Yvette Jackson
703-305-2026

THE WHITE HOUSE

WASHINGTON

Date 4/12

To: Jan Klein

From: The Staff Secretary

Passing along the attached FYI only. A friend of Betty's at USDA asked that it be passed along to the appropriate "West Wing" staffer

Phil

USDA

United States Department of Agriculture

Food and Consumer Service

3101 Park Center Drive

Alexandria, VA 22302-1500

MEMORANDUM FOR BETTY CURRIE

FROM: **JOHANNA J. RAMOS** JJRamos

Subject: **Department of Agriculture Food and Consumer Service Childhood Nutrition Reauthorization Package.**

As we discussed, enclosed is the USDA Food and Consumer Service Children's Hunger Initiative for Learning and Development. The initiative proposes changes in the childhood nutrition programs (School Lunch, School Breakfast, Summer Food Service, and the Child and Adult Care Food Program) and is compatible with many of the issues discussed at the recent White House Conference on Child Care.

The proposal is at the Office of Management and Budget (OMB) for approval ands Secretary Glickman's goal is for this initiative to be included in the President's Fiscal Year 1999 budget proposal. I hope you have a few minutes to look it over and pass it on to the appropriate person in the West Wing.

Thanks for your assistance and I hope to see you soon.

Children's Hunger Initiative for Learning and Development

USDA

The Children's Hunger Initiative for Learning and Development

Goal: Improve American Children's Ability to Obtain Nutritious Meals

The Children's Hunger Initiative for Learning and Development represents a unique and exciting opportunity to provide the Nation's children with increased ability to obtain nutritious meals. This goal reflects the Department's commitment to ensuring that adequate nutrition is available to children, particularly low-income children.

Recent research has underscored the importance of the early childhood years in cognitive development. The Administration's commitment to understanding these findings and ensuring that they are reflected in policy affecting families and children was demonstrated in the recent White House Conference on Early Childhood Development. In addition, the Administration has committed to improving the health and education of America's children. President Clinton recently signed the Balanced Budget Act, which includes the largest increase in funds to cover uninsured children since the creation of the Medicaid program in 1965. The President's Education Call to Action reflects an understanding that every school child must have the resources to ensure that critical education milestones—such as reading independently by the end of the third grade—are met. Therefore, this initiative devotes substantial resources to ensuring that low-income children have adequate nutrition available to them from infancy through the school years.

Furthermore, the passage of welfare reform provides increased incentives for families to move from welfare to work. Thus it is critical to ensure that quality child care is available to low-income families. Our proposals would enhance nutrition assistance available in child care settings, in schools and in programs serving meals to children when school is not in session.

Many of the proposals contained in this initiative focus on the programs currently known as the Child Nutrition Programs - including the National School Lunch Program (NSLP), the School Breakfast Program (SBP), the Child and Adult Care Food Program (CACFP), and the Summer Food Service Program (SFSP). These programs are up for review and reauthorization in the upcoming year. This provides a unique opportunity to focus policy discussions on the Children's Hunger Initiative for Learning and Development (CHILD) by making it the centerpiece of the Administration's reauthorization proposal.

The Initiative also includes proposals to enhance other activities within the Department to provide greater focus on young children and their families. These include the Expanded Food and Nutrition Education Program (EFNEP), which has a long history of successfully delivering an education program targeting behavioral change; and the nutrition promotion efforts of the Center on Nutrition Policy and Promotion (CNPP). In addition, a series of research efforts designed to support anti-hunger efforts are included.

Objectives:

The objectives of the Children's Hunger Initiative for Learning and Development are to:

- Enhance the ***resources*** available to local cooperators to improve meal quality and to reach unserved and underserved populations.

- Provide children with increased ***access*** to food and nutrition assistance.

- ***Simplify*** program operations, improve program management, and reduce reporting and recordkeeping burdens.

- Provide ***nutrition education and promotion*** to assist children and families in obtaining the information, motivation, and skills necessary to make healthy food choices.

Description of the Children's Hunger Initiative for Learning and Development

The Initiative consists of a comprehensive package of proposals designed to meet these objectives. Each proposal is targeted to meet one or more of the objectives noted above. Specifically, we propose:

1. Consolidating the existing Child Nutrition programs into two programs, the School Nutrition Program and the Community Child Nutrition Program;

2. Initiating a major effort to encourage gleaning and food recovery, including providing assistance to State agencies administering The Emergency Food Assistance Program (TEFAP);

3. Enhancing broad-based nutrition research, education, and promotion which support efforts to provide nutrition and education to children; and

4. Providing increased support for food safety efforts in schools.

Each proposal is described below, with additional detail on each available in the attachments.

1. Consolidating the Child Nutrition Programs

A. The Proposed School Nutrition Program (SNP)

Total FY'99 Cost: $366.9 million (See Attachment 1.A)

Resources -

- Provide commodity entitlements (3 cents) for every breakfast served; continue to provide commodity entitlements for every lunch served (15 cents) and for every supper served (15 cents). ($53 million)
- Increase operating rates of reimbursement in the summer recreation program (formerly SFSP). ($13 million)
- Increase free rate for each breakfast served.
- Guarantee SAE funding at current levels for alternate agencies which would no longer administer school-based programs but continue to administer community-based programs. ($1 million)
- Consolidate FCS research funding by providing mandatory program funds for research supporting food assistance programs. ($25 million)

Access -

- Provide formula grants for State agencies and local organizations to conduct program expansion, startup and outreach for breakfast and summer recreational programs. ($3.3 million grants, $2.5 million participation)
- Allow any child of high school grade or under to participate in the School Nutrition Program:
  - *Before School Care Programs (formerly CACFP or SBP)* - Allow schools to provide a breakfast to any child participating in a school's before school care program.
  - *Free Breakfasts for pre-K through Grade 3* - Allow schools to provide free breakfasts to any child in pre-K through Grade 3. ($211 million)
  - *School Day Meal Service (formerly SBP or NSLP)* - Continue to allow schools to provide school lunch and school breakfast to any child

participating in a school's academic program, including the service of meals in summer school.

- *After School Care Programs (formerly NSLP Supplements or CACFP)* - Allow schools to provide a meal supplement to any child participating in a school's after school care program. If the child is in care for 3 hours or more after service of the supplement, a supper may be served. ($46 million)

- *School Day Care Programs (formerly CACFP)* - Allow schools to provide 3 meals, at least one of which is a supplement, to any child participating in a school's day care program. If a child is participating in a school's day care program for more than 8 hours a day and the child remains in care for 3 hours or more after the service of the supplement, a supper may also be served. ($7.2 million)

- *Summer Recreational Programs (formerly SFSP, Enrolled Site)* - Allow schools to serve a lunch and either a breakfast or a supplement at the free rate when school is not in session, if at least 50 percent of the enrolled children have been individually determined eligible for free or reduced price meals.

- Programs in Especially Needy Areas Include:

  - *"At Risk" Children* - Allow schools to serve meal supplements and/or suppers to children participating in programs designed for "At Risk" children. ($8 million)

  - *Summer Recreational Programs (formerly SFSP, Open and Enrolled Sites)* - Allow schools to serve a lunch and either a breakfast or a supplement free to all children attending the meal service when school is not in session. ($1 million)

  - *Migrant Children* - Allow schools to serve 4 meals to children participating in a school sponsored migrant education or summer recreation program. ($1 million)

Nutrition Education and Promotion -

- Increase SAE base for nutrition education and promotion activities which would permit State agencies to provide funds to local cooperators for nutrition education and to support a nutrition education coordinator position in each State. ($18.7 million)

- Establish the school food service systems improvement initiative to continue and expand training and technical assistance and nutrition education efforts begun under the school meals initiative. ($15 million)

Simplification -

- Consolidate current programs under the SNP.

- Eliminate 2 cent differential. (Savings of $41 million)

- Eliminate administrative funds currently provided under the SFSP. (Savings of $11 million)

- Eliminate approximately 2 million hours of reporting and recordkeeping burdens.

- Eliminate severe need funding.

B. The Proposed Community Child Nutrition Program (CCNP)

Total FY'99 Cost: $113.3 million (See Attachment 1.B)

Resources -

Under the child care component of the CCNP:

- Provide administrative funds for States to develop geographic information systems with elementary school boundary information for use by sponsors of day care homes. ($2 million)

- Provide FCS with ¼ percent funding for management improvement, program oversight and training. These activities are expected to reduce annual misspending and result in program savings. (Savings of $6.8 million)

Under the summer component of the CCNP:

- Increase operating rates. ($17 million)

- Increase administrative rates for sponsors to make them comparable to current school program usage. ($3 million)

- Increase operating rates for rural sites by an additional 5 cents per meal to cover transportation costs. ($2 million)

- Eliminate cost-accounting for self-preparation sponsors and provide a flat reimbursement rate for all meals served at sites operated by these sponsors. (cost included in administrative funds cost)

- Augment State administrative funding for management improvements in outreach, monitoring, and training/technical assistance. ($1.5 million)

Access -

Under the child care component of the CCNP:

- Allow participation of proprietary child care centers with at least 25 percent free and reduced-price enrollment or participation. ($51 million)

- Permit child care centers to claim reimbursement for up to 4 meals per child per day for children in care longer than 8 hours. ($10 million)

- Extend eligibility to "after care" programs for at-risk teenagers (13-18) in low-income areas. ($6.6 million)

- Include the Homeless Child Nutrition Programs and SFSP homeless sites. ($1.2 million)

- Standardize automatic eligibility for TANF recipients. (Minimal cost)

- Permit automatic eligibility for free meal benefits in child care for pre-kindergarten Even Start participants. ($.1 million)

Under the summer component of the CCNP:

- Provide formula grants for State agencies and local organizations to conduct program expansion, startup and outreach. ($1.7 million)

- Allow reimbursement for up to 4 meals per child per day for migrant sites. ($1.6 million)

- Raise the private nonprofit site limit to 25. ($.3 million)

- Allow private nonprofit organizations to use commercial vendors. (No cost)

Nutrition Education and Promotion -

Under the child care component of the CCNP:

- Allow reimbursement for meals containing breast milk for infants 0-7 months of age. ($2 million)
- Increase SAE base for nutrition education and promotion activities and to authorize SA's to provide funds to local cooperators for nutrition education. (Cost included in school proposal)

2. Gleaning and Food Recovery Systems -

Total FY '99 Cost: $20 million (See Attachment 2)

Resources -

- Establish competitive grants for community-based anti-hunger groups. ($12 million)
- Establish formula grants for State agencies administering TEFAP. ($7.5 million)
- USDA administrative funds to support/encourage State and local activities. ($.5 million)

3. Broad-Based Nutrition Research, Education and Promotion Efforts (CNPP, ARS, ERS and CSREES)

Total FY '99 Cost: $23.2 million (See Attachment 3)

Nutrition Education and Promotion -

- Provide nutrition education targeted at families with young children through the extension system. ($10 million)
- Develop and implement a nutrition promotion strategy for reaching low-income children (e.g., Food Guide Pyramid); identify and develop strategies to remove barriers to adequate and good nutrition; design, develop and pre-test products that will improve the dietary patterns of low-income children; and produce and disseminate products and train program staff for use in implementation. ($1.6 million)

Nutrition Research -

- Conduct human nutrition research to enhance the scientific foundation upon which program/policy development is based. ($8 million)
- Provide multi-State, multi-disciplinary grants to examine causes and consequences of hunger. ($2.1 million)
- Study the links between welfare reform, nutrition and child food security. ($1.5 million)

4. Food Safety Efforts in Schools

Total FY '99 Cost: $12.5 million (See Attachment 4)

Resources -

- Require a minimum of two health inspections in self-preparation lunch service schools and provide SAE funding to defray costs. ($10.5 million)

Nutrition Education and Promotion -

- Develop training workshops on safe food handling for SFA staff, and revise and distribute food safety educational materials to all school food authorities. ($2 million)

Attachment 1

1. CONSOLIDATING THE CHILD NUTRITION PROGRAMS

A. THE PROPOSED SCHOOL NUTRITION PROGRAM

The proposed School Nutrition Program (SNP) offers a seamless child nutrition program to participating schools. This program will permit schools to offer one, consolidated meal service program rather than the four Child Nutrition Programs currently available, i.e., the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program and the Summer Food Service Program. The proposed SNP will provide the Nation's schoolchildren with increased access to nutritious meals. In addition, the proposed program will provide local cooperators with increased resources, simplified program operations, and significant reductions in the reporting and recordkeeping burdens currently associated with the four separate programs.

The proposed SNP is outlined below[1].

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	5 year (millions)	
Administration	• Eliminate ROAP Administration of Program	$0	$0	• Simplification
	• State Education Agency administers SNP	$0	$0	• Simplification
Institutional Eligibility	• Public or non-profit private schools - No change	$0	$0	
Participant Eligibility	• Any child enrolled or participating in a school's day care program, normal school program, and summer recreational program, provided that participants are of high school grade or under	$0	$0	• Access

[1] The limitation on schools' operation of the Special Milk Program for Children remains unchanged.

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	5 year (millions)	
	• Continues to exclude extra-curricular activities	$0	$0	
Cash Assistance	• USDA will provide reimbursement for every free, reduced price and full price meal served to eligible children in a traditional school program (including summer school), a school's day care program, or before or after school care program and a school's recreational program (formerly NSLP, SBP and CACFP, and SFSP). The rates of reimbursement are as follows:	$0	$0	
	• Severe need will be eliminated. The free breakfast rate will be increased to a level slightly below the current severe need free rate. The reduced price rate will be lowered. (Note: Higher free rate and commodity entitlements for breakfasts, offset loss of funds to schools)	$0	$0	• Simplification • Resources
	• Lunch rate - No change	$0	$0	
	• Supplement rate - No change	$0	$0	
	• Supper rate - No change	$0	$0	
	• Increased operating rates of reimbursement will be provided for summer recreational programs (formerly SFSP)	$13	$79	• Resources
	• Increased summer recreational program rates (formerly SFSP) for Alaska and Hawaii	$.1	$.5	• Resources
	• Eliminate administrative funds currently provided	$-11	$-65	• Simplification

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	5 year (millions)	
	under SFSP (Note: Partially offset by increased summer rates and commodity assistance)			
	• Eliminate 2 cent differential. (Note: Partially offset by commodity assistance provided for breakfasts and by new breakfast rate)	$-41	$-209	• Simplification
Commodity Assistance	• A commodity entitlement will be provided for every a) lunch (15 cents), b) breakfast (3 cents) and (c) supper (15 cents)	$53	$316	• Resources
Meal Benefits	• No change to the one meal per child per meal service policy	$0	$0	
	• For a child in a school's before school care program or traditional academic program (including summer school), breakfast may be claimed • Free breakfasts will be made available for any child in pre-K through Grade 3	$0 $211	$0 $1,425	• Access
	• For a child in a school's traditional academic program, a lunch may be claimed	$0	$0	• Access
	• For a child participating in a school's after school care program, a meal supplement may be claimed and, if the child remains in care for 3 or more hours after service of an afternoon meal supplement, a supper may be claimed	$46	$635	• Access
	• For children participating in a school's day care program for less than 8 hours a day, 3 meals, at	$7	$37	• Access

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	5 year (millions)	
	least one of which is a supplement, may be served			
	• For children participating in a school day care program for more than 8 hours a day 3 meals, at least one of which is a supplement, may be served and, if the child remains in care for 3 or more hours after service of an afternoon meal supplement, a supper may be claimed	$.2	$1	• Access
	• In a summer recreational program operated in a school in an area where less than 50 percent of the children are eligible for free or reduced price meals, a lunch and either a breakfast or a supplement may be served at the free rate for all children meals when school is not in session, if at least 50 percent of the enrolled children have been individually determined eligible for free or reduced price (Enrolled site)	$0	$0	• Access
Especially Needy Meal Benefits	• In a summer recreational program located in a geographical area where 50 percent or more of the local children are eligible for free or reduced price meals (based on census or school data), a lunch and either a breakfast or a supplement may be served free to all children attending the meal service when school is not in session (Open site)	$1	$5	• Access
	• In a summer recreational program operated in a school where 50 percent or more of the enrolled	$0	$0	• Access

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	5 year (millions)	
	children at the site are individually determined eligible for free or reduced price meals, a lunch and either a breakfast or a supplement may be served free to all enrolled children when school is not in session (Enrolled site)			
	• In a geographical area where 50 percent or more of the local children are eligible for free or reduced price meals, meal supplements and/or suppers may be served to children participating in programs specifically designed for and open to "At Risk" children	$8	$137	• Access
	• In migrant sites, four meals may be provided to children participating in a school sponsored migrant education program or recreation program	$1	$6	• Access
Reimbursement Procedures	• No change	$0	$0	
Meal Pattern	• Use NSLP/SBP/CACFP meal patterns	$0	$0	• Simplification
Free and Reduced Price Eligibility	• Permit automatic eligibility of pre-kindergarten Even Start children if enrolled in school program	$.1	$.5	• Access
	• Standardize automatic eligibility requirements for TANF recipients	Minimal	Minimal	• Simplification
State Administrative Expense Fund	• SAE funding will be guaranteed at current levels for alternate agencies which would no longer administer school based programs but continue to	$1	$5	• Resources

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	5 year (millions)	
	administer community based programs			
	• Adjust SAE funding formula	$0	$0	
Program Expansion/ Startup and Outreach	• Provide formula grants for State agencies and local organizations to conduct program expansion, startup, and outreach for breakfast and summer recreational programs	$5.8	$59	• Access • Resources
Nutrition Education and Promotion	• Increase SAE base for nutrition education and promotion activities which would permit State agencies to provide funds to local cooperators for nutrition education and to support a nutrition education coordinator position in each State • Establish the school food service systems improvement initiative to continue and expand training and technical assistance and nutrition education efforts	$18.7 $15	$93.7 $40	• Nutrition Education and Promotion • Nutrition Education and Promotion
Research	• Provide mandatory research funds for all food program areas	$25	$125	• Resources
Participation Effects	• Participation effects resulting from increased summer funding[2]	$13	$81	• Access
TOTAL COST		**$366.9**	**$2,771.7**	

[2] Participation effects associated with other proposed provisions are included in the cost estimates shown above.

B. THE PROPOSED COMMUNITY CHILD NUTRITION PROGRAMS

The Community Child Nutrition Programs (CCNP) serve children participating in the current Child and Adult Care Food Program and the Summer Food Service Program operated by non-school entities. Under the CCNP, there is a child care component and a summer component which offer refinements which streamline administrative requirements, enhance program resources, create access to unserved populations, and promote nutrition and nutrition education.

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	5 years (millions)	
Administration	• Administered by the State Education agency or alternate agency designated by the governor	$0	$0	
	• Eliminate "ROAP" administration	$0	$0	
State Administrative Funds	• Establish 1997 base-year administrative funding for each State agency	$0	$0	
	• Augment State administrative funding for management improvements in outreach, monitoring, and training and technical assistance	$1.5	$7.5	• Resources
	• Provide administrative funds for State agencies to develop geographic information systems with elementary school boundary information for use by sponsors of day care homes	$2	$2	• Resources
Program Integrity	• Provide FCS with ¼ percent funding for management improvement and training of the child care component of CCNP	-$6.8	-$36	• Resources

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	5 years (millions)	
Cash Assistance	• Increase operating rates for the summer component of CCNP	$17	$105	• Resources
	• Increase operating rates for summer rural sites by an additional 5 cents per meal to assist sponsors with the transportation costs	$2	$10	• Resources
	• Adjust Alaska and Hawaii summer operating rates upward to cover the higher cost of providing meals	$0.1	$0.5	• Resources
Administrative Funds	• No change for administrative funds for sponsors of day care homes • Increase administrative rates for sponsors of the summer component to make them comparable to current school program usage	$0 $3	$0 $20	 • Resources
Commodity Assistance	• No change. Child care centers will continue to be provided a commodity entitlement for each lunch and supper served; "bonus" commodities will be provided, upon availability and request, for day care homes and summer sites	$0	$0	
Meal Benefits	• Allow reimbursement for up to 4 meals per child per day for migrant sites participating in the summer component of CCNP	$1.6	$8.4	• Access

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	**5 years (millions)**	
	• Permit child care centers to claim reimbursement for up to 4 meals per day for children in care longer than 8 hours	$10	$58	• Access
	• Allow reimbursement for meals containing breast milk for infants 0-7 months of age in child care settings	$2	$10.7	• Nutrition Education and Promotion
Sponsor Operations	• Allow private nonprofit organizations operating the summer component to use commercial vendors	$0	$0	• Access
	• Raise private nonprofit organization summer site limit to 25	$0.3	$1.5	• Access
	• Eliminate cost-accounting for self-preparation summer sponsors and provide a flat reimbursement rate for all meals served at sites operated by these sponsors.	Cost included in summer component administrative funds proposal cost	Cost included in summer component administrative funds proposal cost	• Resources
Participant Eligibility	• Extend eligibility for the child care portion of the CCNP to "after care" programs for at-risk teenagers (age 13-18) in low-income areas	$6.6	$64	• Access
	• Permit automatic eligibility for free meal benefits in child care for pre-kindergarten Even Start participants	$.1	$0.5	• Access
	• Standardize automatic eligibility for	Minimal	Minimal	• Access

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	**5 years (millions)**	
	TANF recipients			
Institutional Eligibility	• Allow participation by proprietary child care centers with a minimum of 25 percent free and reduced-price enrollment or participation	$51	$400	• Access
	• Move Homeless Child Nutrition Programs and SFSP homeless sites to the child care component of CCNP	$1.2	$6.6	• Access
Nutrition Education and Promotion	• Increase SAE base for nutrition education and promotion activities and to authorize State agencies to provide funds to local cooperators for nutrition education	Cost included in school proposal	Cost included in school proposal	• Nutrition Education and Promotion
Program Expansion/Startup and Outreach	• Provide formula grants for State agencies and local organizations to conduct program expansion, startup and outreach for the summer component	$1.7	$19	• Access • Resources
Participation Effects	• Participation effects resulting from increased summer funding[3]	$20	$121	• Access
TOTAL COST		**$113.3**	**$798.7**	

[3] Participation effects associated with other proposed provisions are included in the cost estimates shown above.

2. GLEANING AND FOOD RECOVERY SYSTEMS

USDA will establish competitive grants for community-based anti-hunger groups and formula grants for State agencies administering TEFAP to make funds available for use by the States and agencies within the State through cooperative agreements. The grants would total $20 million dollars. Grants must be used to foster, establish, and encourage on-going gleaning and food recovery activities. Any State or agency unable to use their portion of funds must return the funds for reallocation to other States or agencies that are able to use them. Additionally, USDA would retain some funds for administrative purposes.

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	5 year (millions)	
Administration	• USDA will print food recovery guides, hold second Summit, conduct field gleaning projects, provide outreach to school feeding programs	$.5	$2.5	• Resources
Institutional Eligibility	• Community-based anti-hunger groups			
	• TEFAP State agencies/local agencies			
Participant Eligibility	• Target low income households			
Cash Assistance	• Competitive grants to community-based anti-hunger groups	$12.0	$60	• Resources
	• Formula grants to TEFAP State agencies	$7.5	$37.5	• Resources
TOTAL COST		$20	$100	

3. BROAD-BASED NUTRITION RESEARCH, EDUCATION AND PROMOTION EFFORTS

To complement the proposed school nutrition and community child nutrition programs and to provide for an integrated strategy that places special focus on the Administration's early childhood intervention initiative, the Children's Hunger Initiative for Learning and Development includes efforts to further the scientific knowledge which is essential to targeting, monitoring and maximizing the effectiveness of the food assistance programs. Additionally, we propose further efforts to assist low-income children and families build the skills to choose a healthful diet.

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	5 year (millions)	
Human Nutrition Research (ARS)	• Quantify three new indices as proxy indicators of future school performance - Hunger-Calorie Deficit Index , Hunger -Nutrient Deficit Index, and Hunger-Physiological Deficit Index • Examine relationships among components of the indices and the measured parameters of food availability and accessibility, the periodicity of food intake, and the gender, ethnic and socioeconomic determinants of the populations studied • Determine relationships among critical nutrient biomarkers and subsequent growth, accretion of body fat, lean, and bone mass, exercise tolerance, eating behavior, preferences and habits, and extensive indices	$8	$40	• Nutrition Research

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
	of neuro-developmental performance.			
Hunger-Related Research (CSREES)	• Multi-State, multi-disciplinary grants • Explore the causes and consequences of hunger in relation to development, family and community resiliency, economic well-being, and welfare reform. • Designed to identify factors to use in the development of effective prevention strategies	$2.1	$10.5	• Nutrition Research
Hunger-Related Research (ERS)	• Conduct research on understanding the link between welfare reform, nutrition , and child food security.	$1.5	$7.5	• Nutrition Research
Extension Education (CSREES)	• Delivery of experiential nutrition education for families with preschool children. • Funds to be distributed to State and Territorial Cooperative Extension Services through a formula reflecting share of population below 125% of poverty. • Focus on behavior change leading to improved nutrient intake and the building of basic life skills	$10	$50	• Nutrition Education
National Nutrition Promotion Strategy for Health (CNPP)	• Develop and implement a nutrition promotion strategy for reaching low-income children. The cornerstone of this strategy would be the Food Guide Pyramid for high risk children • Identify and develop strategies to remove barriers to adequate and good nutrition • Design, develop and pre-test products that will	$1.6	$8	• Nutrition Education and Promotion

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
	improve the dietary patterns of low income children and will support the efforts of child care, school, food assistance and cooperative extension efforts • Produce and disseminate products and train program staff for use in implementation			
TOTAL COST		**$23.2**	**$116**	

4. FOOD SAFETY EFFORTS IN SCHOOLS

In May 1997, the Administration announced a five-point Food Safety initiative to strengthen and improve food safety for the American people. These proposals complement this initiative by providing: a) food safety education to change unsafe food handling activities by people throughout the food change, including food service workers; and b) funds to support a minimum of two health inspection visits of all self preparation schools providing a lunch service.

PROGRAM AREA	PROPOSED PROVISION	COST		OBJECTIVES
		1 year (millions)	5 year (millions)	
Food Safety Education	• Require a minimum of two health inspections in self preparation lunch service schools and provide SAE funding to defray costs	$10.5	$54.5	• Resources
	• Develop training workshops on safe food handling for school food service staff, and revise and distribute food safety educational materials to all school food authorities	$2	$0	• Nutrition Education and Promotion
TOTAL COST		**$12.5**	**$54.5**	

CHILD

SUMMATION OF FY '99 COSTS:

1.A	**SNP Proposal Costs (in millions):**	**$366.95**	**(68 %)**

Benefits to Participants (in millions): $289.8 (79 %)
Benefits to Institutions (in millions): $ 52.15 (14 %)
Funds for FCS research (in millions): $ 25.00 (7 %)

1.B	**CCNP Proposal Costs (in millions):**	**$113.30**	**(21 %)**

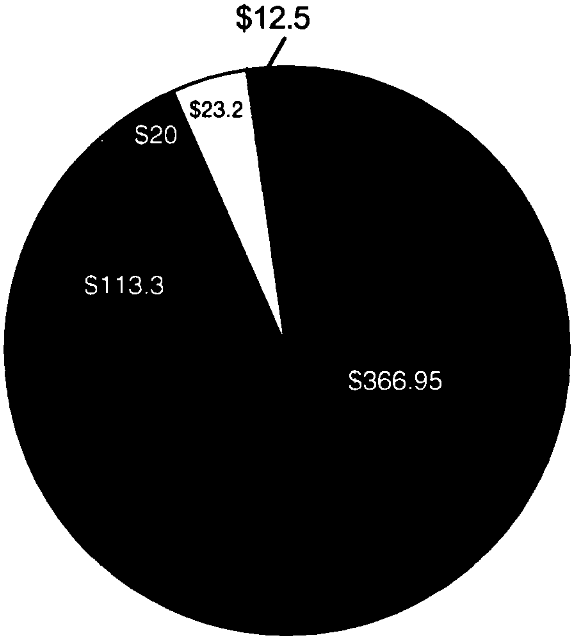
Benefits to Participants (in millions): $ 93.2 (77 %)
Benefits to Institutions (in millions): $ 26.9 (22 %)
Savings for $ to FCS (in millions): $ 6.8

2.	**Gleaning/Food Recovery Costs (in millions):**	**$ 20.00**	**(4 %)**
3.	**Nutrition Research/Education (in millions):**	**$ 23.20**	**(4 %)**
4.	**Food Safety/Education (in millions):**	**$ 12.50**	**(2 %)**

TOTAL FY '99 COST (in millions): $535.95

Children's Hunger Initiative for Learning and Development (CHILD)

Fiscal Year 1999 Costs (in $ millions)



- **School Nutrition Program** ($366.95 million)
  Consolidates 4 programs (NSLP, SBP, CACFP, and SFSP) into one seamless school-based program, expands access to children, including migrant and "at-risk" children, provides increased cash and commodity assistance to schools

- **Community Child Nutrition Programs** ($113.3 million)
  Consolidates 2 programs (CACFP and SFSP) into community-based program, expands access to children, including rural, migrant, and "at-risk" children

- **Gleaning and Food Recovery** ($20 million)
  Establishes competitive grants for community-based anti-hunger groups, establishes formula grants for State agencies administering TEFAP

Nutrition Research /Education ($23.2 million)
ARS, ERS, CSREES, and CNPP activities designed to expand an understanding of hunger and to help low-income children build the skills to choose a healthful diet

- **Food Safety/Education** ($12.5 million)
  Provides food safety education to change unsafe food handling activities, provides funds to support a minimum of 2 health inspection visits of all self preparation schools providing a lunch service

Total FY 99 Cost: $535.95 million

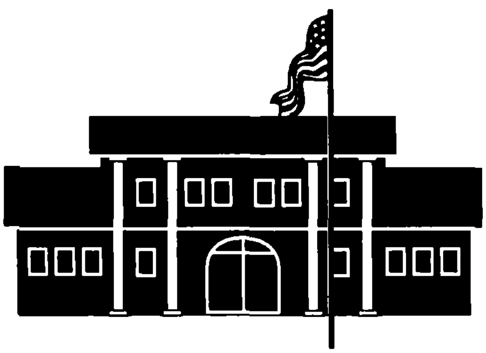
Children's Hunger Initiative for Learning and Development (CHILD)

Current Programs

NSLP	SBP	CACFP	SFSP

Proposed Programs

School Nutrition Program



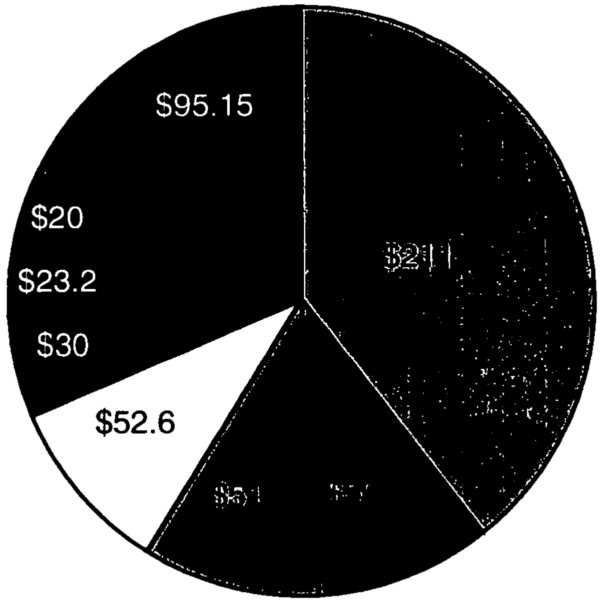
Breakfast, Lunch, Snacks, & Supper

Community Child Nutrition Program

Summer and Child Care

Children's Hunger Initiative for Learning and Development (CHILD)

Fiscal Year 1999 Costs (in $ millions)



- **FREE BREAKFASTS** for Pre-K through 3rd Grade
- **COMMODITY ENTITLEMENT** (Breakfasts, lunches, suppers)
- **PROPRIETARY CHILD CARE CENTER PARTICIPATION**

  AFTER SCHOOL PROGRAMS, including "at-risk"
- **INCREASED SUMMER** operating rates
- **ARS, ERS, CSREES, & CNPP NUTRITION EDUCATION/PROMOTION/ RESEARCH**
- **GLEANING/FOOD RECOVERY SYSTEMS**
- **MISCELLANEOUS**

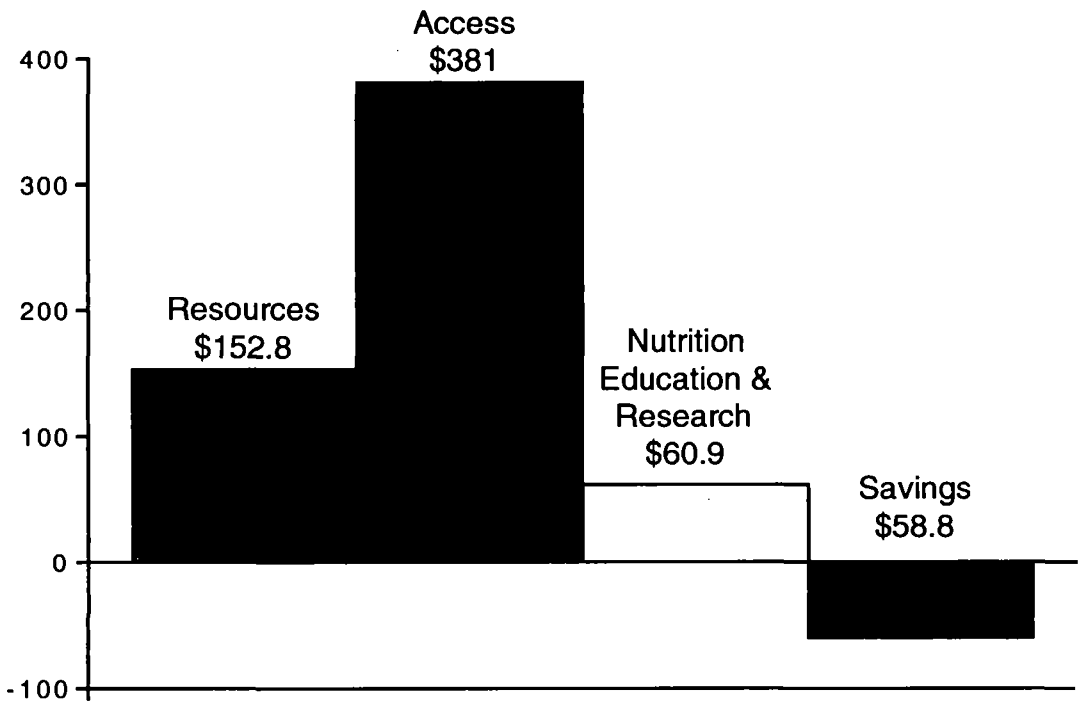
  -includes:

  migrant meal reimbursements
  food safety in schools
  rural summer site operating rate increases
  and other proposals

TOTAL: $535.95 million

Children's Hunger Initiative for Learning and Development (CHILD)

Fiscal Year 1999 Costs/Savings (in $ millions)



- **RESOURCES** includes institutional funding at Federal (including commodity support, research, and other provisions), State and local levels ($152.8 million)

- **ACCESS** includes improved benefits for "at-risk" children, including free breakfast for all children for Pre-K through 3rd Grade ($381 million)

NUTRITION EDUCATION AND RESEARCH includes funds for nutrition education, training and promotion at the Federal (FCS and other agencies), State and local levels ($60.9 million)

- **SAVINGS** are expenditure reductions resulting from improved Program integrity, streamlining and Program simplification ($58.8 million)

Talking Points for Deputies Meeting on Child Care
November 18, 1997

Introduction

- I'd like to start by thanking all of you for the work you and the staff at your agencies have been doing over the past months. The child care conference itself and this policy development process would not have been possible without so many of you.

- Today, we will discuss policy options that we have developed over the past months in preparation for a principal's level meeting that we are hoping to schedule next Monday, November 24. This is also a good opportunity to make certain that we feel comfortable that we have all of the options on the table. On the other hand, since I'm looking at Jack Lew, I want to make clear that we are operating in a world with limited resources and, while we want to make sure we have thought through all options, no assumptions should be made about the scope of any child care proposal.

- There are several additional issues that we will not discuss in detail today but that need to be part of this discussion. As many of you know, Head Start is up for reauthorization next year, and we need to consider how that fits with any child care initiative. In addition, several of the principals have raised the possibility of addressing the problems of parents who might choose to stay at home with their young children, and we need to continue to work on options to help them do that.
- Finally, I'd like to save some time at the end of the meeting to hear more from some of the agencies that either have programs related to child care or are working on related proposals. Agriculture may want to talk about the Child and Adult Care Food Program; Justice may want to report on an initiative they are coordinating on after-school programming; Labor may want to talk about their proposal on training for child care workers.

Policy Options

- As I said in my memo, agency representatives have generally argued for a child care initiative addressing three goals: affordability; assuring safety and quality; and availability. These goals, the priority we give each of them, and whether we address all of them is, of course, still open for discussion.

- I would also like to reiterate that while we have grouped these options under particular goals for the purpose of discussion, clearly some of the options address more than one goal. The most obvious example is proposals for school-age children, where the availability of programs is a concern, but affordability and quality are also key issues.

1. Affordability

- Overview of the reach (i.e., who is helped and who is not helped) of both the Child Care and Development Block Grant and the Child and Dependent Care Tax Credit - Karl Scholz, Treasury

- Presentation on Child and Dependent Care Tax Credit options - Karl Scholz, Treasury [Note: You are switching the order of DCTC and CCDBG.]

- Presentation on Child Care and Development Block Grant options - Olivia Golden, HHS

[Becky Blank from CEA would like to address the choice between making DCTC refundable and increasing funding for CCDBG. She will distribute paper when she speaks.]

2. Assuring Safety and Quality

- Presentation on quality options - Olivia Golden, HHS

[You should raise the possibility of targeting quality dollars to fund state enforcement efforts.]

[OMB and Treasury have noted in past discussions that: (1) the evidence is quite limited on the benefits of investments in quality; and (2) increased investment in quality may increase child care costs.]

3. Availability

- Presentation on proposal to fund school-community partnerships to establish before and after-school programs at public schools - Terry Peterson, Education

- Presentation on proposal to fund community efforts to build supply and improve the quality of school-age programs - Olivia Golden, HHS

[HHS and Education will propose that we do *both* of these so that money is distributed both to schools and to communities.]

Laura Emmett 11/17/97 05:16:40 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: See the distribution list at the bottom of this message
Subject: Reminder: Deputies Mtg. Tomorrow

This meeting will take place Tuesday, November 18 5:30 PM in ROOM 180 OEOB (NOT THE ROOSEVELT ROOM).

DPC	Elena Kagan
	Jennifer Klein
	Nicole Rabner
HHS	Kevin Thurm
	Olivia Golden
	Joan Lombardi
	Mary Bourdette
Treasury	Karl Scholz
	Janet Holtzblatt
	Jonathan Gruber
OMB	Jack Lew
	Barry White
Education	Terry Peterson
	Pauline Abernathy
	Susan Wilhelm
DOD	Carolyn Becraft
NEC	Gene Sperling
	Anne Lewis
	Emil Parker
Women's	Robin Leeds
DOJ	Eric Holder
	Bob Litt
Agriculture	Yvette Jackson
OVP	Jon Schnur
Labor	Kitty Higgins
	Cheryl Dorsey
CEA	Becky Blank
	Amy Finkelstein
HUD	Paul Leonard

Note: No additions please!!!!!!!!!!!!!!!!!!!!!!!!!!!!!

Message Sent To:

Pauline_Abernathy @ ed.gov @ INET @ LNGTWY
Barry White/OMB/EOP
Rebecca M. Blank/CEA/EOP
Donald H. Gips/OVP @ OVP
Jacob J. Lew/OMB/EOP
Anne H. Lewis/OPD/EOP
Emil E. Parker/OPD/EOP
Nicole R. Rabner/WHO/EOP
Jennifer L. Klein/OPD/EOP
Audrey T. Haynes/WHO/EOP
Gene B. Sperling/OPD/EOP
Jonathan H. Schnur/OVP @ OVP
Amy N. Finkelstein/CEA/EOP

Message Copied To:

shrudisill @ acf.dhhs.gov @ inet
lgriffi1 @ os.dhhs.gov @ inet
Sandra L. Via/OMB/EOP
Peter A. Weissman/OPD/EOP
Jonathan H. Schnur/OVP @ OVP
Francine P. Obermiller/CEA/EOP
Lidice_Rivas @ ed.gov @ inet
aljohnson @ acf.dhhs.gov @ inet
Robertss @ pr.osd.mil @ inet

Outline for Deputies Meeting Memo

I. Overview of Current Federal Programs/Spending

II. What are the possible goals?

1. Helping more parents afford child care
2. Assuring safety and quality
3. Making child care more available

III. Policy Options

A. Affordability

1. What is currently being spent?
2. Unmet Need -- Who is helped? Who is not helped?
3. Policy Options (including discussion of what new investment will buy)
   - DCTC
     - options to increase credit amounts
     - options to expand eligibility
   - CCDBG
     - increase CCDBG funding without targeting
     - increase CCDBG funding with targeting/benchmarking

B. Safety and Quality

1. What do we know about the money being spent on quality? What don't we know?
2. What have we decided not to consider? (i.e., discussion of national standards)
3. Policy Options
   - increase CCDBG and thereby increase amount spent on quality
   - set up separate quality fund (for a particular purpose (i.e., enforcement) or for particular age group (i.e., infants and toddlers))
   - build on already proposed scholarship proposal
   - invest in consumer education, research and technology

C. Availability

Policy Options:

1. Tax credits for businesses
2. Particular problem of school age children (with explanation that it is not just an availability issue) (i.e., do we spend through block grant and enable parents to afford care for school age children or do we need tobuild infrastructure here)

IV. Additional Issues

1. Helping parents who want to afford to stay home
2. Head Start

TO: Jennifer Klein

FROM: Amy Finkelstein

DATE: November 11, 1997

SUBJECT: Estimates of the 'need' for child care.

Attached are some estimates CEA has done on the 'need' for child care among low income families and the extent to which existing federal funding meets that need. Jon Gruber said that he had mentioned these to you and that you were interested in seeing them. The estimates indicate that -- under many different assumptions -- there is still a large unmet need for child care subsidies. Also attached is a similar study by the urban institute, which looks at federal and state funding combined, and reaches the same conclusion. Finally, I have enclosed a Treasury estimate of the return to work for low income parents once child care costs are taken into account.

I have given copies of the CEA estimates to OMB and HHS. They are intended as useful information only. CEA does not want them cited or distributed.

If you have any questions about the estimates, please do not hesitate to call.

Federal funding and child care needs

Methods

1. Estimating the need for child care

- The urban institute looks at families in which the mother is employed that are below 150 percent of poverty. I look at families with an employed mother below 200 percent of poverty, since this is where federal subsidies have gone in the past.
- I look at children under 6. The urban institute looks at children under 6 and children 6-12. The child care needs of this older age group are harder to estimate, and data are less available.
- I estimate the increase in the need for child care due to welfare reform based on the assumption that states meet the work requirements; this is somewhat of an overestimate as it ignores caseload reduction (which reduces work requirements) which may not involve the former recipients entering employment. The urban institute uses the average work requirement in 1997 (20 percent), given the various reductions across states due to caseload reductions. This is a conservative estimate as it ignores the fact that some percentage of the caseload reduction is due to welfare recipients entering employment.

2. Estimating the need for *paid* care

What percent of the children in need of care are in need of paid care? In 1993, 51 percent of families with employed mothers and children under 6 used paid child care. Only 38 percent of such families that were below 200 percent of poverty used paid child care. The decision to use paid care reflects both the financial cost of paid care and other attributes of paid care that may or may not be desired. I present three different estimates of the need for paid care, based on 100 percent, 51 percent and 38 percent use of paid care rates among working mothers with children under 6. The 51 percent rate is perhaps a better benchmark for the use of ('need for') paid care if it is 'reasonably priced', while the 38 percent may more closely reflect actual usage rates under the existing subsidy structure. The urban institute's approach is again conservative; it uses the number of low-income children with working parents currently in paid care as an estimate of the need.

Of course, actual utilization rates will depend on subsidy rates. A survey of the literature suggests that the elasticity of employment with respect to the hourly cost of care is in the 0.2 to 0.8 range; the elasticity of the use of paid care with respect to the hourly price of care, conditional on employment, ranges from .15 to .23. I have not included the increases in employment and paid care use from increases in subsidies in estimating what percent of existing need a given child care subsidy can cover.

3. What percent of the need for paid care is the federal government meeting under the current spending for child care?

Preliminary -- do not cite or circulate

The urban institute looks at combined federal and state funding, and presents various estimates based on how much of the available federal funds the states draw down; it is assumed that children are subsidized based on average subsidies under the old child care funding programs.

I assume that the maximum amount of federal funding is available and present two different estimates for the subsidy rate. First, I assume that children are funded at the average subsidy rate under the old system ($62 per week). Then, I assume that the average weekly subsidy is $30. This $30 per week subsidy represents the average weekly subsidy needed if care were subsidized for poor families so that poor and non-poor families paid the same percent of monthly income for child care; this would mean reducing the average weekly cost of child care for poor families from $50 to $21. This $30 subsidy which brings expenses on child care as a percent of monthly income into parity for poor and non-poor families represents an alternative, conservative measure of the 'appropriate' level of subsidy.

Under the previous system, two-thirds of federal direct subsidies went to children under 6. Therefore, because I am looking only at children under 6, I estimate what percent of 'need' the federal funds could meet if only two-thirds of the federal funds were spent on children under 6;

I present estimates based on average funding levels over FY 1997 - 20002.

Results

The attached tables 1 and 2 present some of the tabulations. *Tables 1 and 2 show that no matter what set of assumptions is used concerning the percent of children in a given category in 'need' of paid care and the appropriate level of subsidy to these children, current subsidies do not come close to meeting this need. Furthermore, the increase in funding from welfare reform does not address much of the 'need', however defined, of the additional children in need of child care due to welfare reform.*

Assuming that all the available funding goes to children under 6, that only 38 percent use paid care, and that subsidies are at their current levels, 62 percent of the need could be met. If only two-thirds of the federal funding is spent on children under 6, and 51 percent of the eligible population 'need' paid care, then subsidies at their current levels could met only 31 percent of the need, and even subsidies of $30 per week could only meet 64 percent of the need.

Another way to look at it is to consider what percent of the increased need for child care due to welfare reform is covered by the additional child care funding from welfare reform. If all funding goes to children under 6, 38 percent of the additional children need paid care, and subsidies are at their current levels, 49 percent of the additional children in need of child care due to welfare reform can be subsidized with the additional funding. If only two-thirds of the additional funding is spent on children under 6, 51 percent of the additional children need paid care, and subsidies are at their current levels, only 25 percent of the additional children can be subsidized with the additional funding.

Preliminary -- do not cite or circulate

Interpreting the attached tables

The second through fourth columns of Table 1 give estimated needs of different populations, depending on the assumption made of what percent 'need' paid care.

The fifth column considers how many children could be funded under the average annual projected funding from the old system, at weekly subsides of $62 (the previous average weekly subsidy). The three separate percentages refer to percent of need defined as 100 percent of children, 51 percent, and 38 percent respectively. Blanks indicate numbers greater than 100 percent. The sixth column makes an identical calculation under the new funding levels.

The seventh column considers how far toward meeting 'need' the new funding could go if the subsidies were only $30 per week. This $30 per week subsidy represents the average weekly subsidy needed if care were subsidized for poor families so that poor and non-poor families paid the same percent of monthly income for child care; this would mean reducing the average weekly cost of child care for poor families from $50 to $21. This $30 subsidy which brings expenses on child care as a percent of monthly income into parity for poor and non-poor families represents an alternative measure of the 'appropriate' level of subsidy.

The last two columns consider how far the average annual increase in funding between the old and new systems could go in meeting the needs of the welfare population meeting work requirements if the entire increase in funding was spent on this population. Again, calculations are made assuming both a $62 and $30 weekly subsidy.

All of the above calculations assume that the available monies will all go to children under 6. Table 2 makes the same calculations assuming that only two-thirds of all monies are available for children under 6. (This assumption is based on previous spending patterns for federal direct subsidies).

Table 1: Assumes all funding goes to children under 6

GROUP	All children with working mothers need paid child care	51 percent of children with working mothers need paid child care.	38 percent of children with working mothers need paid care	**Projected funding under old system:** $2.6 billion estimated annual average 1997-2002 would meet what percent of need with average weekly subsidies of $62 (0.8 million children could get such subsidies)	**Expanded funding from PRWORA 1996:** Estimated annual average of $3.1 billion will meet what percent of need with average weekly subsidies of $62 (0.96 million children could get such subsidies)	**Expanded funding from PRWORA 1996:** Estimated annual average of $3.1 billion will meet what percent of need with average weekly subsidies of $30 (=2 million children)	**Increase in funding:** Average annual increase of $580 million from old programs due to welfare reform will meet what percent of new need with average weekly subsidies of $62 (.18 million children)	**Increase in funding:** Average annual increase of $580 million from old programs due to welfare reform will meet what percent of new need with average weekly subsidies of $30 (.37 million children)
Children below 200 percent of poverty in need of care prior to welfare reform	4.1 million	2.1 million	1.56	20%; 39%; 52%	23%; 46%; 62%	48%; 95%; ---		
Average annual increase in children under 6 in need of child care due to welfare reform	0.97 million	0.49 million	0.37	83%; --; -- (if all federal funds spent on welfare clients)	99%; --; -- (if all federal funds spent on welfare clients)	---- (if all federal funds spent on welfare clients)	18%; 37%; 49% (if all federal funds spent on welfare clients)	39%; 76%; -- (if all federal funds spent on welfare clients)
Total average annual need (200 percent of poverty plus welfare)	5.1 million	2.6 million	1.94	15%; 31%; 42%	19%; 37%; 50%	39%; 77%; -		

Sources: SIPP 1993 data for numbers of children; HHS estimates for increases due to welfare reform; U.S. House of Representatives (1996) and Congressional Budget Office (1996) for estimated funding under old and new systems.

Notes:

1. All children under 6. All have working mothers
2. Numbers all ignore increase in 'need' with subsidies due to increase employment and use of paid care.
3. Ignores children between 6-13.
4. The three percentages listed in each box refer to the percent of 'need' the federal funding can meet assuming that, respectively, 100 percent of children in the category need paid care, 51 percent need paid care, and 38 percent need paid care.

Preliminary -- do not cite or circulate

Table 2 (assumes two-thirds of funding available for children under 6)

GROUP	All children with working mothers need paid child care	51 percent of children with working mothers need paid child care.	38 percent of children with working mothers need paid care	**Projected funding under old system:** $1.7 billion estimated annual average 1997-2002 would meet what percent of need with average weekly subsidies of $62 (0.54 million children could get such subsidies)	**Expanded funding from PRWORA 1996:** Estimated annual average of $2.1 billion will meet what percent of need with average weekly subsidies of $62 (.64 million children could get such subsidies)	**Expanded funding from PRWORA 1996:** Estimated annual average of $2.1 billion will meet what percent of need with average weekly subsidies of $30 (=1.3 million children)	**Increase in funding:** Average annual increase of $390 million from old programs due to welfare reform will meet what percent of new need with average weekly subsidies of $62 (=.0.12 million children)	**Increase in funding:** Average annual increase of $390 million from old programs due to welfare reform will meet what percent of new need with average weekly subsidies of $30 (.25 million children)
Children below 200 percent of poverty in need of care prior to welfare reform	4.1 million	2.1 million	1.56	13%; 26%; 35%	16%; 31%; 41%	32%; 64%; 85%		
Average annual increase in children under 6 in need of child care due to welfare reform	0.97 million	0.49 million	0.37	56%; --; -- (if all federal funds spent on welfare clients)	66%; --; -- (if all federal funds spent on welfare clients)	---- (if all federal funds spent on welfare clients)	13%; 25%; 33% (if all federal funds spent on welfare clients)	26%; 51%; 69% (if all federal funds spent on welfare clients)
Total average annual need (200 percent of poverty plus welfare)	5.1 million	2.6 million	1.94	11%; 21%; 28%	13%; 25%; 33%	26%; 52%; 69%		

Sources: SIPP 1993 data for numbers of children; HHS estimates for increases due to welfare reform; U.S. House of Representatives (1996) and Congressional Budget Office (1996) for estimated funding under old and new systems.

Notes:

1. All children under 6. All have working mothers
2. Numbers all ignore increase in 'need' with subsidies due to increase employment and use of paid care.
3. Ignores children between 6-13.
4. The three percentages listed in each box refer to the percent of 'need' the federal funding can meet assuming that, respectively, 100 percent of children in the category need paid care, 51 percent need paid care, and 38 percent need paid care.

Preliminary -- do not cite or circulate

THE URBAN INSTITUTE

NEW FEDERALISM
ISSUES AND OPTIONS FOR STATES

A product of "Assessing the ew Federalism," n Urban Institute rogram to Assess Changing Social Poli

The New Child Care Block Grant: State Funding Choices and Their Implications

Sharon K. Long and Sandra J. Clark

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) fundamentally changes federal child care assistance programs. The legislation eliminates federal child care entitlements and consolidates the major sources of federal child care subsidies for low-income children into a single block grant to states. At the same time, PRWORA transforms the Aid to Families with Dependent Children (AFDC) program into a block grant and expands its work participation requirements, thereby increasing the need for child care among families newly entering the workforce.

Under these changes, states gain increased flexibility for designing and targeting their child care assistance programs. They also assume additional responsibilities for addressing the need for child care assistance. The child care block grant preserves some shared federal and state responsibility for child care funding by making a portion of the federal block grant funds dependent on the level of state child care spending. Under this new financing mechanism, total funds available for child care could change dramatically depending on a state's own level of investment.

only due Title IVA

Below we outline the changes in federal child care programs and explore the implications of alternative scenarios for child care funding across states.

The new block grant provides the potential for substantially greater child care funding, but the extent to which these increases will be realized depends on the options adopted by states regarding this funding.

Changes in Federal Child Care Programs

PRWORA consolidates the four key federal child care assistance programs for low-income families into a single block grant to states—the Child Care and Development Fund (CCDF).[1] The legislation provides up to $2.97 billion in federal funding for the CCDF in FY 1997, an increase of $600 million, or 27 percent, over prior law (see table 1).

The CCDF funds are divided into three components: mandatory funds, matching funds, and discretionary funds.[2] Each state is entitled to receive a share of the mandatory funds ($1.20 billion in FY 1997) with no matching requirements. State allocations of these funds are based on the highest of a state's FY 1994, FY 1995, or average FY 1992–1994 federal Title IV-A child care funding. The matching funds ($0.77 billion for FY 1997) are available to states that maintain spending equal to their prior IV-A child care match.[3] Child care expenditures above that level will be matched by federal dollars up to the state's allocated share of these funds.[4] The maximum allocations across the states are based on the proportion of

Table 1
Federal Funding of Child Care Assistance Programs for Low-Income Families under Prior Law and under PRWORA
(FY 1997 funding, in billions of dollars)

Prior Law		PRWORA	
Title IV-A Child Care		*Child Care and Development Fund*	
AFDC and Transitional Child Care	$1.105	Mandatory Funds	$1.200
At-Risk Child Care	.300	Matching Funds	.767
		Discretionary Funds	1.000
Child Care and Development Block Grant (CCDBG)[a]	.935		
Total	**$2.340**	**Total**	**$2.967**

Sources: For Title IV-A Child Care: *Federal Budgetary Implications of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.* 1996. Congressional Budget Office, December. For Child Care and Development Fund: *Child Care Program Instruction.* 1996. U.S. Department of Health and Human Services, Administration on Children, Youth and Families. October 30.

a. The CCDBG was authorized through FY 1995 and continued to operate under a continuing resolution in FY 1996. The estimated funding level for FY 1997 equals the amount appropriated for the CCDBG in each of FYs 1995 and 1996.

the state's children under age 13. The legislation also authorizes $1 billion each year in discretionary funds, which are subject to annual appropriation. These funds are distributed to states according to the prior rules governing the distribution of Child Care and Development Block Grant (CCDBG) funds. Those rules based allocations on the proportion of children under 5 years old, the number of children receiving free or reduced-price school lunches, and the state's average per capita income.[5]

Three of the four programs consolidated into the CCDF block grant existed under Title IV-A of the Social Security Act. The AFDC Child Care Program provided child care entitlements to families who were receiving AFDC and were working or in an education or training program. The Transitional Child Care Program offered assistance to families who were making the shift from AFDC to work. Under the third program, At-Risk Child Care, states were entitled to receive funds up to a capped amount to serve working families who were "at-risk" of coming onto AFDC if they did not receive assistance with child care. Together, these three programs would have provided about $1.4 billion in federal funding for FY 1997 under prior law, according to projections by the Congressional Budget Office.[6] All three of the Title IV-A child care programs required state matching funds to draw down federal dollars, based on the Medicaid matching rate (see note 4).

The fourth child care program incorporated into the CCDF—the CCDBG—provided federal child care funds for states to assist low-income families, as well as for activities to improve the overall quality and supply of child care for all families.[7] We assume that CCDBG funding in FY 1997 would have been $935 million, the amount provided in each of the previous two years.

As noted above, the consolidation of these four sources of child care funds under PRWORA eliminates all federal child care entitlements that existed under the Title IV-A programs, providing states with increased flexibility in targeting their child care dollars. However, with this expanded flexibility comes greater responsibility for operating programs within a new constraint. The legislation repeals the open-ended federal entitlement to families for Title IV-A child care, placing a cap on the level of federal child care funds that a state may access. States no longer automatically receive increased federal funding in response to greater child care use whether due to caseload growth or to larger shares of the caseload engaged in work activities or transitioning off welfare.

In addition to direct changes to child care assistance programs under PRWORA, two other components of the legislation may affect the availability of child care funds. First, the new law allows states to transfer up to 30 percent of their AFDC-replacement block grant (the State Family Assistance Grant) from cash assistance to child care. The State Family Assistance Grant equals the sum of the state's recent federal funding for AFDC, the Job Opportunities and Basic Skills (JOBS) training program, and Emergency Assistance (a total of about $16.4 billion for FY 1997 for all states) and funds the new Temporary Assistance to Needy Families (TANF) program.[8] This provision could add up to $4.9 billion in funding for child care assistance to the roughly $3 billion provided by the CCDF.

Second, PRWORA reduces funding for the Title XX Social Services Block Grant (SSBG)—which states may spend on a variety of social services including child care—by 15 percent per year over the 1996–2002 period. In FY 1997, this lowers total SSBG funding from $3 billion to $2.6 billion.[9] Data on the use of the SSBG for child care are limited, but evidence suggests that the SSBG funds some child care in most states.[10]

Child Care Funding Scenarios

The new block grant provides the potential for substantially greater child care funding, but the extent to which these increases will be realized depends on the options adopted by states regarding this funding.[11] Though no longer required for participation in the federal program, a state could choose to maintain its present spending on child care.[12] Or, with elimination of the Title IV-A matching requirements, a state could instead choose to limit child care funding to federal funds only and, thus, put no additional state funds into child care. Alternatively, a state could choose to maximize the federal dollars available for child care by increasing its own related child care spending to levels above those under Title IV-A. And, regardless of its decisions on child care funding, a state could choose to move funds from cash assistance under TANF to child care.

Table 2 outlines these possible scenarios regarding states' handling of child care funding. A state could (1) maximize available federal funds, (2) maintain its state child care funding at historical levels, or (3) eliminate all related state child care expenditures. The table also presents the additional funds that would be available for child care subsidies if the maximum share of TANF funds were transferred from cash assistance to child care. To assess the relative change in child care funding under these scenarios, we compare these figures to a baseline of total federal and state spending under the CCDBG and Title IV-A child care programs in FY 1995, inflated to 1997 dollars.[13] Focusing on the funds available for direct child care assistance to families, we limit this comparison to child care funds net the required quality enhancement and availability provisions (see note 7).

In FY 1995, combined federal and state expenditures on child care under the CCDBG and Title IV-A programs were $2.82 billion in 1997 dollars. Under PRWORA in FY 1997, the combined federal and state funding available under the CCDF will range from $2.06 to $4.21 billion, with reallocations from TANF potentially providing an additional $4.92 billion for child care.

Clearly, there is the *potential* for significantly higher levels of child care funding in the states, as shown in figure 1. If every state were to put up enough state dollars to draw down the maximum federal funds available, CCDF funding in FY 1997 would exceed that provided under CCDBG and Title IV-A in FY 1995 in all states. Across states, the average increase would be about 50 percent. However, the extent to which maximizing available federal funds would increase the total level of federal and related state funds available for child care ranges widely. For example, if Massachusetts and Washington State provided state funds to maximize the total federal funds available to them, their total child care dollars would increase by less than 10 percent between FY 1995 and FY 1997 ($132 million versus $126 million, and $122 million versus $113 million, respectively). In other states, the potential increase is much greater. In Hawaii, Michigan, and New Jersey, for example, child care funding would increase by more than 100 percent if these states maximized federal funds.

> ***If every state were to put up enough state dollars to draw down the maximum federal funds available, CCDF funding in FY 1997 would exceed that provided in FY 1995 in all states. However, to draw down the increased federal funds, states would have to put up on average an additional 70 percent of state dollars over and above their FY 1995 levels.***

However, to draw down the increased federal funds, states would have to put up on average an additional 70 percent of state dollars over and above their FY 1995 levels (not shown). Moreover, states with the greatest potential increase in funding—Hawaii, Michigan, and New Jersey—would have to increase state spending on child care by well over 100 percent. There is evidence to suggest that this increased level of investment is unlikely to occur in a number of states. As shown in the final column of table 2, 20 states did not provide the dollars needed to draw down their full Title IV-A allocation in FY 1994. On the other hand, some states have committed significant resources to child care services, beyond those required by the Title IV-A child care programs. A recent study by the Children's Defense Fund found that in 1994, 21 states had child care funding levels that would have been sufficient to access their maximum federal CCDF allocation. Five states, however, expended no state money on child care beyond their IV-A state match. Wide variation in funding levels existed across the remaining states.[14] Clearly, there are differences in states' capacities and willingness to fund child care services, which are likely to affect their child care funding decisions under the new block grant.

If, instead of maximizing federal funding, states simply maintain their historical levels of IV-A child care spending, federal and related state child care funding in FY 1997 relative to FY 1995 would remain largely unchanged in many states.[15] In 15 states, total federal and related state child care funding in FY 1997 would be more than 10 percent *greater* than the FY 1995 level. In two states, child care funding levels would be more than 10 percent *lower* in FY 1997 under this scenario. These differences across states reflect inflation, changes in state characteristics used to allocate block grant funds, prior state funding levels, and the complex new child care funding framework.

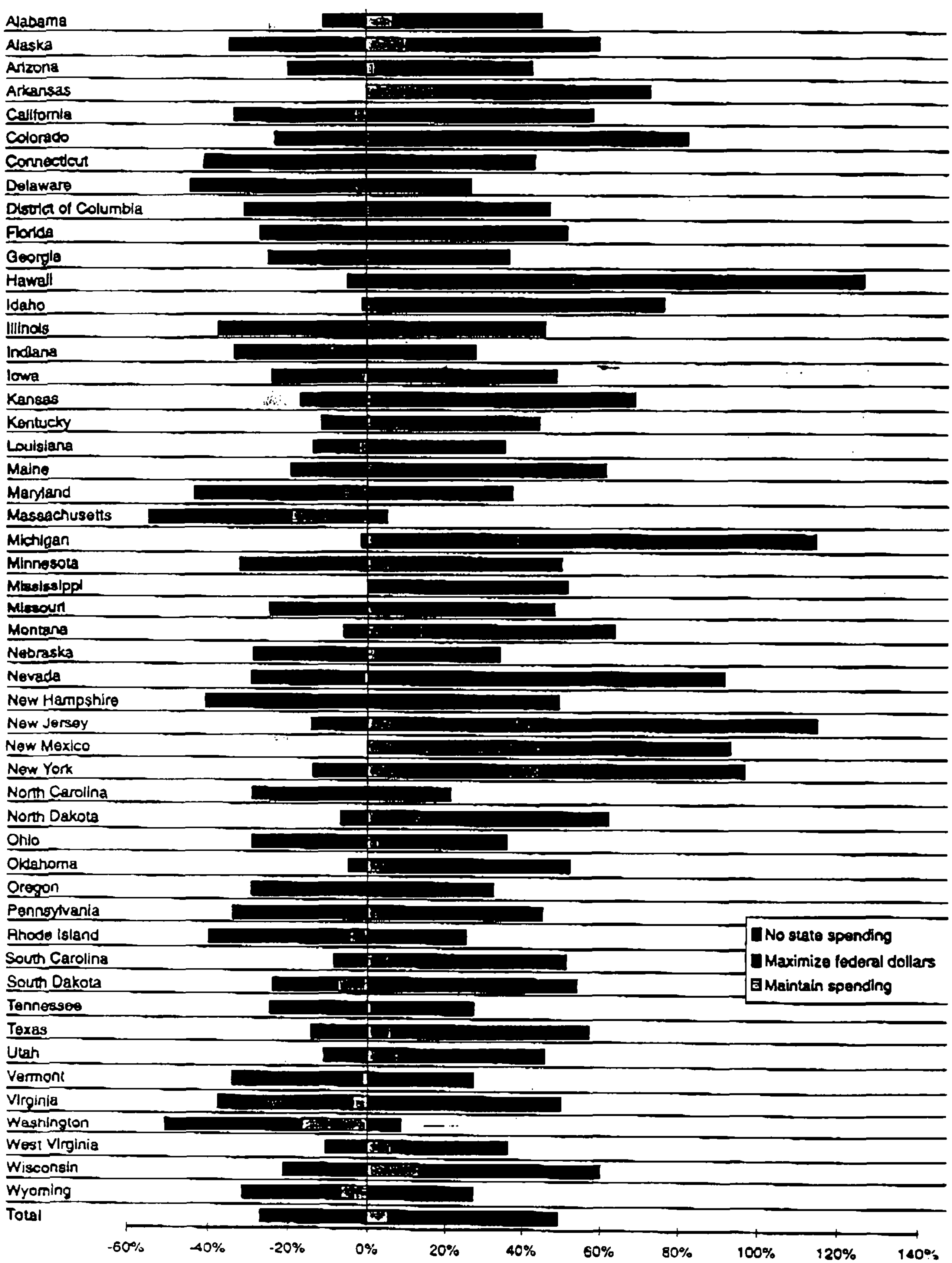
If states choose not to put any state dollars into child care and instead fund their programs entirely with federal funds, child care expenditures in FY 1997 would exceed those of FY 1995 in only three states—Arkansas, Mississippi, and New Mexico. Under this scenario, total child care funding in the average state would be 23 percent lower in FY 1997 than in FY 1995, and as much as 40 to 50 percent lower in some states.

Potential Need for Child Care Assistance

To what extent will the child care assistance available under the new legislation meet the needs of the low-income children who require it? To answer, we need to estimate the number of children currently in need of

Figure 1

Percentage Change in Federal and Related State Child Care Funding for Low-Income Families in FY 1997 Relative to FY 1995 under Alternative Scenarios, Assuming No Transfer of TANF Funds



Source: Per table 2.

increase in that number as a result of the new legislation.

For the most part, child care assistance is intended to help low-income families pay for child care while the child's parents are working, attending school, or in a training program. Thus, one estimate of the number of low-income children potentially in need of child care assistance might be all low-income children. However, this is an overestimate of the population in need of assistance. Not all families include parents who are working, in school, or in training, and not all working families will turn to paid child care: parents may choose to work split shifts to care for their children, older children may care for younger siblings, children may care for themselves, or other relatives or friends may provide child care without pay.

A more conservative estimate of the number of low-income children potentially in need of child care assistance is the number of low-income children of working parents who are currently in paid child care arrangements. This is a conservative estimate because it ignores the role of the availability of child care assistance in family decisions: the prospect of help paying for child care may induce parents who are not working to go to work, induce parents who are working part-time to work full-time, or allow families with children in self-care or unpaid child care arrangements to place their children in arrangements that they could not afford on their own. Nevertheless, we believe that the number of low-income children in paid child care arrangements provides a reasonable base for assessing the adequacy of child care funding under PRWORA, particularly in comparison to the adequacy of funding under prior law.

Table 3

Approximating the Potential Need for Child Care Assistance by Children in Paid Child Care Arrangements under Prior Law and under PRWORA

92- SIPP 93	Children under 6 Years Old	Children 6 to 12 Years Old	All Children under 13 Years Old
Number of Children in Low-Income Families[a]	9,071,000	8,616,800	17,687,800
Of Those, Number with Working Parent(s)[b]	5,090,100	5,368,300	10,458,400
Of Those, Number Estimated to Use Paid Child Care[c]	2,290,500	966,300	3,256,800
Number of Children in Nonworking Welfare Families[d]	3,834,600	3,151,400	6,986,000
Of Those, Number Estimated to Be Affected by PRWORA Work Requirements[e]	443,800	364,700	808,500
Of Those, Number Estimated to Turn to Paid Child Care	199,700	65,600	265,300
Potential Child Care Assistance Need *under Prior Law*: Children in Low-Income Working Families Using Paid Child Care	2,290,500	966,300	3,256,800
Potential Child Care Assistance Need *under PRWORA*: Need under Prior Law Plus Children in Nonworking Families Receiving Welfare, Affected by PRWORA Work Requirement, and Using Paid Child Care	2,490,200	1,031,900	3,522,100

[illegible]

Source: Tabulations by the Urban Institute.

a. This analysis includes subfamilies living within larger families as separate families. We define low-income as having family income less than 150 percent of the federal poverty threshold but recognize that the income eligibility threshold for child care assistance varies across states. The majority of child care subsidies, however, are provided to children in families with incomes below 150 percent of poverty.

b. This includes children in all families in which one or both parents are working full or part time. [illegible]

c. Tabulations of 1992/1993 Survey of Income and Program Participation data indicate that the share of low-income children of working parents using paid relative or nonrelative care is 45 percent for children under age 6 and 18 percent for children 6 to 12.

d. This estimate is based on FY 1995 AFDC Quality Control administrative data, which indicate that roughly 9.5 percent of all families receiving AFDC reported income from earnings. Therefore, 90.5 percent of all children receiving AFDC were assumed to live in families in which parent(s) are not working.

e. Under PRWORA, states are required by TANF to move 25 percent of their nonexempt caseloads into work in 1997, with an adjustment to that requirement made for caseload reduction. The caseload requirement may reach as low as 11 percent in some states, but the average across states is likely to be about 20 percent. The work participation rate increases to 50 percent by FY 2002. In order to meet TANF requirements, a single parent must work at least 20 hours a week. In two-parent families, one parent must work 35 hours per week and the other at least 20 hours per week. The number of children estimated to be affected by the new work requirements assumes that families in the current caseload who have earnings are all working the required number of hours. Because, under TANF, some of the families with earnings will likely need to increase their hours worked, this number underestimates the increased need for child care under PRWORA.

Table 4

A Comparison of Available Federal and Related State Child Care Funding for Low-Income Families and the Potential Child Care Assistance Needs of Children under Prior Law and under Various PRWORA Scenarios in 1997

		PRWORA		
	Prior Law	Maximize Federal Dollars	Maintain Spending	No State Spending
Estimate of the Number of Children Who Could Be Served with Available Funds[a]	1,061,800	1,672,000	1,177,600	817,300
Estimate of the Number of Children in Paid Child Care Potentially in Need of Child Care Assistance	3,256,800[b]	3,522,100	3,522,100	3,522,100
Share of Children with Potential Child Care Assistance Need Who Could Be Served with Available Funds	32.6%	47.5%	33.4%	23.2%

Source: Tabulations by the Urban Institute.

a. The estimated number of children who could be served with the available funds is derived by dividing the total level of funding available by the average annual cost of providing child care. The latter is estimated as the average child care payment for Title IV-A AFDC/JOBS child care for FY 1994. The data on child care payments were obtained from the U.S. Department of Health and Human Services Child Care Bureau.

b. Drawn from table 3.

There is some uncertainty about the number of children in paid child care arrangements. Though we can estimate the share of children whose families made a payment for their care, there are no data available on the share of children whose child care arrangements are paid for by someone other than the family, say, through government-subsidized child care.

To estimate the number of children currently using paid child care (where payment is made either by parents or other sources), we focus on child care provided by relatives for which there is some type of payment and child care provided by nonrelatives, for which payment is typically required. The latter includes family daycare homes, day/group care centers, nursery and preschool programs, in-home providers, and before- and after-school care.

As shown in table 3, we estimate that there are roughly 10.5 million children under the age of 13 in low-income families (incomes below 150 percent of poverty) whose parent(s) are currently working full or part time. Of those children, nearly 3.3 million, or 31 percent, are estimated to be in paid child care, and thus represent the population *potentially* in need of child care assistance under the prior law.

Under PRWORA, additional children will require child care as families enter the labor force due to TANF work requirements. The TANF work requirement applies to 25 percent of a state's nonexempt welfare caseload in FY 1997 and rises to 50 percent in FY 2002. In 1996, nearly 7 million children lived in families who received AFDC and had no earnings. This represented about 90 percent of the welfare caseload nationwide (not shown). We estimate that 0.8 million of these children will have parents who move into the labor force under PRWORA in 1997, adding another 0.3 million children to the number using paid child care arrangements. When combined with the level of need under prior law, we estimate that 3.5 million children in paid child care are potentially in need of child care assistance under PRWORA in 1997. This represents an increase of about 8 percent over the potential need for child care assistance in 1997 under prior law. As the work participation rate under TANF increases over time, more parents will move into the workforce, expanding the number of children in need of child care assistance. If the FY 2002 work requirement of 50 percent of a state's caseload (with no adjustment for caseload reduction) were applied in 1997, we estimate that roughly one million more children would enter paid child care.

Available Funds versus Potential Need

In table 4 we compare available funds and our estimate of the potential need for child care assistance under prior law and based on various state scenarios under PRWORA. Because our estimate of the potential need for child care assistance under PRWORA captures changes due to TANF work requirements but ignores changes in families' child care decisions in response to other aspects of PRWORA, these comparisons provide a partial assessment of the adequacy of child care funds under PRWORA. To the extent that the new legislation leads to increases in work effort beyond that of the TANF work requirements or allows more families to turn to paid child care, our estimate of the potential need for child care assistance under PRWORA is too low.

Under this comparison, we estimate that, if states maintain their historical levels of spending, the share of children potentially in need of child care assistance who could be served with the available funds is approximately the same in 1997 as under prior law—roughly one-third.[16] 1#

In contrast, if states decide to eliminate state spending on child care, the combined effect of reduced state spending and the increased need for child care due to TANF work requirements would reduce the share of children who could be served with available funds to 23 percent. At the other extreme, if states maximize the federal child care dollars available under PRWORA, the share of children served could be increased to about 48 percent of those with child care assistance needs. Finally, if states transfer the maximum allowed TANF funds from cash assistance to child care assistance, the share of children who could be served would be significantly higher. Adding the full share of TANF funds to PRWORA funding, which maximizes federal child care dollars, would provide enough funds to serve all children potentially in need of child care (not shown).

Clearly, states face a wide range of options for funding child care assistance. The choices they make will play a key role in determining whether the share of families receiving child care assistance under PRWORA increases beyond the relatively low levels of coverage achieved under prior law.

Other Key State Decisions

Beyond choices about funding levels for child care assistance, states will also be making decisions about eligibility, provider reimbursement rates, and family copayments. The approach that states take regarding these matters also will influence whether and how many low-income children who need child care assistance will get it.

Under the new legislation, states have increased flexibility in how they target their child care dollars. At present, many state programs serve low-income working families in addition to those receiving public assistance. In light of the likely increase in need for child care assistance among children in families receiving public assistance, states may choose to restrict eligibility for low-income working families. On the other hand, states could choose to serve a larger number of families and provide lower levels of assistance per child or operate a first-come/first-served program with a waiting list for assistance. Both options were used by states to different degrees under prior law.[11] However, states previously did not face the additional challenge of establishing priorities for families receiving or transitioning off welfare, because child care was an entitlement to families in both cases. The new law is likely to intensify the trade-offs states face between serving low-income working families not on welfare and those that are.

States may also modify their subsidy levels or provider reimbursement rates in order to meet their child care objectives. The new legislation grants states greater latitude in determining reimbursement rates. PRWORA eliminates the requirement that states pay for actual child care costs up to the rates charged by the 75th percentile of child care providers, subject to statewide limits. The law also abolishes the requirement that payments take into account variations in the costs of providing child care in different settings and to children of different ages (e.g., care in a child care center is typically more expensive than that in family daycare homes, and infant care is typically more expensive than care for older children). To serve a greater number of children, states may reduce child care subsidies, thereby increasing the share of the cost paid by parents. States also could limit parent access to higher priced (and possibly higher quality) child care settings.

• • • •

Our comparison of child care funding and the potential population of children in need of child care assistance highlights the significant gap that is likely to exist between funding levels and the potential need of low-income working families. As states reevaluate their systems of child care assistance within the new framework, they face difficult decisions. Different approaches will undoubtedly result in different outcomes across states. The challenge in each state will be to provide enough care to meet the demands of welfare reform while continuing to serve nonwelfare families.

Notes

1. Currently, the single largest source of federal support for child care, the Child and Dependent Care Tax Credit, does little to aid low-income families. Almost \$2.7 billion was claimed under the dependent care credit in 1995 (U.S. Internal Revenue Service. 1995. *SOI Bulletin*. Washington, D.C.: U.S. Government Printing Office). PRWORA does not affect this credit.

2. The regulations governing the allocation of the CCDF funds are quite complicated. For a detailed summary of the child care provisions of the PRWORA legislation, see Center for Law and Social Policy. 1996. "A Summary of Key Child Care Provisions of H.R. 3734, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996." August.

3. Under PRWORA child care provisions, a state is required to maintain its historic level of Title IV-A child care spending to access its designated share of the matching funds available under the CCDF. However, under the provisions of PRWORA related to the new Temporary Assistance to Needy Families (TANF) program, there are additional incentives for the state to maintain at least a part of that child care spending. A state's TANF block grant will be reduced if the state fails to spend 80 percent of its "historic state expenditures" for "qualified expenditures" in the prior year. State expenditures on child care—up to the state "maintenance of effort" requirement for child care matching funds—can be counted toward the state's "qualified state expenditures."

4. States receive federal funds according to the FY 1995 Medicaid matching rates. In 1996, these rates ranged from 50 to 78 percent (U.S. House of Representatives, Committee on Ways and Means. 1996. *1996 Green Book*).

5. Note that, under the new law, at the end of each fiscal year all unused federal funds are redistributed to qualifying states.

6. *Federal Budgetary Implications of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. 1996.* Congressional Budget Office, December.

7. Prior to PRWORA, states were required to use 25 percent of their CCDBG funds for activities to improve the quality and availability of child care. PRWORA lowers that requirement to 4 percent, but applies it to all federal CCDF funds.

8. See Zedlewski, Sheila, and Giannarelli, Linda (1997). "Diversity among State Welfare Programs: Implications for Reform," *New Federalism: Issues and Options for States*, series A, no. A-1, Urban Institute (January), for a discussion of state options under TANF.

9. *Federal Budgetary Implications of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. 1996.* Congressional Budget Office, December.

10. U.S. House of Representatives, Committee on Ways and Means. 1996. *1996 Green Book*

11. We use "states" to refer to the 50 states and the District of Columbia.

12. Prior to PRWORA, many states provided funding for child care assistance above the levels required for participation in the federal IV-A child care programs. This analysis focuses on state child care spending that is related to federal child care assistance programs, and thus does not reflect the total amount of spending in all states. State child care spending above the amount formerly required for the IV-A match, a significant amount in some states, may now be used to draw down additional federal funds under the new block grant.

13. The baseline FY 1995 expenditures were inflated to 1997 dollars using the August 1996 Congressional Budget Office projection for the GDP inflator, which forecasts a 5.47 percent increase between these years. This baseline assumes that child care spending in FY 1997 under prior law would have been the same as in FY 1995, except for inflationary changes. Changes between FY 1995 and 1997 in state demographic or economic characteristics or in the Title IV-A child care or AFDC programs would have resulted in different overall spending levels and/or a different allocation of funds across the states.

14. The study was based on state child care funding in 1994. Some states may have increased or decreased their funding levels since then, which would affect the amount of state matching funds currently available. See Gina Adams and Nicole Oxendine Poersch, 1996. *Who Cares? State Commitment to Child Care and Early Education*, Washington, D.C.: Children's Defense Fund, December.

15. As previously noted, however, some states were providing state funds for child care above the required IV-A match prior to PRWORA. Under the CCDF, these funds may now be used as matching funds for federal dollars. Thus, in these cases overall child care spending in the state may increase even if the state does not increase its own level of spending.

16. These estimates assume that the states provide the same average child care subsidy amount under PRWORA as they did under Title IV-A child care. PRWORA allows states to modify many elements of program design, which could change the values of the subsidies provided under the new program.

17. U.S. General Accounting Office. 1994. *Child Care: Working Poor and Welfare Recipients Face Service Gaps.* Washington, D.C., May.

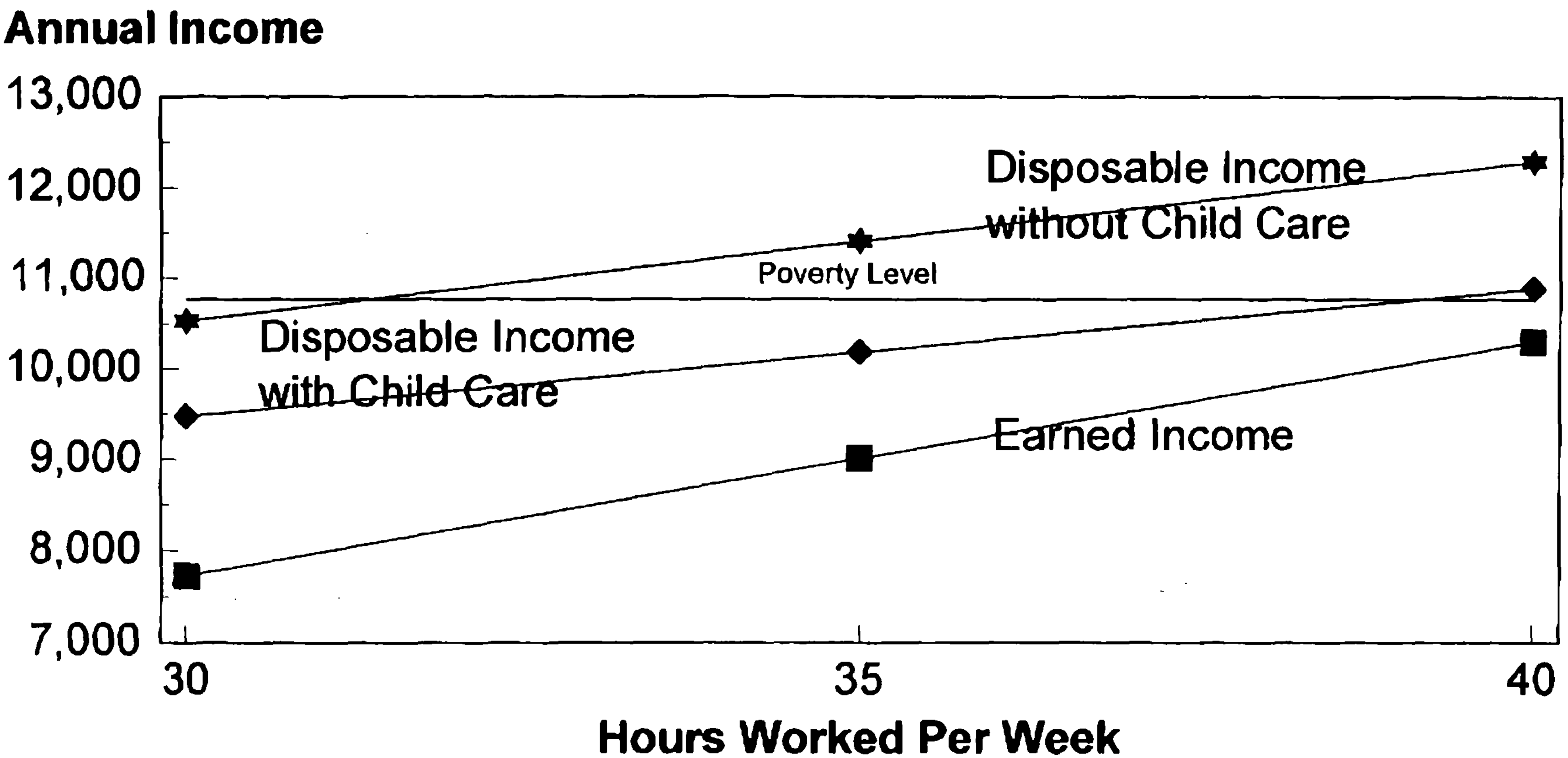
Other Briefs in the Series

1. *Diversity among State Welfare Programs: Implications for Reform,* Sheila Zedlewski and Linda Giannarelli
2. *Devolution as Seen from the Budget,* C. Eugene Steuerle and Gordon Mermin
3. *Variations in Medicaid Spending among States,* John Holahan and David Liska
4. *General Assistance Programs: The State-Based Part of the Safety Net,* Cori E. Uccello and L. Jerome Gallagher
5. *How the New Welfare Reform Law Affects Medicaid,* Leighton Ku and Teresa A. Coughlin
6. *Reassessing the Outlook for Medicaid Spending Growth,* John Holahan and David Liska
7. *Work-Related Resources and Services: Implications for TANF,* Demetra Smith Nightingale
8. *Medicaid: Overview of a Complex Program,* David Liska
9. *Younger People with Disabilities and State Health Policy,* Joshua M. Wiener
10. *Supplemental Security Income for Children with Disabilities: Part of the Federal Safety Net,* Pamela J. Loprest
11. *Questions for States As They Turn to Medicaid Managed Care,* Stephen Zuckerman, Alison Evans, and John Holahan

Future Topics

- Welfare Reform and the Devolution of Immigrant Policy
- The Medicaid Disproportionate Share Hospital (DSH) Program: Background and Issues
- The Impact of Temporary Assistance to Needy Families (TANF) on State Budgets

Effect of Child Care Costs on Disposable Income, Single Mother of One, 1996



Mother Earns Minimum Wage ($5.15), Works 50 Weeks Annually
Includes EITC, Food Stamps, Payroll Taxes
Child Care Costs of $1/Hour

Effect of Child Care on Income of Poor Families

Child care costs represent a significant burden for low-income families. Families that are below the poverty level and pay for child care for preschoolers, spend, on average, about 18 percent of income on child care. Child care, together with payroll taxes (Social Security and Medicare), can reduce a family's take-home income by 25 percent, relative to the actual wage.

Consider the case of a single mother who earns the minimum wage ($5.15 an hour) and pays one dollar an hour for child care for one kid, about 19 percent of income. Her earned income and disposable income are indicated in the figure. If she works full-time her disposable income, including the EITC and Food Stamps, subtracting out child care costs, is about $10,900, a little more than $100 above the poverty level for a family of two. If, however, her child care costs are eliminated, her disposable income increases to almost $12,300, more than $1500 above the poverty level. This includes the lower Food Stamps allotment she receives because child care costs are included in the Food Stamps benefit calculation. Her net wage is $6.15, a dollar an hour greater than the legislated minimum, if she incurs no child care costs, compared to a net wage of about $5.45 with child care costs. Even a single mother of one who works 31 hours per week at the minimum wage would have a disposable income above poverty *if she incurs no child care costs*. If child care costs were reduced to 50 cents an hour, through a subsidy program, the family's disposable income would increase by $700 annually to $11,600, about $800 above the poverty level.

THE WHITE HOUSE

WASHINGTON

November 6, 1997

MEMORANDUM

TO: Karl Scholz, Department of the Treasury
Olivia Golden, Department of HHS
Michael Smith, Department of Education

FROM: Jennifer Klein, DPC
Nicole Rabner, DPC

RE: Child Care Policy Options Memoranda

As discussed in yesterday's meeting, attached please find an outline for your use in developing the child care policy options memoranda. Please forward your paper(s) of 1-2 pages in length to us by fax at 202/456-2878 by Monday evening, November 10, 1997.

Assignments are:

HHS:

1. Increasing funding for CCDBG
2. Changing structure of block grant (e.g. to target particular age groups or income levels)
3. Increasing funding for child care quality by 1) creating a fund for child care quality or 2) increasing CCDBG funds and thereby increasing quality set-aside
4. Creating consumer education/research fund
5. Creating a fund for communities to build school-age care supply

Treasury:

1. Modifying and/or making refundable the CDCTC
2. Providing tax credits to businesses that invest in child care

Education:

1. Create and/or build on funding streams to states for schools to offer before- and after-school care opportunities

Please feel free to call either of us with questions or comments, Jennifer at 456-2599 and Nicole at 456-7263. Thanks very much.

Child Care Initiative
Outline of Policy Options Memorandum

1. Description of Policy Option(s)

2. Description of Current Programs and Interaction of New Policy Option(s) with Existing Programs and Funding

3. Impact Analysis [e.g. who would be reached by proposal, what income level(s), etc.]

4. Pros of Policy Option(s)

5. Cons of Policy Option(s) [including likely criticism and response]

6. Cost of Policy Option(s) [including benefit of investment (who would be reached) for at least four levels of possible funding, and a discussion of possible use of existing funding levels]

Child Care Initiative
Outline of Policy Options Memorandum

1. Description of Policy Option(s)

2. Description of Current Programs and Interaction of New Policy Option(s) with Existing Programs and Funding

3. Impact Analysis [e.g. who would be reached by proposal, what income level(s), etc.]

4. Pros of Policy Option(s)

5. Cons of Policy Option(s) [including likely criticism and response]

6. Cost of Policy Option(s) [including benefit of investment (who would be reached) for at least four levels of possible funding]