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Resource + Referral in CA Northern California
(Nat'l Association for Child Care Resource + Referral → D.C.

Ask: Yasmina Vinci

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202 393-5501

Douglas Besharov
American Enterprise Institute

GAO study in works
shortage

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? Rhea Starr 718/565-8900 x 856
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Someone from:
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National Association for the Education of Young Children

Ron Zigler
Yale University
Early Child Education Center

Sandra Hofferth
Univ of Michigan

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→ from conference
Joan was there

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Invitation

Day Care and Early Childhood Programs under Welfare Reform

March 24–25, 1997
Wohlstetter Conference Center, Twelfth Floor, AEI

This conference will examine the major choices facing day care and early intervention programs as welfare reform is implemented. Leading academics and policy makers will discuss the cost versus quality trade-off, the future of Head Start, the child care feeding program, and the linkages among early childhood intervention, child care and welfare reform.

Monday, March 24

9:00 a.m. Registration and Coffee

9:30 Welcome
DOUGLAS J. BESHAROV, AEI
WENDELL KNOX, Abt Associates

9:45 Keynote Address
HON. FRANK RIGGS, U.S. House of Representatives, Chairman of the Subcommittee on Early Childhood, Youth, and Families

10:15 **The End of Child Care As We Know It?**
DOUGLAS J. BESHAROV, AEI

11:00 Break

11:15 **Panel 1: Child Care Issues Generated by TANF**
Panelists: HELEN BLANK, Children's Defense Fund
JOHN WEICHER, Hudson Institute
MARVA HAMMONS, Michigan Family Independence Agency

12:30 p.m. Luncheon

(over)

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2:00	**Panel 2:**	**The Cost vs. Quality Trade-off**
	Panelists:	BRUCE HERSCHFIELD, Child Welfare League of America RON HASKINS, House Ways and Means Committee MARK APPELBAUM, University of California at San Diego
3:15	**Panel 3:**	**The Future of Head Start**
	Panelists:	LYNN KAGAN, Yale University SALLY VOGLER, Policy Office of Governor Romer, Colorado EDWARD ZIGLER, Yale University
4:30	Break	
4:45	**Panel 4:**	**The Future of Child Care Feeding Programs**
	Panelists:	ROBERT GREENSTEIN, Center for Budget and Policy Priorities HELEN BLANK, Children's Defense Fund
6:00	Reception Full bar and hors d'oeuvres	

Tuesday, March 25

8:30 a.m.	Breakfast	
9:00	Introduction DOUGLAS J. BESHAROV	
9:05	Keynote Address THE HONORABLE ROY ROMER, Governor of Colorado	
9:45	**Can Early Childhood Intervention Programs Be More Effective?** JEAN LAYZER and ROBERT ST. PIERRE, Abt Associates	
10:30	Break	
10:45	*Panelists:*	JUDY HOWARD, University of California Los Angeles EDWARD ZIGLER, Yale University RON HASKINS, House Ways and Means Committee BILL HARRIS, Children's Research and Education Institute
12:15 p.m.	Luncheon	
2:00	**Where Do We Go from Here? A Roundtable Discussion**	
	Panelists:	SANDRA SCARR, University of Virginia EDWARD BRANN, Centers for Disease Control MARIE MCCORMICK, Harvard School of Public Health CLARICE WALKER, Howard University School of Social Work MARK APPELBAUM, University of California San Diego
3:45	Closing Remarks	

This conference is funded with the generous support of the Foundation for Child Development and the Ford Foundation.

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Day Care and Early Childhood Programs under Welfare Reform

March 24–25, 1997
Wohlstetter Conference Center, Twelfth Floor, AEI

Preregistration Fee: $30.00 On-site Registration Fee: $40.00

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March 24

- ☐ 10:15 a.m. **The End of Child Care As We Know It?**
- ☐ 11:15 **Panel 1: Child Care Issues Generated by TANF**
- ☐ 12:30 p.m. **Luncheon**
- ☐ 2:00 **Panel 2: The Cost vs. Quality Trade-off**
- ☐ 3:15 **Panel 3: The Future of Head Start**
- ☐ 4:45 **Panel 4: The Future of Child Care Feeding Programs**

March 25

- ☐ 9:45 a.m. **Can Early Childhood Intervention Programs Be More Effective?**
- ☐ 12:15 p.m. **Luncheon**
- ☐ 2:00 **Where Do We Go from Here? A Roundtable Discussion**

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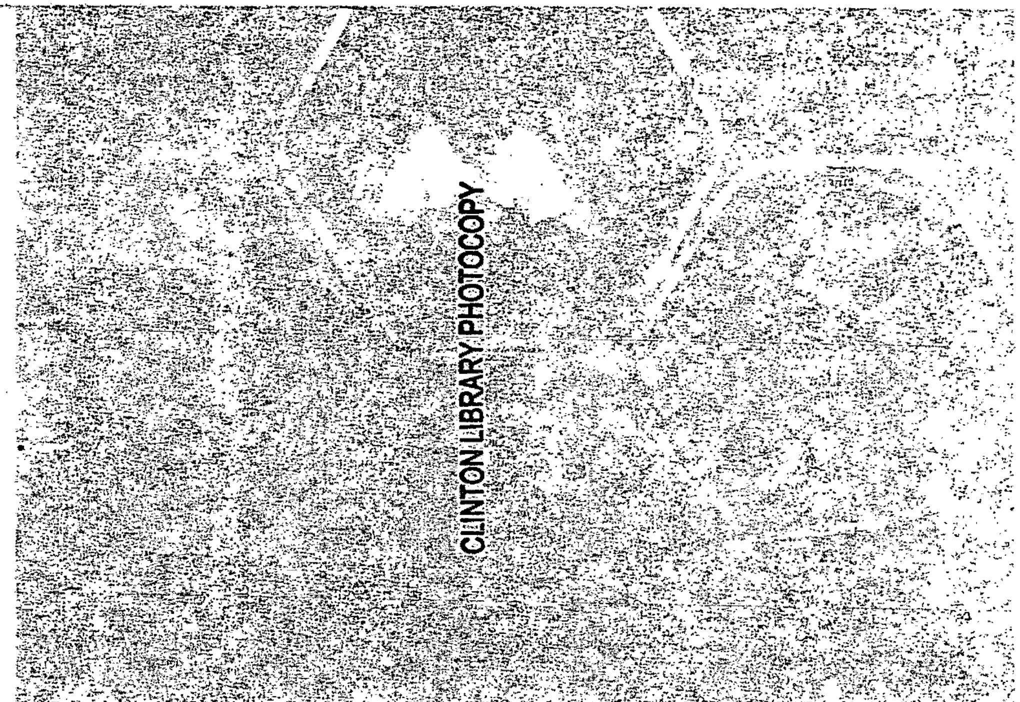

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CHILD CARE LEGISLATION -- 105th CONGRESS

Child Care continues to be an issue of great concern to families and policy-makers and numerous child care bills have been introduced in the 105th Congress. Bills have been sponsored by Republicans and Democrats and take a variety of approaches to federal support for child care services.

I. Direct Funding

Several bills propose to increase federal funding to help low income families pay for child care services or to improve the quality and availability of such services. These bills generally build upon the consolidated child care program and enhanced funding enacted under the new welfare reform legislation.

Working Families Child Care Act of 1997 (S.19) - Senator Dodd (D-CT)
Increases the authorization level for the discretionary Child Care and Development Block Grant program from $1 billion to $2 billion a year in order to help more welfare families and low income working families pay for child care services. Authorizes an additional $1.4 billion a year to provide child care services for *non-welfare* low income working families. Also authorizes additional funds to increase the supply of child care services, including infant care, before- and after-school care programs, resource and referral programs, non-traditional work hours child care programs, and programs to extend the hours of prekindergarten.

Working Families Child Care Act of 1997 (H.R. 899) - Representative Woolsey (D-CA)
Authorizes an additional $1.4 billion a year to help *non-welfare* low income working families pay for child care services. Also authorizes funds to increase the availability of child care services in particularly short supply. (Similar to Dodd bill)

Increased Child Care Funding (S. 93) - Senator Kerry (D-MA) - will introduce expanded version
Increases funding for mandatory spending under the Child Care and Development Block Grant by an additional $1 billion each year.

Child Care Expansion Act (S. 548) - Senator Roberts (R-KS)
Provides funding to States to award grants to small businesses to provide child care. The grants can be used for start-up costs, training of providers, scholarships and sick care.

Early Learning and Opportunity Act (H.R. 1373) - Representative DeLauro (D-CT)
Authorizes funds for a competitive grant program to improve the quality and availability of care for children under the age of three; to improve quality and availability of family support services for the parents of such children; and to improve coordination of existing programs and services.

II. Child and Dependent Care Tax Credit.

A number of proposals would expand the current Child and Dependent Care Tax Credit (DCTC)

5/12

either by (1) making the credit refundable so that low income working families also would benefit from this largest single source of federal child care assistance; (2) increasing the amount of the credit available for moderate income working families; or (3) some combination of the above. Several of the proposals also would eliminate DCTC eligibility for upper income families. It is notable that most of the following DCTC proposals are sponsored by Republican members.

Refundable Tax Credit (S. 654) - Senator Snowe (R-ME) Rep. Johnson planning to introduce in House
Makes the Dependent Care Tax Credit refundable to ensure that assistance is made available for low income working families with child or dependent care expenses. It also allows credit for respite care services.

Working Families Child Care Tax Relief Act (S. 490) - Senator Akaka (D-HI)
Adds an inflation adjustment to the allowable expenses and the credit amount.

Child Care Tax Credit Reform Act of 1997 (H.R. 315) - Representative Solomon (R-NY)
Increases the amount of the DCTC for moderate income working families and limits eligibility for the credit to families with incomes up to $50,000.

Child Care Quality Improvement Proposal (to be introduced) - Senator Jeffords (R-VT)
Makes the Dependent Care Tax Credit refundable to ensure that assistance is made available for low income working families with child or dependent care expenses. Also encourages use of quality child care by increasing DCTC for child care provided in accredited facilities or by credentialed professionals. This will be comprehensive legislation that will include other types of child care assistance.

III. Employer Tax Credits

These proposals would provide tax incentives for businesses for certain child care expenses or activities. In general, the credits would reimburse employers for start-up, construction, and operating costs of such a facility.

Child Care Infrastructure Act of 1997 (S. 82) - Senator Kohl (D-WI)
Provides employers with a federal tax credit equal to 50 percent of the employer's child care expenditures. Child care expenditures could include expenses to acquire, construct, rehabilitate or expand a facility of the employer; for operating costs of the employer's child care facility; to pay a child care facility to provide child care services to employees; or to provide employees with a child care resource or referral service. The total employer credit could not exceed $150,000.

Child Care Availability Incentive Act (H.R. 988) - Representative Pryce (R-OH)
Provides employers with a federal tax credit equal to 50 percent of the employer's expenditures for child care services provided on-site or adjacent to the business premises and operated for the employees children. No limit to the credit is specified.

The Honorable Ben Nighthorse Campbell
Chairman
Subcommittee on Treasury,
General Government and Civil Service
Committee on Appropriations
United States Senate
Washington, D.C. 20515-6038

Dear Mr. Chairman:

The House Treasury, Postal Service, and General Government Appropriations Subcommittee Report on the 1997 Appropriations Act directed the Office of Management and Budget to "coordinate a government-wide review of federal child care centers to evaluate their effectiveness and determine how they may be improved to provide greater flexibility, access, and availability to all federal employees."

Nearly eighty percent (80%) of federal child care centers are operated by the Department of Defense (DoD); over 800 child care centers as compared to the approximately 225 centers operated by civilian agencies. However, the Subcommittee is mainly interested in looking at the affordability of child care, particularly for lower income employees. Because DoD has special authority to subsidize its child care program, affordability is only an issue for the civilian agencies' child care programs. GSA operates the largest number of child care centers among the civilian agencies and is recognized for its expertise in this area. Therefore, we requested GSA to lead this review and they, in turn, contracted with the National Academy of Public Administration to survey both public and private sector child care providers and report its findings and recommendations.

In order that the review provide a comprehensive picture of federal child care, GSA asked DoD to provide a separate report on its child care program. The Department's Military Child Development Program has attained a nationwide reputation for commitment to quality child care. For this reason, the President recently directed the Secretary of Defense, in consultation with the General Services Administration (GSA) and the Department of Health and Human Services (DHHS), to share DoD's expertise with the government and private entities that provide child care. The Office of Family Policy, under the Assistant Secretary of Defense for Force Management Policy, is responsible for setting standards, issuing guidance, and maintaining statistics for the Military Child Development Program. The Office of Family Policy provided a report on the DoD child care program, a copy of which is included in the Academy report.

In March, the President announced his Welfare to Work initiative and directed GSA to consult with federal agencies and prepare a plan to assist low-income federal employees in finding affordable child care. GSA was able to use some of the Academy's findings in developing its plan. The plan was presented to the President and Cabinet on April 10 and proposed a number of steps, which GSA could take within its current authorities, to address the needs of low- income federal employees.

GSA has recently completed the review we requested. In his response to us, the Administrator reported on several steps that GSA has taken to address affordability within the GSA-run child care centers. He stated that these steps are not sufficient to solve the affordability problem for low-income employees and shared four conclusions about what else needs to be done. His views build on the plan presented to the Cabinet in April as well as the Academy report, both of which are enclosed with the Administrator's letter.

Child care is an issue of great concern to many federal employees. The Administrator's letter recommends a number of useful steps which can lead to agencies being able to make high quality child care affordable to those employees who desire it. I endorse the Administrator's recommendations and urge him to begin implementing his proposals as soon as possible.

Sincerely,

Franklin D. Raines
Director

Enclosures

Identical Letters Sent to The Honorable Jim Kolbe, The Honorable Ted Stevens, The Honorable Bob Livingston, The Honorable Fred Thompson and The Honorable Dan Burton The Honorable David Obey, The Honorable Robert C. Bryd, The Honorable John Glenn and The Honorable Henry A. Waxman

Mr. Franklin D. Raines
Director
Office of Management and Budget
Washington, DC 20503

Dear Mr. Raines:

The General Services Administration is pleased to submit our response to your request that we study the affordability of child care for Federal employees.

Child care has been a high priority of the General Services Administration for more than the past ten years. In that time we have earned a reputation for quality programs and concern for the safety and security of the more than 7,000 children who spend their days in our buildings. We have also gained a great deal of experience and expertise as the sponsor of 108 child care centers in 68 cities, 31 states and here in the District.

Because of that experience, OMB came to us when your agency was directed by the House Appropriations Treasury, Postal Service and General Government subcommittee to report to Congress on the subject of child care affordability in Federal agencies. Similarly, the President recently directed GSA to help Federal agencies better respond to the needs of lower income employees for safe, affordable child care, a challenge which assumed new urgency in the light of his welfare-to-work initiative.

With all that the Administration is presently doing to underscore the importance of high quality, affordable child care for American families and children across the economic spectrum, it is critical that we define new ways to assure that Federal child care centers are both high quality and accessible to more Federal employees. Not only did the recent White House Conference on Early Learning spotlight the importance of high quality care, but the conference on child care that will be held this Fall will continue to focus public awareness on Administration initiatives in this area.

At GSA, we have been concerned for some time that our centers were becoming out of reach for lower graded employees, creating inequitable access to on-site child care. As a result, we have taken a number of steps to try to help.

Two years ago, in fact, we devoted substantial time at our annual training conference to this subject, to tap the ideas and experience of the GSA child care community and elicit new insights into the affordability problem. We have also stepped up the training provided to our regional child care coordinators and to center Boards of Directors to help them do a more effective job at local fund raising. Last year, more than one million dollars was raised by GSA centers. In the past, GSA also directed the full proceeds of its governmentwide recycling operations to the support of child care tuition assistance programs but other priorities now compete for these resources.

These steps, while helpful, have not been sufficient. GSA centers have not been able to meet the need for tuition assistance to help significant numbers of parents who could not otherwise afford to use high quality, center-based care at the worksite. This letter, along with its two attachments, represents the agency's current thinking on the affordability challenge our child care centers face. It also outlines those steps we plan to take in the next several months. We recognize that we will need to continue to study this issue, and to refine our plan as we test and incorporate new approaches.

The first enclosure is a document which presents steps we have identified and agreed to take to address the needs of lower income Federal families. I discussed these with the President and the Cabinet on April 10 and told them we were prepared to move ahead to implement these ideas. We've also attached a research report we commissioned from the National Academy of Public Administration (the Academy) to help us respond to your request. Based on these two efforts, we've reached some conclusions that I would like to share with OMB and with our colleagues in the Congress who share our interest in this topic. These conclusions apply only to the more than 200 Federal centers that operate outside the Department of Defense child care system.

First, the Federal child care system needs more adequate funding. The affordability problem can only be solved by an infusion of new money. Otherwise, the only source of funds to cover the operating costs of child care providers are the fees collected from parents and they are already too high for many Federal employees to afford. This, by the way, is not a problem unique to Federal centers but is experienced by child care programs everywhere in the country. It's why the Administration took such a strong stance on adding $4 billion for child care into the welfare reform legislation.

Child care requires funding in three ways: program support to keep wages paid to child care workers at an appropriate level, while keeping fees reasonable for parents; tuition support for parents who can't afford to pay the full fee; and money to enhance center quality, staff training, security and facilities. In our GSA centers, I am confident that we have done an excellent job of providing these last enhancements, but now we must find new ways to support program operations and help parents with tuition.

Some have argued that GSA should simply seek additional appropriations for center operating costs. Before I would propose that to you, however, I believe we should explore all external sources of non-appropriated funds. As you will see, NAPA has identified some approaches and we at GSA have thought of others. However, it's clear that we will have to take on a new fund raising and enterprise development role at GSA to help Federal centers be more affordable to a broader range of parents.

Second, Federal child care needs better information and more cohesion. In truth, for civilian agencies, there really is no child care system at all. Instead, there is a collection of more than 200 individual centers dispersed throughout the nation, with little if any regular communication among them. GSA oversees about half these centers and brings them together once a year for an annual summer training conference. But what's needed is a more systematic means to share initiatives and experience among the centers of all agencies; to communicate with greater clarity what agencies can and can't do under existing legislative authority; and to achieve a collective adherence to best practices.

In contrast, the Department of Defense child care system is just that--a true system, well integrated, comprehensive and high quality with strong oversight, in which the component parts comprise a workable whole. While the non-DOD centers necessarily operate on a very different basis (the child care providers are not government employees as they are in the DOD system) we believe these centers would benefit from more consistent leadership and standards, as well as effective communications.

This means that GSA needs to increase its ability to be a convenor and communicator, as well as a facilitator of improved government oversight for all non-DOD centers. Through this expanded leadership role we can share ideas and expertise, so that the collection of Federal worksite centers evolves into a more collaborative system in which centers can learn from each other.

Third, agencies may need more flexibility to pursue new funding and partnering initiatives. The Academy study and other sources of information have suggested possible ways in which permitting agencies greater flexibility could help. Such flexibility could, for example, raise center enrollment, encourage a broader array of external partnerships and stimulate pilot programs of new kinds of child care, all of which have the potential to improve affordability To accomplish this, legislative action might be necessary. While GSA is not prepared to make recommendations at this time for changes in the Trible Amendment (40 U.S.C. 490b) it is our intent to gather other major child-care-sponsoring agencies together quickly to explore options and develop legislative proposals, where needed.

Finally, there is no "silver bullet" that will solve the affordability problem. No single program or initiative by itself can accomplish this. What is required is a combination of many strategies, each of which can contribute in some way to reducing costs, increasing revenue and enhancing the availability of scholarships to help families with limited means to pay for care.

All of this means that GSA needs to step up to a larger role in child care than it has undertaken in the past. In that regard, we have been working with your staff on their proposal that we establish a workplace initiatives group within GSA's Office of Governmentwide Policy, adding governmentwide child care policy responsibilities to our present oversight of centers in GSA buildings. As you may know, funding for this new staff is in our FY l998 budget request. As we consider the implications of this report, however, we believe we may have to initiate activities sooner than October l. We are willing and prepared to do that.

We have also responded to the staff of Senator Daschle and the Senate Labor Committee concerning their interest in establishing governmentwide quality standards and oversight for all Federal child care centers. If GSA were assigned this role, it too, would place new demands on our GSA child care staff and program. With all these changes on the horizon, we hope to have a new organization in place to support the child care program by the end of June.

As we move ahead, GSA will work closely with others in the Administration to implement the ideas contained in the two attachments to this letter. We also plan to learn all that we can from the model system operated by the Department of Defense to improve our own centers, just as the President envisioned in his recent directive asking DOD to share its expertise with other systems of child care.

We believe it is appropriate to set a fund raising target of between $8 and l0 million per year. This could provide significant tuition support for low income families in all Federal child care outside the DOD system. This amount of money could, for example, reduce the cost of care by about a third for between 5,000 and 6,000 children. Also, some of the new money could be used to help fill the more than one thousand vacant slots in Federal child care centers with children of low income families. (The average cost of a single slot is about $6,000/yr.) Some of our colleagues have urged us to seek an appropriation in this amount, but as we said earlier we believe the prudent course of action is to try our financial development strategy first. It's a challenging goal--but one we're prepared to pursue.

We feel confident that we can make a significant difference in the quality, affordability and accessibility of child care for Federal employees and we are committed to doing that as promptly as possible.

Sincerely, Dave Barram

GENERAL SERVICES ADMINISTRATION

PLAN TO IMPROVE THE AFFORDABILITY OF CHILD CARE

Executive Summary

GSA will act aggressively to make Federal child care centers more affordable to more employees. Currently, there are more than l,000 available spaces in the more than 200 non-military centers that operate in Federal space, but fees for quality care charged by private operators are generally out of reach to lower graded employees. Sliding fee scales and other forms of scholarship assistance could help match employees to available spaces, if costs could be reduced and/or revenues increased.

- GSA will determine whether group purchases of supplies, insurance and other shared needs could help reduce costs for center operators. Any savings generated could be reinvested in tuition help for families that need it.
- GSA will help centers make more enterprising use of their existing capacity to add special programs and services for children to bring in additional revenue.
- If adequate additional revenues are secured, GSA will require each center operating in Federal space to use a sliding fee scale for families who cannot now afford quality child care.

- **GSA will increase the capability of Federal child care centers to raise additional funds for tuition assistance scholarships**. GSA will immediately retain expert financial development and fund raising counsel to define a national strategy to help support the financial needs of all Federal centers. This could include establishment of a private non-profit foundation which could seek and receive funds to support all centers on a larger scale than individual centers can accomplish on their own. It is estimated that approximately $8-l0 million per year will be needed to make Federal child care slots more affordable for more parents.
- GSA will seek opportunities for centers to partner with private organizations which need child care for their employees as a way to diversify funding sources.
- GSA will assure that each center applies for participation in the Combined Federal Campaign. It will also continue to encourage agencies to dedicate recycling proceeds to child care centers which operate in their buildings.
- GSA will tap and utilize the best experience of states which have been exploring child care financing strategies to support welfare reform (i.e. Colorado, Indiana, Washington, Hawaii, Minnesota and others).

GSA will link Federal officials at the community level with state and county child care resource and referral networks. These 600 specialist community-based organizations can provide information concerning financial subsidies for child care which are available at the local level (state and county) for some low income families. They can also counsel, support and assist lower income employees by linking them to a wide array of child care options beyond Federal on-site centers.

BACKGROUND

The Federal government has long played a leadership role in the development of child care centers for its work force. Starting in 1985, the General Services Administration began to make space available for this purpose in the Federal buildings it manages. As a result of this effort, authorized by the Trible Amendment, GSA currently has 108 child care centers operating in its buildings. These centers care for more than 7,000 children, in facilities in 68 cities, 31 states and the District of Columbia.

Other Federal agencies, operating under the same legislative authority, also have created child care and development programs in their facilities. Some 110 or more of these are now sponsored by 27 agencies in 36 states and the District of Columbia. Nine Coast Guard centers operate under separate legislation. That means that today, a total of more than 225 worksite child care centers operate in non-military settings to serve the needs of Federal workers, and more are planned.

The Department of Defense, the nation's largest sponsor of worksite child care programs, has been very active over the past 25 years in creating child development programs to meet the needs of military service members and civilian employees. Today, it has a sophisticated system of varied child development options which support military readiness and retention.

Operating under the authority of the Military Child Care Act of 1989, DOD now operates more than 800 centers at over 300 locations, providing care for 200,000 children daily, from six weeks to 12 years of age. In addition, more than 9,000 licensed and trained family day care programs operate in government owned or leased housing to provide night, weekend and unusual hours care to meet the specific needs of military training and deployment schedules.

The systems through which child care is provided are very different in civilian agencies and military installations. Centers in civilian agencies are set up as local non-profit corporations which then hire private providers--either individuals, companies or community agencies-- to actually provide care to children. Agencies lease space to these non-profits and provide furniture and equipment, maintenance, security, utilities and certain training costs, all at no cost to the center operator. Parent fees, paid directly to the non-profit corporation, are the principal source of funding to cover ongoing operating expenses, more than 80% of which are related to the cost of caregiving staff.

Local fund raising by the center's Board of Directors can generate additional revenues to offset the high cost of care for lower income families through tuition assistance programs. (Last year, for example, in the centers in GSA buildings, more than $l,000,000 was raised in this way.) Fees to parents are established by the business entity which operates the center. These are generally based on the age of the child, with infant/toddler care costing parents considerably more than care for a preschool age child, because it requires more staff to care for younger children.

In the military system, on the other hand, child development programs are run by the military services themselves which employ care giving personnel directly. Fees are established by DoD, on a sliding scale based on income--low income parents pay less than high income families, regardless of the age of the child. In addition to the sliding fee scale, fees to parents are heavily subsidized by the military service. This subsidy covers about half the cost of care and costs about $260 million per year to maintain.

Because of these very different organizational and financial arrangements, DoD and non-DoD employees pay quite different fees when they use Federal child care centers. Parents using non-DoD centers can expect to pay fees for the care of their children which are comparable to the market rate in the community in which their child care center operates. In l996, this averaged in the range of $l80 per week (in Washington, D.C.) for the care of an infant, the highest cost form of care. Families eligible to use DoD centers, on the other hand, can pay as little as $36 per week to $92, depending on income, for children of any age. This difference is directly attributable to the subsidy which is authorized under the Military Child Care Act, but which is not authorized for other Federal centers.

As a result, there are presently two different affordability issues related to child care in the Federal community. In most non-DOD centers, parents at the lower end of the pay schedule cannot afford and therefore generally do not use the worksite centers that are available. In the DoD system, while low income parents can pay low fees and use the centers, there is growing concern about the cost to the military service of maintaining both high quality programs and low fees for parents. The Navy is currently pilot testing the outsourcing of its child care programs to private providers in several markets to see whether this would reduce costs.

Concern about affordability for parents prompted the Congress at the start of FY I997 to direct the Office of Management and Budget to review " Federal child care centers to evaluate their effectiveness and determine how they may be improved to provide greater flexibility, access and availability to all Federal employees." OMB requested that GSA's Office of Governmentwide Policy conduct this study which is now complete.

GSA'S PLAN FOR MORE AFFORDABLE CHILD CARE

The President's memorandum of March I0 directed GSA to consult with all Federal agencies concerning agency-sponsored child care centers as well as agency contracts with local child care resource and referral services. It also asked GSA to provide recommendations on any appropriate expansion of these arrangements to provide assistance to low-income Federal workers.

I What GSA has learned from other agencies

GSA reviewed information provided by all Federal agencies in response to the President's June l996 memorandum on the family-friendly workplace. These responses described how agencies are currently supporting child care for their employees and the extent to which they are utilizing resource and referral programs to assist employees in finding affordable child care. In addition, a number of interviews, focus groups and questionnaires used with Federal agency personnel in the course of completing the Affordability Study for OMB have also provided input and understanding of agency programs.

Many agencies point with pride to the quality worksite centers they sponsor either with GSA or on their own. However, recognizing that these provide care for a relatively small part of the Federal work force, some agencies have been active in providing other child care program options to supplement and complement worksite centers. Although helpful to employees, these do not focus on affordability.

For example, many of them provide help to their employees in finding appropriate forms of care through resource and referral services. In the vast majority of cases, this is done through the agency's contract with its Employee Assistance Program (EAP) and not through the more than 600 community-based agencies throughout the nation which specialize in resource and referral or some of the private sector providers of such services. Only the Internal Revenue Service, the Centers for Disease Control and the Department of Justice have indicated that they provide this service through a private sector provider. Others use or distribute the OPM Child and Elder Care Handbook, which is a helpful guide to locating alternate forms of care.

Many agencies offer on-site dependent care fairs, educational seminars and brown-bag lunch sessions to help educate employees about the care options available to them. Transportation, Labor, Education, Commerce, the National Science Foundation and the EPA are among those which have highly active programs of this kind. These are useful to employees in helping them understand the various forms of care available, how to select providers and how best to develop an effective working relationship with the selected caregiver.

Other agencies are testing unusual forms of child care. For example, one Department of Energy location has a Babies in the Workplace initiative, which allows employees to bring infants of 8 weeks to six months in age to work with them and care for them at their own work station. The Department of Interior has opened a Family Support Room at its Washington headquarters where employees can work and supervise mildly ill children at the same time, in special offices that combine desks and beds. The Department of Justice has a contract with a private sector employer to provide emergency child care when the employee's regular arrangements break down.

It is clear from our contacts with other agencies that they are both aware and very concerned about the affordability problem in Federal centers. In general they believe that resolving it will take authorization for agencies to spend additional appropriated funds to reduce operating costs and thereby reduce fees charged to parents. In this plan, however, GSA proposes a different strategy. It is a strategy that places its primary emphasis on taking new steps to generate additional revenue to support existing centers, as well as linking to local resources in the communities where lower income families need care.

II What GSA has done so far

In a briefing to Federal representatives on March l3, GSA promised that it would take a number of steps to determine how best to help agencies with the child care needs of low income workers.

First, we said that we would inventory all non-military federal child care centers around the country, and gather similar information from DoD, to determine what spaces exist in the centers we have, in what age groups and at what price to parents. That inventory shows that approximately l,000 more children could reasonably be accommodated in the existing system of GSA centers and as many as twice that number in the other non-DoD centers. Reasonable accommodation would not require physical expansion or construction, but it would require the hiring of additional staff and possibly some additional equipment. We will be in a position to provide more specific information to agencies about where these spaces exist, for what age children and at what cost by the end of May. The Department of Defense has indicated that no spaces are available in its centers at this time.

Second, recognizing that existing Federal worksite child care centers might be limited in their ability to accommodate enough children as well as not readily affordable to low income parents, GSA said it would link agencies in the field with local child care resource and referral organizations. These groups can assist employees in finding appropriate care at the community level--family day care, local centers, school-based programs and others. Initially, we provided agencies with an existing national 800 number (800-424-2246) of a project called Child Care Aware which was designed to ensure that parents have access to good information about finding quality child care and resources in their community. Use of that number will link local personnel officials in Federal agencies with the right resource and referral organization for their specific geographic area. Local resource and referral organizations are also the best source for current information on child care subsidies which may be available to low income working parents.

Third, we said that we would brief agencies to help them better understand the opportunities, complexities and inadequacies of the system of child care and early education. That briefing will be held in conjunction with The Child Care Bureau of the Department of Health and Human Services, the National Association of Child Care Resource and Referral Agencies and the Internal Revenue Service. It will be scheduled later this spring.

Fourth, GSA said it would contact national child care groups and private employers hiring welfare recipients to seek their ideas. This process is underway and will be ongoing. Once hiring plans are in place, and we can be more specific about where needs for child care will develop, this effort can be more targeted.

III GSA's Next Steps and Recommendations

A. Efforts to Make Existing Centers More Affordable

As its initial priority, GSA will take a number of steps to make existing Federal centers more affordable to more parents. It will do this principally by seeking additional funding sources and by improving the effectiveness and impact of local fund raising efforts to generate funds to support expanded tuition assistance scholarships. These will include:

1. If the steps outlined below are successful in generating additional funding streams for Federal child care centers, GSA will require through its governmentwide real estate leases that every child care center operating in Federal space institute a sliding fee scale to assure that lower income parents can more easily afford to use the centers. Absent a new funding stream, putting a sliding fee scale in place would simply mean increasing fees to higher income parents to offset reduced fees for lower income parents. It is estimated that as much as $8-l0 million in new funds would be needed to reduce tuition fees at the more than 200 non-DOD centers.

2. To generate additional funds to make sliding fee scales a reality, GSA will immediately retain expert fund raising and financial development counsel on a full time basis to develop a national fund raising strategy and implementation plan to support child care needs. This would supplement what individual centers are doing and would develop materials to greatly increase the scope, sophistication and results of current efforts. One possibility we will explore is the creation of a non-profit foundation to help generate a mix of private and public funds to support all Federal centers. As part of this intensified fund raising effort, GSA will ensure that all centers apply for and become part of the Combined Federal Campaign. And it will help provide centers with comprehensive fund raising training and effective materials to use in local fund raising efforts.

3. GSA will convene a Fund Raising Advisory Group to bring together agency personnel, large child care providers, representatives of center boards of

directors and others to create a forum in which new approaches to fund raising can be explored. For example, in order to generate enough funds to truly support low income families with tuition assistance, centers need to move from the present context of traditional bake sales and silent auctions to larger scale activities. These could include the enterprising use of their centers as sites for business activities that can produce ongoing revenue--for example, parenting education or other forms of training. It could also include special curriculum enrichment activities for children at the centers for which parents now pay other institutions--music or dance lessons, computer courses, gymnastics. These could be set up as profit making ventures for the child care centers.

4. A number of states have accomplished really creative work in exploring alternate funding and financing mechanisms for child care. GSA will draw upon the best ideas from these efforts which could be applied to child care offered in the Federal sector. In Colorado, for example, Governor Romer appointed a commission of 25 business leaders to examine financing structures for child care and early education from a business point of view. In Washington state a group called Child Care Works for Washington, a coalition of many organizations involved with children's issues, set as its goal to establish funding and policy priorities for early childhood care and education in the advocacy community.

5. GSA will seek opportunities to partner with private sector organizations to develop consortia for child care. GSA , for example, has already had initial conversations with the American Business Collaborative for Dependent Care (ABC), a private sector effort that has put together $l00 million from its member companies. GSA should work towards developing agreements with such groups that would facilitate the investment of private sector dollars in existing government centers in exchange for use of child care "slots." The goal would be to diversify funding sources so that more non-appropriated funds are available to support operations and tuition assistance programs. There are already two such consortium child care programs within the GSA system--one is a collaboration between the Federal Energy Regulatory Commission and the American Psychological Association whose combined center serves the needs of both groups. The other is a public-private partnership in Atlanta that brings together four private sector employers with the Federal community. Such

arrangements offer the promise of bringing non-appropriated funds into the center to help defray costs and provide scholarships.

B. Efforts to Develop Alternatives to Work Site Child Care

While every effort should be made to make existing centers more affordable, GSA can also lead an effort to explore lower cost alternatives to worksite centers. It can help its agency colleagues with intensified information, technical assistance and training, briefings of key groups and other related efforts. Some steps which could be taken include:

1. GSA will provide information to existing centers and agency personnel on child care subsidies which are available to low income parents in states, counties and cities. Additionally, agencies can be encouraged to work as advocates in behalf of existing low income working parents to be sure they have applied for child care subsidies which may be available to them.

2. Most agencies currently rely on their Employee Assistance Programs (EAP's) to provide child care resource and referral assistance to their employees. Accordingly, GSA will work with OPM to maximize the degree to which existing contracts and activities of Employee Assistance Programs provide this service at a level that is effective and complete enough to meet the needs of low income families for affordable care. To do this, briefing sessions will be scheduled to bring EAP staff together with local resource and referral experts who can provide updates on the current child care situation and options in a specific community. In addition, GSA will create a forum through which those agencies which have brought outside professional resource and referral services into their EAP programs, like the Internal Revenue Service and the Department of Justice, can share their experiences with other agencies.

3. GSA will work with Federal centers to determine whether group purchases of supplies, insurance and other shared needs could help reduce operating costs

for center operators with the understanding that savings generated in this way would be dedicated to tuition assistance programs. GSA can also negotiate governmentwide contracts with large providers of resource and referral services so that they can be more quickly and easily used by other agencies to meet the special needs of low income employees.

4/30
child care

$3 - $5 mi is for GSA center only
needed
(which is only

Affordability is a problem
we recognize it
we're working at
- $4 b) welfare bill
- we have these plans
- NAPA also has rec.

change to
Trible amendment

to use fed $ for fed employees
at a non-federal site

2

- Here's what GSA ~~does~~ is doing and will

- And here's what you + Congress can do (Trible)

Affordability is a problem in federal system as well as in wider world

- $14 bil subsidized child care
- these are for
  - GSA
  - Trible

3

By Tuesday

→ Faith will send us revised drafts

Meeting re: child care conference

→ set up process internal + way to consult w/ outside cc: EK, CR, DF, Tom, + return

Background Information
Child Care Proposal

A high-quality child care program is one that makes the healthy development and education of children its first objective and strives to stimulate the learning process of all children through developmentally appropriate activities that foster social, emotional, and intellectual growth.

Research has clearly demonstrated that no single factor ensures the quality of a child care program, but rather a combination of factors. This proposal incorporates current research into a multi-level approach for improving the quality of child care.

In the proposal, the terms credential and accreditation are used to refer to formal credentialing and accreditation processes by a private non-profit or public entity that is state recognized (minimum requirements: age-appropriate health and safety standards, age-appropriate developmental and educational activities as an integral part of the program, outside monitoring of the program/individual, accreditation/credentialing instruments based on peer-validated research, programs/facilities meet any applicable state and local licensing requirements, and on-going staff development/training). There are several organizations that currently provide accreditation and/or credentialing for early childhood development programs and professionals.

There is no question that higher quality child care is more expensive than custodial care. Therefore, most of these proposals will entail an increased expenditure of funds. When possible, potential budget offsets have been identified.

<u>Provisions to Encourage Parents to Place their Children in High Quality Care</u>

1. *Dependent Care Tax Credit*-

• Increase either the percentage of allowable child care expenses (current law - 20% to 30%) or the total amount of the eligible child care expenses (current law - $2,400 for 1 child; $4,800 for 2 or more) when the parent places a child in an accredited child care center or with a credentialed child care professional
AND
• Make the Dependent Care Tax Credit refundable for working families eligible for the ETIC

costs for this option: no budget impact if the Dependent Care Tax Credit is limited to families with adjusted gross incomes under $90,000 per year and a balance is reached regarding lowering the percentage of allowable child care

expenses for non-accredited/non-credentialed care balanced with an equal but opposite raise in the percentage for a ccredited/credentialed care.

2. *Dependent Care Assistance Plans (part of Flexible Spending Accounts authorized in the Economic Recovery Tax Act of 1981)* -

• Increase the amount which parents can contribute to a Dependent Care Assistance Plan when the parent places a child in an accredited child care center or with a credentialed child care professional

• Include a provision which requires federal agencies (including legislative, executive branch, and judicial) to offer Dependent Care Assistance Plans to federal employees.

• Permit working mothers who contribute to Dependent Care Assistance Plans to use the funds to pay themselves to stay home with their child--(best example, working woman finds out she is pregnant, signs up for the Dependent Care Assistance Plan, between the time she signs up and the time she gives birth she accumulates $4,000 in her account; upon the birth of her child, she stays home from work on maternity leave and draws down $1,000 per month for the next 4 months to help offset her loss of income for the time she stays home - advantage: the $4,000 she used is untaxed resulting in a tax liability savings).

AND

• Increase the maximum amount that can be placed in a Dependent Care Assistance Plan when dependent care is being provided for 2 or more persons.

Much of the cost can be offset by lowering the amount which parents can contribute for everyone, except those placing children in accredited/ credentialed care

5. Require states to include the costs of child care into calculations of child support obligations for custodial parents who work or are actively seeking employment with a differential rate for parents placing their children into accredited child care centers or with a credentialed professional.

No cost to federal, state, or local government

<u>Provisions to Encourage Child Care Providers to Offer Higher Quality Care</u>

1. Extend Perkins Loan forgiveness to individuals who accept employment in the child care field as a credentialed child care professional.

Miminal cost, no estimate available

2. Provide a tax exclusion or credit for businesses who provide educational assistance to child care providers which leads to accreditation or credentialing; if the child care provider is a 501(c)(3) this can already be done as a charitable deduction, if the provider is a religious provider or a "for-profit" entity such as a family child care home, then the contribution will need to be sent to a 501(c)(3) for distribution as scholarships or grants to the religious and family child care providers

Currently allowable by law, but should be referenced in package to encourage businesses to use their charitable giving in this manner. No additional costs.

3. Provide a time-limited, capped tax exclusion for employers or partnerships of employers who initiate child care arrangements for their employees- limit to start-up costs and the child care must be accredited or credentialed to qualify [can include starting child care center, funding family child care associations and child care resource and referral agencies to recruit and train new child care providers, sick care centers, funding on- or off-site after school programs, etc.]

Cost depends on the caps that are applied; will be written as a business expense deduction for employers under §162 of the tax code

4. Permitting businesses to receive a charitable tax deduction for donating educational equipment and materials to public schools and accredited/ credentialed child care providers (not related to employer sponsored or employer provided child care)

Donations to family and other "for profit" child care providers will need to be made through a non-profit association, resource and referral agencies or other similar entity currently qualified as a charitable entity under the tax code; the addition of public schools will entail minimal costs but is a necessary element politically and practically.

5. Expanding the federal clearinghouse activities regarding child care to: disseminate information to states, child care providers, and parents, initiating a public awareness campaign stressing the importance of high quality child care and how to identify such child care, and providing child care accreditation and credentialing entities that have been in existence for 5 years or less support and assistance (including competitive grants) to refine and evaluate their instruments/processes.

Discretionary funding costs, no estimates yet on the amount of funds realistically needed to expand the clearinghouse activities, support for accreditation entities is pretty flexible.

6. Establish an incentive program for states who affirmatively move to improve the quality of child care by: Establishing a subsidity program for child care professionals who are credentialed (to supplement their salaries); Increasing on-site monitoring to a minimum of twice yearly, including at least one unannounced visit; Developing state accreditation/credentialing standards for child care professionals; Establishing a scholarship program for child care providers to help in educational or training costs leading toward accreditation/credentialing; Expanding training and technical assistance activities; Improving state consumer education efforts re: child care including the expansion of resource and referral services, and Improving state child care complaint systems; and Providing increased rates of reimbursement available under all state and federal child care assistance programs for child care that is accredited or preformed by credentialed professionals. MIMIMUM REQUIREMENT FOR STATES TO PARTICIPATE: State has not lowered child care standards since 1995, State has not reduced the type of child care requiring state licensing or otherwise constricted the application of state child care licensing since 1995, and State is in compliance with the Child Care and Development Block Grant Act.

Funding is discretionary, unless the leftover funds from the welfare related child care (entitlement $) is designated for this purpose. Because states are required to match the federal funds to draw down a portion of the welfare-related child care entitlement funds, it is anticipated that there will be leftover funds at the end of each year. Under current law, those leftover funds are to be distributed the following year to states which have drawn down their full allocation of matching funds and demonstrate the ability to match and need for additional child care funds. It is estimated that at least $200 million will be needed to make this an effective incentive for states.

7. Require child care paid for from funds made available in the Social Services Block Grant, Public Housing Demonstration Grants, the Corporation for National and Community Service and other federal programs utilized in part for child care services to pay differential rates (20% higher) for accredited or credentialed child care services or activities leading to accreditation or credentialing.

No additional cost.

8. Provide a tax deduction for child care centers and providers for the costs required to achieve accreditation or receive professional credentials (including required training or education and the cost of obtaining the accreditation or credentialing)

Can already be deducted as a necessary business expense if the provider is a for profit entity, or as a Schedule C deduction for sole proprietors such as family child care providers. We need to get additional information to determine the feasibility of reducing the current tax floor for the costs of child care credentialing in order to make the tax deduction within the reach of individuals who obtain additional education or training leading to child care credentialing.

9. Create a national infrastructure to facilitate child care training and professional development including hardware needed to build interactive satellite network with at least 2 receiving locations in each state (number dependent upon geographic and population size of state); logistical mechanism for scheduling training events broadcast over the system; limited to 3 years for development and start-up of the system and infrastructure.

Discretionary funding. Proposal being developed by coalitionof child care professionals and groups. Costs to be determined.

10. Increase the use of funds of the Community Development Block Grant to include upgrading child care facilities to meet accreditation standards, and for renovating buildings for use as child care facilities, as long as the facilities achieve accreditation within 3 years.

No additional cost, just an expansion of the allowable uses for CDBG funds.

THE WHITE HOUSE

WASHINGTON

April 15, 1997

TO: BRUCE REED

FROM: MARK MAZUR

SUBJECT: TAX OPTIONS TO PROMOTE CHILD CARE

In the note Cynthia Rice sent you yesterday, she mentioned that I would develop some information on tax subsidies for child care. What follows is a short description of the existing dependent care tax credit (DCTC), three options to expand this credit, two other options to promote the provision of child care, and the tax credit for FICA taxes that Cynthia described. Note that all revenue estimates presented are just guesses and that Treasury would have to provide current estimates for any proposals that were developed. Please let me know if you wish to discuss these further.

Dependent Care Tax Credit. A taxpayer may claim a non-refundable income tax credit for eligible employment-related expenses related to dependent care. Eligible expenses include those for the care of a child under age 13 or a disabled dependent or spouse. Eligible expenses are limited to $2,400 for one dependent or $4,800 for two or more dependents. The credit rate depends on income, with a 30 percent credit rate for those with adjusted gross income below $10,000. The credit rate is reduced with income, so that those with incomes over $28,000 have a 20 percent credit rate.

In 1996, about 6.2 million taxpayers are expected to claim the credit at a total cost of about $2.8 billion (average credit is $445). The 30 percent credit rate is not very meaningful, because those with incomes below $10,000 generally do not have sufficient tax liability to claim the non-refundable credit. But about 1/4 of the total number of households claiming the credit have credit rates over 20 percent (and so have AGI below $28,000).

Those claiming the benefits of the credit are skewed toward the higher end of the income distribution, because (1) higher income households have enough tax liability to benefit fully from the credit; and (2) higher income households tend to spend more on eligible dependent care expenses. About 13 percent of the total tax benefit goes to taxpayers with AGI below $20,000 (about 45 percent of taxpayers), about 46 percent to taxpayers with AGI between $20,000 and $50,000 (about 35 percent of all taxpayers), and about 41 percent to taxpayers with AGI over $50,000 (about 20 percent of all taxpayers).

Possible Options to Promote Child Care.

(1) Make the existing Dependent Care Tax Credit (DCTC) refundable -- The existing DCTC is non-refundable, meaning that taxpayers whose income tax liability is less than the credit do not receive the full benefit. Making the DCTC refundable would make it similar to the Earned Income Tax Credit (EITC): taxpayers with low tax liabilities would receive a check from the IRS for the amount by which the credit claimed exceeds their tax liability. This would increase the value of the DCTC to low-income families, which is why child care advocates invariably bring up this proposal. However, the proposal has two drawbacks associated with it. First, making the DCTC refundable would lead to comparisons with the EITC. The comparisons would almost certainly focus on reported error rates, which are around 25-30 percent for the EITC. Congressional Republicans (including Senators Roth and Nickels) have been trying to cut the EITC for years, and proposing a new refundable tax credit may lead to increased attacks on the EITC. Second, refundable tax credits (except the EITC, which is grandfathered under budget rules) generally require annual appropriations for the refundable portion. If taxpayers have to wait until Congress appropriates sufficient funds to cover the refundable portion of a tax credit, the delay could interfere significantly with their planning.

> Treasury estimates the revenue cost of this proposal at around $4 billion for 1998-2002. The Joint Committee on Taxation (JCT) estimated a much smaller amount last year (around 1/2 the size of the Treasury estimate), but it is likely that new JCT estimates would be much closer to Treasury's.

(2) Increase the maximum amount of eligible dependent care expenses to $3,600 for one dependent and $5,400 for two or more dependents (Senator Roberts proposal). This would increase the tax credit that could be claimed by taxpayers who spend more than the current limit on eligible expenses ($2,400 for one dependent and $4,800 for two or more dependents). The proposal would disproportionately benefit those with higher incomes, since that is who spends more than the current law limit on dependent care expenses.

> Treasury has not estimated the revenue cost for this proposal. However, almost any revenue target within the 1998-2002 budget window could be met by choosing a different maximum and/or phasing it in over a number of years. For example, the limits in the Roberts proposal could be achieved by increasing the maximum $300 per year for 4 years ($150 per year for taxpayers with expenses for two or more dependents).

(3) Change the AGI range over which the 30 percent credit rate declines to 20 percent. The phasedown range was set in 1981 and has not been adjusted for inflation. Overall price levels have increased by about 70 percent since then, and a simple increase for inflation would change the credit rate phasedown range to $17,000-$45,000. This proposal would benefit those with low and middle incomes by providing these families with a higher credit rate. (Taxpayers with AGI over $45,000 would continue to claim the same 20 percent credit rate as under current law.) Over half of current DCTC claimants would benefit from this proposal.

Treasury estimates that this proposal would cost about $2 billion over 1998-2002. This revenue cost could be reduced if the changes to the phasedown range occurred in steps.

(4) Provide a non-refundable tax credit for firms that construct, expand, or renovate child care facilities. The credit rate and maximum annual credit could be chosen to meet a revenue target. Senator Kohl has a similar proposal that would allow firms to claim a tax credit for up to 50 percent of the cost of building, renovating, or operating child care centers, with a credit limit of $150,000 per year. Excluding operating costs from expenses allowable for the credit keeps the revenue cost down and ensures that the credit is targeted toward capital costs that may be difficult for firms to finance.

JCT has estimated the revenue cost of the Kohl proposal at $2.6 billion over 1998-2002 (but note that the Kohl proposal is not available for years after 1999, reducing its overall revenue cost). Limiting the credit to construction, expansion, and renovation expenditures should reduce the revenue cost to well below $1 billion for 1998-2002.

(5) Permit taxpayers to exclude from income amounts of loan forgiven by certain entities. Under current law, loan forgiveness is generally counted as taxable income in the year that the loan is partially or wholly forgiven. This provision, included in the Administration's FY 1998 Budget, would provide an income tax exclusion for income generated by forgiven loans, if the party forgiving the loan is a government or a charitable organization. The intent of this provision is to provide a financial incentive to enter public service professions, by allowing conditional forgiveness of loans without adverse tax consequences. Child care providers appear to fit the broad classes of employment that would qualify for this special tax treatment. The main difficulty in making this proposal work is to find charitable organizations, universities, or governments that are willing to make loans to people who want to become child care providers and are also willing to forgive a portion of the loans as the borrowers enter the designated profession.

The revenue cost of this proposal would be minimal (or even zero) because it appears that only a clarification of the proposal is needed to ensure that child care workers are eligible.

(6) Expand the Welfare-to-Work tax credit. The Administration's FY 1998 Budget proposed a 50 percent non-refundable income tax credit for employers who hire long-term welfare recipients. Up to $10,000 in wages would be eligible for the credit, with wages defined broadly to include health insurance, child care, and training expenses. This proposal would provide an additional tax credit for the employer share of FICA taxes that would be paid to long-term welfare recipients. This proposal appears to be duplicative of the tax credit already proposed by the Administration and could easily distract attention from the larger welfare-to-work tax credit. If there is a chance that the Administration will be successful in having its proposed welfare-to-work tax credit enacted, this add-on credit probably should not be pursued.

cc: CRice, EKagan, PAbernathy, PWeinstein

DATE March 21, 1997

TO Cynthia Rice

TEL #

FAX # 456-7431

FROM Kate Sparks

SENATOR HERB KOHL
Wisconsin

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TOTAL PAGES (including cover) 8

REMARKS Sorry we missed each other — let's talk Monday! Kate (224-9559)

Congressional Record

United States of America

PROCEEDINGS AND DEBATES OF THE 105th CONGRESS, FIRST SESSION

Vol. 143 WASHINGTON, TUESDAY, JANUARY 21, 1997 No. 4

Senate

CHILD CARE INFRASTRUCTURE ACT

Mr. KOHL. Mr. President, today I rise to introduce the Child Care Infrastructure Act. This legislation is designed to give incentives to private companies to get involved in the provision of quality child care. I introduced the bill as S. 2088 late last year, and I intend to make its passage this year one of my highest priorities.

My bill responds to the challenges presented by the landmark welfare legislation enacted last Congress. And it responds to the fundamental changes in the American economy that have led to parents entering the work force in record numbers.

The Child Care Infrastructure Act creates a tax credit for employers who get involved in increasing the supply of quality child care. The credit is limited to 50 percent of $150,000 per company per year. The credit will sunset after 3 years. The credit goes to employers who engage in activities like: Building and subsidizing an entire child care center on the site of a company or near it; participating, along with other businesses, in setting up and running a child care center jointly; contracting with a child care facility to provide a set number of places to employees—this gives existing centers the steady cash flow they need to survive, or it can give a startup center the steady income it needs to get off the ground; contracting with a resource and referral agency to provide services such as placement or the design of a network of local child care providers.

This legislation responds to a great need, a great challenge, and a great opportunity. The need is to provide a safe and stimulating place for our youngest children to spend their time while their parents are at work. The challenge is to make the American workplace more productive by making it more responsive to the needs of the American family. And the opportunity is to take what we are learning about the importance of early childhood education and use it to help our children become the best educated adults of the 21st century.

The need for quality child care is certainly apparent. As real wages have stagnated over the last decade, many families have adapted by having two wage earners per family. Also, over the same period, the number of children living in mother-only families has increased—in 1950, 6 percent of all children lived in mother-only families: in 1994, that number was 24 percent. In my home State of Wisconsin, 67 percent of women with children under 6 years old are in the work force according to Children's Defense Fund. And in Milwaukee County, about 56 percent of children under the age of 6 have both parents in the work force or their sole parent in the work force. That translates into about 67,600 children under the age of 6 in that county who right now are already in need of or in child care.

With the passage of the welfare reform law, and the implementation of W-2, Wisconsin's welfare reform State plan, the need for child care will become even greater. A recent report done for the Community Coordinated Child Care of Milwaukee found that the implementation of W-2 will lead to the need for over 8,000 new full-time child care slots in Milwaukee County alone.

Wisconsin is not unique in facing this overwhelming shortage of child care slots. Across the Nation, States and communities are facing the same issue. Where are our youngest children going to spend the day while their parents are at work?

This is not the sort of market shortage we can or should address haphazardly. There is nothing less at stake than the welfare of our children. Study after study has found the enormous importance of early childhood education and care—and by early education, the experts mean the education of 0 to 4 year olds. One University of Chicago researcher has claimed that intelligence appears to develop as much during the years 0 to 4 as it does from the years 4 to 18.

If we are simply warehousing kids in these early years, we are going to not only hamper their ability to develop fulfilling and productive lives, but we are hurting ourselves. We are resigning ourselves to trying to solve educational and developmental problems—at great expense—for the rest of these children's lives.

As obvious as this point may seem, the desperate need for quality early child care is not a problem that this Nation has addressed. As a Nation—and I mean Federal, State, local, and private resources—over the last 10 years, we have doubled our expenditures on educating 5 to 25 year olds to $500 billion. Contrast that with the mere $4 billion we are spending on Head Start, and 95 percent of that is on children 3, 4, and 5 years old. Only $100 million out of $500 billion is spent on the period when the most significant development takes place—that's one-fifth of one thousandth of what we spend on ages 5 through 25.

Obviously, our investment in children has not kept up with what we now know about how children learn and develop in their earliest year.

There is another reason to care about the supply of quality child care—especially for businesses to care about quality child care. Employees who are happy with their child care situations are better employees. They are more productive, have less absenteeism, and are more loyal to their company.

Clearly, there is a shortage of quality child care, and equally clearly, there is a benefit to the private sector if they are involved in solving that shortage. The approach I take in my legislation is to try to encourage private businesses to undertake activities that would increase the supply of quality child care.

The legislation gives flexibility to businesses that want to get involved in providing child care for their employee's dependents. Though the shortage of quality child care is definitely a national problem, it does have uniquely local solutions. What sort of child care infrastructure works best in a community is going to depend on the sort of work that community does—whether there are many part-time or odd hour shifts, whether the local economy has a few very large employers or a lot of small employers, or some mix. My legislation includes a tax incentive that would allow many different kinds of businesses to take advantage of it—and that would allow them to be as creative as possible.

The 21st century economy will be one in which more of us are working, and more of us are trying to balance work and family. How well we adjust to that balance will determine how strong we are as an economy and as a Nation of families. My legislation is an attempt to encourage businesses to play an active role in this deeply important transition.

In the 1950's, Federal, State, local governments, communities, and businesses banded together to build a highway system that is the most impressive in the world. Those roads allowed our economy to flourish and our people to move safely and quickly to work. In the 1990's, we need the same sort of national, comprehensive effort to build safe and affordable child care for our children. As more and more parents—of all income levels—move into the work force, they need access to quality child care just as much as their parents needed quality highways to drive to work. And if we are successful—and I plan to be successful—in the 21st century excellent child care will be as common as interstate highways.

Child care is an investment that is good for children, good for business, good for our States, and good for the Nation. We need to involve every level of government—and private communities and private businesses—in building a child care infrastructure that is the best in the world. My legislation is a first, essential step toward this end.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

news from
HERB KOHL
United States Senator
Democrat of Wisconsin

330 Hart Senate Office Building • Washington, D.C. 20510 • (202) 224-5653

FOR IMMEDIATE RELEASE: January 21, 1997
Contact: Brad Fitch or Lynn Becker Phone: (202) 224-5653

KOHL INTRODUCES "CHILD CARE INFRASTRUCTURE ACT" ON FIRST DAY OF 105th CONGRESS

WASHINGTON -- U.S. Senator Herb Kohl today introduced the Child Care Infrastructure Act, a bill to increase the supply of quality child care in the United States. The bill would provide private companies and institutions with tax credits to encourage them to build on- or near-site day care centers to meet the rapidly growing demand for child care. Senator Kohl noted that 67% of women in Wisconsin with children under six years old are in the workforce, yet there is only one accredited child care center for every 2,800 of these kids. Further, it is estimated that 70,000 children will need child care as a result of the work requirements created by Wisconsin's W-2 welfare reform plan. Senator Kohl spent the recent Congressional recess visiting child care centers and meeting with business owners to seek input and build support for his bill.

"This legislation recognizes a great need, a great challenge, and a great opportunity. The need is to provide a safe and stimulating place for our youngest children to spend their time while their parents are at work. The challenge is to make the American workplace more productive by making it more responsive to the needs of the American family. And the opportunity is to take what we are learning about the importance of early childhood education and use it to help our children become the best educated adults of the 21st century," Kohl said. "I intend to make passage of this bill one of my highest priorities."

In Wisconsin, there are almost 6,500 children from 4,000 families on waiting lists for child care. Senator Kohl's legislation creates a tax credit for employers who get involved in increasing the supply of quality child care by, for example, building and subsidizing an entire child care center or reserving slots for employees in an existing child care center. The credit is designed so that any company, small or large, has an incentive in providing child care to its employees. Studies show that organizations that provide child care benefits to their employees tend to attract better qualified applicants, keep their employees longer, and experience lower levels of absenteeism. The credit is limited to 50% and capped at $150,000 per year. Kohl said he would pay for the incentive by closing certain loopholes in the current tax system.

Senator Kohl's bill was lauded in this month's issue of "Working Mother" magazine. Kohl said he will begin building bipartisan support and recruiting Senate cosponsors to strengthen the bill's prospects for becoming law.

HERBERT KOHL
WISCONSIN

WASHINGTON OFFICE:
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WASHINGTON, DC 20510
(202) 224-5653
T.D.D. (202) 224-4464

United States Senate
WASHINGTON, DC 20510-4903

COMMITTEES:
APPROPRIATIONS
JUDICIARY
SPECIAL COMMITTEE ON AGING

BILL SUMMARY

CHILD CARE INITIATIVE
PROPOSED BY SENATOR HERB KOHL (D-WI)

Senator Kohl introduced a tax credit proposal designed to provide an incentive to private sector businesses willing to take actions that increase the supply of quality child care. His bill will make the credit available for child care supply increasing activities such as:

- Expenses related to the acquisition, expansion, or repair of an on- or near-site day care center, after hours care facility, or sick child facility. This credit would also be available for a consortium of businesses that joined together to create a child care center
- Direct company subsidization of the operating costs of a child care facility
- The cost of a company's contract with a Child Care Resource and Referral service
- A company's reservation for their employees of child care slots in a licensed child care facility.
- Company expenditures on training and continuing education for child care workers

The credit would be 50% for eligible activities and capped at $150,000 per year. Safeguards in the legislation ensure that the companies receive the tax credits for capital expenditures that go toward facilities that stay in operation for several years and that primarily serve their employees. The credit sunsets after three years.

The credit can be paid for by the elimination of tax loopholes that have outlived their usefulness. A cost estimate of the legislation is not yet available, however this proposal will not increase the budget deficit.

January 1997 Working Mother 9

LOLLIPOPS to Senator Herb Kohl (D-Wis.) for encouraging businesses to do their part for the nation's children. Kohl has proposed a tax credit for companies that support child care by providing direct child care subsidies to employees or centers, sponsoring a resource and referral agency or paying for training of child care providers. Under the proposal, businesses would be credited for 50 percent of the costs, with a maximum credit of $150,000 per year. "This is not the only answer, but it is a significant way to provide for child care as we move into the twenty-first century," Kohl says. He estimates the cost of the credit to be about $2 billion over seven years—the same price as one of the 20 B-2 bombers scheduled to be made in the next two years.

Congress of the United States
JOINT COMMITTEE ON TAXATION
Washington, DC 20515-6453

JAN 31 1997

Honorable Herbert Kohl
United States Senate
Washington, DC 20510-4903

Dear Senator Kohl:

This letter is in response to your request dated January 6, 1997, for a revenue estimate of your bill to allow employers a credit for the gross expenses of providing child care services to their employees.

Specifically, your bill would grant employers a tax credit equal to 50 percent of the qualified child care expenditures (up to a maximum of $150,000) paid or incurred by the employer during the taxable year to acquire, construct, rehabilitate, expand, or operate a qualified child care facility. For purposes of this proposal the term "qualified child care facility" means a child care center: (1) the principal use of which is to provide child care, (2) which complies with all applicable laws and regulations of a State or unit of local government in which it is located, and (3) which is not a principal residence (within the meaning of Internal Revenue Code section 1034) of the operator of the facility. The enrollment in the qualified child care facility must be open to the employees of the taxpayer during the taxable year and the use and the eligibility to use such a facility must not discriminate in favor of employees of the taxpayer who are highly compensated employees (within the meaning of Internal Revenue Code section 414(q)). If, as of the close of any taxable year, there is a recapture event with respect to any qualified child care facility of the taxpayer, then the tax of the taxpayer for such taxable year shall be increased by the product of the aggregate amount of credits allowed resulting from qualified child care expenditures for all prior taxable years and an applicable recapture percentage.

It is assumed that this bill would be effective for taxable years beginning after December 31, 1996, and would not apply to taxable years beginning after December 31, 1999. The effect on Federal fiscal year budget receipts is shown below.

Congress of the United States
JOINT COMMITTEE ON TAXATION
Washington, DC 20515–6453

Honorable Herbert Kohl
United States Senate

Fiscal Years [Billions of Dollars]						
1997	1998	1999	2000	2001	2002	1997-2002
-0.2	-0.4	-0.5	-0.7	-0.5	-0.1	-2.6

NOTE: Details do not add to totals due to rounding.

I hope this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,

/S/

Kenneth J. Kies

EXECUTIVE OFFICE OF THE PRESIDENT

Office of Management and Budget
Associate Director for Human Resources
260 Old Executive Office Building
Washington, DC 20503

Fax #: 395-5730 Phone #: 395-4844

FACSIMILE COVER SHEET

DATE: 3-20

TO: Cynthia Rice

Fax Number:

Number of pages (including cover sheet): 8

FROM: Ken Apfel

REMARKS:

Draft memo on
Child & Depend Care Tax credit

Cynthia — These numbers are no longer accurate ttm

Child & Dependent Care Tax Credit -- Options for Expansion

DRAFT

1. Make the Credit Refundable

Estimated Costs (1997-2002):

Treasury Estimate:	\$4.2 billion
JCT Estimate:	\$2.1 billion

2. Expand the Credit So Working Families and Families With Young Children Benefit More

This proposal would have 3 main components:

(1) *Increase the income levels between which the credit rate phases down.* The credit rate would phase down from 30% at \$17,000 to 20% at \$45,000 (compared to \$10,000 and \$28,000 under current law).

(2) *Increase creditable child care expenses for all eligible children.* The credit rate would be applied to up to \$2,500 in child care costs for one child and to \$5,000 for two or more children (compared to \$2,400 and \$4,800). This would increase the maximum credit for one child to \$750 (from \$720) and for two children to \$1,500 (from \$1,440).

(3) *Increase creditable child care expenses substantially further for children ages 0-5.* This would recognize the higher costs of child care for younger children. The credit rate would be applied to up to \$4,000 in child care costs for one child and to \$8,000 for two or more children (compared to \$2,400 and \$4,800) below age 6. This would increase the maximum credit for one child to \$1,200 and for two children to \$2,400.

Those who would benefit most from this expansion are single parents with young children. Taken together, the first two components would account for \$2.1 billion of total costs (the majority of which would be due to increasing the credit rate phase-down income levels rather than increasing creditable expenses). Increasing creditable expenses substantially further for young children would cost \$1.5 billion.

Estimated Costs (1997-2002):

Treasury Estimate:	\$3.7 billion
JCT Estimate:	n/a

August 15, 1996

Background on the Child & Dependent Care Tax Credit

The Child & Dependent Care Tax Credit is an income tax credit for taxpayers who incur employment-related expenses for child care or other dependent care.

- Eligibility. The credit is available to single parents who work and to two-parent families in which both parents work. Families in which one parent is either a full-time student or physically incapable of caring for him- or herself are also eligible. Dependents must be under age 13 or incapable of caring for themselves in order to qualify for the credit.

- Credit amount. The maximum allowable credit for families with one child in care ranges from $720 for families whose income does not exceed $10,000 to $480 for those whose income is above $28,000. The maximum credit for families with two or more children in care ranges from $1,440 to $960. The credit may not exceed the earnings of the lesser-earning spouse in a two-parent family. There is no income ceiling or further reduction in credit for families that earn more than $28,000. The credit is determined as follows:

  - The tax law limits creditable expenses to $2,400 for one child and $4,800 for two or more children. In two-parent families, creditable expenses may not exceed the earned income of the lesser-earning spouse.

  - The actual credit is an income-based, sliding-scale percentage of incurred creditable expenses. The percentage is set at 30 percent for families with income at or below $10,000 and drops one percentage point for each $2,000 increase in earnings until earnings reach $28,000. The percentage is set at 20 percent for incomes at or above $28,000. (The maximum allowable credit for a family earning $28,000 with one child in care is therefore 0.2*$2,400, or $480.)

- Claiming. The credit is a non-refundable tax expenditure claimed by taxpayers on their annual tax return. Taxpayers first compute their Federal income tax liability and then subtract their dependent care credit to arrive at a final liability amount. Because it is non-refundable, the dependent care credit may not exceed a taxpayer's Federal tax liability.

  - Since low-income families whose earned income falls below $10,000 have little or no tax liability, they are relatively unable to benefit from the credit. In addition, other low-income earners who earn slightly more than $10,000 are not able to claim the maximum credit because the maximum credit amount is greater than their tax liability. (They can claim a portion less than the maximum credit amount.) Table 1 shows the claimable credit for returns with maximum allowable expenses in 1993. As illustrated, the maximum credit amount for a single dependent cannot be claimed until a family earns approximately $18,000 and for two or more dependents until a family earns approximately $22,000 (depending on whether the tax return is filed jointly or as a head of household).

- Participation. From 1976 to 1993, the number of families who claimed the child and dependent care credit increased from 2.7 to 6.1 million, the aggregate amount of credits claimed increased from $0.5 billion to $2.6 billion, and the average amount of credit claimed per family increased from $206 to $420.

— IRS data from 1992 show that 13 percent of the benefit from the credit accrues to families with AGI of less than $20,000; about 48 percent to families with AGI between $20,000 and $50,000; and about 38 percent to families with AGI above $50,000. Less than one percent of head of household returns with AGI less than $10,000 were projected to claim the dependent care credit in 1993 (primarily because they do not have positive tax liabilities, and they may not be using cash child care arrangements), compared to over 79 percent for head of household returns with AGI between $10,000 and $30,000.

Table 1. Claimable Credit for Maximum Allowable Expenses, 1993*

Adjusted Gross Income	Joint Return		Head of Household	
	1 Dependents	2 Dependents	1 Dependents	2 Dependents
$10,000	0	0	0	0
$14,000	$113	0	$578	$225
$18,000	624	360	624	825
$22,000	576	960	576	1,152
$26,000	528	1,056	528	1,056
$28,000+	480	960	480	960

*Shaded areas represent the maximum claimable credit for an income level. Non-shaded areas are amounts less than the maximum claimable credit.

CHILD & DEPENDENT CARE TAX CREDIT (DCTC)

Options for Using the DCTC to Make a Major Increase in Volume or Quality of Child Care for Working People

Current Law and Administration Proposals

A family with two working parents and one child earning $18,000 total per year would qualify for a non-refundable current law dependent care tax credit of up to $624, a refundable current law earned income tax credit of $1,131, and potentially a small portion of the Administration's proposed non-refundable $500 child credit. If the full amount of each of these credits is assumed (which is not likely to happen because the family's tax liability is not high enough to qualify for the full non-refundable credits), the total credit to the family would be just over $2,200.

Costs of Child Care

HHS estimates that child care for those in welfare-to-work programs costs an average of $3,700 per year in 1996. (Other estimates may be lower.) The maximum value of each credit combined would cover only slightly more than half the full cost of the family's child care.

Summary of Options

Depending on the definition, child care for lower income families is provided by the Federal Government through a number of sources: Head Start, Title I, the Social Services Block Grant, the Child Care & Development Block Grant, At-Risk Child Care, Transitional Child Care, and AFDC/JOBS Child Care. Expanding the child & dependent care tax credit is one way to help cover more child care costs for working families.

DCTC Options (Treasury Pricing Needed)

1. Make the Credit More Valuable to Middle and Lower Income People By Making It Refundable. Since low-income families generally benefit less from the DCTC because their tax liability is not high enough to qualify them for the full benefit or to qualify at all, one option to expand the credit is to make it refundable. This would qualify those with little or no tax liability for the credit and increase the number of families receiving Federal subsidies for child care. The Coalition balanced budget proposal and the Stenholm/Deal welfare reform proposal included this provision. Assuming an implementation date of January 1, 1997, JCT estimates of cost would probably be approximately $2.1 billion over 6-years and $0.2 billion in 2002 (based on scoring of the Stenholm/Deal bill). Treasury scoring is higher -- $4.2 billion -- due to different assumptions about take-up rates. (Treasury also does not generally favor refundable credits and might argue against this option.)

2. Increase the Amount of the Credit. The current maximum allowable credit for a family with one child ranges from $720 for those with income below $10,000 to $480 for those earning above $28,000. The average credit claimed was projected to be $435 in 1994. By

comparison, HHS estimates of the average full-time cost of providing child care to those in welfare-to-work programs are $3,700 per year in 1996. To more accurately reflect actual expenses for child care, the amount of the dependent care tax credit could be increased. There are a couple of ways to do this, although we do not have any cost estimates for these options. These options could be phased in and/or combined.

a. *Increase the limit on creditable expenses.* Under current law, filers can only claim credit on a percentage of actual dependent costs, with a $2,400 limit on expenses for one child and a $4,800 limit on expenses for two or more children. These limits could be increased. For example, if the HHS welfare reform estimate of average child care costs ($3,700) were used, the maximum allowable credit would be increased to $1,110 (from $720) for filers with income below $10,000, and to $740 (from $480) for filers with income above $28,000. Other ways to increase the limit on creditable expenses are to allow higher costs for filers with more than two children (rather than limit the creditable expenses for them to the same level as filers with two children), or vary creditable expenses by the age of children in care.

b. *Increase the credit percentage.* Currently, the credit is calculated as a percentage of costs, with lower-income families allowed to claim a greater percentage (30%) of costs than higher income families (20%). The credit percentage could be increased to 35% and 25% respectively, raising the actual credit to $840 (from $720) for filers with income below $10,000, and to $600 (from $480) for filers with income above $28,000.

c. *Change the rate at which the credit percentage is phased down.* The credit rate currently phases down from 30% to 20% within the income range of $10,000 to $28,000. The rate could be phased down more gradually, i.e., from $10,000 to $45,000, to allow those with lower income to claim a larger credit.

3. Develop Incentives for Families to Use High Quality Child Care. Another option is to increase the allowable credit amount for filers who document that child care was provided by high quality child care providers, such as those that have received accreditation from a nation child care board. (HHS has been considering child care performance measures based on the number of providers that have been nationally accredited, so it appears that such documentation could be provided by filers. This would have to be explored further, however.) The increase could be provided in the form of a higher credit rate for those who document the use of high quality child care. We think Treasury may object to this proposal based on feasibility/enforceability concerns.

Child Care Options

(Dollars in Billions)

These options help low-income working families get child care assistance without going through the welfare line. While the new welfare reform bill added essential new child care funds, it also tightened the competition for these resources between welfare families struggling to enter the workforce and low-income working families struggling to stay off welfare. These options outline different ways to target additional child care funds to working poor families -- the first is a revenue option, the other two are entitlement options.

	FY98	FY99	FY00	FY01	FY02	FY98-02 Total
1. **Make the Child & Dependent Care Tax Credit (DCTC) refundable.** By 2002, this benefits over 2 million low-wage tax filers who have little or no tax liability.	0.1	1.1	1.1	1.3	1.4	4.9
2. **Increase child care funding for working families.** This benefits 500,000 children in FY 2002 in families earning up to 85% of State median income.	0.2	0.3	0.5	1.0	1.5	3.5
3. **Increase after-school child care funding for latch-key children in working poor families.** This benefits 1 million school-age children in FY 2002.	0.2	0.3	0.5	1.0	2.0	4.0

CHILD CARE OPTIONS

These options help low-income working families get child care assistance without going through the welfare line. While the new welfare reform bill added essential new child care funds, it also tightened the competition for these resources between welfare families struggling to enter the workforce and low-income working families struggling to stay off welfare. These options outline different ways to target additional child care funds to working poor families -- the first is a revenue option, the other two are entitlement options.

1. Make the Child & Dependent Care Tax Credit (DCTC) Refundable

- Proposal. Because the DCTC is non-refundable, only people who have tax liabilities can benefit from it, excluding many low-wage working families. Making the credit refundable would reach many of the working families who currently receive no child care assistance. Assuming interactions with the proposed $500 child credit, this proposal would cost $4.9 billion over FY98-02 and $1.4 billion in FY02.

- Impact. By 2002, refundability would benefit over 2 million tax filers, with an average credit of $500-$600 per tax filer. Most of these filers have income below $30,000.

- Treasury notes that administration of the credit may be difficult. Low-income families need funds for child care in "real time," but most will not be able to obtain the credit until they file a tax return at the end of the year. Moreover, the IRS cannot verify child care expenditures prior to the payment of the credit, which could cause compliance problems. HHS believes that administration of the credit's refundability should not be a problem.

2. Increase Child Care Funds to Reach Half A Million More Children in Working Families

- Proposal. The Child Care & Development Block Grant is a direct subsidy program (with discretionary and mandatory funding streams) for low-income working families earning up to 85% of State median income. This proposal would cost $3.5 billion over FYs 98-02 and $1.5 billion in FY02. These dollars would be mandatory and matched with State funds.

- Impact. This option targets a larger individual subsidy to a smaller number of low-income working families. The families of 500,000 children in FY02 would receive an average Federal payment of $2,700 per year toward their child care expenses. This would provide critical support to working families who would otherwise be unable to remain off welfare.

3. Increase Child Care Funds for 1 Million More Latch-Key Children in Working Families

- Proposal. This would support services for more children than Option 2, since school age care is part-time and maximizes use of school facilities. This proposal would cost $4.0 billion over FYs 98-02 and $2.0 billion in FY02. Like Option 2, State match is assumed.

- Impact. This targets a smaller individual subsidy to a larger number of working families. The families of approximately 1 million school-age children in FY02 would receive an average Federal payment of $1,800 per year toward child care expenses. This would help more families move from part-time work, protect children from being left home alone after school while their parents work, and complement the President's America Reads Initiative.

EITC

error rate 25-30%

Treasury doesn't like refundable credit
→ fraud → draw attack to EITC

Normally refundable credit requires
appropriations

only EITC has exemption
→ would have to link it to that

Fax Cover Sheet
for the
UNITED STATES SENATE
Committee on the Budget
Minority Staff

Date: 3-19 Time:

TO: Cynthia

Office:

Fax Number: 456-~~2431~~ 5581 fax

FROM: ***Joan Huffer***

Phone Number: 202/224-7436

Fax Number: 202/228-3898

Page(s) to follow, including cover sheet: 2

Description of Document / Comments:

Child Care

This is same as Rep. McKinney HR 3332 from 104th w/ different offset (he didn't co-sponsor)

03/19/97 12:44 ☎ 002/002

to: Joan Huffer

PAT ROBERTS
KANSAS
116 DIRKSEN SENATE OFFICE BUILDING
WASHINGTON, DC 20510-1605
202-224-4774

COMMITTEES:
ARMED SERVICES
AGRICULTURE
INTELLIGENCE
ETHICS

United States Senate

WASHINGTON, DC 20510-1605

-Pa

March 10, 1997

Dear Colleague:

The demand for quality, affordable child care has soared over the past decade. Changes in family structure, larger numbers of working mothers, and significant changes in social policy have helped to drive this increase. In fact, 60 percent of all preschool-aged kids are now participating in a child care or early education program. This places a growing strain on the parents of these 13 million children who are trying to juggle the constant demands of work and family.

To address this critical family issue I will introduce the "Child Care Expansion Act" later this week. Specifically, this legislation includes:

- A major expansion of the Child and Dependent Care Tax Credit for working parents up to a maximum of $1,620 annually. This bill increases employment-related expenses from $2,400 to $3,600 for one child and from $4,800 to $5,400 for two or more children and allows the maximum 30 percent credit for all taxpayers with incomes below $20,000. The credit is phased out for higher income wage earners.

- A short-term flexible grant program to encourage small businesses to work together to provide day care services for their employees. This is a three-year program that will allow local businesses to receive funds for start-up costs, training, scholarships, or other related activities. A maximum of $50,000 will be made available on a matching grant basis to encourage businesses to provide self-sustaining facilities well into the future.

- Expansion of IRS rules to allow more parents to deduct home office expenses from their taxes. This legislation allows an exception to the "exclusive use" rule permitting mixed use of space for business and personal purposes in the case of taxpayers who conduct home-based business while caring for dependents.

- Encouragement for older Americans already participating in federally-supported programs to provide child care services in their communities.

If you are interested in cosponsoring or have any further questions, please let me know or have your staff contact Heidi Cashman of my staff at 4-3958.

Sincerely,

Pat Roberts
U.S. Senator

MARCH 25, 1997

MEMORANDUM FOR BRUCE REED AND ELENA KAGAN

FROM: CYNTHIA RICE

SUBJECT: CHILD CARE IDEAS

The new welfare law increased child care spending by nearly $4 billion--a hard-won victory for the President. Generally, analysts agree that the new law provides enough funding for welfare recipients entering the workforce. Yet there is growing concern that working poor families will be short-changed as available subsidies are directed toward former welfare recipients. Even the Congressional Budget Office last December concluded that the new law is $1.4 billion short of the resources needed to maintain current child care programs for at-risk, working poor families and provide enough child care for newly working welfare recipients. In addition, there are persistent concerns about the quality of care most children receive in the typical child care setting.

Here are a few ideas for ways to address these problems.

- **Make the Child and Dependent Care Tax Credit Refundable.** Current tax law provides a tax credit for child care expenses of up to $2,400 for one child and $4,800 for two or more children. The credit is not refundable, however, meaning families with little or no income can't benefit. In August, the Joint Tax Committee concluded it would cost $2.1 billion from 1997-2002 to make the tax credit refundable; the Treasury Department estimate was inexplicably twice as high. The Blue Dog budget released last month made the credit refundable but paid for it by eliminating the tax benefit for families with incomes over $100,000.

- **Endorse Senator Kohl's "Child Care Expansion Act."** Senator Kohl's bill provides tax credits to private companies and institutions to encourage them to build quality child care centers on-site or near their companies. (Generally, child care centers are considered to be higher quality than family day care, which operate out of individual homes, because centers have to meet certain state staffing and safety rules.) His bill, introduced in January, was lauded in a recent edition of Working Mother magazine. It would provide a 50% credit for eligible activities up to $150,000 per year per business. The Joint Tax Committee estimates the cost to be $2.6 billion from 1997-2002.

- **Endorse Republican Senator Pat Roberts of Kansas' "Child Care Expansion Act."** His bill would: 1) Increase the amount of the Child and Dependent Tax Credit to $3,600 for one child and $5,400 for two. This would not help the lowest-income families since the credit would still not be refundable. 2) Provide matching grants of up to $50,000 for small businesses that work together to provide day care for their employees. 3) Expand the IRS rules to allow more parents to deduct home offices expenses from their taxes. This provision would allow an exception to the "exclusive use" rule permitting mixed use of space for business and personal purposes in the case of taxpayers who conduct home-based business while caring for dependents. 4) Encourage older Americans participating in federally-supported programs to provide child care services in their communities. A cost estimate for this bill is not yet available.

DOMESTIC POLICY COUNCIL
THE WHITE HOUSE
WASHINGTON, DC 20502
Second Floor, West Wing
202/456-5374
202/456-2878 FAX

To: Cynthia

Fax: (7431)

From: **Pauline Abernathy**
Domestic Policy Council

Pages to Follow: 2

Comments: Child Care Action Campaign proposal (Reisman)

The Family Investment Package: A Modest Proposal

Twelve million pre-school children and 17 million school age children need child care for all or part of their day. They need good quality child care so they can succeed in school. Their parents need good quality care so they can work to support their children, confident that their children are safe and well-cared for. Yet, good quality care costs more than most working families can afford to pay. Good quality care costs between $6,300 and $8,500 per year per child. Parents pay, on average, $3,700 per year. When employers and government invest to help parents bridge the gap between what they can afford to pay and what good quality costs, everyone benefits: children are more likely to enter school ready to learn, parents experience less stress on the job and at home, neighborhoods are safer and more welcoming, the nation's economy is stronger.

It is time to consider investing in families by supporting their child care needs.

Therefore, we are proposing that Congress and state governments consider a family investment package.

The key elements of the Package are:

- *Expansion of the Dependent Care Tax Credit*: Make the credit refundable, increase the maximum allowable expenditure and change the percentage formula so that low and moderate income working families get a greater benefit. Every state with an income tax can also provide a tax credit. Follow Arkansas's lead by providing a supplemental tax credit for families who choose licensed or accredited care. (Representative Cynthia McKinney introduced a bill containing most of these provisions during the 104th Congress.)

- ***Establish a scholarship fund for early childhood teachers,*** modeled after the Eisenhower teacher training grants for teachers of science and math. Improving the training and compensation of child care teachers is the surest way to improving the quality of child care.

- ***Create a community reinvestment fund*** to rebuild or create community centers that include child care, family resource programs, and Head Start. This could be tied to Empowerment Zones, and to the President's $5 billion school rebuilding fund, which could include monies for school age child care.

- ***Expand Parental Leave*** to allow parents time to attend school meetings, look for child care, spend time volunteering in school (as the President has proposed), and expand coverage of the Family and Medical Leave Act to include employers of 25 or more workers.

- ***Double the Child Care and Development Block Grant*** to increase child care subsidies for the working poor and to ensure adequate investment in resource and referral services, training and compensation for child care providers, and monitoring of the health and safety of child care facilities. (Senator Dodd has introduced S.19 which would authorize this element of the Package.)

- ***Establish a tax credit for employers that provide child care benefits to their employees.*** Senator Kohl has introduced S.82 that would create a business-related tax credit for employer-provided child care benefits. Because expenditures eligible for the credit would be capped at $150,000, this credit would be particularly attractive to smaller employers.

Child Care Action Campaign
March 3, 1997

MAZUR_M @ A1
04/03/97 04:03:00 PM

Record Type: Record

To: Pauline M. Abernathy, Cynthia A. Rice, Elena Kagan, Jennifer L. Klein

cc:
Subject: loan forgiveness proposal

Folks,
In the FY 1998 Budget, there is a tax provision that would exempt from individual income tax the amount of income attributed to forgiveness of student loan amounts by educational institutions and charitable organizations. This favorable tax treatment would be provided where the loan forgiveness was premised on the former student going to work in certain professions for a broad class of employers. The basic idea is to provide a tax subsidy to students who wind up working for certain employers in generally lower-paid positions. For example, Stanford Law School provides partial or total loan forgiveness for students who work in public service positions such as Legal Aid. And I believe the Heinz School of Public Affairs offers similar loan forgiveness for students who work in lower-paid public sector positions.

The legislative language for this provision is so broad that almost any child care related activity could qualify, so long as the educational institution or a charitable organization is making the loan and then forgiving it under specified circumstances. So, for example, a university could forgive loans for those who go into training day care providers or providing day care themselves. Or a charity could make loans to students and then forgive them if the student becomes a pre-school teacher. In either case, the student would not have to report the loan forgiveness as taxable income under this proposal.

This is not a big deal, but it seems related to the overall theme. And, it's in the budget and could be trotted out at the conference. At worst, it's just another bullet on a fact sheet.

Mark

Bill Summary & Status for the 105th Congress

PREVIOUS BILL | NEXT BILL
PREVIOUS BILL:ALL | NEXT BILL:ALL
NEW SEARCH | HOME | HELP

S.19

SPONSOR: Sen Dodd, (introduced 01/21/97)

MAJOR LEGISLATION

TITLE(S):

- SHORT TITLE(S) AS INTRODUCED:

  Working Families Child Care Act of 1997

- OFFICIAL TITLE AS INTRODUCED:

  A bill to provide funds for child care for low-income working families, and for other purposes.

STATUS: Floor Actions

NONE

STATUS: Detailed Legislative History

Senate Action(s)

Jan 21, 97:
Read twice and referred to the Committee on Labor and Human Resources.

STATUS: Congressional Record Page References

01/21/97 Introductory remarks on Measure (CR S352-353)
01/21/97 Full text of Measure as introduced printed (CR S353-354)

COMMITTEE(S):

- COMMITTEE(S) OF REFERRAL:

  Senate Labor and Human Resources

AMENDMENT(S):

NONE

SUBJECT(S):

- MAJOR LEGISLATION:

  Major legislation--Children
  Major legislation--Families

- INDEX TERMS:

Children	Authorization
Budgets	Child care block grants
Congress	Congressional reporting requirements
Government information	Government paperwork
Labor	Poor children
State and local government	Welfare
Working poor	

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9 COSPONSORS:

Sen Daschle - 01/21/97	Sen Kennedy - 01/21/97
Sen Mikulski - 01/21/97	Sen Rockefeller - 01/21/97
Sen Murray - 01/21/97	Sen Torricelli - 01/21/97
Sen Boxer - 01/21/97	Sen Kerrey - 01/30/97
Sen Kerry - 02/12/97	

DIGEST:

(AS INTRODUCED)

Working Families Child Care Act of 1997 - Amends the Child Care Development Block Grant Act of 1990 to extend its authorization of appropriations through FY 2002.

Directs the Secretary of Health and Human Services, from (additional) Treasury funds not otherwise appropriated, to award grants to States to provide child care services for: (1) families who have left the State program of assistance under title IV part A (Temporary Assistance for Needy Families (TANF)) of the Social Security Act because of employment; (2) families that are at risk of becoming dependent on such assistance program; and (3) low-income working families meeting specified criteria.

Authorizes appropriations for grants to States for child care activities in areas of the State that have child care supply shortages. Includes among such child care activities programs for: (1) infant care; (2) before- and after-school; (3) resources and referrals; (4) nontraditional work hours; (5) extending the hours of pre-kindergarten programs to provide full-day services; and (6) any other program the Secretary deems appropriate.

Requires State reports to include information on access to child care by low-income working families. Requires reports of the Secretary to place particular emphasis on such access.

(Sec. 6) Makes this Act effective as if included in the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193).

THE PARTIAL-BIRTH BAN ACT OF 1997 (Senate - January 21, 1997)

WORKING FAMILIES CHILD CARE ACT OF 1997

Mr. DODD. Mr. President, I rise today to introduce the Working Families Child Care Act of 1997.

Mr. President, balancing the daunting responsibilities of work with the responsibilities of raising children is always a difficult task. It is especially challenging when so many parents today are working outside the home and are forced to depend on child care.

Not surprisingly, these challenges are especially acute for low income, working families. In fact according to a national child care study, when compared to all other income groups, the working poor are the least likely to receive assistance with child care costs--even though it consumes a disproportionate share of their income--24 percent, compared to 6 percent for middle income families.

What's more, it's a constant struggle for low income families to remain self sufficient without child care assistance. In a survey of families on a waiting list in one community, it was found that of those paying for child care, 71 percent faced serious debt or bankruptcy.

Currently, in 38 States and the District of Columbia the working poor are on waiting lists to receive child care. Georgia has 41,000 on its waiting list; Texas 36,000; Illinois 20,000; Alabama 20,000. Most of the States which don't have a waiting list either don't keep one, are expecting to create one in the future, or currently are experiencing a brief respite.

In my own State of Connecticut, new openings for child care assistance were frozen in November 1993. When new slots became available, for only two days this past summer, 5,500 applications were received.

During the last Congress, we intensely debated the issue of child care--in the larger context of welfare reform legislation. The original welfare legislation in January 1995 cut funds for child care and eliminated critically important health and safety standards.

In the 104th Congress I continued to fight for child care, offering amendments to increase funding and ensure quality. While I disagreed with the final welfare reform bill, I am pleased that many of these amendments succeeded

and that in the end, the final bill included child care funding of $14.2 billion over 6 years and restored rigorous health and safety standards.

However, while the bill we passed made significant and crucial strides in providing child care for welfare recipients--there is still work to be done.

The bill I am proposing today will address the issue of child care for low income working families and make it easier for them to access adequate child care assistance.

First, this legislation restores $1.4 billion in child care funding.

According to a recent CBO report, even if states meet the work requirements of the welfare bill they will still be short $1.4 billion for money needed to continue serving certain low income working families. These aren't new recipients we're talking about, but instead families who were receiving child care assistance prior to passage of welfare reform legislation.

The legislation I am introducing today will prevent working parents from losing child care assistance simply as a result of the welfare reform bill.

Second, it begins to address the shortage of assistance for working families, by raising the authorization for child care subsidies for low income working families from $1 billion per year to $2 billion per year.

And finally, it authorizes $500 million per year through 2002 to help communities meet supply shortages in areas such as infant care and school age care.

Even when subsidies are available, child care can be difficult to obtain. According to the National Academy of Sciences, there is `Consistent evidence of a relatively low supply of care for infants, for school age children, for children with disabilities and special health care needs and for parents with unconventional or shifting work hours.'

What's more, a 1995 GAO study based in Michigan found a shortage of infant and special needs child care in inner cities and a shortage of all types of child care in rural areas. So, we're not simply talking about financial assistance for child care, but whether child care actually exists.

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THE PARTIAL-BIRTH BAN ACT OF 1997 (Senate - January 21, 1997)

This shortage of child care is a problem for both working families and welfare recipients who want to become self-sufficient. How can we expect someone to make the difficult transition from welfare to work when they cannot find an adequate provider for an infant or are forced to have a 6, 7 or 8 year old spend hours alone at home when the school day ends?

This lack of supervision can have a devastating long-term impact. One study found that children who start to take care of themselves in elementary school are significantly more likely to report high use of alcohol by the eighth grade. Eighth graders left home alone for 11 or more hours a week report significantly greater use of cigarettes, alcohol, and marijuana then children not left home alone. We know all this, and yet only one third of the schools in low income neighborhoods offer school age child care, compared with 52 percent in more affluent areas.

For those struggling to make the difficult journey to self-sufficiency, the lack of available child care before 9, after 5, and on weekends can be an enormous problem. What's worse, such arrangements put the safety of a child in question.

The reality is that nearly 1 in 5 full time workers--14.3 million--work nonstandard hours. More than 1 in 3 are women. However, only 10 percent of child care centers and 6 percent of family day care provide care on weekends. Yet one third of working mothers with incomes below poverty and one fourth of mothers with income above poverty, but below $25,000, work on weekends.

An additional supply problem is that head start and other prekindergarten programs are part day and part year. As a result, they often do not meet the needs of parents who work full time. Less than 30 percent of Head Start programs operate on a full-time, full-year basis.

Simply put, child care funds need to be available to make these programs accessible for working parents. In my view, we as a nation have a solemn commitment to guarantee that children will not be left to fend for themselves while their parents are working to put food on the table.

Child care is one of the most important ingredients for helping poor working families achieve and maintain economic security. Like parents in any community and of any financial background, low income families need to know that when they go to work, their children will receive the care and assistance they need.

The bill I am introducing today will make it easier for low income, working families to balance the responsibilities of work and caring for their children. I urge all my colleagues to join together in supporting this legislation--for the good of America's children.

References to this bill in the Congressional Record	Digest and Status Information About this Bill.	Download this bill. (11,220 bytes).

Working Families Child Care Act of 1997 (Introduced in the Senate)

S 19 IS

105th CONGRESS

1st Session

S. 19

To provide funds for child care for low-income working families, and for other purposes.

IN THE SENATE OF THE UNITED STATES

January 21, 1997

Mr. DODD (for himself, Mr. DASCHLE, Mr. KENNEDY, Ms. MIKULSKI, Mr. ROCKEFELLER, Mrs. MURRAY, Mr. TORRICELLI, and Mrs. BOXER) introduced the following bill; which was read twice and referred to the Committee on Labor and Human Resources

---

A BILL

To provide funds for child care for low-income working families, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE- This Act may be cited as the `Working Families Child Care Act of 1997'.

(b) TABLE OF CONTENTS- The table of contents for this Act is as follows:

http://thomas.loc.gov/cgi-bin/query/z?c105:S.19:

SEC. 2. FINDINGS.

Congress makes the following findings:

(1) Availability and affordability of quality child care is a major obstacle for working parents who struggle to remain self-sufficient.

(A) Compared to all other income groups, the working poor are the least likely to receive assistance with their child care costs.

(B) Low-income families spend 24 percent of their household income on child care, whereas middle-income families spend 6 percent of their household income on child care.

(C) 38 States have waiting lists for child care for the working poor. Among those States, Georgia has 41,000 individuals on its waiting list, Texas has 36,000 individuals on its waiting list, and Illinois and Alabama each have 20,000 individuals on their waiting lists.

(D) One survey of low-income families on a waiting list for subsidized child care found that of those families paying for child care out of their own funds, 71 percent faced serious debt or bankruptcy.

(E) Half of the States and the District of Columbia, even before the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193, 110 Stat. 2105) during the 104th Congress, increased the proportion of child care slots or dollars going to families on welfare, rather than to working poor families.

(2) The Congressional Budget Office estimates that there will be $1,400,000,000 less expenditures of child care funds for working poor families as a result of the States implementing the work requirements imposed under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193, 110 Stat. 2105).

(3) Important types of child care are not available in certain States including infant care, school-age care, care for children with disabilities and special health care needs, and child

care for parents with unconventional or shifting work hours.

(A) A 1995 State study by the Comptroller General of the United States found a shortage of child care for infants and children with special needs in inner cities, and a shortage of all types of child care in rural areas.

(B) Only one-third of the schools in low-income neighborhoods offer school-age child care, compared with 52 percent of schools in more affluent areas offering such care.

(C) Eighth-graders who are left home alone for 11 or more hours a week report significantly greater use of cigarettes, alcohol, and marijuana than eighth-graders who are not left home alone.

(D) Existing child care arrangements do not accommodate the work schedules of many working women. According to a 1995 statistic published by the Department of Labor, 14,300,000 workers, nearly 1 in 5 full-time workers work nonstandard hours, and more than 1 in 3 of those workers are women.

(E) Only 10 percent of child care centers and 6 percent of family day care providers offer child care on weekends. Yet one-third of working mothers with annual incomes below the poverty level and one-quarter of mothers with annual incomes above the poverty level but below $25,000 work on weekends.

(F) Less than 30 percent of Head Start programs operate on a full-time, full-year basis.

SEC. 3. ASSISTANCE FOR LOW-INCOME WORKING FAMILIES.

Section 658B of the Child Care Development Block Grant Act of 1990 (42 U.S.C. 9858) is amended to read as follows:

`SEC. 658B. FUNDING OF GRANTS.

`(a) AUTHORIZATION OF APPROPRIATIONS- Except as provided in subsection (b), there is authorized to be appropriated to carry out this subchapter $2,000,000,000 for each of fiscal years 1997 through 2002.

`(b) APPROPRIATION- The Secretary shall pay, from funds in the Treasury not otherwise appropriated, $1,400,000,000 for fiscal years 1997 through 2002, through the awarding of grants to States under this subchapter for the purpose of providing child care services for families who have left the State program of assistance under part A of title IV of the Social Security Act because of employment, families that are at risk of becoming dependent on such assistance program, and low-income working families described in section 658E(c)(3)(D). Funds shall be paid under this subsection to the States in the same manner, and subject to the same requirements and limitations, as funds are paid to the States under section 418 of the Social Security Act (42 U.S.C. 618).'.

SEC. 4. GRANTS FOR CHILD CARE SUPPLY SHORTAGES.

(a) GRANTS FOR CHILD CARE SUPPLY SHORTAGES- Section 658E(c)(3) of the Child Care

Development Block Grant Act of 1990 (42 U.S.C. 9858c(c)(3)) is amended by adding at the end the following:

`(E) CHILD CARE SUPPLY SHORTAGES-

`(i) IN GENERAL- A State shall ensure that 100 percent of amounts paid to the State out of funds appropriated under section 658B(a)(2) with respect to each of the fiscal years 1997 through 2002 shall be used to carry out child care activities described in clause (ii) in geographic areas within the State that have a shortage, as determined by the State, in consultation with localities, of child care services.

`(ii) CHILD CARE ACTIVITIES DESCRIBED- The child care activities described in this clause include the following:

`(I) Infant care programs.

`(II) Before- and after-school child care programs.

`(III) Resource and referral programs.

`(IV) Nontraditional work hours child care programs.

`(V) Extending the hours of pre-kindergarten programs to provide full-day services.

`(VI) Any other child care programs that the Secretary determines are appropriate.'.

(b) AUTHORIZATION OF APPROPRIATIONS- Section 658B(a) of the Child Care Development Block Grant Act of 1990 (42 U.S.C. 9858(a)), as amended by section 2, is amended--

(1) by striking `Except as provided in' and inserting the following:

`(1) IN GENERAL- Except as provided in paragraph (2) and'; and

(2) by adding at the end the following:

`(2) CHILD CARE SUPPLY SHORTAGES- There is authorized to be appropriated to carry out section 658E(c)(3)(E), $500,000,000 for each of fiscal years 1997 through 2002.'.

(c) CONFORMING AMENDMENT- Section 658(c)(3)(A) of the Child Care Development Block Grant Act of 1990 (42 U.S.C. 9858c(c)(3)(A)) is amended by striking `(D)' and inserting `(E)'.

SEC. 5. REPORT ON ACCESS TO CHILD CARE BY LOW-INCOME WORKING FAMILIES.

(a) STATE REPORTING REQUIREMENT- Section 658K(a)(2) of the Child Care Development Block Grant Act of 1990 (42 U.S.C. 9858i(a)(2)) is amended--

(1) in subparagraph (D), by striking `and' at the end; and

(2) by inserting after subparagraph (E), the following:

`(F) the total number of families described in section 658B(b) that were eligible for but did not receive assistance under this subchapter or under section 418 of the Social Security Act and a description of the obstacles to providing such assistance; and

`(G) the total number of families described in section 658B(b) that received assistance provided under this subchapter or under section 418 of the Social Security Act and a description of the manner in which that assistance was provided;'.

(b) SECRETARIAL REPORTING REQUIREMENT- Section 658L of the Child Care Development Block Grant Act of 1990 (42 U.S.C. 9858j) is amended by inserting `, with particular emphasis on access of low-income working families,' after `public'.

SEC. 6. EFFECTIVE DATE.

This Act and the amendments made by this Act take effect as if included in the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193, 110 Stat. 2105).

FAX TRANSMITTAL

DATE: 4/8/97

Jen K

Elena

Nicole

Cynthia Rice

TO: Pauline Abernathy

FAX NUMBER 456-7028

VOICE NUMBER 456-5374

2 pages

FROM: Ann Rosewater

FAX NUMBER 690-6562

VOICE NUMBER

NUMBER OF PAGES, INCLUDING COVER

Comments Pauline, Here is the DOD Child Care piece
- we are also planning to meet w/ DOJ tomorrow

Building on the Military's Model To Improve Child Care Quality

The military has been extremely successful in improving the quality of child care by adopting a unique strategy that includes five key elements: financial support for programs, enforcement of standards, accreditation, strong family child care networks, and training linked to compensation. Building on the military's model of improving child care quality, the President/First Lady could announce efforts to promote and expand these five critical elements that research and experience show are key to ensuring quality child care and ultimately children's language and cognitive development.

The announcement could include:

Release of a report on how the military is working with the civilian community to expand the military's child care quality model (pending DOD).

The establishment of an incentive fund for states to develop strategies to improve care based on these five key elements (funds would have to be identified).

Plans to provide technical assistance (TA) on these key elements, beginning with special sessions at the national conference of all states in July and the dissemination of promising practices from across the states. (Child Care Bureau could incorporate this into the planning for the National Conference of State Child Care Administrators that will be held in June).

The development of an ongoing interagency workgroup to devoted to ways other agencies can assist in improving the quality of care based on the military model (chaired by HHS and DOD)

A challenge to the nation's governors that acknowledges the flexibility they have in the use of the new child care funds and encourages them to double their efforts on quality by incorporating the military model in their July plans.

A challenge to the business community to invest in quality improvements, highlight those promising efforts going on across the country and announce the HHS TA effort to provide TA to states on reaching out to the business community.

In addition, other efforts could be highlighted in such an announcement such as Early Head Start expansion and the release of "Stepping Stones to Using Caring for Children," a new guide produced by HHS which provides key information on how best to promote the health and safety of children in child care.

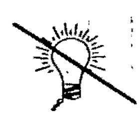
CHILDCARE AND WELFARE TO WORK

- *Childcare* is complicated and emotional
- Most "welfare" hires will need childcare and be unable to afford it
- What about the federal (non-DOD) childcare centers
- GSA plans to ...

CHILDCARE AND WELFARE–TO–WORK:

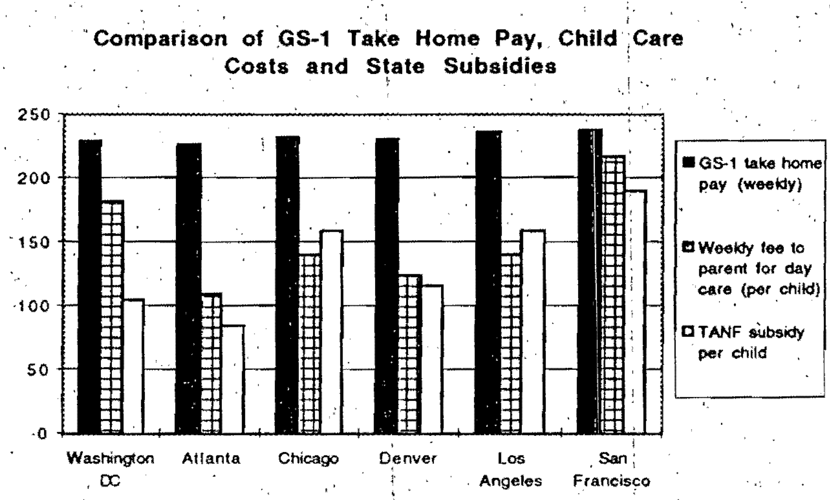
Childcare is complicated and emotional

- *Developmental* is better than *custodial*
  - upcoming WH conference on early learning
  - our centers are high quality
- All working parents need care for their children
  - note: 90% of those leaving welfare are single mothers
- Child care "centers" are very expensive
  - affordability study out this month
  - probably takes a GS-11 salary
- No simple solution



CHILDCARE AND WELFARE–TO–WORK:

Most welfare hires will need childcare and be unable to afford it



CHILDCARE AND WELFARE–TO–WORK:

About federal (non-DOD) childcare centers

- 218 centers (GSA: 108; Others: 110)
- No federal subsidies available; no sliding scale unless additional funds are raised
- Have approximately 1,000 vacancies

- *note: DOD has 800 centers with 200,000 kids; provides subsidies of $260M, allowing sliding scale fees that are 1/3 to 1/2 of civilian fees*

GSA plans to ...

1.... help agencies connect employees with local sources of child care
   - there is a wider array of choices (e.g.. family day care homes, centers in churches and non-profits)
   - provide information about financial subsidies which are available for those leaving the welfare rolls and may also be available to some other low income parents

2.... do all we can to make federal child care centers more affordable to more employees
   - we have a number of ideas; no silver bullets

3 ... help increase our centers' ability to be financially stronger
   - ***the answer to the affordability dilemma is not additional federal subsidies; it to help centers generate more private money from more diverse sources***

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

FORCE MANAGEMENT POLICY

APR 8 1997

Cynthia
FYI
-Pauline

Ms. Elena Kagan
Deputy Assistant to the President
for Domestic Policy
Old Executive Office Building
1600 Pennsylvania Avenue
Washington, DC 10000

Dear Ms. Kagan:

The following is provided in response to your questions regarding the Department's efforts in child care for children zero to three. The Military Child Development Programs have attained a well-deserved reputation for being on the cutting edge of child care in America. We are proud of our systemic approach to the four components of military child care: child development centers, family child care, resource and referral and school-age care. Our commitment is to provide a quality experience for children regardless of setting. We strive to ensure *equal treatment for all components especially family child care* homes. We believe much of our success comes from our efforts to provide a variety of quality and affordable options for families rather than focus on centers only. It should be noted that we do not guarantee every family their first choice of child care options. Our goal is to provide at least one affordable child care option for every family that needs child care. It should also be noted that we view the appropriated fund support as a program subsidy not an individual family subsidy. Five key reasons for our success are:

1. The DoD commitment to a prescribed level of funding for Child Development Programs. In military child development centers, there is a dollar for dollar match of appropriated funds to parent fees. In our family child care homes we provide indirect financial support through extensive equipment lending libraries, low or no cost insurance options and free training. In many instances we also provide direct cash subsidies for family child care providers to provide incentives to care for infants. This commitment of funds allows military programs to provide stimulating environments that are staffed with trained personnel and appropriately equipped both indoors and out.

2. Strict oversight and accountability of programs, and adherence to standards including four comprehensive unannounced annual inspections for all facilities and programs; one by a representative of higher headquarters. There is mandatory correction of deficiencies within 90 days or the program must either apply for a time restricted waiver with adequate compensatory measures or close. (As a result, facilities and programs are in good repair, and there is high quality, institutional grade equipment that contributes to the cognitive development of children). These inspections result in DoD certification of the program. Certification is closely monitored. Contributing to comprehensive program oversight is the

DoD "Hotline". It is well publicized and accessible world wide. Identified or anonymous callers can either report child abuse or safety violations at Military Child Development Programs or facility deficiencies. These reports are diligently tracked until a satisfaction is achieved.

3. Wages and benefits that contribute to low staff turnover compared to the private sector. Military child development center caregiver wages and benefits average approximately $10 per hour compared to the minimum wages in the civilian community. While most civilian child care centers offer few or no benefits to direct care staff, most military child care staff have a full range of benefits. As a result of wages and benefits, military caregivers tend to stay in our child care programs, and the result is that children have continuity of care so vital to their healthy development.

4. Required basic training of caregiving staff which is tied to wages and an "up-or-out" caregiving personnel policy requiring the completion of training requirements. All training is competency based and caregivers who do not meet the performance requirements are not retained.

5. Commitment for all military child development centers to meet national accreditation standards. The combination of the DoD certification and the national accreditation standards provides a comprehensive review of all center programs.

As you are aware, Congress has asked DoD to report on the status of any initiatives which improve the Military Services Child Development Program so as to benefit civilian child care providers in communities in the vicinity of military installations. Although we have not completed the report, the Military Services have offered the following suggestions that could assist civilian child care programs:

- Local military bases could partner with state and county efforts to provide employment opportunities for welfare recipients. Military programs could provide on-the-job-training opportunities, for recipients needing work experience and knowledge of child care program "best practices". Because the competency-based training programs are a key to the quality of military child care, they could serve as a source of training for civilians. As in the case of Quantico Marine Corps Base, VA., the county is paying the salaries of personnel placed in the centers for 90 days of training in child care practices. Their child care is paid by the county. In exchange, the Quantico Child Development Center gets additional no-cost staff to supplement existing staff. A similar program could be established for family child care providers.

- Each military installation child development program within the United States could "adopt-a-center" in their local community. The Child Development Program staff could assist with local accreditation efforts, help validate the centers' accreditation self study process, train management and direct care staff, mentor caregiving staff working on their child development associate degree, and model/coach effective child care techniques.

- Military regional "Child Care Programs of Excellence" or "Master Programs" could be established within existing military programs in densely populated areas where several military Services co-exist (e.g., Washington, D.C. Tidewater, VA, Southern California, etc.). These magnet "laboratory programs" would demonstrate effective child care practices in each of the child care components (centers, family child care homes and school-age care). Particularly beneficial would be education and training in the area of infant/toddler curriculum and environments since many civilian programs have limited amounts of infant/toddler care. Local civilian child care management trainees could spend two to three weeks in these centers with "hands-on" learning experiences, being taught and coached by the centers' Training and Curriculum Specialists and military management staff. These "Master Programs" could be modeled on corporate concepts such as "Motorola University" or Disney's training program for executives where staff attend training before going to work for the corporation.

- Military Training and Curriculum Specialists could provide "hands-on" training for local requesting child care centers to train and follow-up direct care staff in the child development associate 13 competency areas, and other areas as needed.

- DoD could make the military standard facility and playground designs available to the civilian community.

- DoD could provide "Benchmarks" in the areas of cost, compensation, evaluation, standards, and environments on which local child care programs could evaluate themselves.

My point of contact in the Office of Family Policy is Linda K. Smith, Director, Office of Family Policy, 696-5733.

Sincerely,

Gail H. McGinn for

Carolyn H. Becraft
Deputy Assistant Secretary of Defense,
(Personnel Support, Families and Education)

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AMENDMENT NO. ____ Calendar No. ____

Purpose: To state the sense of the Senate on Department of Defense sharing of experiences with military child care.

IN THE SENATE OF THE UNITED STATES—104th Cong., 2d Sess.

S. 1745

To authorize appropriations for fiscal year 1997 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

Referred to the Committee on ______________________ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. KENNEDY

Viz:

At the end of subtitle F of title X, add the following:

SEC. 1072. SENSE OF THE SENATE ON DEPARTMENT OF DEFENSE SHARING OF EXPERIENCES WITH MILITARY CHILD CARE.

(a) FINDING.—The Senate makes the following findings:

(1) The Department of Defense should be congratulated on the successful implementation of the

Military Child Care Act of 1989 (title XV of Public Law 101–189; 10 U.S.C. 113 note).

(2) The actions taken by the Department as a result of that Act have dramatically improved the availability, affordability, quality, and consistency of the child care services provided to members of the Armed Forces.

(3) Child care is important to the readiness of members of the Armed Forces because single parents and couples in military service must have access to affordable child care of good quality if they are to perform their jobs and respond effectively to long work hours or deployments.

(4) Child care is important to the retention of members of the Armed Forces in military service because the dissatisfaction of the families of such members with military life is a primary reason for the departure of such members from military service.

(b) SENSE OF SENATE.—It is the sense of the Senate that—

(1) the civilian and military child care communities, Federal, State, and local agencies, and businesses and communities involved in the provision of child care services could benefit from the develop-

ment of partnerships to foster an exchange of ideas, information, and materials relating to their experiences with the provision of such services and to encourage closer relationships between military installations and the communities that support them;

(2) such partnerships would be beneficial to all families by helping providers of child care services exchange ideas about innovative ways to address barriers to the effective provision of such services; and

(3) there are many ways that these partnerships can be developed, including—

(A) cooperation between the directors and curriculum specialists of military child development centers and civilian child development centers in assisting such centers in the accreditation process;

(B) use of family support staff to conduct parent and family workshops for new parents and parents with young children in family housing on military installations and in communities in the vicinity of such installations;

(C) internships in Department of Defense child care programs for civilian child care providers to broaden the base of good-quality child

(c) REPORT.—Not later than June 30, 1997, the Secretary of Defense shall submit to Congress a report on the status of any initiatives undertaken this section, including recommendations for additional ways to improve the child care programs of the Department of Defense and to improve such programs so as to benefit civilian child care providers in communities in the vicinity of military installations.

SEC. 1079. INCREASE IN PENALTIES FOR CERTAIN TRAFFIC OFFENSES ON MILITARY INSTALLATIONS.

Section 4 of the Act of June 1, 1948 (40 U.S.C. 318c) is amended to read as follows:

"SEC. 4. (a) Except as provided in subsection (b), whoever shall violate any rule or regulation promulgated pursuant to section 2 of this Act may be fined not more than $50 or imprisoned for not more than thirty days, or both.

"(b) Whoever shall violate any rule or regulation for the control of vehicular or pedestrian traffic on military installations that is promulgated by the Secretary of Defense, or the designee of the Secretary, under the authority delegated pursuant to section 2 of this Act may be fined an amount not to exceed the amount of a fine for a like or similar offense under the criminal or civil law of the State, territory, possession, or district where the

"(P) Costs of compensation (including bonuses and other incentives) paid with respect to the services (including termination of services) of any one individual to the extent that the total amount of the compensation paid in a fiscal year exceeds $200,000.".

SEC. 1077. SENSE OF THE SENATE ON DEPARTMENT OF DEFENSE SHARING OF EXPERIENCES UNDER MILITARY YOUTH PROGRAMS.

(a) FINDINGS.—The Senate makes the following findings:

(1) Programs of the Department of Defense for youth who are dependents of members of the Armed Forces have not received the same level of attention and resources as have child care programs of the Department since the passage of the Military Child Care Act of 1989 (title XV of Public Law 101–189; 10 U.S.C. 113 note).

(2) Older children deserve as much attention to their developmental needs as do younger children.

(3) The Department has started to direct more attention to programs for youths who are dependents of members of the Armed Forces by funding the implementation of 20 model community programs to address the needs of such youths.

(4) The lessons learned from such programs could apply to civilian youth programs as well.

(b) SENSE OF SENATE.—It is the sense of the Senate that—

(1) the Department of Defense, Federal, State, and local agencies, and businesses and communities involved in conducting youth programs could benefit from the development of partnerships to foster an exchange of ideas, information, and materials relating to such programs and to encourage closer relationships between military installations and the communities that support them;

(2) such partnerships could benefit all families by helping the providers of services for youths exchange ideas about innovative ways to address barriers to the effective provision of such services; and

(3) there are many ways that such partnerships could be developed, including—

(A) cooperation between the Department and Federal and State educational agencies in exploring the use of public school facilities for child care programs and youth programs that are mutually beneficial to the Department and civilian communities and complement programs

104TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
104-724

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1997

CONFERENCE REPORT

TO ACCOMPANY

H.R. 3230

JULY 30, 1996.—Ordered to be printed

Transfer of excess personal property to support law enforcement activities (sec. 1033)

The House bill contained a provision (sec. 362) that would provide permanent authority for the Department of Defense (DOD) to provide excess personal property to state and local law enforcement agencies. This property includes vehicles, helicopters, weapons, ammunition and other property that is needed by law enforcement agencies. Section 1208 of the National Defense Authorization Act for Fiscal Years 1990 and 1991 (Public Law 101–189) estabished a one year program to provide excess personal property to law enforcement agencies for use in drug enforcement activities. This provision was extended until September 30, 1997 by section 1005 of the National Defense Authorization Act for Fiscal Year 1991 (Public Law 101–510). This provision would make the section 1208 program permanent and expand it to all law enforcement activities with a priority to counter-narcotics activities.

The Senate amendment contained no similar provision.

The Senate recedes with an amendment which would give priority to counter-narcotics and counter-terrorist law enforcement activities. The amendment would also ensure that DOD would incur no cost of transferring this excess equipment to these law enforcement agencies except the cost associated with the management of the program within DOD.

Sale by Federal departments or agencies of chemicals used to manufacture controlled substances (sec. 1034)

The Senate amendment contained a provision (sec. 1082) that would prevent the sale of chemicals that could be used in the manufacture of controlled substances. These chemicals could be sold, however, if the head of the department or agency certifies that there is no reasonable cause to believe the sale will result in an improper use.

The House bill contained no similar provision.

The House recedes with a clarifying amendment.

Subtitle D—Reports and Studies

LEGISLATIVE PROVISIONS ADOPTED

Annual report on Operation Provide Comfort and Operation Enhanced Southern Watch (sec. 1041)

The House bill contained a provision (sec. 1021) that would require a consolidated annual report on the conduct of Operations Provide Comfort and Enhanced Southern Watch over and within Iraq. This annual report would be required to be submitted to the Congress so long as the operations continue.

The Senate amendment contained no similar provision.

The Senate recedes with a technical amendment.

Annual report on emerging operational concepts (sec. 1042)

The Senate amendment contained a provision (sec. 1051) that would require the Chairman of the Joint Chiefs of Staff to provide an annual report to Congress describing the process of defining emerging operational concepts in each of the services and the man-

ner in which the services' processes are coordinated in matters of doctrine, operational concepts, organization and acquisition strategy.

The House bill contained no similar provision.

The House recedes with an amendment requiring the Secretary of Defense to prepare and submit the report in consultation with the Chairman of the Joint Chiefs of Staff.

Report on Department of Defense military child care programs (sec. 1043)

The Senate amendment contained a provision (sec. 1078) that would express the sense of the Senate that the Department of Defense should share its experiences with providing child care services with other federal, state, and local agencies.

The House bill contained no similar provision.

The House recedes with an amendment that would express the sense of the Congress.

Report on Department of Defense military youth programs (sec. 1044)

The Senate amendment contained a provision (sec. 1077) that would express the sense of the Senate that the Department of Defense should share its experiences in conducting youth programs with other federal, state, and local agencies.

The House bill contained no similar provision.

The House recedes with an amendment that would express the sense of the Congress.

Quarterly reports regarding coproduction agreements (sec. 1045)

The House bill contained a provision (sec. 1046) that would amend the Arms Export Control Act (22 U.S.C. 2776(a)) to require that quarterly reports to the Congress required by this statute include information on specified government-to-government agreements on foreign co-production of defense articles.

The Senate amendment contained no similar provision.

The Senate recedes.

Report on witness interview procedures for Department of Defense criminal investigations (sec. 1046)

The House bill contained a provision (sec. 1023) that would require the Comptroller General to survey and report on the policies and practices of all military criminal investigative agencies with respect to the manner in which interviews of witnesses and suspects are conducted.

The Senate amendment contained no similar provision.

The Senate recedes with an amendment that would narrow the focus of the survey to the subject of procurement fraud investigations in the Department of the Navy.

Report on military readiness requirements of the Armed Forces (sec. 1047)

The Senate amendment contained a provision (sec. 1053) that would establish a requirement for a one-time report from the Chairman of the Joint Chiefs of Staff on the military readiness re-the anaesthesia was accomplished, for example, using a novel anaesthetic or a novel dosing schedule, the objective of the claimed method would include the provision of a novel use of an anaesthetic in transplantation surgery and the use of the composition of matter (ie., the anaesthetic) would directly contribute to the achievement of the objective.

It is intended that the applicability of the exception in (c)(2)(A)(ii) for a patented use of a composition of matter can usually be decided by a motion to dismiss or summary judgment under Rule 12(b) or Rule 56, respectively, of the Federal Rules of Civil Procedure. For example, an accused infringer seeking to invoke the relief from remedies afforded under 287(c)(1) would ordinarily prevail under such a motion if the following conditions are met: (1) the movant shows by clear and convincing evidence that the recited uses of the compositions of matter, both individually and collectively, lack novelty, and (2) the movant also shows by a preponderance of the evidence that the steps of the claimed method that do not involve uses of compositions of matter (ie., the medical or surgical procedure steps) are, by themselves, novel and non-obvious, provided, however, that the movant may concede the non-obviousness in lieu of making the required evidentiary showing.

Paragraph (c)(2)(A)(iii) excludes from the definition of "medical activity" the practice of a patented process in violation of a biotechnology patent. For the purposes of this provision, the definition of the term "biotechnology patent" includes a patent on a "biotechnological process" as defined in 35 U.S.C. §103(b), as well as a patent on a process of making or using biological materials, including treatment using those materials, where those materials have been manipulated *ex vivo* at the cellular or molecular level.

Biological materials which may be manipulated *ex vivo* at the cellular or molecular level include a variety of cellular, intracellular, extracellular, and acellular substances. Cellular substances include (but are not limited to) cultured microbial and mammalian cells. Intracellular substances include (but are not limited to) genetic materials, such as DNA and RNA that is obtained from within the cell. Extracellular substances include (but are not limited to) proteins and other molecules that are secreted or excreted by cells. Acellular substances include (but are not limited to) viruses and other vectors for transmitting genetic material.

Ex vivo manipulation includes propagation, expansion, selection, purification, pharmaceutical treatment, or alteration of the biological characteristics of these substances outside of a human body.

This definition excluded medical procedures which do not involve *ex vivo* cellular or molecular manipulation of a biological material. For example, a patent on a method of performing heart transplantation surgery, including the use of a heart-lung machine, is excluded from this definition on two grounds: first, the method involves manipulation *in vivo*, not *ex vivo*, and second, the method does not manipulate the cellular or molecular characteristics of the heart.

The House bill included a provision which prohibited funds from being used by the Patent and Trademark Office to issue patents for surgical and medical procedures and diagnoses, with certain exceptions for medical and biomedical devices and processes.

Sec. 617.—The conference agreement includes section 617, which eliminates current reprogramming requirements which are redundant with section 605 of this Act. The Senate-reported bill included this provision as section 620. The House bill contained no similar provision.

Sec. 618.—The conference agreement includes section 618, which permits the Secretary of Transportation to issue a guarantee under title XI of the Merchant Marine Act, 1936, upon such terms as the Secretary may prescribe, to assist in the reactivation and modernization of currently closed shipyards that historically built military vessels if the State in which it is located is making a significant financial investment and is paying the credit subsidy cost of the guarantee. The provision requires the Secretary to impose such conditions as are necessary to protect the interests of the United States from the risk of a default. Total guarantees under this section are not to exceed $50,000,000, and no commitment to guarantee obligations under this provision may be issued more than one year from the date of enactment of this section. The Senate-reported bill contained a provision under section 622 that provided authority to make these guarantees, but did not require State contributions or require the imposition of any conditions relating to the risk of default. The House bill did not contain any provision on this matter.

TITLE VII—RESCISSIONS

DEPARTMENT OF JUSTICE

GENERAL ADMINISTRATION

WORKING CAPITAL FUND

(RESCISSION)

The conference agreement includes a rescission of $30,000,000 from unobligated balances under this heading, as proposed in the Senate-reported bill. The House bill did not include a rescission from this account.

IMMIGRATION AND NATURALIZATION SERVICE

IMMIGRATION EMERGENCY FUND

(RESCISSION)

The conference agreement includes a rescission of $4,779,000 from unobligated balances under this heading, as proposed in the Senate-reported bill. The House bill did not include a rescission from this account.

TITLE VIII—FISCAL YEAR 1996 SUPPLEMENTAL AND RESCISSION

DEPARTMENT OF JUSTICE

FEDERAL PRISON SYSTEM

SALARIES AND EXPENSES

The conference agreement includes a $40,000,000 supplemental appropriation for fiscal year 1996, for the Federal Prison System and makes these funds available until September 30, 1997, in order to allow total carryover funding for this account to be $90,000,000. This provision was not included in the House and Senate-reported bills, but is necessary for technical reasons to ensure that adequate funds are available for prison activations which were scheduled for 1996, but have been delayed until 1997.

(RESCISSION)

The conference agreement includes a rescission of $40,000,000 from funds appropriated in fiscal year 1996 for the Federal Prison System. Neither the House nor the Senate-reported bills included this rescission. Funding is available for rescission as a result of delayed activations of prisons scheduled to open in fiscal year 1996. This provision, in conjunction with the previous provision, is necessary to ensure that additional resources may carry forward from fiscal year 1996 to fiscal year 1997 to support ongoing prison system operations.

TITLE IX—FISCAL YEAR 1997 DISASTER ASSISTANCE

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS

The conference agreement includes $25,000,000 in emergency fiscal year 1997 funding for infrastructure expenses related to recovery efforts associated with Hurricanes Fran and Hortense and other natural disasters, instead of $18,000,000 requested as a fiscal year 1996 emergency supplemental appropriation. Amounts provided under this account are designated as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

RELATED AGENCY

SMALL BUSINESS ADMINISTRATION

DISASTER LOANS PROGRAM ACCOUNT

In addition to amounts provided under title V of the bill, the conference agreement provides an additional $113,000,000 in emergency fiscal year 1997 subsidy appropriations for disaster loans for recovery efforts related to Hurricanes Fran and Hortense, and other natural disasters.

In addition to amounts provided under title V of the bill, the conference agreement includes an additional $22,000,000 in emergency fiscal year 1997 funding for administrative expenses necessary to carry out the disaster loan program for Hurricanes Fran and Hortense and other natural disasters, instead of $22,000,000 requested as a fiscal year 1996 emergency supplemental appropriation. Amounts provided under this account are designated as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

SECTION 101(b)

DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 1997

The conference agreement on the Department of Defense Appropriations Act, 1997, incorporates some of the provisions of both the House and Senate versions of the bill. The language and allocations set forth in House Report 104-617 and Senate Report 104-286 should be complied with unless specifically addressed in the accompanying bill and statement of the managers to the contrary.

DEFINITION OF PROGRAM, PROJECT, AND ACTIVITY

The conferees agree that for the purposes of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177) as amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Public Law 100-119) and by the Budget Enforcement Act of 1990 (Public Law 101-508), the term program, project, and activity for appropriations contained in this Act shall be defined as the most specific level of budget items identified in the Department of Defense Appropriations Act, 1997, the accompanying House and Senate Committee reports, the conference report and accompanying joint explanatory statement of the managers of the Committee of Conference, the related classified annexes and reports, and the P-1 and R-1 budget justification documents as subsequently modified by Congressional action. The following exception to the above definition shall apply:

For the Military Personnel and the Operation and Maintenance accounts, the term, "program, project, and activity" is defined as the appropriations accounts contained in the Department of Defense Appropriations Act. At the time the President submits his budget for fiscal year 1998, the conferees direct the Department of Defense to transmit of the Department carried out at its facilities; and

(B) improving youth programs that enable adolescents to relate to new peer groups when families of members of the Armed Forces are relocated.

(c) REPORT.—Not later than June 30, 1997, the Secretary of Defense shall submit to Congress a report on the status of any initiatives undertaken this section, including recommendations for additional ways to improve the youth programs of the Department of Defense and to improve such programs so as to benefit communities in the vicinity of military installations.

SEC. 1078. SENSE OF THE SENATE ON DEPARTMENT OF DEFENSE SHARING OF EXPERIENCES WITH MILITARY CHILD CARE.

(a) FINDINGS.—The Senate makes the following findings:

(1) The Department of Defense should be congratulated on the successful implementation of the Military Child Care Act of 1989 (title XV of Public Law 101–189; 10 U.S.C. 113 note).

(2) The actions taken by the Department as a result of that Act have dramatically improved the availability, affordability, quality, and consistency of

the child care services provided to members of the Armed Forces.

(3) Child care is important to the readiness of members of the Armed Forces because single parents and couples in military service must have access to affordable child care of good quality if they are to perform their jobs and respond effectively to long work hours or deployments.

(4) Child care is important to the retention of members of the Armed Forces in military service because the dissatisfaction of the families of such members with military life is a primary reason for the departure of such members from military service.

(b) SENSE OF SENATE.—It is the sense of the Senate that—

(1) the civilian and military child care communities, Federal, State, and local agencies, and businesses and communities involved in the provision of child care services could benefit from the development of partnerships to foster an exchange of ideas, information, and materials relating to their experiences with the provision of such services and to encourage closer relationships between military installations and the communities that support them;

(2) such partnerships would be beneficial to all families by helping providers of child care services exchange ideas about innovative ways to address barriers to the effective provision of such services; and

(3) there are many ways that these partnerships can be developed, including—

(A) cooperation between the directors and curriculum specialists of military child development centers and civilian child development centers in assisting such centers in the accreditation process;

(B) use of family support staff to conduct parent and family workshops for new parents and parents with young children in family housing on military installations and in communities in the vicinity of such installations;

(C) internships in Department of Defense child care programs for civilian child care providers to broaden the base of good-quality child care services in communities in the vicinity of military installations; and

(D) attendance by civilian child care providers at Department child-care training classes on a space-available basis.