

FEDERAL AGENCY

MAT

PROGRAMS + POLICIES TO
HIGHLIGHT

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TO: Melanne Verveer
Office of the First Lady

FROM: Joan Lombardi *Joan Lombardi*
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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 an 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.