Administration for Children & Families

Facsimile from:

CHILD CARE BUREAU
Administration on Children, Youth and Families
HHH Building, Room 320 F
200 Independence Avenue, S.W.
Washington, D.C. 20201
Phone: 202.690.6782
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Date: July 10

This transmission consists of this cover page plus 2 *pages.*

To: Jennifer Klein	*From:* Joan Lombardi
Phone:	*Phone:*
Fax:	*Fax:* 202.690.5600

Message:

Please join us at the Conference -

ACF Child Care Bureau
Annual Meeting of State Child Care Administrators

"CHILD CARE: COMING TOGETHER FOR CHILDREN AND FAMILIES"

Washington, DC
July 14-15, 1997

AGENDA

L'Enfant Plaza
484-1000

MONDAY, JULY 14

8:00am
Grand Ballroom Foyer
Lobby Level

REGISTRATION

9:00-10:15am
Grand Ballroom Foyer
Lobby Level

OPENING SESSION

Joan Lombardi, *Associate Commissioner*
Child Care Bureau, Washington DC
- Welcome

Olivia Golden, *Principal Deputy Assistant Secretary for Children and Families*
U.S. Department of Health and Human Services, Washington, DC
- Remarks

10:15-10:30am
Grand Ballroom Foyer
Lobby Level

BREAK

10:30am-12:00pm
Grand Ballroom

HIGHLIGHTS FROM THE STATES

Facilitator:
Frank Fuentes, *Deputy Associate Commissioner*
Child Care Bureau, Washington, DC

Panels:

REORGANIZING FOR A SEAMLESS DELIVERY SYSTEM
Glenda Bean, *Director*
Division of Child Care & Early Childhood Education
Arkansas Department of Human Services, Little Rock, AR

CHILD CARE FOR ALL CHILDREN IN ILLINOIS
Michele Piel, *Manager, Child Care & Development Section*
Illinois Department of Public Aid, Chicago, IL

CHILD CARE DEVOLUTION: COLORADO STYLE
Grace Hardy, *Manager, Office of Child Care Services*
Colorado Department of Social Services, Denver, CO

12:00-1:30 pm

LUNCH — On your own

MONDAY, JULY 14 (continued)

1:30 - 2:30pm
Grand Ballroom

BRAIN RESEARCH AND ITS IMPLICATIONS FOR INFANT AND TODDLER CARE

J. Ronald Lally, *Director*
WestEd, Center for Child & Family Studies, Sausalito, CA

2:30-2:45pm
Grand Ballroom Foyer

BREAK

2:45-3:45 pm

SMALL GROUP WORKSHOPS (Choice of Topics)

Monet IV-2nd Floor

CHILD CARE POLICY RESEARCH CONSORTIUM: AVAILABILITY OF CARE

Members of the Child Care Policy Research Consortium will discuss Massachusetts, Illinois and Maryland–using census data and geo-mapping of facilities. They will also describe how the supply of care can be estimated using population (consumer) data from Oregon. Participants in this session are invited to explore the implications of these findings for child care policies and programs.

Facilitator:
Pia Divine, *Child Care Specialist*
Child Care Bureau, Washington, DC

Presenters:
Ann Collins, *Senior Program Associate*
National Center for Children in Poverty, New York, NY

Arthur Emlen, *Professor Emeritus*
Portland State University, Lake Oswego, OR

Anne Dryden Witte, *Professor of Economics*
Florida International University, Miami, FL

Quorum-Lobby Level

CHILD SUPPORT: WHAT EVERY CHILD CARE ADMINISTRATOR NEEDS TO KNOW

This workshop will provide an overview of the child support enforcement program, focusing on what is relevant to child care. Participants will discuss how child care and child support enforcement can work together to serve families, including outreach and policy initiatives.

Facilitator:
Andrew Williams, *Child Care Specialist*
Child Care Bureau, Washington, DC

Presenters:
John P. Doyle, *Program Collaboration Liaison*
Office of Child Support Enforcement, Washington, DC

Kathleen Shapiro, *Family Service Worker*
Deborah M. Shepard, *Director, Children, Youth & Family Services*
Montgomery County Department of Health & Human Services
Rockville, MD

MONDAY, JULY 14 (continued)

2:45-3:45 pm

SMALL GROUP WORKSHOPS (continued)

Monet III-2nd Floor

CHILD WELFARE/CHILD CARE

Child Care can provide an important service in a state's child welfare program. Two Massachusetts programs will share their experiences of using child care in their child welfare services. One program has used child care in their family preservation program. The other program provides respite child care services to foster parents.

Facilitator:
Margreta Silverstone, *Child Care Specialist*
Child Care Bureau, Washington, DC

Moderator:
Bruce Hershfield, *Director, Child Day Care Services*
Child Welfare League of America, Washington, DC

Presenters:
Al Durham, *Family Preservation Specialist*
Children's Bureau, Washington, DC

Sherrie Lookner, *Director of Child Care*
Massachusetts Department of Social Services, Boston, MA

James Ward, *Executive Director*
Early Childhood Centers, Inc., Springfield, MA

Monet I-2nd Floor

HEAD START/FAMILY CHILD CARE COLLABORATION

The Administration on Children and Families is seeking to promote more collaborative work among local Head Start and child care programs in serving young children and families through the development of a Head Start/Child Care Initiative. This session will focus on Family Child Care and Head Start Partnerships.

Facilitator:
Rae Anderson, *Head Start Fellow*
Child Care Bureau, Washington, DC

Presenters:
Beverly Langford-Duggar, *Head Start Director*
District of Columbia Public Schools, Washington, DC

Leah Pigatti, *Head Start Director*
Mahube Community Council Head Start, Detroit Lake, MN

Respondent:
Barbara Ferguson Kamara, *Executive Director*
District of Columbia Department of Human Services
Washington, DC

MONDAY, JULY 14 (continued)

2:45–3:45 pm **SMALL GROUP WORKSHOPS (continued)**

Renoir-2nd Level

INTERGENERATIONAL MODELS

Training older persons to work with young children can meet the needs of both age groups. This session will explore examples from programs begun in Illinois and Pennsylvania and now in use across the country. Other aspects of intergenerational programming will be explored.

Facilitator:
Andrew Hagan, *Child Care Specialist*
Child Care Bureau, Washington, DC

Moderator:
Judy Levitt, **Generations United**, Washington, DC

Presenters:
Shelley Levin, *Manager*
Early Childhood Demonstration Centers
Oakton Community College, Des Plaines, IL

Sally Newman, *Generations Together*
University of Pittsburgh, Pittsburgh, PA

Lafayette-2nd Floor

OPPORTUNITIES FOR COLLABORATION IN CHILD HEALTH: AMERICAN ACADEMY OF PEDIATRICS INITIATIVES TO IMPROVE CHILD CARE

This session will showcase model strategies that can be implemented on a statewide basis to improve the health and safety of children in child care (with examples from North Carolina). Presenters will provide information on how the American Academy of Pediatrics (AAP) can assist states and local communities in networking opportunities to build health systems in child care, and the progress of the Healthy Child Care Campaign activities being coordinated by AAP.

Facilitator:
Moniquin Huggins, *Child Care Specialist*
Child Care Bureau, Washington, DC

Presenters:
Laura Aird
American Academy of Pediatrics, Elk Grove Village, IL

James Poole, MD
Poole Pediatrics, Raleigh, NC

MONDAY, JULY 14 (continued)

2:45–3:45 pm — SMALL GROUP WORKSHOPS (continued)

Monet II–2nd Floor

PERFORMANCE MEASURES AND BENCHMARKS
Developing benchmarks and performance measures is a '90's happening. This session will explore what is happening in Head Start and several states in setting objectives and outcome measures.

Facilitator:
Michael Dubinski, *Data Specialist/Statistician*
Child Care Bureau, Washington, DC

Presenters:
Janis Sabin Elliot, *Administrator, Child Care Division*
Oregon Department of Employment, Salem, OR

James Harrell, *Deputy Commissioner*
Administration on Children, Youth and Families, Washington, DC

Bruce Liggett, *Program Administrator*
Arizona Department of Economic Security, Phoenix, AZ

Ruth Hubble McKey, *Vice President for Research & Program Services*
Ellsworth Associates, Vienna, VA

3:45–4:00pm — BREAK

Grand Ballroom Foyer

4:00–5:00pm — SMALL GROUP WORKSHOPS (Choice of Topics)

Quorum-Lobby Level

BUILDING CHILD CARE TRANSPORTATION SYSTEMS
Transportation issues interact with child care policy decisions. This session will present two very different projects attempting to resolve some of these issues.

Facilitator:
Karin Dahl, *Child Care Specialist*
Child Care Bureau, Washington, DC

Presenters:
Verna S. Weber, *Child Care Administrator*
Kansas Department of Social & Rehabilitation Services
Topeka, KS

Gail T. Wilson, *Executive Director*
Colorado Office of Resource & Referral Agencies, Inc.
Englewood, CO

MONDAY, JULY 14 (continued)

4:00-5:00 pm

SMALL GROUP WORKSHOPS (continued)

Mount I-2nd Floor

CHILD CARE AS A JOB FOR TANF RECIPIENTS

This session will focus on policy and program strategies for preparing TANF recipients to be child care providers. Among the issues to be discussed are recruitment, training content and process, support services for providers, and coordination of services for children and families.

Facilitator:
Jennifer Chang, *Special Assistant to the Associate Commissioner*
Child Care Bureau, Washington, DC

Moderator:
Andrea Genser, *Executive Director*
Center for Career Development in Early Care & Education
Boston, MA

Presenters:
Sandra Gellert, *Director, National Child Care Program*
The Children's Foundation, Washington, DC

Michele Piel, *Manager, Child Care & Development Section*
Illinois Department of Public Aid, Chicago, IL

Toni Porter, *Director, Center for Family Support*
Bank Street College of Education, New York, NY

Mount III-2nd Floor

FAMILY-CENTERED CHILD CARE

Learn what makes child care programs family-centered and how different models offer a continuum of services for families. Interactive discussion will focus on issues regarding parent-provider relations and successful strategies to support family sufficiency and good parenting.

Facilitator:
Julie Feldman, *Yale Graduate Student*
Child Care Bureau, Washington, DC

Presenters:
M. Elena Lopez, *Associate Director*
Harvard Family Research Project, Cambridge, MA

Heather B. Weiss, *Director*
Harvard Family Research Project, Cambridge, MA

MONDAY, JULY 14 (continued)

4:00-5:00 pm — SMALL GROUP WORKSHOPS (continued)

Monet IV-2nd Floor

REPORTING 101: WHO, WHAT, WHEN AND HOW!
This workshop will give participants a chance to learn the latest about the CCDF reporting requirements, sampling, data element recommendations from the States, and how States are getting ready to report.

Facilitator:
Linda Adams, *Child Care Specialist*
Child Care Bureau, Washington, DC

Presenter:
Debbie Thomas, **Texas Workforce Commission**, Austin, TX

Renoir-2nd Floor

SERVING TEENAGE PARENTS
Serving the needs of teenage parents involves many players from differing backgrounds-families, schools, service agencies, and churches. Massachusetts and Illinois have programs in place to begin to meet these needs. This session will describe these programs, their funding and outcomes.

Facilitator:
Brenda Anderson, *Child Care Specialist*
Child Care Bureau, Washington, DC

Presenters:
Joyce Butler, *Early Childhood Policy Consultant*, Providence, RI

Nancy Schwachter, *Coordinator of Child Care Policy*
MA Executive Office of Health & Human Services, Boston, MA

Denise Simon, *Manager, Youth Services*
Illinois Department of Human Services, Springfield, IL

Monet II-2nd Floor

STEPPING STONES TO CARING FOR OUR CHILDREN: PROTECTING CHILDREN FROM HARM
In this session the presentation will include Stepping Stones and the use of standards to enhance the quality and safety in out-of-home child care settings. The discussion will include establishing state associate centers to enhance partnerships between health care and child care providers.

Facilitator:
M. Jane Coury, *Project Officer*
MCHB Health & Safety in Child Care Programs, Rockville, MD

Presenter:
Marilyn J. Krajicek, *Associate Professor, Director*
University of Colorado Health Sciences Center, Denver, CO

5:00-6:30pm
Grand Ballroom C&D — RECEPTION

TUESDAY, JULY 15

8:00am Grand Ballroom Foyer	REGISTRATION
8:45–10:30am Grand Ballroom	WELFARE REFORM AND CHILD CARE

Facilitator:
Pia Divine, *Child Care Specialist*
Child Care Bureau, Washington, DC

GENERAL ACCOUNTING OFFICE
CHILD CARE STUDY
- Janet L. Mascia, *Senior Evaluator*, Washington, DC

SEVEN STATE STUDY
- Lois Shoemaker, *Evaluator*, Atlanta, GA

OFFICE OF INSPECTOR GENERAL
EVALUATION OF STATES' CHILD CARE SUBSIDY SYSTEMS
- Thomas Komaniecki, *Program Analyst*, Chicago, IL
- Emily Melnick, *Program Analyst*, Chicago, IL

URBAN INSTITUTE
ASSESSING THE NEW FEDERALISM
- Sandra Clark, *Research Associate*, Washington, DC
- Sharon Long, *Senior Research Associate*, Washington, DC

10:30–10:45am Grand Ballroom Foyer	BREAK
10:45am–12:00pm	STATE DISCUSSION GROUPS
Monet Ballroom I	Red
Monet Ballroom II	Green
Monet Ballroom III	Yellow
Monet Ballroom IV	Orange
Quorum	Light Blue
Renoir	Purple
Lafayette	Blue
Caucus	Black
12:00–1:30 pm	LUNCH — On your own
1:30 - 2:30pm Grand Ballroom	MILITARY CHILD CARE: SHARING EXPERIENCES

Facilitator:
Moniquin Huggins, *Child Care Specialist*
Child Care Bureau, Washington, DC

Presenter:
Linda Smith, *Director, Office of Family Policy*
U.S. Department of Defense, Washington, DC

TUESDAY, JULY 15 (continued)

2:30–2:45pm
Grand Ballroom Foyer

BREAK

2:45–3:45pm

SMALL GROUP WORKSHOPS (Choice of Topics)

Monet IV–2nd Floor

CHILD CARE POLICY RESEARCH CONSORTIUM: QUALITY, FLEXIBILITY AND EMPLOYMENT

Members of the Child Care Policy Research Consortium will discuss new findings from the Oregon survey of *Quality of Care from a Parent's Point of View* and how this measure can be used by other states to help determine the quality of care they are purchasing. Researchers will also present comparative findings from Florida and Oregon on the types of establishments that employ parents of children in subsidized care. New findings which highlight the importance of flexibility in the triad of caregiver, employer, and family will be discussed.

Facilitator:
Pia Divine, *Child Care Specialist*
Child Care Bureau, Washington, DC

Presenters:
Arthur Emlen, *Professor Emeritus*
Portland State University, Lake Oswego, OR

Janis Sabin Elliot, *Administrator, Child Care Division*
Oregon Department of Employment, Salem, OR

Anne Dryden Witte, *Professor of Economics*
Florida International University, Miami, FL

Grand Ballroom

FINANCIAL MANAGEMENT

This workshop will address Child Care and Development Fund (CCDF) quarterly grants allotment policy, the impact of Cash Management Improvement Act policy on the CCDF drawdowns, the proposed ACF-696 financial reporting form, and obligation/liquidation provisions for FY 98 grants.

Facilitator:
Barbara Binker, *Director, Program Policy Branch*
Child Care Bureau, Washington, DC

Presenters:
Joseph Lonergan, *Director*
Division of Formula Entitlements and Block Grants
Office of Management Services, Washington, DC

Stephen R. Smith, *Director*
Office of Fiscal Services, Washington, DC

TUESDAY, JULY 15 (continued)

2:45–3:45pm SMALL GROUP WORKSHOPS (continued)

Monet I-2nd Floor

HEAD START/FAMILY CHILD CARE COLLABORATION
The Administration on Children and Families is seeking to promote more collaborative work among local Head Start and child care programs in serving young children and families through the development of a Head Start Child Care Initiative. This session will highlight three model programs with a focus on Family Child Care and Head Start Partnerships.

Facilitator:
Rae Anderson, *Head Start Fellow*
Child Care Bureau, Washington, DC

Presenters:
Beverly Langford-Duggar, *Head Start Director*
District of Columbia Public Schools, Washington, DC

Leah Pigatti, *Head Start Director*
Mahube Community Council Head Start, Detroit Lakes, MI

Respondent:
Barbara Tayman, *Assistant Director*
Maryland Department of Human Resources, Baltimore, MD

Monet II-2nd Floor

MILITARY CHILD CARE: DIALOGUE WITH PROGRAM MANAGERS
This session will discuss the military service's implementation of the critical elements of quality child care systems: standards, training and wages, accreditation and the family child care system. Plans to share this expertise with the civilian sector will also be addressed.

Facilitator:
Linda Graziano, *Child Care Program*
Child Care Bureau, Washington, DC

Presenters:
Juanita Armbrister, *Head, Naval Child Development Program*
Department of Navy, Memphis, TN

Sandra Evans, *Marine Corps Child Care Program Director*
Department of Navy, Washington, DC

M.-A. Lucas, *Director, Soldier & Family Support Directorate*
Department of Army, Washington, DC

Beverly Schmalzreid, *Chief, Community Activities Policy Branch*
Department of Air Force, Washington, DC

TUESDAY, JULY 15 (continued)

2:45–3:45pm SMALL GROUP WORKSHOPS (continued)

Mount III-2nd Floor

POSSIBILITIES FOR CHILD CARE DATA

The Personal Responsibilities and Work Opportunities Act of 1996 includes a set of congressionally mandated reporting requirements. This workshop will describe how the implementation of this data set and other child care data collections can support policy analysis and research at the national and state levels.

Facilitator:
Margreta Silverstone, *Child Care Specialist*
Child Care Bureau, Washington, DC

Presenters:
Doug Klayman, **Ellsworth Associates**, Washington, DC

LisaAnn Benham, *Research Coordinator*
Florida Children's Forum, Tallahassee, FL

Quorum-Lobby Level

PRIVATIZING SERVICES

This small group workshop will provide an in-depth opportunity to discuss state practices in privatization. The challenges and possibilities and liabilities of this developing trend will be explored.

Facilitator:
Richard Sternowski, *Child Care Specialist*
Child Care Bureau, Washington, DC

Presenters:
Beverly Lynn, *Administrator, Child Care Operations*
New Jersey Department of Human Services, Trenton, NJ

Louise Stoney, *Early Childhood Policy Specialist*
Stoney Associates, Averill Park, NY

Lafayette-2nd Floor

STATE/TRIBAL COLLABORATION

Prior to collaborating, many states and Tribes find it necessary to lay groundwork, open the channels for communication, and establish mutual respect. State administrators and Tribal participants will share experiences describing their preliminary efforts toward collaboration.

Facilitator:
Ginny Gorman, *Child Care Specialist*
Child Care Bureau, Washington, DC

Presenters:
Albert Long, *Department Director*
Navajo Nation, Window Rock, AZ

Wil Numkena, *Director*
Utah Division of Indian Affairs, Salt Lake City, UT

Tony Zabicki, *State Plan Coordinator/ Tribal Liaison*
Arizona Department of Economic Security, Phoenix, AZ

TUESDAY, JULY 15 (continued)

3:45–4:00pm
Grand Ballroom Foyer
BREAK

4:00–4:30pm
Grand Ballroom
CLOSING PLENARY SESSION

WEDNESDAY, JULY 16

8:30am–4:00pm
Quorum–Lobby Level
ADMINISTRATIVE ISSUES WORK GROUP MEETING

TO: Jack Lew
Bruce Reed
Gene Sperling
FROM: Jennifer Klein
DATE: June 25, 1997
RE: Proposals on Child Care and Adoption

Attached please find a document describing our priorities for spending. Melanne asked me to get this to you.

The Dependent Care Tax Credit could also be expanded without making it refundable, but our first priority is to make it refundable to help low-income working families. Please feel free to call with any questions or concerns.

cc: Melanne Verveer, Elena Kagan, Nicole Rabner

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CHILD CARE

1. Expand the Dependent Care Tax Credit to reach one to two million more families by making it refundable.

The Dependent Care Tax Credit is an income tax credit for taxpayers who incur employment related expenses for child care. The credit is available to single parents who work and to two-parent families in which both parents work. The maximum allowable credit, available on a sliding scale depending on income, ranges from $480 to $720 for families with one child, and from $960 to $1440 for families with two or more children.

Since the credit is not refundable, it can not be used by low income working families with incomes below the federal income tax threshold (approximately $24,000 for family of four). Thus the credit is not available to the low income working families most in need of child care assistance.

Cost estimate: $3-5 billion

2. Increase by $1 billion the Child Care Development Fund in order to:

Double the number of working families receiving child care assistance. $500 million

Low income working parents face major obstacles paying for the child care they need in order to remain in the workforce. It is estimated that more than 10 million children from working families will be eligible for federal child care assistance, yet such assistance is currently provided to less than 1.5 million children. Among working families earning 150 percent of poverty, 4 out of 5 are not receiving assistance. Among working families earning at or below the poverty line, 2 out of 3 are not receiving this assistance.

Improve program quality by adopting the military approach to quality enhancement. $200 million

At the Early Childhood Development Conference held at the White House in April, President Clinton pointed to the military child care program as a model for the rest of the country. Of particular note was the focus on establishing family child care networks, accreditation, and training tied to compensation. Unfortunately, very limited dollars are available to programs in the civilian community to promote such quality provisions. Adopting the military approach for quality enhancement and providing assistance to child care programs to implement this approach will make a significant contribution to improving the quality of child care services across the country.

<u>Through a collaborative approach with the Department of Education, increase the number of school programs providing before and after school care</u>. $300 million

Each day, millions of school age children across the country go home to an empty house after school. The vast majority of mothers with school-age children are now in the labor market. Despite this fact, most schools still close at 3:00 and remain closed for the summer months. While the number of school-age programs has grown over the last decade, there are still dramatically few school-age programs for low-income working families. Despite the poor access to quality programs, recent research has documented the positive effects that school-age programs can have on academic achievement of low-income children. This proposal would double the number of schools providing extended day services.

ADOPTION

1. One-year Reimbursement for Reunification Services. (Section 304 of the Chafee/Rockefeller legislation - S.511)

   The ability to use foster care maintenance funds to provide reunification services will promote timely decisions regarding permanency. The availability of such services will allow the child welfare agency to better identify those families who are likely to reunify and those that are not -- thus expediting their ability to develop alternate permanent plans for these children.

   Cost estimate: Approximately $500 million over five years.

2. Innovation Grants to Reduce Backlogs of Children in Awaiting Adoption.
   (Section 401 of S. 511)

   Funds grants for innovative projects that will reduce barriers to adoption and reduce backlog of children awaiting adoption. (Similar to $10 million for barrier grants proposed in Adoption 2002 Report).

   Cost estimate: $250 million over five years

HHS draft - Child Care Package to Unveil at Conf.

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The Working Family Child Care Initiative 2002

At the turn of the century, more American families than ever include two working parents or are headed by a single working parent. Yet the child care available for their children is far from adequate. Meeting this critical need calls for major new public and private investment and a bold comprehensive approach based on the following principles:

- o Child care is critical to workforce development and child development
- o The quality of care affects school readiness and academic achievement
- o A broad range of working parents need some assistance in accessing quality affordable care
- o The quality of care is directly related to the investments made in programs and providers

To address these principles, any new initiative must balance the need to address affordability as well as to improve quality. What follows are six sample strategies that could be included in any new investment package. Some of the initiatives address the affordability issue directly: expanding the Dependent Care Tax Credit or increasing funds for subsidy. Others address the quality issue: special incentive grant programs or support for family child care. Some strategies provide funds to programs while others fund parents more directly. Some approaches rely totally on federal dollars, while others combine federal and state resources and still others call for partnerships with the private sector.

1. Expand the Dependent Care Tax Credit

The Dependent Care Tax Credit is an income tax credit for taxpayers who incur employment related expenses for child care. The credit is available to single parents who work and to two-parent families in which both parents work. The maximum allowable credit, available on a sliding scale depending on income, ranges from $480 to $720 for families with one child and from $960 to $1440 for families with two or more children.

Since the credit is not refundable, it cannot be used by most low income working families with incomes below the federal income tax threshold (approximately $24,000 for a family of four). Less than one percent of tax filers earning at or below poverty now claim the credit and about 13 percent of filers earning 100-200 percent of poverty claim the credit. In addition, the amount that families can claim and the range of families that can claim the

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maximum amount needs to be readjusted to reflect the increasing costs of care and to provide additional assistance to middle class working families.

Option: Make the Dependent Care Tax Credit refundable for child care expenses so that it can be used by the lowest income working families. Increase the amount of credit available on a sliding scale to low and moderate income working families.

2. Double the number of children from working families receiving child care assistance through CCDF

Low-income families face major obstacles in finding or affording child care services. While the average family spends about 7 percent of their income on child care, low-income families spend approximately a quarter of their income for child care services. It is estimated that more than 10 million children from working families will be eligible for federal child care assistance, yet we currently provide such assistance to only 1-1.4 million children. Among working families earning 150 percent of poverty, 4 out of 5 are not receiving federal assistance. Among working families earning at or below the poverty line, 2 out of 3 are not being provided with assistance.

Option: Increase CCDF funds over the next five years to double the number of children served, reaching 2 million children by 2002.

3. Establish A Quality Incentive Grant Fund

The year 1999 will mark the tenth anniversary of the education goals established by the President and the Nation's Governors. The first goal was that all children start school ready to learn. Recent research on brain development reaffirms the importance of the early years. Similarly, the NICHD study on Infant Care underscores the importance of quality care to language and cognitive development. Despite these facts, study after study reveals a serious crisis in the quality of care across the country.

At the Early Childhood Development Conference held at the White House last month, President Clinton pointed to the military child care program as a model for the rest of the country. Of particular note was the focus on establishing family child care networks, accreditation, and training tied to compensation.

Option: Provide grants to states (with match from the private sector) to improve child care for young children based on the military model, including support for accreditation.

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4. Launch an Infant Toddler Family Child Care Initiative

As the number of infants and toddlers in care increases, many families are turning to small family child care homes to provide a more home-like setting for their children. One of the most effective strategies to improve the quality of these settings is the establishment of networks of support and training specifically designed for family child care providers. Examples of such networks have been developed through the Child Care and Adult Food program or through the Child Care and Development Fund in the states.

Option: Provide additional funds through CCDF or other funding mechanisms to encourage communities to establish and support family child care networks.

5. Establish a Scholarship Program for Child Care Staff

Over the past two decades research has documented the importance of early childhood staff to the quality of child care services. Yet child care providers receive inadequate wages and there are limited training resources to recruit and retain staff. When scholarships are provided, with linkages to better compensation, the quality of care improves (the TEACH scholarship program in North Carolina).

Option: Explore ways to provide both loan forgiveness and scholarship funds for child care staff, perhaps as part of the Higher Education Act or through a special Child Care Corp.

6. Double the number of school age children who have access to quality child care

Each day, millions of school age children across the country go home to an empty house after school. The vast majority of mothers with school age children are now in the labor market. Despite this fact, most schools still close at 3:00 PM and remain closed for the summer months. While the number of school age programs has grown over the last decade, there are still dramatically few school age programs for low-income working families, particularly for children 10-13. Despite the poor access to quality programs, recent research has documented the positive effects that school age programs can have on academic achievement of low-income children.

Option: Develop an initiative jointly across the Departments of HHS and Education, to provide incentive funding to stimulate community-wide school-age child care initiatives, including involvement of both schools and community based organizations.

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There are several models that could be included in a menu of approaches communities could use to address school age issues including: keeping schools open through Title I school-wide projects, establishing 21st Century Schools with extended day components, or more comprehensive strategies such as the MOST model. The MOST initiative (Making the Most out of School Time) is an effort funded by DeWitt Wallace-Readers Digest Fund to improve and expand the supply of child care in three cities.

CONGRESSIONAL PROPOSALS TO KEEP CHILDREN SAFE AND IN PERMANENT FAMILIES

Proposed Amendments	S. 511* (Sens. Chafee/ Rockefeller/Jeffords/ DeWine)	H.R. 867** (Reps. Camp/ Kennelly)
Enhance the Safety of Children:		
Clarify importance of safety in "reasonable efforts" decisions	Yes	Yes
Clarify importance of safety in case planning and case reviews for children in foster care	Yes	No
Require statewide multi-agency child death review teams	Yes	No
Require criminal records and child abuse registry checks for foster parents, group care providers and adoptive parents	Yes	No (State option)
Provide Incentives for Permanence:		
Require "reasonable efforts" to move children toward adoption or other permanent homes	Yes	Yes
Establish permanency planning hearing within 12 months rather than 18	Yes	Yes
Require state to file for termination of parental rights when child under age 10 is in foster care for 18 out of 24 months	No	Yes
Require that foster parents and relative caretakers be notified of reviews and hearings and be given the opportunity to be heard	No	Yes
Expand eligibility for federal adoption assistance payments for children with special needs	Yes	No
Guarantee adoption incentive payments for states that increase the number of foster children who are adopted	No	Yes
Authorize funds for technical assistance to promote adoption of children in foster care	No	Yes
Allow federal foster care funds to be used for substance abuse, mental health and domestic violence services for children and parents to promote prompt permanency decisions	Yes	No
Authorize the use of the federal parent locator in establishing child custody and visitation	No	Yes
Establish advisory panel to facilitate out-of-state and out-of-county adoptions	Yes	No

* The Safe Adoptions and Family Environments (SAFE) Act is pending in the Senate.

** The Adoption Promotion Act was passed (416-5) by the House of Representatives on April 30, 1997.

Proposed Amendments	**S. 511*** *(Sens. Chafee/ Rockefeller/Jeffords/ DeWine)*	**H.R. 867**** *(Reps. Camp/ Kennelly)*
Enhance Capacity and Accountability for Safety and Permanence:		
Encourage collaboration between substance abuse and child welfare agencies	Yes	Yes
Establish priority for substance abuse treatment for families referred by child welfare	Yes	No
Fund care for children placed with their parents in residential service programs	Yes	No
Fund cross-agency training for staff working with abused and neglected children	Yes	No
Establish grants for state innovations in child protection and permanence	Yes	No
Expand the child welfare waivers from 10 to 15 states	Yes	Yes (At least 1 of new 5 for kinship care)
Develop state benchmarks for quality care	Yes	No
Require HHS/advisory panel report and recommendations on kinship care policies	No	Yes
Establish state reports on child protection agency performance	No	Yes
Clarify eligibility for independent living services	No	Yes
Sense of the Congress that states should establish standby guardianship laws	No	Yes
Require that funds under the Act be accompanied by a notice of the Sense of the Congress that, as practicable, they be used for American-made products	No	Yes

CDF 5/5/97

cc: Jen Klein
Mark Mazer

~~cc EK, CR, DF,~~
~~Tom, ...~~

Background Information
Child Care Proposal

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

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

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

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

Provisions to Encourage Parents to Place their Children in High Quality Care

1. *Dependent Care Tax Credit*-

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

costs for this option: no budget impact if the Dependent Care Tax Credit is limited to families with adjusted gross incomes under $90,000 per year and a balance is reached regarding lowering the percentage of allowable child care expenses for non-accredited/non-credentialed care balanced with an equal but opposite raise in the percentage for a ccredited/credentialed care.

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

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

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

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

AND

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

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

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

No cost to federal, state, or local government

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

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

Miminal cost, no estimate available

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

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

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

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

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

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

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

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

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

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

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

No additional cost.

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

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

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

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

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

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

DEPARTMENT OF HEALTH & HUMAN SERVICES·USA

DATE: 6/20

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDENCE AVE., SW
WASHINGTON, D.C. 20201

PHONE: (202) 690-6311 FAX: (202) 690-8425

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
HUMAN SERVICES LEGISLATION
ROOM 413 H HUMPHREY BUILDING

TO : Jennifer Klein

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ROOM NO :

PHONE NO :

FAX NO : 456-2878

TOTAL PAGES
INCLUDING COVER) : 8

FROM:

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[ ] LAUREN GRIFFIN
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REMARKS:

(from December of 96)
This is old paper, so I can't verify all facts and figures - but I think it would be very helpful to you.

A Refundable Child Care Tax Credit

For the first time in American history, this country will have a seamless system for supporting child care expenses. By making the Child Care Tax Credit refundable, every working family in America will have access to some child care support.

Currently, the Child Care Tax Credit provides essential child care support for millions of working families with employment-related child care expenses. However, the credit is not available for working families who have no federal income tax liability. By making the credit refundable, the tax credit would be available for the first time to all working families with children. The new group consists of low wage earners who pay 20 percent of their income for child care, a disproportionate share of their income when compared to higher income families who pay only six percent of their income. By the year 2002, Treasury estimates that refundability would benefit over two million low wage working families who have little or no tax liability. Most of these working families have incomes below $30,000 and would receive an average benefit of $500-600 annually toward their child care expenses.

Using a tax mechanism to provide child care assistance is both good policy and good politics. The Child Care Tax Credit is enormously popular. Since families see the results on their income tax returns, it is one of the most positive benefits they know they receive from the federal government. Ask any family that uses the credit, and almost inevitably they will be able to tell you how much help they received toward their child care expenses.

The Child Care Tax Credit has long enjoyed bipartisan support. In the last two decades, the U.S. Senate has voted to make the credit refundable several times. President Bush proposed making this credit refundable and child care organizations and women's groups strongly support it. Further it is anticipated that the Republicans will propose significant tax cuts for the wealthy. As a result, it will be difficult as a result for them to argue against an Administration tax proposal to help hard-working low income families with significant child care costs.

Making the tax credit refundable helps low income working families get child care assistance without going through the welfare line. While the welfare reform law (The Personal Responsibility and Work Opportunity Reconciliation Act) authorizes $20 billion in federal child care funding over six years, most of the funds will be needed to support welfare families moving to work, leaving little room for assisting working poor families. We expect that the credit will be used largely by working families who do not receive direct subsidies. Using the tax code to serve these families is an equitable and nonstigmatizing approach that complements the Administration's initiatives -- Earned Income Tax Credit, Minimum Wage, health care portability and Family and Medical Leave -- for working families.

At a time when we are devoting significant attention and resources to welfare families, this would be a visible source of help to working famlies who are not on welfare but are struggling to stay in the laborforce. For the first time in history, all working families with child care expenses would receive some federal support.

ESTIMATED NUMBER OF POOR CHILDREN WHICH WOULD RECEIVE A REFUNDABLE CHILD AND DEPENDENT CARE TAX CREDIT

PRELIMINARY HHS ESTIMATES for FY 1997

Number of Children Under Age 13 in Working Families Below Poverty	**4,000,000**
Number of Children in Working Families Below Poverty Served by Child Care Subsidy in FY 1997	
Number of full-year, part-time child care slots funded by total mandatory and discretionary federal dollars, with state match in FY 1997	1,200,000
Number of slots needed to meet TANF requirements	493,000
Remaining slots for non-TANF working poor children	707,000
Number of Children in Working Families Below Poverty Not Served By Subsidy in FY 1997	**3,293,000**
Number of Children in Working Families Below Poverty That Would Claim a Refundable Child and Dependent Care Tax Credit	
Number of working families claiming credit in 1993 2/	6,090,000
Number of working families claiming credit in 1993 with incomes below $15,000 (1993$) 3/	390,000
Number of children under age 13 in working families claiming the credit with incomes below $15,000 4/	616,000
Number of Children in Working Families Below Poverty Currently Not Receiving Subsidy or the Non-Refundable Credit 5/	**2,677,000**

Impact of Refundability *(1995 Urban Institute Analysis)*	
Number of additional working families that would claim a refundable credit	1,100,000
Number below 150 percent of poverty	1,000,000
Number below 100 percent of poverty	700,000
Number of additional children under age 13 below 100 percent of poverty 4/	**1,106,000**

Notes:

1/ Estimate of number of children under age 13 below poverty in 1993 Current Population Survey is 11 million. HHS estimates that about 37 percent of these children live in families with either two working parents or a single working parent.

2/ Internal Revenue Service, Statistics of Income - 1993. This is the most recent year for which data on number of claims by income group is available.

3/ Number of claims is from the Internal Revenue Service, Statistics of Income - 1993. The poverty threshold for a family of four in 1995 was $15,570.

4/ This analysis assumes families claiming the credit have an average of 1.58 children under age 13 in care. This is the average number of children under 13 in AFDC families.

5/ This estimate assumes there is no overlap between families receiving direct subsidy and families receiving the non-refundable credit.

Source: This is a preliminary HHS analysis using Urban Institute and Treasury data. Numbers are rounded.

December 18, 1996

Options for Expanding the Child and Dependent Care Tax Credit

Following are four options for a refundable tax credit for dependent care expenses. Refundability is clearly the only way to provide low-income working families with child care support through the tax system. These options respond to three key child care issues facing working families with incomes slightly above poverty:

(1) Low-income working families are spending a disproportionate percent of their income for child care -- almost 20 percent compared to approximately 6 percent for higher-income families;

(2) Many working families with incomes slightly above poverty are not able to access direct subsidies -- an estimated three-quarters of all families served with subsidies are below poverty; and

(3) The cost of child care has increased, particularly for young children, since the Dependent Care Tax Credit was last modified in 1981.

- **Option 1: Make the current credit refundable.** A preliminary Treasury estimate of the cost of making the credit refundable is $4.2 billion over six years. A preliminary Joint Committee on Taxation estimate of this six-year cost is $2.1 billion.

- **Option 2: Make the credit refundable and expand the income slide.** This option would enable more low-income working families to have access to the maximum amount of the credit. Families with income up to $17,000 would receive 30 percent of eligible dependent care expenses; this rate would phase down to 20 percent for families with incomes at $45,000 or more (compared to $10,000 and $28,000 under current law). There is currently no cost estimate for this option.

- **Option 3: Make the credit refundable, expand the income slide, and expand the expenses allowed for the credit for all families with children ages 0-5.** This option would recognize the higher costs of child care for younger children. The credit rate would be applied to up to $4,000 in child care costs for one child and up to $8,000 for two or more children (compared to $2,400 and $4,800 under current law) below age 6. This would increase the maximum credit for one child to $1,200 and for two children to $2,400. There is currently no cost estimate for this option. The preliminary Treasury estimate of the cost of increasing eligible expenses for young children <u>without</u> refundability or changes to the income slide is $1.5 billion over six years.

- **Option 4: Make the credit refundable, expand the income slide, and expand the maximum percentage of expenses allowed for the credit.** This option would also recognize the higher cost of child care by expanding the maximum credit from 30 to 35 or 40 percent of expenses for families with incomes below $17,000. There is currently no cost estimate for this option.

REFUNDABLE CHILD AND DEPENDENT CARE TAX CREDIT
Preventing Fraud and Abuse

It will be argued that making the Child and Dependent Care Tax Credit refundable creates an incentive for families to overreport child care expenses to gain a larger credit. While this incentive arguably exists in all tax credits, the Department of the Treasury already has in place a number of safeguards designed to reduce fraud and abuse. In addition, to the extent this is a real problem, the actual scale of the problem with respect to the Child and Dependent Care Tax Credit will likely be small given the size of the individual credit and the total amount of the credit claimed.

The combination of current law reporting requirements and IRS audit processes should go a long way to minimize fraud and abuse in a refundable Child and Dependent Care Tax Credit.

- First, many of the new claimants for the refundable credit will be working families already qualifying for the EITC. To increase compliance with the Earned Income Tax Credit (EITC), the Treasury already requires that parents report the name, age and social security number of each dependent child. This has proven to be effective in reducing fraudulent EITC claims and should limit abuse of the Child and Dependent Care Tax Credit.

- Second, the Family Support Act of 1988 made several changes related to eligibility for the child care credit. To increase tax compliance in the current non-refundable Dependent Care Tax Credit for both families and providers, Treasury requires the tax-filer to report the Social Security Number (SSN) or Employer Identification number (EIN) of the child care provider. As noted in the 1996 GREEN BOOK, when Treasury instituted these changes in 1989, claims for the current non-refundable credit decreased by about one-third.

- Third, there are increasing abilities to link administrative and tax data that could reduce the ease with which parents could (a) falsely claim a Child and Dependent Tax Credit for children who are not actually living with them and (b) falsely claim expenses that were not allowable.

There is an additional concern that refundability will provide an incentive to families currently using unpaid, informal yet satisfactory child care arrangements (e.g. grandmothers) to switch to paid care and unnecessarily increase Federal costs. While this behavior may occur, it is not fraud nor abuse. We expect that this effect will be small. The issue of formalizing unpaid arrangements was a concern during the implementation of the JOBS program where the total cost of child care for program participants would be borne by the agency. There is little evidence that whole scale changes in child care arrangements were made in that program; the financial incentive was much larger under the JOBS program than that offered by the refundability proposals for the child care credit. A positive aspect to the credit is that it will reduce the cost of child care, thus offering parents an increased choice of providers.

The Impact of a Refundable Child and Dependent Care Tax Credit on Low-Income Families

Making the Child and Dependent Care Tax Credit refundable will help low-income working families pay for child care. A 1995 Urban Institute analysis of a refundable Dependent Care Tax Credit concluded that **1.1 million,** or about 20 percent, **more** working families would claim the credit if it were refundable. The vast majority of these working families would be low-income. Using 1992 Current Population Survey data, the Urban Institute concluded:

- About 690,000 more families earning at or below poverty would claim the Child and Dependent Care Tax Credit if it were refundable -- a substantial increase over the 10,000 families earning at or below poverty that claimed the non-refundable credit in the base year.

- The number of families earning between 100 and 200 percent of poverty would increase 400,000 from about 1.6 million to about 2.0 million.

In terms of percent of families claiming the credit, the increase would also be greatest among the lowest-income tax filers.

- Less than one percent of tax-filers earning at or below poverty now claim the non-refundable credit. About 12 percent would claim the credit if it were refundable.

- About 13 percent of filers earning between 100 and 200 percent of poverty claim the credit. About 17 percent would claim a refundable credit.

The lowest income groups would receive the greatest share of the increase in claims.

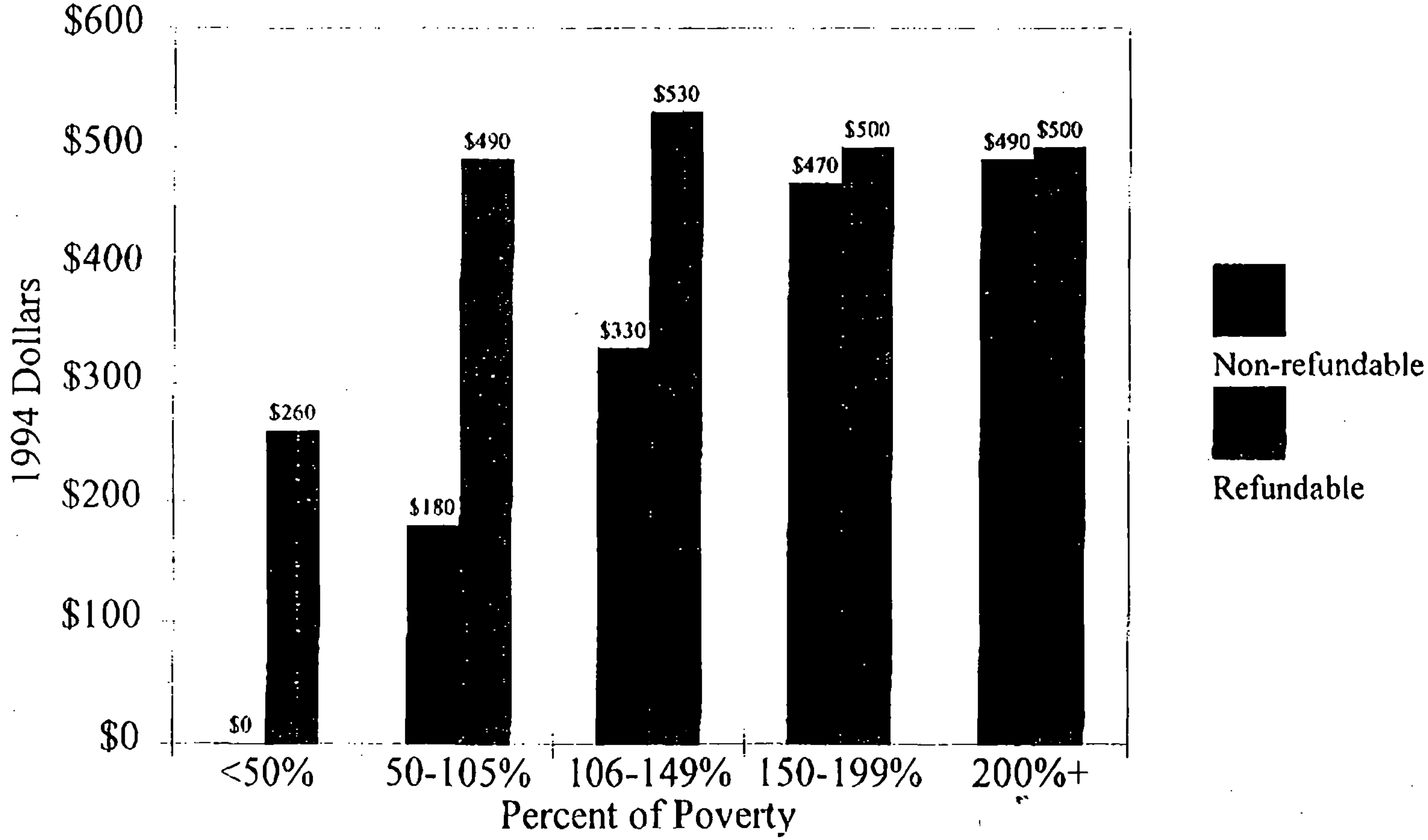
- About 100,000 tax-filers earning less than half of the poverty line would receive about $260 (1994 dollars) if the Child and Dependent Care Tax Credit were refundable. Because their earnings are so low, these families are not eligible for a credit under the current system.

- Tax-filers earning between 50 and 100 percent of the poverty line would receive an additional $310 (1994 dollars) if the credit were refundable. Tax-filers earning between 100 and 150 percent of poverty would receive an additional $200 (1994 dollars).

Note: Since the number of families using the credit increases each year, an analysis using more current data would probably show about the same increase in the *percentage* of families claiming the credit, but a greater *number* of families than in this analysis.

Option 1

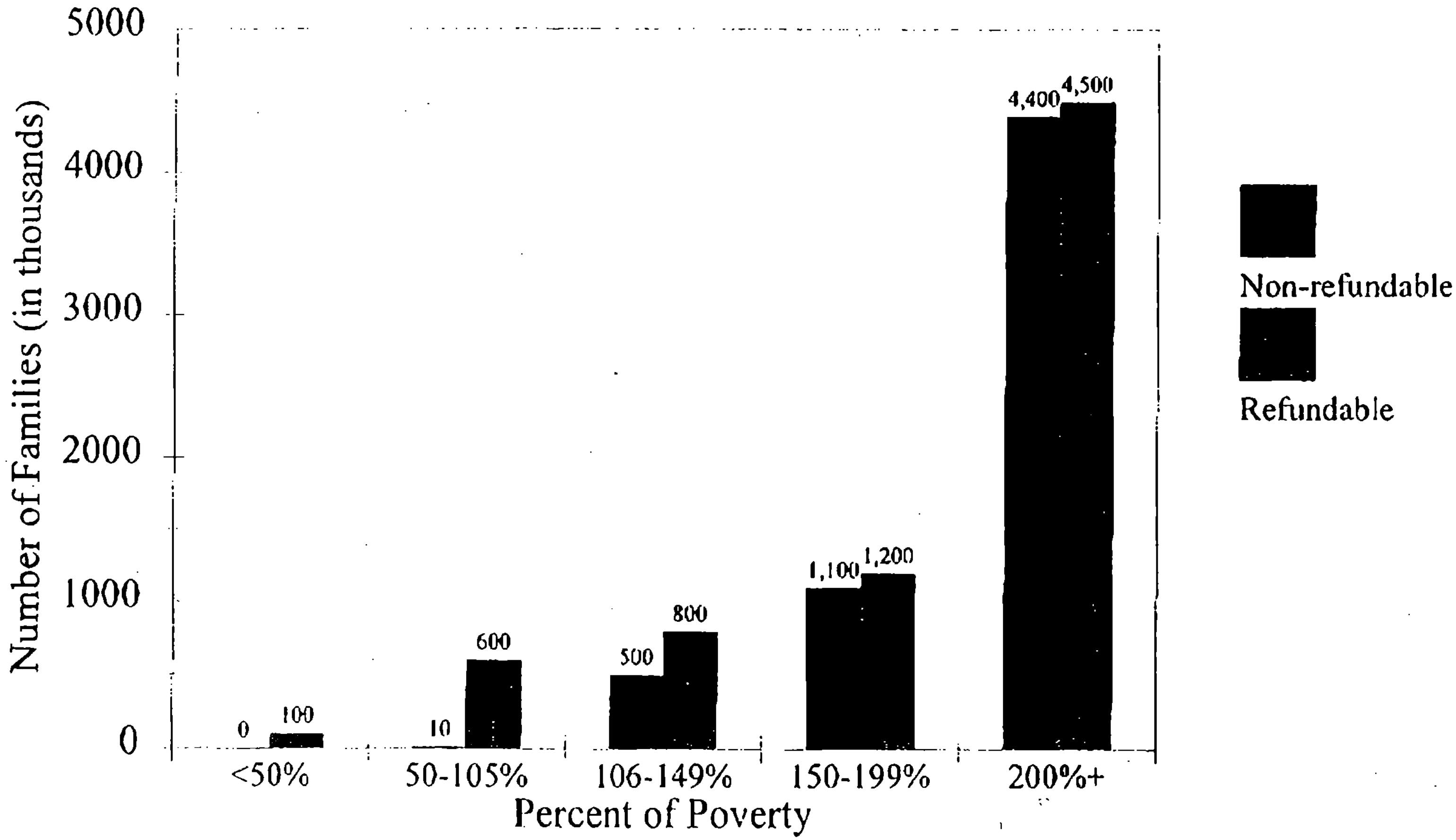
Impact of Refundability on Average Child and Dependent Care Tax Credit Claimed



Source: HHS analysis based on Urban Institute's TRIM2 model using 1992 CPS data.

Option 1

Impact of Refundability on Number of Families Claiming the Child and Dependent Care Tax Credit



Source: HHS analysis based on Urban Institute's TRIM2 model using 1992 CPS data.

TO: John Hilley
CC: Elena Kagan
FROM: Jennifer Klein J.K.
DATE: 7/10/97
RE: Child Care and Child Welfare Proposals

As you consider uses for the toabacco tax funds, you had asked for descriptions of our child welfare and child care priorities.

1. Child Welfare

The Administration has stated its strong support for the House child welfare bill sponsored by Camp and Kennelly (H.R. 867). We would recommend supporting two additional provisions in the Senate bill sponsored by Chafee, Rockefeller, Jeffords and DeWine. The first proposal provides funds for services to resolve family problems that have caused the child to be placed in the foster care system as well as to develop alternative permanent arrangements for the child. The second provides grants to states to remove barriers to adoption. I have attached a more detailed description of these proposals.

2. Child Care

We are considering three child care proposals.

- The first would make the Dependent Care Tax Credit refundable for child care expenses so that it could be used by the lowest income working families and would increase the amount of credit available on a sliding scale to low and moderate income working families.

- The second would expand Healthy Start programs. This would link child care providers and health care providers to ensure that children are in safe, healthy and high quality environments. (We are waiting for more detail from HHS. Secretary Shalala prefers this option because she thinks the tobacco tax money should be used for initiatives closely tied to health care.)

- The third would provide funding for child care subsidies and create a quality incentive grant fund. It would: (1) increase child care development fund subsidies over the next five years to double the number of children served, reaching 2 million children by 2002; and (2) provide grants to states (with matching funds from the private sector) to improve the quality of child care for young children by modeling programs after the military system.

CHILD WELFARE PROPOSALS

Permanency Planning Funds

Rationale: To assure safe and expeditious permanent placement for children entering the foster care system, appropriate services for both the family and the child must be available as soon as a child enters care. These services are critical to determining the ability of the biological family to safely resume care of their child or the need for an alternative permanent family.

Currently title IV-E funds can be used to pay the cost of foster care maintenance and related administrative costs. Services which could facilitate permanency (i.e. the child's return home, adoption, or guardianship) for the child cannot be funded through the IV-E program.

Strategy: Fund one year of permanency planning services for children entering foster care through the title IV-E program. These funds will be used to identify and resolve family problems that led to the out of home placement or to develop adoption or other alternative permanent arrangements for the child.

Cost: $480 million for five years

Grants to States to Remove Barriers to Permanency

Rationale: The "Adoption 2002" report proposed a number of strategies to improve the timeliness of decision making and permanency outcomes for children in foster care. These recommendations, as embodied in pending federal legislation, will establish new permanency standards for the States. States will be required to make reasonable efforts to secure a permanent family for children who cannot return home.

To achieve the intent of "Adoption 2002," States will have to make significant changes in policy and operations to achieve one or more of the following goals:

- reduce the backlog of children in long-term foster care or awaiting adoption placement;
- develop and implement community-based child protection activities that involve partnerships among State and local governments; and
- develop a regional approach to use resources of several States to conduct recruitment, placement, adoption and post-adoption services.

Strategy: Provide funds for five year grants to States to remove barriers to adoption and improve the permanency outcomes for children in foster care.

Costs: Chafee/Rockefeller legislation - not to exceed $50 million per year for five years

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The Working Family
Child Care Initiative 2002

At the turn of the century, more American families than ever include two working parents or are headed by a single working parent. Yet the child care available for their children is far from adequate. Meeting this critical need calls for major new public and private investment and a bold comprehensive approach based on the following principles:

- o Child care is critical to workforce development and child development
- o The quality of care affects school readiness and academic achievement
- o A broad range of working parents need some assistance in accessing quality affordable care
- o The quality of care is directly related to the investments made in programs and providers

To address these principles, any new initiative must balance the need to address affordability as well as to improve quality. What follows are six sample strategies that could be included in any new investment package. Some of the initiatives address the affordability issue directly: expanding the Dependent Care Tax Credit or increasing funds for subsidy. Others address the quality issue: special incentive grant programs or support for family child care. Some strategies provide funds to programs while others fund parents more directly. Some approaches rely totally on federal dollars, while others combine federal and state resources and still others call for partnerships with the private sector.

1. Expand the Dependent Care Tax Credit

The Dependent Care Tax Credit is an income tax credit for taxpayers who incur employment related expenses for child care. The credit is available to single parents who work and to two-parent families in which both parents work. The maximum allowable credit, available on a sliding scale depending on income, ranges from $480 to $720 for families with one child and from $960 to $1440 for families with two or more children.

Since the credit is not refundable, it cannot be used by most low income working families with incomes below the federal income tax threshold (approximately $24,000 for a family of four). Less than one percent of tax filers earning at or below poverty now claim the credit and about 13 percent of filers earning 100-200 percent of poverty claim the credit. In addition, the amount that families can claim and the range of families that can claim the

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maximum amount needs to be readjusted to reflect the increasing costs of care and to provide additional assistance to middle class working families.

Option: Make the Dependent Care Tax Credit refundable for child care expenses so that it can be used by the lowest income working families. Increase the amount of credit available on a sliding scale to low and moderate income working families.

2. Double the number of children from working families receiving child care assistance through CCDF

Low-income families face major obstacles in finding or affording child care services. While the average family spends about 7 percent of their income on child care, low-income families spend approximately a quarter of their income for child care services. It is estimated that more than 10 million children from working families will be eligible for federal child care assistance, yet we currently provide such assistance to only 1-1.4 million children. Among working families earning 150 percent of poverty, 4 out of 5 are not receiving federal assistance. Among working families earning at or below the poverty line, 2 out of 3 are not being provided with assistance.

Option: Increase CCDF funds over the next five years to double the number of children served, reaching 2 million children by 2002.

3. Establish A Quality Incentive Grant Fund

The year 1999 will mark the tenth anniversary of the education goals established by the President and the Nation's Governors. The first goal was that all children start school ready to learn. Recent research on brain development reaffirms the importance of the early years. Similarly, the NICHD study on Infant Care underscores the importance of quality care to language and cognitive development. Despite these facts, study after study reveals a serious crisis in the quality of care across the country.

At the Early Childhood Development Conference held at the White House last month, President Clinton pointed to the military child care program as a model for the rest of the country. Of particular note was the focus on establishing family child care networks, accreditation, and training tied to compensation.

Option: Provide grants to states (with match from the private sector) to improve child care for young children based on the military model, including support for accreditation.

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4. Launch an Infant Toddler Family Child Care Initiative

As the number of infants and toddlers in care increases, many families are turning to small family child care homes to provide a more home-like setting for their children. One of the most effective strategies to improve the quality of these settings is the establishment of networks of support and training specifically designed for family child care providers. Examples of such networks have been developed through the Child Care and Adult Food program or through the Child Care and Development Fund in the states.

Option: Provide additional funds through CCDF or other funding mechanisms to encourage communities to establish and support family child care networks.

5. Establish a Scholarship Program for Child Care Staff

Over the past two decades research has documented the importance of early childhood staff to the quality of child care services. Yet child care providers receive inadequate wages and there are limited training resources to recruit and retain staff. When scholarships are provided, with linkages to better compensation, the quality of care improves (the TEACH scholarship program in North Carolina).

Option: Explore ways to provide both loan forgiveness and scholarship funds for child care staff, perhaps as part of the Higher Education Act or through a special Child Care Corp.

6. Double the number of school age children who have access to quality child care

Each day, millions of school age children across the country go home to an empty house after school. The vast majority of mothers with school age children are now in the labor market. Despite this fact, most schools still close at 3:00 PM and remain closed for the summer months. While the number of school age programs has grown over the last decade, there are still dramatically few school age programs for low-income working families, particularly for children 10-13. Despite the poor access to quality programs, recent research has documented the positive effects that school age programs can have on academic achievement of low-income children.

Option: Develop an initiative jointly across the Departments of HHS and Education, to provide incentive funding to stimulate community-wide school-age child care initiatives, including involvement of both schools and community based organizations.

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There are several models that could be included in a menu of approaches communities could use to address school age issues including: keeping schools open through Title I school-wide projects, establishing 21st Century Schools with extended day components, or more comprehensive strategies such as the MOST model. The MOST initiative (Making the Most out of School Time) is an effort funded by DeWitt Wallace-Readers Digest Fund to improve and expand the supply of child care in three cities.

HHS draft - Child Care Package to Council of Cong.

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The Working Family Child Care Initiative 2002

At the turn of the century, more American families than ever include two working parents or are headed by a single working parent. Yet the child care available for their children is far from adequate. Meeting this critical need calls for major new public and private investment and a bold comprehensive approach based on the following principles:

- o Child care is critical to workforce development and child development
- o The quality of care affects school readiness and academic achievement
- o A broad range of working parents need some assistance in accessing quality affordable care
- o The quality of care is directly related to the investments made in programs and providers

To address these principles, any new initiative must balance the need to address affordability as well as to improve quality. What follows are six sample strategies that could be included in any new investment package. Some of the initiatives address the affordability issue directly: expanding the Dependent Care Tax Credit or increasing funds for subsidy. Others address the quality issue: special incentive grant programs or support for family child care. Some strategies provide funds to programs while others fund parents more directly. Some approaches rely totally on federal dollars, while others combine federal and state resources and still others call for partnerships with the private sector.

1. Expand the Dependent Care Tax Credit

The Dependent Care Tax Credit is an income tax credit for taxpayers who incur employment related expenses for child care. The credit is available to single parents who work and to two-parent families in which both parents work. The maximum allowable credit, available on a sliding scale depending on income, ranges from $480 to $720 for families with one child and from $960 to $1440 for families with two or more children.

Since the credit is not refundable, it cannot be used by most low income working families with incomes below the federal income tax threshold (approximately $24,000 for a family of four). Less than one percent of tax filers earning at or below poverty now claim the credit and about 13 percent of filers earning 100-200 percent of poverty claim the credit. In addition, the amount that families can claim and the range of families that can claim the

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maximum amount needs to be readjusted to reflect the increasing costs of care and to provide additional assistance to middle class working families.

Option: Make the Dependent Care Tax Credit refundable for child care expenses so that it can be used by the lowest income working families. Increase the amount of credit available on a sliding scale to low and moderate income working families.

2. Double the number of children from working families receiving child care assistance through CCDF

Low-income families face major obstacles in finding or affording child care services. While the average family spends about 7 percent of their income on child care, low-income families spend approximately a quarter of their income for child care services. It is estimated that more than 10 million children from working families will be eligible for federal child care assistance, yet we currently provide such assistance to only 1-1.4 million children. Among working families earning 150 percent of poverty, 4 out of 5 are not receiving federal assistance. Among working families earning at or below the poverty line, 2 out of 3 are not being provided with assistance.

Option: Increase CCDF funds over the next five years to double the number of children served, reaching 2 million children by 2002.

3. Establish A Quality Incentive Grant Fund

The year 1999 will mark the tenth anniversary of the education goals established by the President and the Nation's Governors. The first goal was that all children start school ready to learn. Recent research on brain development reaffirms the importance of the early years. Similarly, the NICHD study on Infant Care underscores the importance of quality care to language and cognitive development. Despite these facts, study after study reveals a serious crisis in the quality of care across the country.

At the Early Childhood Development Conference held at the White House last month, President Clinton pointed to the military child care program as a model for the rest of the country. Of particular note was the focus on establishing family child care networks, accreditation, and training tied to compensation.

Option: Provide grants to states (with match from the private sector) to improve child care for young children based on the military model, including support for accreditation.

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4. Launch an Infant Toddler Family Child Care Initiative

As the number of infants and toddlers in care increases, many families are turning to small family child care homes to provide a more home-like setting for their children. One of the most effective strategies to improve the quality of these settings is the establishment of networks of support and training specifically designed for family child care providers. Examples of such networks have been developed through the Child Care and Adult Food program or through the Child Care and Development Fund in the states.

Option: Provide additional funds through CCDF or other funding mechanisms to encourage communities to establish and support family child care networks.

5. Establish a Scholarship Program for Child Care Staff

Over the past two decades research has documented the importance of early childhood staff to the quality of child care services. Yet child care providers receive inadequate wages and there are limited training resources to recruit and retain staff. When scholarships are provided, with linkages to better compensation, the quality of care improves (the TEACH scholarship program in North Carolina).

Option: Explore ways to provide both loan forgiveness and scholarship funds for child care staff, perhaps as part of the Higher Education Act or through a special Child Care Corp.

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Option: Develop an initiative jointly across the Departments of HHS and Education, to provide incentive funding to stimulate community-wide school-age child care initiatives, including involvement of both schools and community based organizations.

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