day care are surprisingly thin. The most common excuse is that young couples need the extra money. But U.S. News & World Report found that the median income for two-earner families is $56,000, compared with $32,000 for male-breadwinner homes. At neither salary is a four-member family lacking for necessities. Per capita disposable income, adjusting for inflation, is more than twice as high today as it was in 1950, and three times as high as in 1930. Families are spending much of this money on luxuries like bigger homes (new homes are 38% larger now than in 1970)—not on their kids.

The notorious au pair trial presented this reality in stark relief: Two physicians imported a teenage indentured servant, paid her slave wages, entrusted her with raising their two children and then were outraged when many Americans did not entirely sympathize with them after one of the children died in the young woman's care.

Childhood was never perfect. Small children were once forced to sweep chimneys and pick grapes, and often children lost parents entirely to disease and war. But that is precisely why the destruction of the 1950s nuclear family is so tragic. The 1950s set a standard for family life that probably has never been equaled anywhere. Children were raised by two parents in a safe, comfortable home, and Mom was almost always there to look after them when they were young. The self-centered popular culture unleashed in the 1960s mocked and ultimately shattered this paradigm. Now we are institutionalizing the worst aspects of this cultura[l revolu]tion by warehousing infants merely [so that] we might accumulate ever-nicer p[osses]sions.

If these dire trends are to be revers[ed], our leaders must assert themselves. To be[gin] with, religious leaders should dec[ry] the selfishness and materialism that le[ad] parents to put their careers ahead of the[ir] children.

Politicians always do well to lea[ve] moral condemnations to the pulpit, a[nd] such a sermon would not win them ma[ny] votes today. Yet they would likely becom[e] heroes to many working mothers if, [in]stead of simply ignoring this issue, th[ey] handled it with sincerity and skill. A Rop[er] poll this year reported that 75% of Ame[ri]cans think that mothers who work outsi[de] the home and have children under a[ge] three threaten family values. A survey [of] American women this year by the P[ew] Center found that 81% thought the job [of] mothering is more difficult today than [it] was 20 or 30 years ago, and 56% thoug[ht] they did a less capable job than their ow[n] mothers. Even among women who wo[rk] full time, only 41% were confident th[at] their situation was good for their childre[n].

Can't Have It All

There are several policy changes th[at] elected officials should consider. The fe[d]eral child care tax credit, which subsidize[s] day care at the expense of stay-at-hom[e] parents, should be reassessed. In a grow[]ing number of jurisdictions, judges ar[e] pressuring divorced mothers, even thos[e] with small children, to go to work, by re[]ducing child-support payments based o[n] their potential income. This practice should be ended legislatively. Lawmakers should also consider offering tax credits for businesses that accommodate mothers or fathers who leave the work force during their child's critical first five years. And, of course, Congress should reject Mr. Clinton's ill-considered plan to subsidize day care.

Above all, we must see through the canard that tells us that when it comes to the ancient clash between career and family, we are now clever enough to be able to "have it all." For when we knowingly sacrifice our children's well-being for the sake of money or careers, are we even truly worthy of our children's love?

Mr. Thomas is an attorney in Phoenix and the author of "Crime and the Sacking of America: The Roots of Chaos" (Brassey's, 1994).

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U.S. budget deficit dives to $5 billion

By William M. Welch
USA TODAY

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WASHINGTON — The federal budget is "essentially balanced" now and will produce surpluses for most of the next decade, congressional budget analysts said Wednesday.

The Congressional Budget Office predicted the deficit will shrink to $5 billion this year and $2 billion in 1999, meaning the $1.7 trillion federal budget is in virtual balance already.

The revised CBO forecast was the latest indication that the 30-year-long era of federal deficits is about to end, altering the nation's political debate.

CBO Director June O'Neill said 1998 could get better: "If revenues are 2% higher, and outlays come in 2% lower, then instead of a small deficit . . . we would actually have a surplus of between $50 billion and $75 billion."

The good-news projection would have seemed unthinkable just a year ago, when the government's annual borrowing was expected to exceed $100 billion. Only last September, CBO projected a $57 billion deficit this year.

O'Neill attributed the improving budget picture to a strong economy and better-than-expected tax revenues.

But CBO warned that a recession or big policy changes could mean a return to deficits. And Social Security and Medicare costs will soar when today's baby boomers retire.

The new CBO numbers came two days after President Clinton announced that he'll send a balanced budget to Congress next month for 1999.

The new numbers fuel the debate over whether surpluses should be used to cut taxes, boost spending or pay down the $5.5 trillion federal debt. The last surplus was in 1969.

"This is great news for the American people," said Senate Budget Committee Chairman Pete Domenici, R-N.M. "We must now stay the course. Now is not the time to open the federal spending floodgates."

▶ Sunnier forecasts, 6A

$22 billion child care package proposed

By Mimi Hall
USA TODAY

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WASHINGTON — President Clinton Wednesday proposed a $21.7 billion package of grants and tax breaks to help working families pay for child care.

"This is an issue that touches nearly every family," said Clinton. He will submit the plan to Congress in his budget proposal Feb. 2.

The centerpiece of the plan would add $7.5 billion over five years to the current $3 billion-a-year fund given to states to help parents pay child-care expenses. The number of children whose families get subsidies would double to 2 million, the White House estimates.

The plan faces skepticism in Congress, where some lawmakers oppose new spending on social programs. But reaction was muted as Republicans waited to see details.

A third of the money is meant to come from a settlement between the tobacco industry and the government that's still being negotiated.

A day after Clinton proposed expanding Medicare, the government health program for the elderly and disabled, House Ways and Means Committee Chairman Bill Archer, R-Texas, said Clinton "seems to have many small ideas these days, which, taken together, return to the era of big government."

The child-care plan would:

▶ Expand the state subsidy program to more working families — generally, a family of four earning up to $35,000 a year. The program now largely helps unemployed people getting off welfare.

▶ Expand the income tax credit parents can take for child-care expenses, at a cost of $5.2 billion over five years.

Families earning under $60,000 a year would be eligible for an additional average tax cut of $358. A family of four earning under $35,000 would pay no income taxes.

▶ Significantly increase funding for an after-school program run by the Education Department. Cost: $960 million over five years. The program, now budgeted at $40 million a year, would increase to $200 million a year.

▶ Allocate $3 billion in grants for early childhood development programs and training for child-care workers.

▶ Establish $500 million in tax credits for businesses that build or expand child care facilities for their employees. The credits would cover 25% of costs but could not exceed $150,000 a year.

▶ Conservatives react, 6A

USA TODAY · THURSDAY, JANUARY 8, 1998

Conservatives: Clinton broke vow on spending

By Mimi Hall
USA TODAY

WASHINGTON — In his State of the Union address two years ago, President Clinton proclaimed to the nation, "The era of big government is over."

Wednesday, conservatives charged, he broke that pledge.

"Today, I am proud to propose the single largest national commitment to child care in the history of the United States," Clinton announced.

Republicans argued with his math. They said they had him beat with $30 billion for child care in the 1996 welfare law.

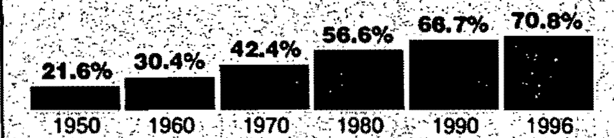
Some took issue with the idea that the government should spend more on child care.

The unveiling of the plan to spend $21.7 billion over five years to help families afford child care came one day after Clinton proposed expanding Medicare to make government health-care coverage available to early retirees and displaced workers.

The White House says Clinton is not going on a spending spree. Aides say fiscal discipline and a strong economy have made it possible for the government to finance badly needed programs for families.

A growing need for child care

Women in the workforce who have children under 18:



The poorest are hit the hardest

The poorest Americans spend the greatest share of their income on child care:

Annual income	Weekly expense	Share of income
Under $14,400	$47.29	25%
$14,400-$35,999	$60.16	12%
$36,000-$53,999	$73.10	8%
$54,000 or more	$91.93	6%

Sources: Bureau of Labor Statistics; U.S. Census Bureau

By Julie Stacey, USA TODAY

The federal budget deficit may shrink to $5 billion this year, tax revenues have risen with wages and profits and Clinton says he'll propose a balanced budget for fiscal 1999, the first time a president has done so since 1971.

The child-care program, which will take effect in October if Congress passes it, would be paid for with a tobacco tax from a settlement still being negotiated and savings from a decline in the growth of Medicare.

"We know that the government cannot raise or love a child," Clinton said. "What the government is supposed to do is to help to create the conditions and give people the tools that will enable them to raise and love their children while successfully participating in the American workplace."

"A strategy is emerging here," says Gary Bauer of the conservative Family Research Council. "It's another Clinton approach oriented toward government and Washington."

Ralph Reed, ex-director of the Christian Coalition, says Clinton ought to propose basic income tax cuts instead, to enable more working mothers to stay home and take care of their children. "We ought to be very concerned about a public policy bias that encourages institutional care," Reed says.

But in Congress, reaction to Clinton's plan was muted.

House Ways and Means Committee Chairman Bill Archer, R-Texas, expressed concern but said he was eager to review the details. Tim Goeglein, spokesman for Sen. Dan Coats, R-Ind., said the senator was "skeptical" but "interested in learning more."

The White House is optimistic it will have enough votes from Democrats and moderate Republicans. Clinton aides are counting on members of Congress being skittish in an election year about coming out against child care.

But Bauer says, "If a Republican Congress can't block these kinds of schemes in Medicare and child care, people will ask, 'Why have a Republican Congress?'"

▶ Clinton's proposal, 1A

By Tim Dillon, USA TODAY

Audience of kids: The Clintons escort day-care children to the president's news conference Wednesday in the White House.

Jones to atte… Clinton deposi…

By Tom Squitieri
USA TODAY

WASHINGTON — Paula Jones plans to be in the room with President Clinton when he gives sworn testimony in the sexual harassment suit she has filed against him.

"When a deposition is taken, Paula Jones will be sitting across the table (from Clinton)," Susan Carpenter-McMillan, Jones' adviser, said Wednesday, confirming earlier media reports attributed to unnamed sources.

Jones, 31, accuses Clinton of calling her to a Little Rock hotel room on May 8, 1991, dropping his pants and asking her to perform oral sex. Clinton was governor of Arkansas at the time and Jones was an Arkansas state employee.

Clinton has denied the allegations and said he does not recall ever meeting Jones. She now lives in Long Beach, Calif.

The case is scheduled to begin May 27 in U.S. District Court in Little Rock. Last May, the Supreme Court voted 9-0 that the Jones lawsuit against Clinton can go to trial and should not be delayed until after Clinton leaves office.

Clinton is required to give a deposition under oath before the trial. The depositi… pected to be taken aft… 15, most likely somewhe… the White House compound…

Jones is legally permitted … be present at Clinton's depos… tion.

"Whenever (the deposition) is, where ever it is, she'll be there," Carpenter-McMillan said.

The deposition would mark the first time a president has testified as a defendant in a legal proceeding.

Clinton has given depositions for two trials in cases brought by Whitewater special prosecutor Kenneth Starr. He was not charged in either case; he gave the depositions as a defense witness.

Those depositions were videotaped in the White House Map Room, a room in which Clinton used to hold White House fund-raising coffees.

If Jones does attend the deposition, it would be the first time she has seen Clinton since the months after she says she was harassed.

The White House had no comment on the president's deposition or on Jones' presence at the testimony. Robert Bennett, Clinton's lawyer on the Jones case, did not return telephone calls.

USA TODAY · THURSDAY, JANUARY 8, 1998

Clinton unveils $21.7 billion child care plan

Says working families need relief

By Warren P. Strobel
THE WASHINGTON TIMES

A1

President Clinton yesterday proposed "the single largest national commitment to child care in the history of the United States," a five-year, $21.7 billion package that would dramatically expand federal assistance for day care and early learning.

The proposal, announced with much ceremony at the White House, is the type of family-friendly policy that Democrats hope will appeal to voters in the run-up to November's midterm congressional elections.

It was the third major announcement from Mr. Clinton in three days in a New Year's attempt to demonstrate that he is not out of new ideas after five years in office. The proposal shows the administration's belief that economic good times that have helped balance the budget also make room for midsize spending initiatives.

The major items in the proposal are a $7.5 billion increase in block grants to the states to subsidize child care, a $5.2 billion expansion of child care tax credits and a $3.8 billion increase in Head Start funding.

Like all such White House initiatives, this one faces an uncertain future in the Republican-controlled Congress.

But given many Americans' angst over child care, GOP criticism of Mr. Clinton yesterday seemed muted.

Indeed, his announcement sparked something of a political scramble to prove which party cares most about working families. Several Republican lawmakers trumpeted their own accomplishments in the area, or proposed alternatives.

Sen. John H. Chafee, senior member of the Finance Committee, said he is working on a child care plan that would give a tax incentive to all parents — even those who care for children at home.

"The current system is unfair to lower- and middle-income families where one parent wants to stay at home with the children," the Rhode Island Republican said.

see CLINTON, page A8

CLINTON

From page A1

Sen. John Ashcroft faulted Mr. Clinton for not backing family-friendly legislation, such as a measure the Missouri Republican has sponsored that would ensure more flexible work hours for private-sector employees.

Mr. Clinton outlined his proposal in the White House East Room, where he was joined by first lady Hillary Rodham Clinton — who has made a crusade of child care — Vice President Al Gore and his wife, Tipper. Reps. Constance A. Morella, Maryland Republican, and James P. Moran, Virginia Democrat, were among lawmakers present.

The president specifically pitched his plan as a cure for increasingly harried two-worker families trying to balance home and work in a rapidly changing economy.

"This is an issue that touches nearly every family, and I believe it must rise above politics and partisan interests," he said.

Mr. Clinton's proposal would significantly expand the existing child care tax credit. For example, a married couple with two children who make $35,000 and have $4,050 in child care expenses would pay no federal income tax under the plan, as opposed to $665 now, according to Treasury Department data.

The proposal also would institute a new business tax credit, at a cost of $500 million, that allows employers to deduct 25 percent of the cost of operating day care facilities or providing similar benefits.

The proposed expansion of child care block grants would double the number of children receiving such subsidies, to more than 2 million by the year 2003, officials said.

Other parts of the package are aimed at improving early learning, safety at child care centers and the education of child care workers.

Health and Human Services Secretary Donna E. Shalala said about one-third of the cost would be paid for by the yet-to-be-implemented national tobacco settlement. But, she said, the administration is committed to finding the funds even if the tobacco deal is not finalized this year, as the White House hopes.

Mr. Clinton's announcement of initiatives such as the one yesterday, and a plan made public Tuesday to significantly expand Medicare, has begun to revive criticism that he is returning to big-government policies.

In the jockeying before his budget blueprint is unveiled Feb. 2, Republicans made clear they will try to keep the focus on tax cuts and leaner government.

"The administration seems to have many small ideas these days, which, taken together, return to the era of big government," said House Ways and Means Committee Chairman Bill Archer, Texas Republican.

"The committee will produce a tax bill this year that lowers the tax burden on the American people. ... I hope the president will support tax relief then as well as now," Mr. Archer said.

Rep. Bill Goodling, chairman of the House Education Committee, said Republicans already have reformed child care and will continue to do so.

But, he said, when Congress reconvenes, "We will remain focused on balancing the budget, providing tax relief and improving education and work-force programs to raise the standard of living for all Americans."

Clinton domestic policy adviser Bruce Reed said the child care proposal "is not a big-government program."

It does not involve new mandates from Washington, "one-size-fits-all" programs designed by the federal government or a large new bureaucracy, he said.

• *Nancy Roman and John Godfrey contributed to this report.*

The Washington Times
THURSDAY, JANUARY 8, 1998

Clinton critics: Subsidies will hurt day care

By Julia Duin
THE WASHINGTON TIMES

Instead of diverting tax money into day care programs, critics say President Clinton's proposed day care package should help parents to stay home with their children through lower taxes, including self-employment taxes, and more flex and comp time.

"If you subsidize child care, it will cost more in taxes, which will force more mothers into the work force," said Anita Blair, counsel for the Independent Women's Forum. If day care is licensed and inspected by the federal government, she adds, "It will drive out providers such as Grandma and Aunt Jane because it's too expensive."

Sen. John H. Chafee, a Rhode Island Republican and a senior member of the Finance Committee, said the president's proposal gives a credit to families who place their children in someone else's care, but none to those who care for their own children. He is working on a child care plan of his own to remove that inequity.

"It is clearly the right time to begin addressing the issue," he said. "For most parents, child care is not an option, but a necessity of everyday life."

Of the 21.5 million American children under 6 years of age, 40 percent — 9 million — are tended exclusively by their parents and the remainder are overseen by relatives, nannies or day care centers, said David Murray, director of research for Statistical Assessment Service and a social anthropologist.

Twice as many poor people — those making less than $10,000 a year — have their children cared for by relatives, he said, than do the rich. The president's plan would substitute day care centers for relatives, he said.

Day care has its own hazards, he added, citing a 1996 study released by the National Foundation on Infectious Diseases that said 7 million children under 5 in day care are three times more likely to be infected than are children not in day care. Sixty percent of all employee absenteeism is to take care of these sick children.

"Parents are pressured to be out of the home so we can hire other people to take care of [children]," Mr. Murray said. "It's the government designing the family."

He portrayed the Clinton plan as "a long-range, slow effort for the next 20 years to increase the federal role in child rearing. It'll be offered as incentives and tax breaks and block grants, as a gift to families in America, but it'll be 'back-doored' to them in that they'll have to pay more taxes to afford this. This could become a Rube Goldberg setup.

"Why not let parents stay home to raise their own kids?" Mr. Murray asked. "Let a parent be home at 3 p.m. so kids don't get into trouble. The largest amount of sexual activity, delinquency and drug abuse between kids is between 3 and 6 p.m. when parents aren't home."

Mrs. Blair suggested the president provide more choices for parents to stay home with their children by mandating greater flex-and comp-time arrangements at workplaces, or making it easier for one parent to work out of the home as an independent contractor.

Families "pay 40 percent and upwards of their joint income in taxes," she said. "Lower taxes would mean it's less necessary for that member of the family to be in the work force.

"And let them hire help. It's easier to import a butler under our immigration laws than a nanny. The IRS needs to get real to what the needs of American families are. Being a nanny is good, honest work and it allows them to get a leg up economically in America. They shouldn't be kept out by reams of regulations."

• *Nancy Roman contributed to this story.*

The Washington Times
THURSDAY, JANUARY 8, 1998

Talking It Over

By Hillary Rodham Clinton

Proposals on child care invest in nation's future

Many of you are rushing to read this as you drink one more cup of coffee before setting off for work. If you're lucky, you won't worry about the safety of your children while you're gone. If you're lucky, you trust that they're in a safe, nurturing and stimulating environment — one that they're excited about going to each day. If you're lucky.

Unfortunately, many working parents aren't so lucky. With the help of relatives, in-home providers, professional day care centers, and before- and after-school programs, working moms and dads manage to cobble together affordable care for their children. Some of this care is excellent. Tragically, though, recent national studies find that most is "poor to mediocre."

This week, my husband took a major step toward improving child care for America's working families. With the largest investment in child care in our nation's history, he proposed increasing child care tax credits for 3 million working families; doubling the number of children receiving child care subsidies; providing after-school care for 500,000 children; funding up to 50,000 scholarships each year to promote the training of child care providers; providing financial incentives for states to toughen enforcement of quality standards; and providing home visits, parent education and consumer education about child care.

In the over 25 years I have worked on children's issues, I have seen firsthand the results of our failures to invest in our children at the most critical stages in their lives. I have learned why good child care is so critical to our children, our families and our future. Although studies show that children are not adversely affected by having parents work outside the home, there is evidence that poor care either inside or outside the home has damaging consequences, especially in the first three years of life.

In October, the president and I hosted a White House Conference on Child Care. That conference was meant to start a conversation — to renew our efforts to improve child care in America. This week, the president took action.

At the White House conference, lots of issues were raised: how to ensure the safety of every child in child care; how to do a better job of training and paying caregivers; how to encourage more employers to provide child care benefits to employees; how to make successful after-school programs more widely available; how to learn from the good models that we have in every community. The president's proposal tackles these issues.

Each of us who has frantically scrambled to find alternative arrangements for a sick child, who has murmured instructions into the phone after school, who has sent a child off to school with "just a little cold" — each of us understands the urgency of the situation.

But new scientific information makes the case even more compelling. We now know from the White House Conference on Early Childhood Development in April that what happens to a child in the earliest years of life affects how well that child will learn for a lifetime. With 45 percent of our children under age 1 in day care regularly, the issue of quality child care has tremendous bearing not just on individual lives, but on the future of our nation.

It is no surprise that demand for quality child care is growing with the dramatic changes in the American work force and way of life over the past 40 years.

During World War II, the federal government stepped in to provide federally funded day care for the mothers who went to work to support the war effort. But today, it is the ordinary, not the extraordinary, that drives our efforts. Now, more than 80 percent of married mothers with a child under age 6 work outside the home, and 13 million children under the age of 6 are in child care.

In addition, because the school day ends before the workday does, families also need care, supervision and stimulating activities for school-age children after school. This is also important in our continuing fight against crime, for it is between 2 and 6 p.m. that adolescents are most likely to find themselves in trouble with the police.

Sadly, though, as a society we have never sufficiently valued the work of caring for our children — whether by mothers or other relatives who stay at home or by paid child care providers. On average, child care providers earn between $5,000 and $12,000 per year. It's a sad state of affairs when we pay the garage attendant who parks our car more than the person who cares for our children.

The president's initiative this week is a major step toward turning the situation around by helping working families pay for child care, improving the safety and quality of care, promoting early learning, and building the supply of good after-school programs. No program can stop any of us from worrying about our children. After all, that's what parents do. What this one offers is a helping hand to parents, educators, community, state and federal authorities working together to provide safe, nurturing and stimulating care for our children in the most important learning years of their lives.

The Washington Times
THURSDAY, JANUARY 8, 1998

company to grow and improve high-nicotine tobacco. Higher levels of nicotine are believed to help hook smokers on cigarettes.

One variety of flue-cured tobacco included in the contract had a nicotine level of about 6 percent of the leaf's weight, twice the normal nicotine level of flue-cured tobacco. The tobacco company code named the potent strain Y-1, legal papers said.

The court papers said DNAP conspired with the tobacco company and its Brazilian affiliates to export tobacco seed from the United States without a permit, in violation of federal law. DNAP was charged with one misdemeanor count.

Between 1984 and 1991, when the export law was repealed, employees of DNAP and the tobacco company also illegally exported tobacco seeds to Nicaragua, Honduras, Chile, Nigeria, Costa Rica, Argentina, Zimbabwe and Canada, government documents said.

Growing the plants in Brazil helped conceal the Y-1 work from competing tobacco companies, government documents say. At the same time, the research could proceed more quickly because the timing of the Brazilian growing season enabled companies to grow two tobacco crops a year instead of just one.

In addition, working abroad had appeal because U.S. regulations prohibited the commercial growing of such high-nicotine tobacco, according to government documents.

The government charged employees of DNAP and the tobacco company illegally shipped the seed by air express or courier. They also smuggled the seed themselves when traveling to Brazil, the government said.

DNAP said Wednesday the misdemeanor charge relates to work performed under the 1983 research contract on tobacco with elevated levels of nicotine. "Due to the ongoing nature of the investigation, the government has requested DNA Plant Technology Corporation make no further comment at this time," the company said in a statement.

The maximum penalty for the misdemeanor violation is a fine of $200,000, or twice the monetary gain to DNAP under the contract.

In its statement, Brown & Williamson said there was nothing secretive about the development of Y-1 tobacco.

The effort goes back to the 1970s, the tobacco company said, when an official of the U.S. Department of Agriculture was attempting to produce what was then characterized as a potentially "safer" cigarette, meaning one that would yield lower tar while maintaining the same level of nicotine.

Brown & Williamson said it continued development of Y-1 and applied for a patent in 1991 and disclosed its nicotine content. The patent was rejected because Y-1 did not have the level of uniqueness required by the U.S. Patent Office, the company said.

Clinton asks for $22 billion for increased child care By Jodi Enda Knight-Ridder Newspapers (KRT)

WASHINGTON Insisting parents should not have to choose between their jobs and their children, President Clinton on Wednesday proposed what he deemed a record investment in child care $22 billion to make care more affordable, accessible and safe. "There is no more important job than raising a child," Clinton said. But as more and more parents work out of choice or necessity, he lamented the nation has failed to help them.

"We know the government cannot raise or love a child, but that is not what we're supposed to do," Clinton said after entering the White House East Room with a group of young children. "What the government is supposed to do is to help to create the conditions and give people the tools that will enable them to raise and love their children while successfully participating in the American workplace."

Clinton is asking Congress for $21.7 billion over five years "the single largest national commitment to child care in the history of the United States" to help parents and businesses pay for care, to improve the quality of care, to expand Head Start and to increase after-school care.

Child-care advocates said the proposal, if enacted, would be a breakthrough in how the nation treats working parents and their children.

"It is an amazing stride forward," said Matthew Melmed, of Zero to Three, a non-profit group in Washington, D.C., that works on behalf of infants and toddlers. "It squarely puts the federal government in the role of helping parents."

Under the proposal, Clinton would spend $7.5 billion to double to 2 million the number of children whose low-income parents receive child-care subsidies under a block grant to the states.

Another $5.2 billion would go to increase tax credits to 3 million working families who earn less than $60,000 a year. They would existing tax credits, according to White House officials.

Families earning $50,000 or less could claim half their costs, up to $2,400 for one child and $4,800 for two or mo Families earning up to $60,000 could claim varying percen cost, depending on their income. And those earning more, the nation's wealthiest families, could claim 20 percent of the as they do now.

The proposal would eliminate federal taxes for most families w incomes below 200 percent of the poverty level $35,000 for a fa of four that claim the maximum child-care expenses.

In addition, Clinton would provide an incentive for businesses to provide child-care services, with a tax credit for 25 percent of their costs, up to $150,000 a year. That new tax credit would cost $500 million over five years, according to White House figures.

The proposal also follows through on the president's earlier promi to get 1 million children into Head Start, the government's pre-schoo program, by 2002. And it would double to 80,000 the number of infants and toddlers in a new program called Early Head Start. The plan would add $3.8 billion over five years to Head Start's current budget of $4.4 billion a year.

Other proposals would provide grants to communities for early learning programs, give states money to improve safety inspections, provide scholarships to students training to be child-care workers an increase money for child-care research.

Clinton said the welfare-reform plan he signed in 1996 provided child-care money for recipients leaving the dole. This proposal, he said, would offer similar benefits to working families.

"Many children throughout the country are in makeshift operation because their parents have few choices," said Susan Clampitt, associate administrator of the General Services Administration's workplace programs. "This will provide a tremendous amount of relief and open a range of options for many, many parents."

It remains to be seen how Congress will receive the proposal. But with every member of the House and one-third of the Senate facing re-election this year, it is sure to present a tough choice to those torn between increasingly powerful women voters who want help with children and more business-oriented constituents who want other tax cuts.

"It's a major, major proposal. With so many people working out of economic necessity, we can't let the children down," said New Jersey Rep. Marge Roukema, one of the few Republicans present at Clinton announcement. But, she added, "We'll have to see how we're going t pay for it within the balanced budget."

Indeed, the child-care proposal and others revealed by Clinton recently hinge on his announcement Monday he will soon submit the nation's first balanced-budget since 1969.

Though Clinton has cautioned Congress not to rush out and spend a eventual surplus, he nevertheless is setting his own priorities and staking a claim on some of the money.

Administration officials said Wednesday fully one-third of the child-care plan would be financed by a still-unresolved settlement between the government and tobacco companies. Despite the tentativ nature of that agreement, Health and Human Services Secretary Donna Shalala said the administration was committed to the child-ca proposal.

Most Republicans withheld their opinions on the plan Wednesday. But Sen. John Ashcroft of Missouri argued parents' biggest problem was not child care but the lack of time to spend with their children.

Clinton, however, put a fine point on something the administration views as a necessity. Speaking in a hushed tone, he said: "We do not need to keep building jail after jail after jail to house children who wouldn't be there in the first place if we took care of them while they're out free and able to build constructive, law-abiding lives."

At least one advocacy group wasn't satisfied the White House went far enough. Sanford Newman, president of Fight Crime: Invest in Kids, an organization of police chiefs, prosecutors and crime victims, said the $800 million for after-school programs was half the amount needed.

By getting some kids off the streets after school, Newman said, Clinton's proposal "can save lives." But, he added, "we could save more."

CC: Cynth
Eric
Gen

THE WHITE HOUSE

Domestic Policy Council

DATE: 5/17

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NUMBER OF PAGES (INCLUDING COVER): 11

COMMENTS: child care handout - per email

American Enterprise Institute for Public Policy Research

CHILD CARE ISSUES

Ways and Means Welfare Policy Luncheons

Douglas J. Besharov
Nazanin Samari
Peter Germanis
May 14, 1999

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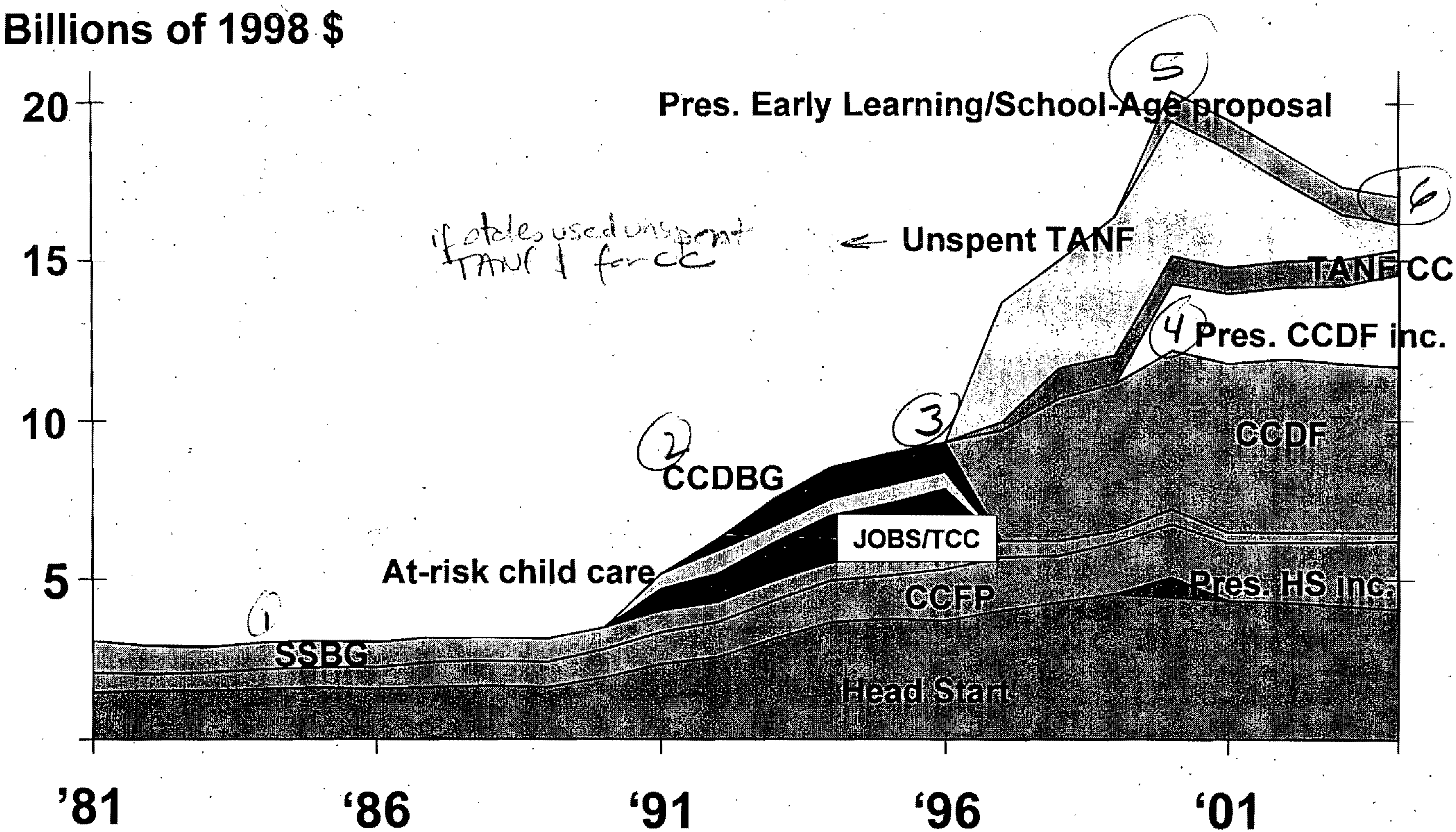
Child Care Dollars

1981-2004



D. Besharov/1999
Source: See attached

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DATA SOURCES AND ASSUMPTIONS

Spending is converted to 1998 dollars using the CPI-U, including projections from the Budget of the United States, Fiscal Year 2000.

Head Start: For FY1981-1996, appropriations; source: Administration for Children and Families. For FY1997-98, obligations and for FY1999-2004, budget authority; source: Budget of the United States, Fiscal Year 2000. The budget authorized Head Start funding for FY2000 only, thus the "President's Increase" reflects the increase in spending for FY2000 above the inflation-adjusted FY1999 level. Although Head Start has a 20 percent matching requirement, this can be in-kind or waived, and it was not included here.

Child and Adult Care Food Program (CACFP): For FY1981-1997, outlays; source: various editions of the Budget of the United States. For FY1998-2004, budget authority; source: Congressional Budget Office.

Social Services Block Grant (SSBG): Child care spending was estimated to be 20 percent of the SSBG in FY1997 (Children's Defense Fund, "Federal and State Government: Partners in Child Care," October 24, 1997); this assumption is applied to spending throughout the entire period. For FY1981-1997, outlays; source: Historical Tables, Budget of the United States, Fiscal Year 1999. For FY1998-2000, budget authority; source: Budget of the United States, Fiscal Year 1999. For FY2001-2004, budget authority, source: Congressional Budget Office, H.R. 2400, Transportation Equity Act for the 21st Century, CBO pay-as-you-go estimate.

JOBS Child Care and Transitional Child Care (TCC): For FY1991-1996, federal and state outlays are included; source: Committee on Ways and Means, 1998 Green Book, for federal outlays; state spending is estimated assuming that federal outlays are 56 percent of total spending.

At-Risk Child Care: For FY1991-1996, federal and state outlays are included; source: 1998 Green Book, for federal outlays; state spending is estimated assuming that federal outlays are 56 percent of total spending.

Child Care Development Block Grant (CCDBG): For FY1991-1996, outlays; source: Congressional Budget Office.

Child Care Development Fund (CCDF): For FY1997, federal budget authority and state matching funds; source: Budget of the United States, Fiscal Year 1999 and Administration for Children and Families data on FY1997 state allocations for the CCDF. For FY1998-2000, federal budget authority and state matching funds; source: Budget of the United States, Fiscal Year 2000 and Administration for Children and Families data on FY1998-2000 state allocations for the CCDF. For FY2001-2004, federal budget authority and maximum state matching; source: Budget of the United

3

States, Fiscal Year 2000 and author's calculations of state spending based on Administration for Children and Families data on FY1997-2000 state allocations for the CCDF. State spending was estimated by assuming that the federal "Child care entitlement to states" amount represents 57 percent of total spending. This assumes that states spend all of their guaranteed federal entitlement (about $1.2 billion) plus their entire MOE amount (the amount they spent of their own funds in FY1994 or FY1995, whichever is higher, under the previous AFDC-related child care programs). In addition, it includes the state share of matching funds for the remaining entitlement funds. Finally, an additional $1.2 billion in discretionary federal funds is authorized for each year. The "President's Increase" for FY2000-2004 reflects an additional $7.5 billion over five years plus state matching funds, assuming a 20 percent state match rate; source: Budget of the United States, Fiscal Year 2000. Although the budget does not specify a match rate, analysts at the Office of Management and Budget and the Congressional Budget Office indicated a 20 percent state match rate would be applied.

TANF Transfers and Expenditures: For FY1998, Congressional Research Service, Data on Temporary Assistance for Needy Families (TANF) and Child Care and Development Fund (CCDF) Expenditures, statement of Gene Falk before the Subcommittee on Human Resources, House Committee on Ways and Means, March 16, 1999. For FY1999-2004, 1998 amount was inflation adjusted over five years.

Unspent TANF Funds: For FY1997-2004, Congressional Budget Office, Spending Projections for the Temporary Assistance for Needy Families Program and Federal Child Care Programs, Paul Cullinan, Unit Chief, Human Resources Cost Estimates Unit, Budget Analysis Division, Congressional Budget Office, statement before the Subcommittee on Human Resources, House Committee on Way and Means, March 16, 1999. TANF is a block grant, therefore annual unspent TANF funds decrease over the years as a result of inflation, population growth and other factors (communication with Paul Cullinan, Unit Chief, Human Resources Cost Estimates Unit, Budget Analysis Division, Congressional Budget Office, May 12, 1999).

President's Early Learning/School-Age Proposal: For FY2000-2004, Overview of Additional Funding Proposed in Administration's 1999 Child Care Initiative, FY2000-FY2004, in *Child Care Issues in the 106th Congress*, Congressional Research Service .

ESTIMATING CHILD CARE FUNDING NEEDS–ROUGHLY

In billions of 1998 dollars

1	2	3	4	5
	Estimates based on:			
Number of children leaving TANF whose <u>mothers are working</u> + children of welfare mothers working part time	Census data for all families that <u>use</u> child care (includes unpaid) 40-60% - family - HS.	Census data for those families that <u>pay</u> for child care assumes every child gets pd. care	Costs under Child Care Development Fund (CCDF)	Head Start and Head Start-like services
	FT: $2,583/$713 PT: $1,189/$178	FT: $4,100/ $1,740 PT: $2,900/ $435	FT: $4,500/ $2,500 PT: $2,500/ $625	FT: $14,000/ $4,500 PT: $5,411/ $625
0-5 year olds				
Full time: 1,015,601	$2.6	$4.2	$4.6	$14.2
Part time: 724,258	$ .861	$2.1	$1.8	$ 3.9
6-11 year olds				
Full time: 566,526	$ .404	$ .986	$1.4	$1.4
Part time: 480,797	$ .086	$ .209	$ .301	$ .301
12-13 year olds				
Full time: 167,931	$ .120	$ .292	$ .420	$ .420
Part time: 128,970	$ .023	$ .056	$ .081	$ .081
TOTAL: 3,084,083	**$4.1 billion**	**$7.8 billion**	**$8.6 billion**	**$20.3 billion**

Estimated additional federal and state funds available (1998 minus 1994) = $3.1 billion in 1998

Some state spending variables: (1) encouraging vs. discouraging use (information, cash, vouchers); (2) using unlicensed vs. licensed care (capacity and cost); and (3) requiring copayments

May 14, 1999

Douglas J. Besharov

① only estim. of need floating around is $10 m - too politically loaded. Instead - took all kids who left welf, analyzed by age, assumed 65% mothers leaving for work, 70% FT

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DATA SOURCES AND ASSUMPTIONS

The estimated number of children leaving AFDC/TANF, by age group, was estimated by subtracting the estimated number of children on TANF, by age group, in December 1998 from the number of children on AFDC, by age group, in 1994. The 1994 data are reported in ACF's "Characteristics and Financial Circumstances of AFDC Families: FY 1994." This information is not available for December 1998, the last month for which data on the number of TANF recipients are available. According to ACF, there were about 7,600,000 TANF recipients in December 1998. Historically, about 70 percent of the recipient caseload was composed of children, so there were about 5,300,000 child recipients in December 1998. The age distribution of children was last reported by ACF for the first nine months of fiscal year 1997. It was assumed that the same distribution would apply in December 1998. With the number of children in each age group for each time period, the difference was used as a proxy for the number of children who potentially need child care as a result of the caseload decline.

It was assumed, from a review of leavers' studies, that (at most) 65 percent of those not on the rolls would be employed. It was also assumed that 70 percent of those working worked full-time and 30 percent worked part-time. (This was not an empirically based assumption, but was deemed reasonable since part-time work would often not generate enough in earnings for a case to "leave" the rolls.) These percentages were applied to each age category. In addition, the latest TANF data suggest that about 13 percent of TANF cases have earnings. This percentage was multiplied by the number of children by age group for those receiving TANF in December 1998 to show the number of TANF children that would potentially need child care.. It was assumed that all of this work would be part-time, since full-time employment would be sufficient to remove most families from welfare in most states. The number of TANF children with working parents was thus added to the number of children in the "leavers" families that were estimated to be working part-time.

Child care costs were estimated separately by age of child and whether the employment was full-time vs. part-time. Census data from 1993 were used to derive these estimates. The cost of part-time care was about 60 percent of the cost of full-time care. The cost per school-age child was about 70 percent of the cost per preschooler. However, because the costs vary by a number of factors, such as poverty, and the cross-tabulations available were limited, these estimates should be viewed as proxies. All estimates are adjusted by the CPI-U and reported in 1998 dollars.

For preschoolers, child care needs followed the work patterns of parents. Full-time work was assumed to require full-time child care and part-time work would require part-time child care. For older children, however, the cost of care for children with full-time earners was based on the part-time cost of child care, since the children were assumed to be in school most of the time. For children with part-time earners, the cost of care was assumed to be one-quarter the rate for part-time employment, since these children were assumed not to need child care during the school year, but only for 3 months over the summer.

Census data for all families that use child care. The annual cost of full-time care for preschoolers was estimated at $4,100 and the cost of part-time care was estimated at $2,900. About 63 percent of child care arrangements for preschoolers are paid when the work is full-time and about 41 percent of child care arrangements are paid when the work is part-time. Thus, the average cost was reduced to reflect the fact that a considerable amount of child care provided is at no cost to the family. Thus, the average across all preschoolers (including those who do not pay for child care) is was estimated to be $2,583 for full-time care and $1,189 for part-time care.
A similar procedure was applied to school-age children. For school-age children, the cost of part-time care for those with full-time working parents was estimated to be $1,740 and for those whose parents are working part-time, it was estimated to be $435. Applying the 41 percent estimate for those who pay for child care results in an estimated $714 for school-age children whose parents work full-time and $178 for those whose parents work part-time.

Census data for those families that pay for child care. This estimate assumes that all children classified as "leavers" need paid child care. Thus, the cost for preschoolers is estimated at $4,100 per child for full-time care and $2,900 for part-time care. The respective numbers for school-age children were $1,740 and $435. (The assumptions for these numbers were described above.) Assuming that all children who potentially need child care use paid child care overstates the actual cost needed to provided child care to these children.

Costs under Child Care Development Fund (CCDF). These child care costs were estimated by dividing the total cost of the CCDF program by the average monthly number of children in child care subsidized by the program. Full-time and part-time payments were approximated by examining state payment schedules.

Head Start and Head Start-Like Services. The estimated cost for part-time care under Head Start is $5,411 based on program data and discussions with ACYF and Head Start officials. For full-time Head Start care, the cost per child was estimated at $14,000. This was based on discussions with ACYF and Head Start officials and a report by the General Accounting Office. (GAO, "Head Start Programs: Participant Characteristics, Services, and Funding Letter Report," March 31, 1998, GAO/HEHS-98-65.) The cost increase is based on taking a program that currently runs part-time, part-year to one running full-time, full-year.

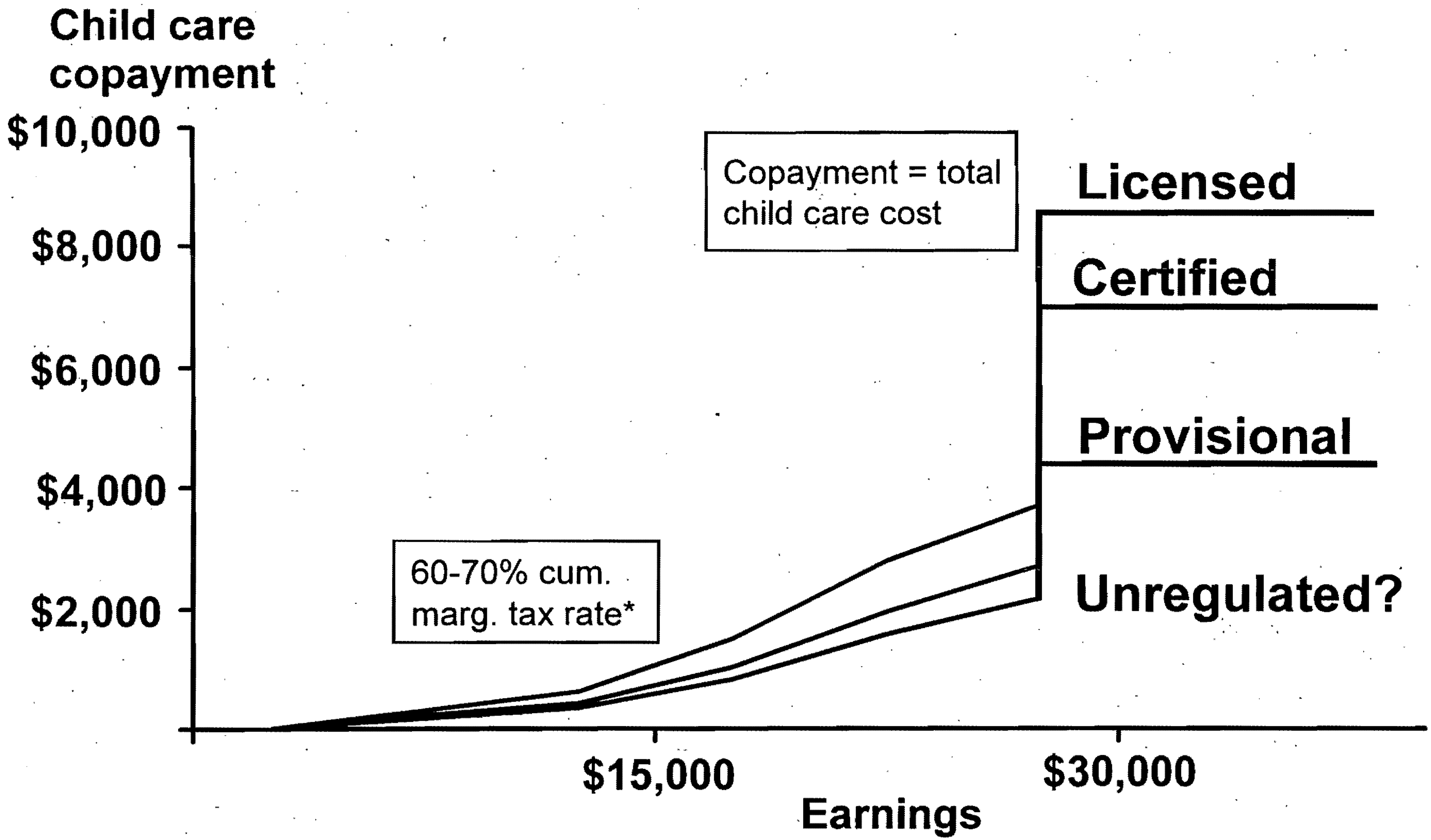
FULL COVERAGE FOR THE WORKING POOR?

- Cost (triple the number of children) 3 m → 10 m kids
  $12 – $60 b depending on which type of care
- Horizontal inequity (some parents do not need <u>paid</u> child care)
- Or, monetization of relative-provided child care
- Prohibitive notches and marginal tax rates
- Other, more important social welfare needs

Prohibitive Marginal Tax Rates?

Earn $1 and spend $5,544; $4,236; or $1,229?

(Wisconsin/ 2 children)



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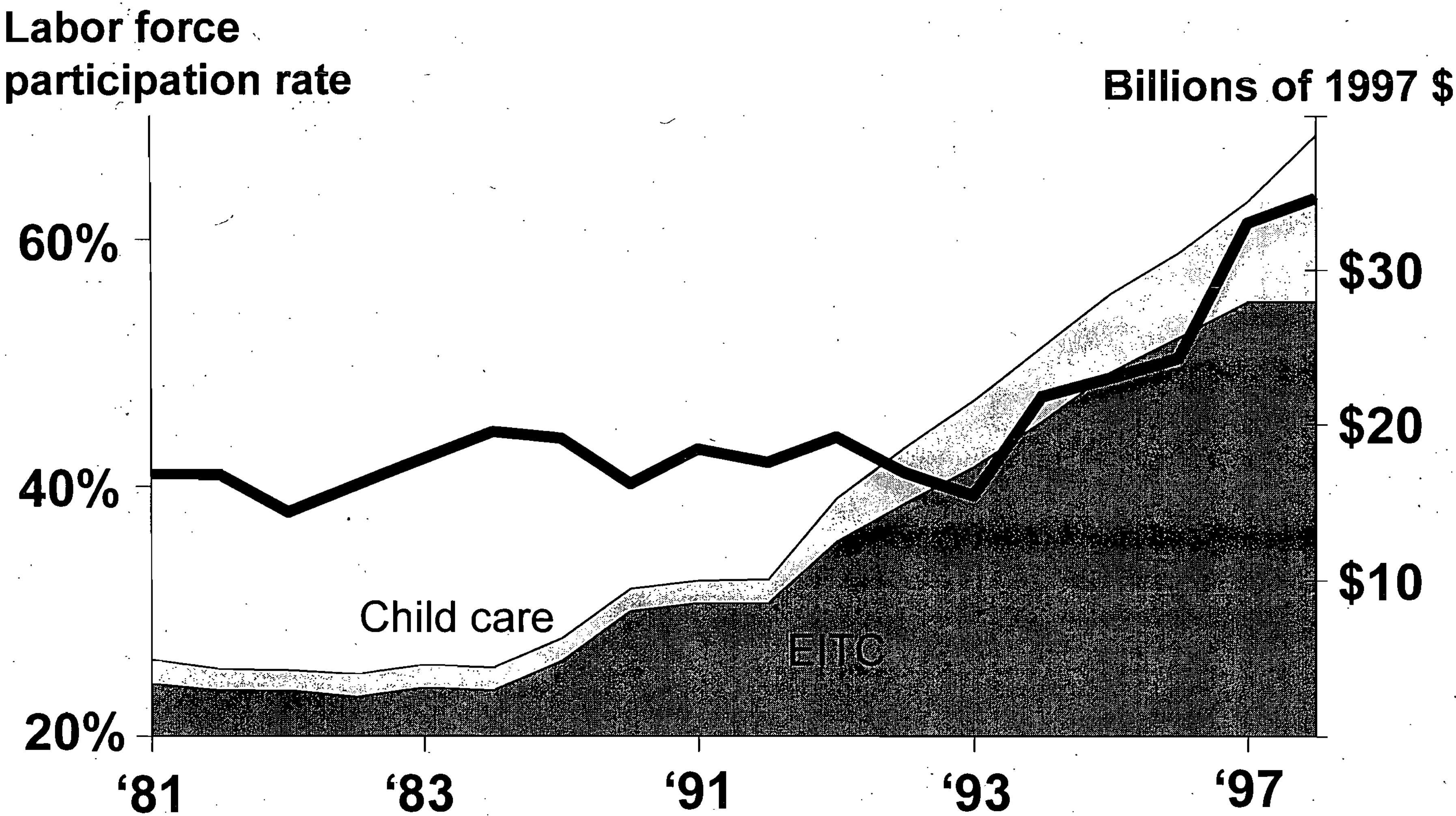
*Total cumulative marginal tax rate for a family of three with an income between $12,000 and $20,000, including federal and state income taxes, the Social Security payroll tax, the phase out of the Earned Income Tax Credit, food stamps, child care subsidies, and (in some cases) Medicaid.

Aid to the Working Poor?



Never-married mothers w/ a child under 3

D. Besharov/1999

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The Market at Work?

Services provided to children or parents	National Survey of Centers	Day Care Advocates of Milwaukee Centers	
		pre W-2	*post W-2*
Meals			
Breakfast	45%	75%	75%
Lunch	62	90%	90%
Dinner	3%	5%	20%
Testing			
Physical Exams	13%	5%	30%
Psychological testing	23%	0	10%
Cognitive development	43%	30%	100%
Social development	42%	30%	100%
Parents' Services			
Extended hours	Minimal	10%	80%
Stress management and employment counseling	Minimal	0	20%
Parenting and nutrition classes	Minimal	0	20%
Help with public assistance	Minimal	30%	90%

Source: For national data, Ellen Kisker, Sandra L. Hofferth, Deborah A. Phillips, and Elizabeth Farquhar, *A Profile of Child Care Settings: Early Education and Care in 1990, Volume 1* (Princeton, New Jersey: Mathematica Policy Research, Inc., 1991), pp. 98-99; nationally representative sample of 1,350 centers and 231 Head Start programs. For Milwaukee centers, data provided by Kimberley Hubbard, Executive Director, Day Care Advocates of Milwaukee, a coalition of 56 largely center-based providers caring for over 3,000 children.