To Nicole Rabner

From: Anne McGuire

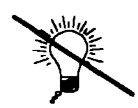
Childcare and Welfare to Work

- *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

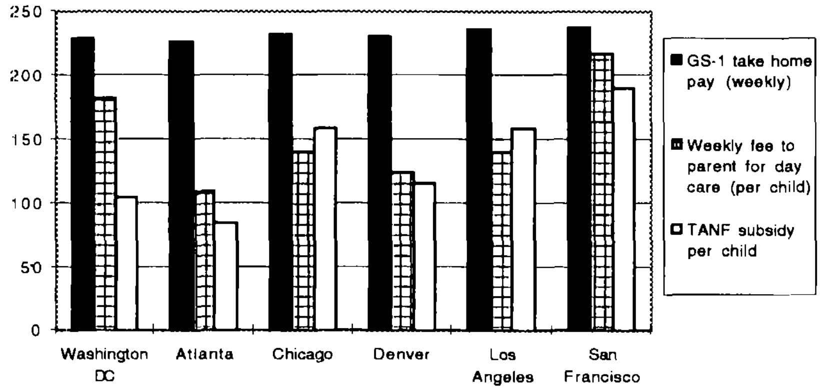
- *Developmental* is better than *custodial*
  - upcoming WH conference on early learning
  - our centers are high quality
- All working parents need care for their children
  - note: 90% of those leaving welfare are single mothers
- Child care "centers" are very expensive
  - affordability study out 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

Comparison of GS-1 Take Home Pay, Child Care Costs and State Subsidies



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 <u>may</u> 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 FIRST LADY
THE WHITE HOUSE
WASHINGTON, D.C. 20502
202/456-6266
202/456-6244 FAX

To: Jack Kelly, OMB

Fax: 5-0850

From: **Nicole Rabner** and Jennifer Klein
Office of the First Lady

Pages to Follow: 1

Comments: Per your conversation with Jen Klein

Dear Mr. Chairman:

The House Treasury, Postal Service and General Government Appropriations Subcommittee Report on the l997 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."

We are pleased that you asked us to do this because we share your belief that child care is an issue of great concern to many Federal parents. It is also a critical component of a "family friendly" Federal workplace, which has been a high priority of this Administration.

We asked GSA to lead this review because it operates the largest number of child care centers among the civilian agencies and is recognized for its expertise in this area. As part of GSA's response to our request, it contracted with the National Academy of Public Administration to survey both public and private sector chid care providers and report findings and recomendations.

GSA has recently completed the review we requested and has provided us with three documents, all of which are attached. The first of these is a letter GSA Administrator David Barram has written in which he shares his conclusions about the affordability problem. The second is a plan developed by GSA to address directly the needs of lower income Federal parents for more affordable child care. The third is the Academy report which includes some additional recommendations.

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We support the Administrator's observations about the affordability issue and endorse his recommendations. We urge him to begin implementing his proposals as soon as possible. While GSA has said it is not ready to make legislative recommendations at this time, it does intend to "gather other major child-care sponsoring agencies together quickly to explore options and develop legislative proposals, where needed." When that process is complete, we look forward to working with your Committee on any action that is required.

Sincerely, Raines

ID: DEC 21'03 9:53 No.001 P.01

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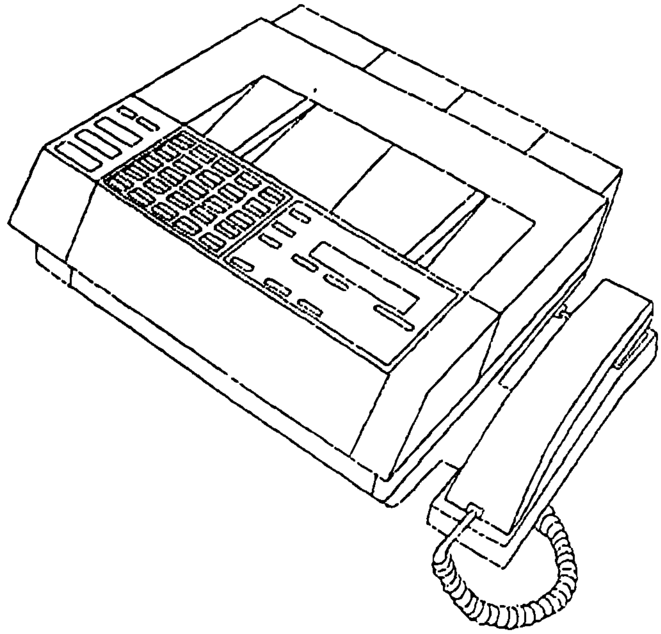
EXECUTIVE OFFICE OF THE PRESIDENT
Office of Management and Budget
TCJS Division
Justice/GSA Branch

FAX COVER SHEET



TO: Nicole Palmer

FAX NUMBER: 6-2878

PHONE NUMBER:

FROM: Jack Kelly

PHONE NUMBER: 202/395-6106

FAX NUMBER: 202/395-0850

COMMENTS: Faith Wohl asked that I send you our latest draft of Frank Raines transmittal of the child care rept. to Congress. Comments are welcome - but quickly please.

Date: 5/12/97 *Time:* 10:52 am.

Number of Pages (including this page) 3

If you do not receive all the pages, please call as soon as possible.

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

OFFICE OF THE FIRST LADY
THE WHITE HOUSE
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202/456-6266
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To: Sue Valascovic

Fax: 632-0390

From: **Nicole Rabner**
Office of the First Lady

Pages to Follow: 1

Comments: I have tried, at Jennifer Klein's direction, without luck to reach you today at NPR's main # 632-0150. The latest version of the child care study/transmittal ltr looks fine, with the one exception of the name of the recent WH Conference, the correction for which is attached. Pls call me at 202/456-7263 with any questions. Thank you.

. Sue Valascovic
? 632-0150

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~~ Childhood Development and 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 facilities. 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 Federal 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 Conf was called "The WH Conf on Early Childhood Dev & Learning"

NATIONAL PERFORMANCE REVIEW
AL GORE
Vice President of the United States

National Performance Review
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Washington, DC 20006
voice: 202-632-0150
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FAX COVER SHEET

To: Jennifer Klein

Telephone Number: ________ Fax Number 456-2878

From: Faith Wohl, NPR

Direct Telephone Number or ext.: 632-0186

Date: 5/6/97 Number of Pages Plus Cover Sheet: 12

Special Message or Comments:

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 1,000 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 $8-10 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 $1,000,000 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 1996, this averaged in the range of $180 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 1997 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 10 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 1996 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 13, 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 1,000 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 actvities 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 $100 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.

the past, GSA also directed the full proceeds of its governmentwide recycling operations to the support of child care tuition assistance programs but other legislated 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 our 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 low 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 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 and facilities. In our GSA centers, I am confident that we have done an excellent job of providing the last of these three, 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 financial development role at GSA to help Federal centers be more affordable to a broader range of parents.

Second, 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.

Third, 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.

Fourth, 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 the involved agencies together quickly to explore options and develop legislative proposals, where needed.

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 the Office of Governmentwide Policy, which will add 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 1998 budget request. As we consider the implications of this report, however, we believe we may have to initiate activities sooner than October 1. 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 10 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.. Or, 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 1,000 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 $8-10 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 $1,000,000 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 1996, this averaged in the range of $180 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 1997 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 10 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 1996 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 I3, 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 I,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 $8-10 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 $100 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.

Cynthia A. Rice 04/03/97 01:18:36 PM

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To: See the distribution list at the bottom of this message
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Subject: Answers to two child care questions

Child care regulations and standards

The proposed welfare reform child care regulations will do two things regarding standards:

1) Health and safety standards will apply to more federally funded child care. As in current law, all child care supported by federal Child Care and Development Block grant funds will have to meet state-set standards in three areas (controlling infectious diseases, building safety, and training). What's new is that welfare to work child care now must operate under the CCDBG rules, meaning these health and safety standards now apply. The welfare law made the change, and the regulations reflect that change. The National Governor's Association opposes this requirement.

2) The regulations will interpret "controlling infectious diseases" as meaning that states must ensure that children whose care is subsidized with these federal funds have been immunized.

GSA Child Care Centers

Currently, 60% of GSA centers are accredited by the National Association for the Education of Young Children. GSA has a goal of achieving 100% accreditation.

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