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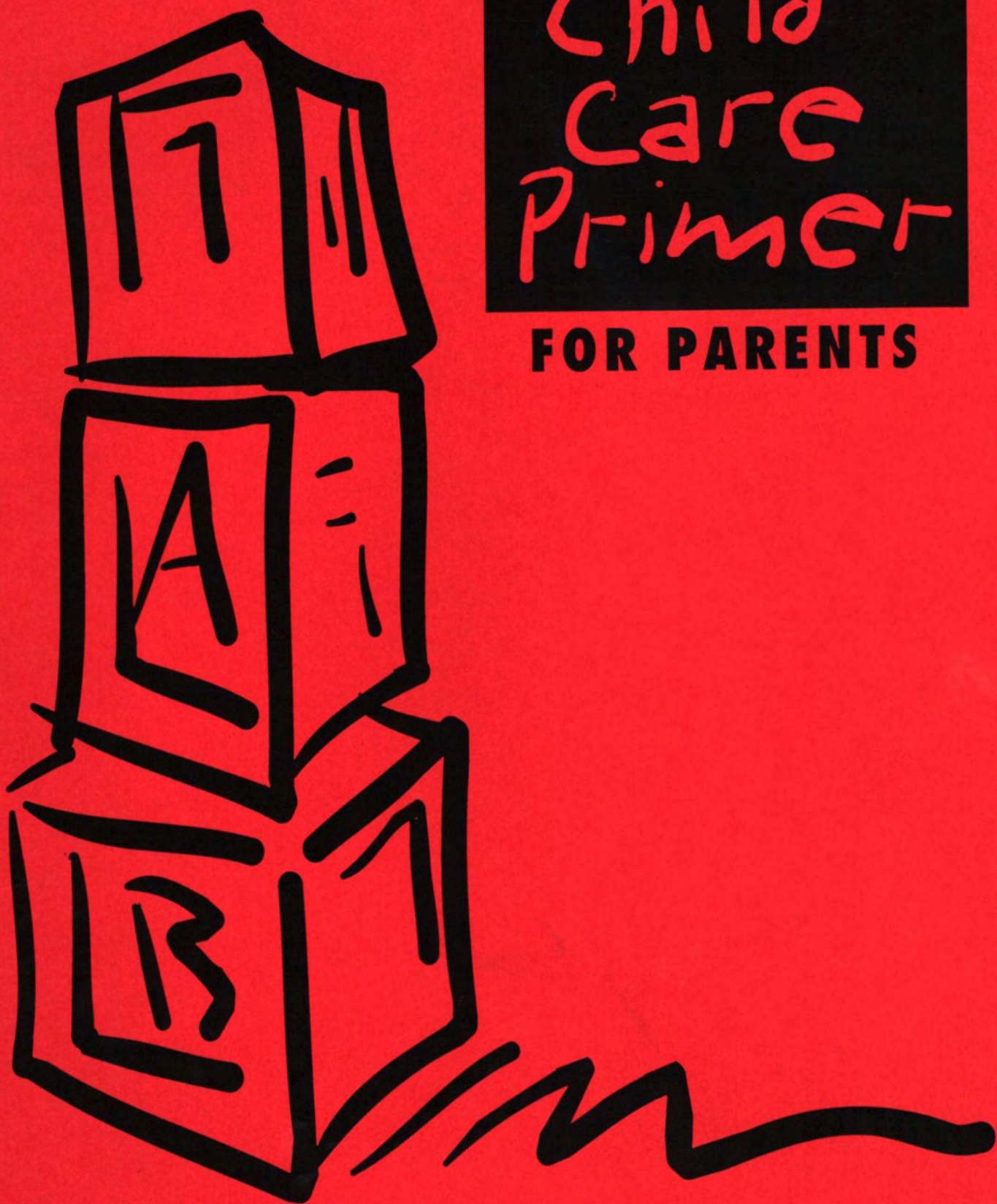
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Child Care Primer

FOR PARENTS



Child Care Action Campaign

330 Seventh Avenue, 17th Floor • New York, NY 10001-5010 • (212) 239-0138

file

THE WHITE HOUSE

WASHINGTON

December 4, 1997

MEMORANDUM FOR DISTRIBUTION

FROM: BRUCE REED
RE: CHILD CARE MEETING

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

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**Domestic Policy Council Principals Meeting
December 5, 1997**

PRELIMINARY OPTIONS FOR CHILD CARE INITIATIVE

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

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

Pros:

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

Cons:

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

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

Pros:

- The proposal could increase the availability of child care services by giving businesses an incentive to provide those services to their employees.
- The proposal addresses concerns about the quality of child care by requiring that businesses take the credit only for expenses incurred in licensed child care facilities.

Cons:

- This may give businesses a tax credit for expenses they would have otherwise incurred -- and deducted or depreciated -- in the absence of the credit.
- The proposed credit is likely to disproportionately benefit middle- and higher- wage workers.
- A tax credit for employers will not benefit the nearly 30 percent of the labor force whose employers are non-taxable (governments, non-profit organizations).

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

Pros:

- CCDBG provides significant relief to low-income working families for child care costs. Average child care costs are \$74 per week, and the average subsidy is \$66 per week.
- States currently target their CCDBG dollars to the lowest-income working families who are transitioning off or at risk of returning to TANF; additional resources will enable states to reach working families with slightly higher incomes.

- Early data from HHS demonstrates that states have obligated nearly all of their FY 1997 CCDBG dollars. Although states are allowed to subsidize child care costs for families below 85 percent of State Median Income (roughly 200 percent of the federal poverty level), the majority of states serve only families with incomes below 130 percent of poverty.
- Increasing federal investment in the block grant leaves states with flexibility to use the funds for the particular child care needs of their low-income populations.

Cons:

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

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

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

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

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

Pros:

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

Cons:

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

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

Pros:

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

Cons:

- Research will not directly increase the supply of child care, and does not directly make care more affordable.
- C. Standards Enforcement. Establish a fund for states to improve licensing and enforce state child care health and safety standards. Activities supported would include providing additional staff and resources to license child care settings and increasing unannounced inspections of licensed child care centers and family day care homes. ;

Pros:

- Child care experts report that almost all states under enforce child care standards.
- Research and experience in the military child care program indicate that diligent enforcement of standards -- particularly frequent unannounced inspections -- improves quality.

Cons:

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

D. Early Childhood Development and Quality

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

Pros:

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

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

Cons:

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

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

IV. SCHOOL-AGE OPPORTUNITIES

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

Pros:

- Responds to the tremendous need for after-school programs. Estimates of the number of “latch-key” children who are unsupervised during non-school hours ranges from 2 to 15 million.
- Increases the supply of after-school programs in a cost-effective manner by establishing or expanding programs at underutilized public school buildings.
- Responds to surveys showing strong parental and educator support for school-based after-school programs. Parents often prefer school-based programs because they do not require transportation and are run by school officials.
- The 21st Century Community Learning Center program has a proven record of support in this Congress (appropriated at \$40 million for FY 1998); there is no need to create a new federal program.

Cons:

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

after-school programs.

- Some schools operate in an isolated manner and do not broadly engage parents or community organizations in their programs.
- This program funds only after-school programs located in public schools. However, families can use CCDBG subsidies to pay for care for children under 13 at other institutions.

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

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

V. STAY-AT-HOME PARENTS

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

Pros:

- By increasing the number of covered employees, more parents would have the ability to take time to care for their children. Lowering the employee threshold would cover 10 million additional employees or increase by 15% those employees covered by the Act.
- No expense to the U.S. Treasury.

Cons:

- Lowering the threshold will provoke strong business opposition and increasing the length of leave may do so as well.
- A very small percentage of employees take the maximum amount of leave now, so expanding the length of leave will help only a small percentage of people. Today, only 100,000 to 400,000 take the maximum leave of 12 weeks, out of the 12 million who take the leave.

Comp mini debate

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

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

debate
vs.
opening up

Pros:

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

Cons:

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

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

Pros:

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

Cons:

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

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

Pros:

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

Cons:

- This option will provide small benefits to a large group of people and is unlikely to modify behavior.
- The tax code already favors stay-at-home parents through marriage bonuses, while the Social Security system favors this group by providing them benefits without requiring that they work. In addition, the Administration already has supported policies benefiting stay-at-home parents, such as the per child tax credit and eased access to the home office deduction.

APPENDIX: BACKGROUND ON FEDERAL CHILD CARE INVESTMENTS

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

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

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

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

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

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

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

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

Department of the Treasury
 Office of Tax Analysis

December 4, 1997

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

004
 OFC TAX POLICY
 202 622 0236
 12:28
 12/04/97

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

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

Department of the Treasury
 Office of Tax Analysis

December 4, 1997

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

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

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

Department of the Treasury
 Office of Tax Analysis

December 4, 1997

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

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

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

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

Department of the Treasury
 Office of Tax Analysis

December 4, 1997

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

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 Credit rate would be 20% for AGI above \$59,000.

006

OFC TAX POLICY

202 622 0236

12:28

12/04/97

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10-23-97

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M. P. ...

THE PRESIDENT HAS SEEN
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10-23-97

Mr. President:

I'd like to give
you some suggestions about
what areas to put
more funds into to
improve child care.

Bill

THE PRESIDENT HAS SEEN
10-23-97

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Mr President

THE PRESIDENT HAS SEEN
10-23-97

10:30

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That'd be a pretty cheap investment. It could be designed (the unabridged version) for teaching providers, but shortened for all parents.

DAVE BARRA
10-23-97

12:10

The more I think about it, the more I like this. I'll bet we could get a broad consensus about being a good parent. If we had a video that Dan Coats and Ted Kennedy supported, it might be a vehicle to drag our stoppy national debate through its sear tissue to let us all embrace a sensible vision.

I am more and more convinced that a bigger and better idea is the only thing that will pull us away from our rancorous, evidence-free conversations.

Once you signed a Welfare Bill, we stopped the old discussion and started talking about how to use what we know to do the right thing.

Mr. President

10:30

Great idea about parents getting the kind of training ~~she~~^{she'll} said child care providers get (the 36 hours.) Even a subset of it would be a big factor.

Imagine a Rob Renner or Ken Burns producing a "Civil War" or "Baseball" - like video series and giving them out at child care centers or doctors offices or ...

That'd be a pretty cheap investment. It could be designed (the unabridged version) for teaching providers, but shortened for all parents.

Dave Barra
10-23-97

12:10

The more I think about it, the more I like this. I'll bet we could get a broad consensus about being a good parent. If we had a video that Dan Coats and Ted Kennedy supported, it might be a vehicle to drag our sloppy national debate through its ~~sear~~ tissue to let us all embrace a sensible vision.

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Once you signed a Welfare Bill, we stopped the old discussion and started talking about how to use what we know to do the right thing.

free child care

DATE: MAR 10 1997

TO: Melanne Verveer
Office of the First Lady

FROM: Joan Lombardi *Joan Lombardi*
Associate Commissioner

SUBJECT: CHILD CARE: CHALLENGES AND OPPORTUNITIES

During the past four years, the Clinton Administration has continually recognized the importance of child care in the lives of working families. During the welfare debate, the Administration scored important victories by increasing child care funding and protecting basic health and safety standards. At the same time, we were able to consolidate federal programs and bring renewed attention to the child care issue.

Despite these accomplishments, significant challenges remain if we are to improve and expand child care services for children and families. Working families face incredible obstacles to accessing and paying for quality services. Furthermore, children are too often spending their time in environments that do not promote school readiness and/or school success.

The start of a new term, and the recent attention to early childhood education, provide important opportunities for moving forward with a renewed child care agenda. In response to a request from your office, this memo summarizes our accomplishments, describes key issues facing working families and outlines a range of options that could be considered to advance the child care agenda. **It is important to note that the ideas presented are early thoughts that would need substantial discussion within the Administration before action is taken.**

A. Accomplishments

In the past few years we have had important accomplishments in child care. Our primary focus has been to secure funds for child care as part of welfare reform, to streamline and coordinate child care assistance, to improve the quality of child care services through technical assistance and a healthy child care campaign and to implement the new child care amendments in PRWORA. The following are some of the major accomplishments in the first term:

o **Direct funding for child care assistance has increased by more than one billion dollars in the past four years.** In particular, the administration made important progress in increasing critical resources for child care in the welfare bill. Child Care funding has continued to increase over the past four years. Some \$600 million dollars was added to child care assistance this year, the first installment of the \$3.5 billion in PRWORA.

These increases, however, must be seen in context. PRWORA will put many more women, particularly women with very young children, into the labor force. States are currently in the process of making key decisions about how they will use the new federal child care dollars. These decisions will affect three important and interrelated areas of need: child care assistance for families transitioning off welfare, child care subsidy for low-income working families who have been receiving such support in the past and low-income working families waiting for child care assistance. This is an area HHS intends to carefully monitor.

o **The Child Care Bureau, a focal point for the child care issue, was established for the first time.** In 1995, Secretary Shalala created the Child Care Bureau, to streamline the operation of federal child care assistance and provide a focal point for child care at the federal level. Coming seventy-five years after the creation of the Women's Bureau, the establishment of the Child Care Bureau has galvanized the issue and provided pivotal leadership at a time of renewed interest in child care. Although child care was found both on the welfare side of HHS and within child welfare services, establishing a separate unit within government, with a mission statement that specifically included child development as well as workforce development for all families, was an historic step forward. In 1996, with the signing of PRWORA, the four federal child care program, which were fragmented and confusing, were consolidated into a single funding stream, the Child Care and Development Fund.

The bureau has had several other important accomplishments including:

- The establishment of a **National Child Care Information Center** which links a range of resources together for policymakers and the general public. More than 50,000 people used the web page last year and thousands more called the hotline.

- Holding a series of **national meetings for state child care administrators** on such topics as infant care, school age care, care for children with disabilities, innovations in consumer education and family centered care.

- The launching of the **Healthy Child Care Campaign** in conjunction with the Maternal and Child Health Bureau which links child care and health services. The blueprint for action is being used in more than 40 states and in many more communities. Technical assistance is provided through a cooperative agreement with The American Academy of Pediatrics.

- **Creating linkages** between child care and other national initiatives including Empowerment Zones, National Service and Head Start. The Child Care Bureau also convenes a Federal Child Care Partners groups on a quarterly basis.

- The establishment of the **Child Care Research Partnership Consortium** which brings together state administrative data with university partners. In addition, the Bureau worked closely with the National Academy of Sciences which held a series of workshops that resulted in two key publications on child care for low income families.

- Helped increase **public awareness** by working with the Womens' Bureau Working Women's Count effort to hold three public events on child care across the country.

o **The child care provisions of welfare reform were implemented.** During the initial months of the second term, the Child Care Bureau has focused on implementation of the Child Care Amendments in the welfare reform legislation. This has included four main activities: making sure states received their new funds in a timely manner, establishing enhanced data collection systems, outlining a research agenda focused on child care for low-income families and designing a more expanded technical assistance system.

The technical assistance effort will include seven coordinated initiatives:

- The expansion of the National Child Care Information System
- The expansion of the Healthy Child Care Campaign
- The establishment of a Public/Private partnership technical assistance effort
- The establishment of a special technical assistance effort to promote inclusion of children with special needs.
- The establishment of a special technical assistance effort for states to improve data collection and systems development
- The continuation of national and regional leadership meetings on emerging child care issues

- The establishment of a National Tribal Child Care Information Center

B. Child Care in the U.S. at the Turn of the Century: Key Issues

Child Care is at a crossroads. Over the next century, the child care system will either flourish and grow, providing supportive environments for children and families, or it will be stretched and pulled, placing children in poor quality environments and increasing the stress on families. There are almost 10 million children under the age of 5 who are in need of child care and 21 million school age children. In order to ensure that families can be both productive workers and good parents, I believe at least three interrelated issues must be addressed in some way: public awareness, quality and affordability.

Public awareness. Although child care has moved from a back page story to front page news, there continues to be a gap between the overall public perception of the issue and the need for services. There is something puzzling about the child care issue. While it is on everyone's mind, there is limited public will to take bold steps to address it. We know that in every corner of the country, parents are "leaning across the fence" and talking about child care, struggling with child care and worrying about child care. Nothing is more poignant than the conversations of parents in August, faced with a few more weeks of vacation, while camps close down and the school house door remains locked for the summer. While child care emerged as a central issue in the "Working Women Count Survey", and is one of the top issues raised at our "At The Table" meetings held across the United States last year, unlike education, child care remains a private issue and has not made it to the top of the public's agenda.

Quality. Research has documented the importance of quality early childhood programs to school readiness. Not only are the first years of life critically important to school success, but more recent research has indicated that quality school age child care programs, particularly for children at-risk of school failure, can have a positive effect on academic achievement.

Despite the link between quality care and a good education, a number of stories have emerged over the past decade that raise serious concern about the quality of care. Child care quality is an issue that cuts across socio-economic lines. From the "National Child Care Staffing" study released in 1989 to the more recent "Cost and Quality Study", we know that concerns about quality have become commonplace. Yet there are limited resources to help build infrastructure, training and other service improvements. Although the administration was successful in maintaining a set aside for quality, only 4 percent of federal child care dollars are currently targeted for quality activities.

Affordability. While the average family pays about 7 percent of its income for child care, we know that child care consumes about a quarter of the income of low-income families who pay for care. At the same time, waiting lists for child care assistance for low-income families continue to grow.

Federal child care assistance includes \$2.9 billion in direct subsidies. While we know that this federal assistance alone is not enough to serve every needy family, estimating exact need is difficult and depends on how states define eligibility. For example if we define need by the eligibility criteria in the federal law- families below 85 percent of median income with children ages birth to 13, almost 8 million children from working families would be eligible for federal assistance that now serves an estimated one and a quarter million children. Being more conservative, if we define eligibility as 150 percent of poverty, we estimate that we still would meet only a quarter of the need. Furthermore, although the Dependent Care Tax Credit provides more than \$2 billion dollars of tax relief for child care expenses, since it is not refundable, the vast majority of low-income working families do not have access to such assistance.

C. Options for a Child Care Agenda in the Second Term

There are four key themes that could characterize the Administration's efforts in child care for the next four years:

- o Increasing child care support for working families
- o Improving the quality of care to promote healthy child development
- o Reaching out to the private sector
- o Building public awareness

1. Increasing child care support for working families

Most of our focus during the first term was on child care as a welfare issue. Although we have always promoted the concept that states should invest their CCDF funds on both welfare families and low-income families at risk for welfare dependency, the future focus could more clearly cast child care as broader working family issue. Initiatives could include:

- o **Expansion of the Child Care Tax Credit-** During the 1998 budget process, discussions were held within the Administration regarding the expansion of the Child Care Tax credit. It is estimated that expanding the credit by making it refundable could

reach some 2 million families. Although it was not included in the 98 budget package, such an initiative could be revisited in the 99 budget process. In estimating the need for such tax relief, particular attention should be paid to low-income working families who may not benefit from the direct assistance program.

o **Expansion of the Child Care and Development Fund-** The Administration requested a \$144 million increase in child care assistance in the 1998 budget. Of this increase, \$100 million is part of the capped entitlement included in the welfare law. \$44 million would bring us to our full authorization of discretionary funds. The states' ability to use their full allotments this year will certainly affect our ability to ask for additional funding in the next year. While all states requested the new funding, the lag time caused by welfare planning and state legislative decisions may slow spending in this first year. We are working with states to encourage full utilization of 97 dollars. Requests for increases could be included in the 99 budget.

2. Promoting child development by improving child care quality.

Focusing on quality provides us an opportunity to address an issue of concern to all families. This is particularly important as younger and younger children are in care during the critical first three years of life. Just as Early Head Start has been the "signature initiative" of the Clinton Administration, promoting the link between "care and education" could be the hallmark of the second term activities in child care. The range of activities could include:

o **Promoting an initiative across HHS and DOD to support the quality of child care.** The Department of Defense provides model child care services to the military community. Unlike the civilian community, DOD programs include standards and funding for training and accreditation. Last year, the Senate included language that encourages DOD to work with HHS to improve the quality of care for children in the civilian community. Funds could be set aside in the DOD budget to launch innovations across the states, particularly for infant and toddler care.

o **Expanding and more actively promoting the Healthy Child Care Campaign.** Healthy child care efforts have now been funded in most states. MCH is in the final stages of funding the rest of the states, of launching a new effort to train health professionals to work in child care and issuing a new streamlined set of child care standards that all states and communities should adopt. Any one of these, or the set together, offer new opportunities to provide visibility to the campaign. In addition, the volunteer summit in Philadelphia provides an immediate opportunity for high level officials to call upon every doctor

and nurse in the country to "adopt a child care program". We may be able to interest the American Academy of Pediatrics and the Pediatric Nurses group to join us in such as effort.

o **Expanding Head Start services to eligible children in child care.** The Department, working through the Head Start Bureau in conjunction with the Child Care Bureau, is about to launch a major expansion of Head Start to serve 50,000 more children in a way that meets the needs of working families. By building on models emerging throughout the country, this year the Head Start expansion will promote collaboration with child care programs. This initiative will not only serve more children, but will bring Head Start comprehensive services to children in child care. Visits by administration officials to such programs will help raise visibility, and would be most useful after grants are awarded this fall.

o **Expanding and improving school age care through Department of Education initiatives.** A major part of any school reform agenda should include expansion and improvement of school age care, particularly in low-income communities. The vast majority of the 50,000 formal school age programs in the country are not found in low-income communities. Furthermore, more than 5 million children spend their time after school in self-care, watching hours of television in the afternoon. HHS is holding 10 regional meetings on school age care over the next 6 months, inviting school officials, child care administrators and community based leaders. More than 2000 people will be invited to participate. In addition, The President's budget includes \$50 million for After School Learning Centers. The administration could target these funds for programs in low-income communities and make such funding a top priority. In addition, the administration could review other ways to include extended learning or school age care in other Department of Education initiatives, particularly the "facilities initiative", research and America Reads. For example the Child Care Bureau has been working with The Corporation for National Service to ensure that Americorp members are focusing on literacy issues in school age care.

o **Targeting job training funds to the child care workforce.** The most important aspect of quality is the relationship of the child and the family with the provider. New efforts could be made to target job training funds to child care, and to provide increased visibility to child care workforce issues.

3. Promoting Public/Private Partnerships

It is clear that government alone cannot provide all the funding for child care assistance. The administration's efforts could include technical assistance, promoting promising initiatives and supporting new tax incentives.

o **Increasing Technical Assistance.** The Child Care Bureau is launching a new technical assistance effort to promote state initiatives that reach out to the private sector. The RFP should go out by the end of March with the project funded in early fall. Once funded, the administration could make the announcement of this new project a top priority. In addition, new child care regulations may include provisions to encourage private sector dollars as match.

o **Promoting promising initiatives.** High level officials could make visiting and talking about examples of private sector support for child care a priority. This could include a range of events from visits to state legislatures working on this issue to small companies that make a commitment to child care.

o **Increasing tax incentives.** Finally, the administration could support emerging Congressional proposals to provide tax relief for businesses that invest in child care. The Treasury Department, in conjunction with HHS, could review emerging proposals and consider the inclusion of new provisions in the budget.

4. Building Public Awareness of Child Care

The administration could consider strategies that provide parents with opportunities to speak out about child care, establish a strong child care research agenda and put in place an expert committee to recommend bold new steps to create a 21st Century Child Care system. Possible activities to be considered include:

o **Holding town hall meetings with parents.** A series of "town hall or village green" meetings could be planned for parents to talk about their child care issues and how to improve services. Leaders from the community, including the private sector and local government, could be invited to attend and encouraged to launch new initiatives. Stories and recommendations could feed into a report to the President or a National Task Force.

o **Designing a coordinated research agenda.** HHS is in the process of developing a research agenda that will include child care issues in the welfare research projects and will focus "first time" attention on what we are "buying" with the \$20 billion investment in subsidies over the next 6 years. Efforts are also underway to integrate child care in ongoing research on child development and to make linkages with large national surveys. The administration could make a request to all federal agencies with relevant research capability to include a focus on child care over the next few years. In addition, since there are no specific funds targeted to child care research at the federal

or state level, a special request should be made for child care research dollars, perhaps even to establish a National Center on Child Care Statistics modeled after the National Center for Education Statistics.

o **Convening a National Task Force on the Future of Child Care** The last major national report on child care was released by the National Academy of Science in 1990- **Who Cares for America's Children? Child Care Policy for the 1990s**. Many of the recommendations in this report are yet to be addressed. Just as we did for Head Start in 1994, we must develop a bipartisan blueprint for a 21st century child care system that provides recommendations for federal, state and local government, the private sector and communities and parents. The administration could convene a group of child care experts from across the country to consider these and other proposals to move child care beyond the crossroads.