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CM - Thanks MK call me if question

((Grant/Martin))
April 26, 1989
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THE WHITE HOUSE WIRE
ON CHILD CARE

April 28, 1989

ADMINISTRATION'S CHILD CARE PLAN TARGETS LOW-INCOME PARENTS

On March 15, President Bush sent legislation to the Congress, the "Working Family Child Care Assistance Act of 1989," and the "Head Start Amendments of 1989." These bills represent a significant, fiscally responsible step toward meeting the President's commitment to empower parents, especially low-income parents, to make critical decisions about their children's care.

The Working Family Child Care Assistance Act: Low-income families in which a parent works would be eligible for a tax credit of up to \$1,000 per child under age four. It would be made refundable, and thus available to families who have no income tax liability. This will make 2.5 million families eligible for the credit initially, 3.5 million when the credit is fully implemented. In addition, the current child care credit would be made refundable as well, qualifying another 1 million families. Two-parent families in which one parent stays at home to care for the children, single working parents and dual-earner couples with children would all benefit from the credit. Families would be free to choose the kind of child care that best suits their needs -- care through relatives, neighbors, child care centers or religiously-affiliated care.

The Head Start Amendments of 1989: FY 1990 authorization for Head Start would be increased by \$250 million, to pay for the enrollment of up to 95,000 more poor four-year olds. The proposed expansion would increase the range of choices available to poor families in meeting their child care needs, but it would also do much more. Through a comprehensive approach that provides educational, medical, nutritional and social services to children at risk of falling behind, Head Start gives poor children a better start in life.

SECRETARY OF LABOR DOLE TESTIFIES ON THE PRESIDENT'S BILL

On April 19, 1989, Secretary of Labor Elizabeth Dole testified before the Senate Finance Committee in support of the Administration's child care proposal. The Secretary outlined the guiding principles behind the President's program:

1. **More parental choice** -- Parents are the best judge of quality care and know what is in their childrens' best interest.
2. **Encourages options** -- Federal policy should increase, not decrease, the range of options available to parents.
3. **Non-discrimination** -- The Federal government should not discriminate against those families who sacrifice the income of a second career for the mother to stay at home to care for their children.
4. **Targeted to the poorest families** -- Assistance should be targeted to low-income families, particularly those with children.

The Secretary added that at the President's direction, the Department of Labor will study the extent to which market barriers or failures prevent employers from obtaining liability insurance necessary to provide child care at or near their employees' worksites.

TAKE A LOOK AT THE FACTS: ABC BILL IS NOT THE ANSWER FOR PARENTS

The Democratic leadership has proposed the "Act for Better Childcare," with Senator Dodd as its principle sponsor. This bill, "ABC," does not meet the President's principles for improving child care options and parental choice:

Parental choice: ABC puts its trust in government, not parents. No money goes directly to parents. All money goes to the States. The States then fund providers, not parents, through grants, contracts, and certificates that they, not parents, arrange and approve. It is the States, not parents, who ultimately make decisions on the care children will receive.

Encourages options: ABC imposes federal requirements on all providers who receive public assistance -- federal, state, county, city or other local government. These costly requirements will put some current child care providers out of business, keep potential providers from offering care, and drive up the cost of care available for all parents. Parents who want to their children to receive religiously-affiliated child care could not receive aid under ABC -- this includes all caretakers, including relatives.

In fact, parents could not use their ABC eligibility to have anyone other than a grandparent, aunt or uncle care for their children in the children's own home -- unless (1) the State rules in each individual case that the person was an "eligible child care provider," (2) the person and his/her home meets Federal standards, and (3) the person submits to governmental grant, contract and paperwork requirements.

Non-discrimination: ABC serves two parent families only if both parents are employed, perpetuating the discrimination against two parent families in which one parent stays at home to care for the children.

Targeted to families most in need: ABC is not targeted and would serve only a fraction of families most in need. Families with incomes more than 4 times the poverty level are eligible for ABC, yet only a small number of eligible children would receive care -- 6 percent according to the sponsors' estimates. Only one million children, according to the sponsors' would receive child care services from the States -- far less than the number of children in the 3.5 million families that would initially benefit from the President's tax credit proposals.

MYTHS AND FACTS ABOUT CHILD CARE TODAY

MYTH: Most children are being cared for in day care centers.

FACT: Less than 10% of children under 5 are cared for in child care centers. Only 46% of children under five have employed mothers. Of those who work, the great majority use relatives or neighbors as child care givers. Women with very young children

are likely to prefer to care for children themselves; the President's proposals will shift the economics of work and child care in their favor.

MYTH: Only wealthy families can afford for a parent to stay home to care for the children.

FACT: The median income of two parent/two income families in 1986 was \$38,346 compared to \$25,803 for traditional two parent/one-earner families. These families are making significant sacrifices in income to allow one parent to stay home with small children. Eighty-three percent of children in center-based care come from two-earner families. Subsidies to center-based care (such as ABC offers) offer financial assistance to families that are already comparatively better off.

MYTH: Federal day care standards are necessary because day care is a largely unregulated field.

FACT: All states currently regulate day care to some extent. For example, all states mandate that large group day care facilities be licensed and more than half of the states require regulation of small neighborhood providers caring for five or fewer children. However, federal standards in this area in the past have not worked. Congress, realizing this, prohibited implementation of day care standards in 1980.

MYTH: Religiously-affiliated day care will benefit from new federal day care program.

FACT: Nearly one-third of day care centers are religiously-affiliated. Direct government assistance (such as through ABC) implies that these facilities must drop religious components of their curriculum to receive assistance. Under current Supreme Court interpretations of the Establishment Clause, these facilities may be wholly ineligible for assistance, just as religious elementary schools are precluded from direct assistance.

MYTH: Unregulated day care is unhealthy and unsafe for children.

FACT: The typical "unregulated" day care provider is a mother caring for her child along with one or two other neighborhood children. In day care centers, the average ratio of staff to a child is five to one. Accord to a HHS report, The National Daycare Home Study, regulated providers are less likely to be caring for their own children, have a greater number of children to supervise, and charge higher prices than unregulated caregivers.

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THE WHITE HOUSE
WASHINGTON

Date: 4-25-89

TO: M/K

FROM: Holly

The attached is for:

- | | |
|--|---|
| ☒ Per our conversation | ☐ Per your request |
| ☒ Information | ☐ Review & Comment |
| ☐ Direct Response | ☐ Appropriate Action |
| ☐ Draft Reply | ☐ Signature |
| ☐ File | ☐ Other |
| ☐ Please Return By _____ | |

Comments: child care info --
policy contacts: Hanns Kuttner X6563
+ Rae Nelson X7777
in OMB: Barbara Selfridge x 6150

SETTING THE RECORD STRAIGHT ON CHILD CARE

The changing nature of American society heightens the need for quality, affordable, accessible child care. President Bush wants parents to have the choice and the power to select the best, safest environment for their children. The President believes that child care is a family issue. His child care proposals reflect his belief in the family as a primary force in building a better America.

MYTH: MOST CHILDREN ARE BEING CARED FOR IN DAY CARE CENTERS

FACT: Only 46% of children under the age of five have employed mothers. Of those who work, the great majority use relatives or neighbors as child care givers. Less than 10% of children under the age of 5 are cared for in child care centers. Women with very young children are likely to prefer to care for their children themselves; the President's proposals will shift the economics of work and child care in their favor.

MYTH: ONLY WEALTHY FAMILIES CAN AFFORD FOR A PARENT TO STAY HOME TO CARE FOR THE CHILDREN

FACT: The median income of two parent/two income families in 1986 was \$38,346 compared to \$25,803 for traditional two parent/one-earner families. These families are making significant sacrifices in income to allow one parent to stay home with small children. Eighty-three percent of children in center-based care come from two-earner families. Subsidies to center-based care offer financial assistance to families that are already comparatively better off.

MYTH: THERE IS A CRITICAL SHORTAGE OF DAY CARE IN AMERICA TODAY

FACT: In reality, the day care industry is expanding (from 4,400 centers in 1960 to 39,929 centers today). Even so, national day care chains such as Gerber and Kindercare report average vacancies of 30 percent [NOTE: need to verify]. While the cost of a full-time sitter or commercial day care has increased prohibitively, the cost of "family day care" has increased only slightly in real terms over the last ten years.

MYTH: THE FEDERAL GOVERNMENT CURRENTLY SPENDS LITTLE ON DAY CARE

FACT: The 1988 costs of current child care programs and tax credits are more than \$6.9 billion. However, currently the federal government provides twice as much assistance to each child in a family choosing formal day care as for traditional families where one parent remains at home. [Under the ABC bill, this ratio would rise to three to one.]

MYTH: FEDERAL DAY CARE STANDARDS ARE NECESSARY BECAUSE DAY CARE IS A LARGELY UNREGULATED FIELD

✓ FACT: All states currently regulate day care to some extent. For example, all states mandate that large group day care facilities be licensed and more than half of the states require regulation of small neighborhood providers caring for five or fewer children. However, federal standards in this area in the past have not worked. Congress, realizing this, prohibited implementation of day care standards in 1980. Also, ABC only regulates providers enrolling children aided by federal program dollars. It would do nothing about unlicensed facilities.

MYTH: NEW FEDERAL PROGRAMS CAN BRING SIGNIFICANT CHANGE TO THE DAY CARE SITUATION

FACT: The dollars provided through new direct programs, like ABC, can only have a marginal impact. The best estimates for the cost of realizing the ABC view of child care on a National basis is \$75-\$100 billion per year. The \$2.5 billion requested by ABC and the smaller amounts that could be appropriated show that ABC is a series of hollow promises. The Congressional Budget Office estimates that only one in eighteen children eligible would be assisted by a \$2.5 billion program.

MYTH: CHURCH-AFFILIATED DAY CARE WILL BENEFIT FROM NEW FEDERAL DAY CARE PROGRAM

✓ FACT: Nearly one-third of day care centers are church-affiliated. Direct government assistance implies that these facilities must drop religious components of their curriculum to receive assistance. Under current Supreme Court interpretations of the Establishment Clause, these facilities may be wholly ineligible for assistance, just as religious elementary schools are precluded from direct assistance.

✓ MYTH: UNREGULATED DAY CARE IS UNHEALTHY AND UNSAFE FOR CHILDREN

FACT: The typical "unregulated" day care provider is a mother caring for her child along with one or two other neighborhood children. In day care centers, the average ratio of staff to a child is five to one. According to a Department of Health and Human Services report, The National Daycare Home Study, regulated providers are less likely to be caring for their own children, have a greater number of children to supervise, and charge higher prices than unregulated carers. The study also reports that unlicensed, neighborhood facilities pose less of a danger to a child of catching infectious disease than do larger unregulated facilities.

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ABC: A RAW DEAL FOR AMERICA'S FAMILIES
(Supplement to "ABC and the President's Principles")

DOES NOT TRUST PARENTS TO MAKE THE RIGHT DECISIONS FOR THEIR CHILDREN

ABC's principal sponsor (Senator Dodd) has said of the President's tax credit approach, "You could spend it on beer if you wanted."

- Reveals the philosophy underlying ABC: parents cannot be trusted.
- Is unfair and demeaning to low income working families who are doing their best to care for their children.

DISCRIMINATES AGAINST RELIGIOUS-BASED CARE

✓ ABC's report language specifically rejects "...a narrow, technical interpretation that sectarian activities are permitted so long as no financial assistance under this Act is used for the sectarian activities."

"Under the committee's broad interpretation, an entity receiving any form of financial assistance under the Act shall not include any sectarian activities, worship or instruction in providing child care services under this Act....Section 19(a) embodies the Committee's intent that all aspects of child care services provided by an entity receiving financial assistance under this Act be completely non-sectarian in nature and content."

This language covers all caretakers, including relatives.

REDUCES AVAILABLE CHILD CARE AND INCREASES COSTS

A study of the original version of ABC done by the "Child Care Review" provides an indication of the effects of ABC on parents who use child care centers:

- Would raise the cost of center care for parents by nearly \$1.2 billion a year, an average of \$6.76 per child per week or \$351 per child per year.
- The increase for some parents would be as much as \$25 per child per week because the bill affects states differently. Parents in 10 Southern States and Ohio, Rhode Island, Hawaii and Utah would be particularly hard hit.
- 12,630 licensed child care facilities -- over 20 percent of licensed centers in operation -- would close.

Similarly a study done by researchers in North Carolina estimates that the annual, per child cost of center care under federally mandated standards similar to those likely to result from ABC would be \$5300. This is:

- Triple the per child subsidy for care that underlies the ABC sponsors' estimate of the number of children served in the first year. [70 percent of \$2.5 billion = \$1.75 billion. Divided by the one million children the sponsor say this bill would subsidize = \$1750 per child.]
- Almost double the \$3000 that ABC's sponsors cite as the annual cost of care per child.
- More than double the median annual cost that families who pay for care report that they spend on child care arrangements for all of their children. [\$1950 -- \$2106]

ABC would affect the price and availability of family-based care even more than center-based care. For the care ABC regulates, it would:

- Establish intrusive licensing and inspection procedures. Unannounced State inspections would not be limited to the providers' normal business hours nor to the portion of the home used for child care.
- Establish a basis for State inspectors to require modifications to homes in order to make them like structures built specifically for institutional child care.
- Require family-based providers to make written policies and program goals available to parents.

BUDGET BUSTER

Using the sponsors' own assumptions about the number of children who are eligible and the number who would receive care in the first year, the cost of fully funding ABC would be \$30-40 billion a year. But ABC will drive up costs and reduce availability of care so that the full cost of ABC could easily be 2 to 3 times as much -- \$60 billion to more than \$100 billion a year.

THE PRESIDENT'S PRINCIPLES AND ABC

Principle: Parents are best able to make decisions about their children, and they should have the discretion to do so. Assistance should go directly to parents. They, not the government, should choose the child care they consider best for the children.

ABC puts its trust in government, not parents.

- o No money goes directly to parents. All money goes to the States.

- o The States fund providers, not parents, through grants, contracts and certificates that they, not parents, arrange or approve.* It is the States, not parents, who ultimately make decisions on the care children will receive.

- o In the first year alone \$750 million is authorized for activities other than childrens' care, including \$200 million for State administrative expenses.

Principle: Federal policy should not discriminate against two parent families in which one parent works at home to care for their children.

ABC serves two parent families only if both parents are employed, perpetuating the discrimination against two parent families in which one parent stays at home to care for the children.

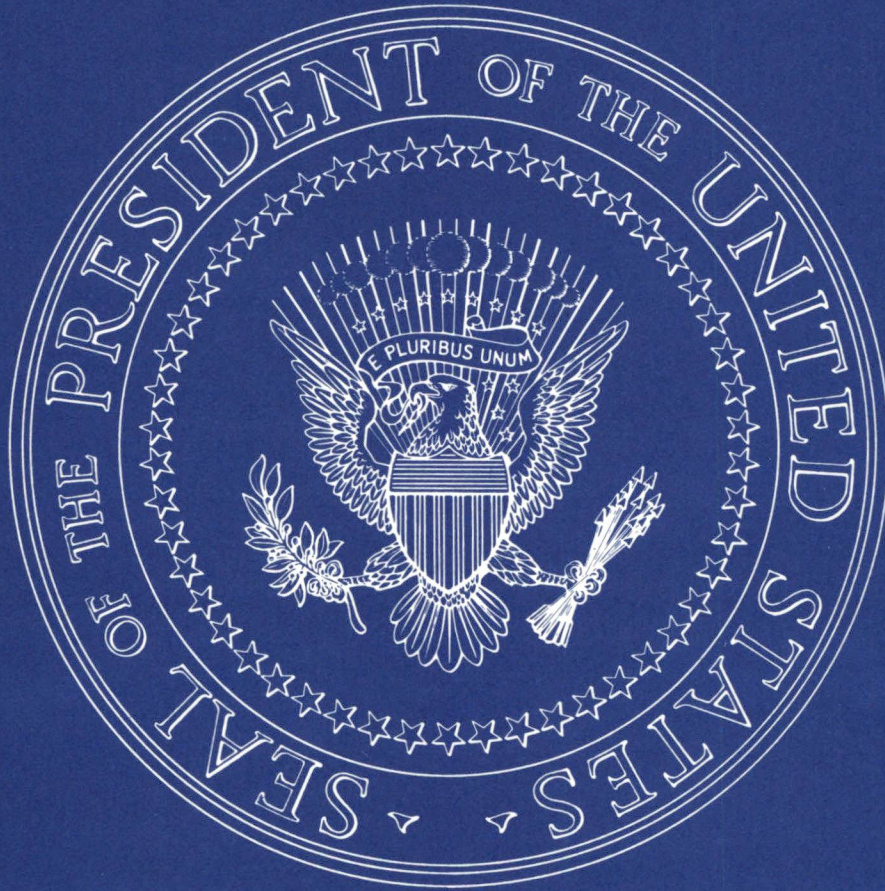
Principle: Federal policy should increase, not decrease, the range of choices available to parents.

ABC decreases the range of choice available to parents.

- o ABC imposes federal requirements on all providers who receive public assistance -- federal, state, county, city or other local government. These costly requirements will put some current child providers out of business, keep potential providers from offering care, and drive up the cost of care available for all parents.

- o Parents who want to send their children to child care programs which teach religious values could not receive aid under ABC.

*ABC does not authorize vouchers, and use of certificates require a written agreement between the State, the provider and the parent.



The White House
Office of Public Affairs

THE WHITE HOUSE
WASHINGTON

April 17, 1989

MEMORANDUM TO AGENCY PUBLIC AFFAIRS HEADS

FROM: CHRISS WINSTON *W*
DEPUTY ASSISTANT TO THE PRESIDENT FOR
COMMUNICATIONS

SUBJECT: AGENCY WEEKLY PACKAGE

Enclosed in this week's mailing, you will find a highlight of the week's events at the White House and Agencies, editorial summaries from across the nation and the President's first major address on foreign policy. We have also included a fact sheet on childcare highlighting the President's proposal. Please note, Secretary Dole will testify on the subject of childcare before the Senate Finance Committee on Wednesday.

If you have any questions, please feel free to contact Holly Williamson at 456-2245.

AT THE WHITE HOUSE . . .

Monday April 17

President Bush and Secretary Derwinski will travel to Detroit, Michigan where the President will give his first major foreign policy address on the subject of Poland and Eastern Europe.

The President will meet with British Foreign Secretary Howe.

The President and Lionel Hampton will be interviewed by Jet magazine. It will be a retrospective look at the President's childhood and his travels with his father and famous jazz performer, Lionel Hampton.

Tuesday April 18

The President will address the National Conference of the Buildings and Construction Trades Department, AFL-CIO.

The President will meet with Evangelical leaders at the White House.

Wednesday April 19

President Bush will meet with King Hussein of Jordan and attend a dinner that evening in honor of the King.

Thursday April 20

The President will hold a Rose Garden reception in honor of the women's NCAA basketball champions -- the Tennessee Lady Volunteers.

President Bush will sign an executive order on the Space Council with Vice President Quayle.

The President will meet with Prime Minister Esquivel of Belize.

AT THE AGENCIES . . .

On April 17, Secretary Kemp will participate in a ceremony at HUD, commemorating Fair Housing Month.

Secretary Kemp will appear on McNeil-Lehrer News Report on April 17, addressing drugs in public housing. A written report from public housing agencies on evicting drug users and dealers from public housing will be released on April 16.

On April 17, Ambassador Hills will participate in an on the record discussion of international trade with the Time Newstour Group.

On April 18, the President will go to the Agriculture Department to participate in a radio interview on the Administration's farm policies. The interview will be fed live to over 950 radio

networks and radio stations serving the farm community and it will be monitored by a gathering of the department's 200-member press corps.

On April 18, Secretary Sullivan will hold a morning press conference announcing proposed regulations to implement the Job Opportunities and Basic Skills Training (JOBS) program. This will be the first of several regulations needed to carry out the Family Support Act of 1988. The JOBS program primarily will benefit low-income single mothers and their families.

On April 18, Secretary Lujan will address the Outer Continental Shelf (OCS) Advisory Board Policy Committee.

On April 18 and 19, Secretary Dole will testify on the Administration's childcare proposal before the Senate Finance Committee.

Secretary Cavazos will be interviewed by Reader's Digest, on April 19.

On April 20, EPA Administrator Reilly, will mark the event of Earth Day -- April 22 -- with an address to the National Press Club, announcing EPA's radon in school program.

On April 21, Secretary Mosbacher will appear on the PBS "Nightly Business Report" television program.

Secretary Baker will meet with the following people this week: British Foreign Secretary Howe, Honduran Presidential Candidate Rafael Callejas and King Hussein of Jordan.

This week's edition of Time magazine will have a feature story on Surgeon General C. Everett Koop.

REPORTS

USDA will release estimates of the value of U.S. farmland. This annual report is based on a survey taken around February 1. The results have widespread interest as indicators of the financial condition of farmers, rural banks and the rural economy. U.S. farmland value is expected to be up 5-7 percent over the past year.

On April 26, the Supreme Court will hold oral argument in Webster v. Reproductive Health Services. The case involves a Missouri abortion statute that was struck down by a federal district court and the United States Court of Appeals for the Eighth Circuit. The government has joined the State of Missouri (which is appealing the Eighth Circuit decision) in urging the Court to reconsider and overrule Roe v. Wade. The case will be argued on

behalf of the government by former Solicitor General Charles Fried.

The Treasury Department, in consultation with the Federal Reserve, will submit to the Congress by April 15, a 6-month update of the report on U.S. international economic and exchange rate policies.

On April 18, the Consumer Price Index for March will be released. Figures on Housing Starts will also be available.

On April 15, the Office of Educational Research and Improvement, in conjunction with the National Association of Elementary School Principals released Becoming A Nation of Readers: What Principals Can Do. The publication is the third in the Becoming A Nation of Readers series. The forward is by First Lady Barbara Bush.

On April 12, the House Energy and Commerce Committee voted out HR 1595, which would decontrol natural gas prices by January 1, 1993. Sponsors intend to bring bill to floor on suspension calendar. Comparable action on a Senate bill is expected in the near future.

SOME OPINIONS FROM OUTSIDE THE BELTWAY ...

"During President Bush's first few weeks in office, Washington observers fussed that he wasn't doing anything ... Now, it seems clear Bush and his key advisors really have had a few things going. Even as they've taken their lumps from the critics, they've been negotiating compromises." -- Chicago Tribune, 4/3

Headline: "Good going, Mr. Bush": "The most notable aspect of this still nascent strategy is the novel, sometimes bold ways in which the compromise card has been played. In some cases it comes when the political adversary least expects it. Other times the compromise consists of uncharacteristic policy modification. Regardless of timing or manner in which a compromise is applied, what is common in each use is that it addresses authentic political and societal concerns ...

... in the debate over the control of automatic weapons, the President surprised even the most astute political scientists in how he redirected his actions to accommodate the changing desires of the public ...

... What this ability to compromise does show is that Bush appears to be a president who sees the public good as something more than a political or ideological battle won." -- column by Jonathan Gaffney, Chicago Tribune, 4/6

FSX DEAL:

Headline: "Good Deal": "President Bush has prudently overruled the protectionist sentiment within his own administration and approved U.S. participation in the joint development of the new Japanese FSX advanced jet fighter. Now it is Congress' turn to stand up to the protectionists ..." -- San Diego Union, 3/26

CONTRA ACCORD:

"The ability to take a calculated risk is one of the marks of leadership ... Bush and Baker, working against a partisan political disadvantage and a recent history of anti-White House sentiment, have done what they could to provide a realistic alternative." -- Omaha World-Herald, 3/30

"... Bush and congressional Democrats have taken a major step toward bipartisanship in foreign policy ... It's appropriate, and encouraging, that this mutual commitment has emerged over the most divisive U.S. foreign policy issue of recent times." Sacramento Bee, 3/29

"By stepping away from military force and toward diplomacy, Bush may yet be successful in coaxing democratic concessions in Nicaragua." -- Minneapolis Star Tribune, 3/30

EDUCATION INITIATIVE:

"The way is now clear for President Bush to be the Education President through his wholehearted endorsement of parental choice in public schools. It's an idea whose time has come and, if President Bush rides this horse all the way around the schoolyard, he can not only claim his crown as the Education President but also achieve real reform in the disaster area of the public schools." -- column by Phyllis Schlafly, Manchester Union-Leader, 4/4

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THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

March 15, 1989

FACT SHEET

BUILDING A BETTER AMERICA:
PRESIDENT BUSH'S CHILD CARE PROPOSALS

Today the President submitted to the Congress legislation needed to implement three elements of his four-part plan for child care. The fourth component of the plan, a study by the Department of Labor to determine whether market barriers or failures are preventing employers from obtaining liability insurance necessary to provide child care on or near their employees' work-sites, already is underway. It will be completed before the end of the year.

The legislation transmitted to the Congress, the "Working Family Child Care Assistance Act of 1989" and the "Head Start Amendments of 1989," represents a significant, fiscally responsible step toward meeting the President's commitment to empower parents, especially low-income parents, to make critical decisions about their children's care.

A Philosophy Based Upon Parental Choice

The President's philosophy on child care was spelled out in his February 9, 1989, Message to the Congress, "Building a Better America."

"My philosophy with respect to child care is to put choice in the hands of parents and not in the hands of the State.... I will build a policy around parental choice. Particularly we must find a way to put a greater range of choices in the hands of low-income parents -- because they face the greatest difficulty in meeting the demands of work and family."

Building upon this philosophy, the legislation sent to the Congress today embodies four important principles:

1. Parents, who are best able to make decisions about their children's care, should have the discretion to make these decisions.

New Federal support for child care should go directly to parents. They, rather than bureaucracies or providers, should control the disposition of funds and decide what the greatest needs are for their children.

2. Federal policy should not discriminate against parents who work at home.

Federal policy now largely ignores the contributions and sacrifices in income made by two-parent families in which one spouse works at home to care for their children. Federal policy must correct this discrimination.

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3. Federal policies should act to increase, not decrease, the range of child care choices available to parents.

There is no such thing as "one size fits all" child care. Some parents want child care provided in the atmosphere of religious values, while others seek the familiarity, warmth, and informality of care by relatives, friends, and neighbors. Still others may prefer center-based care. Federal policy should expand the range of choices available to parents, not limit them by biasing Federal support toward one kind of care. Costly Federal regulations would increase the cost and reduce the supply of care available to parents.

4. New Federal assistance should be targeted to families most in need.

Balancing the competing demands of work and family life is often hardest for low-income families with young children. In a period of fiscal constraint, scarce Federal resources must be provided to these families, who are most in need.

The Working Family Child Care Assistance Act of 1989

This legislative proposal includes two major changes to the tax code designed to provide needed assistance directly to low-income families to assist them in meeting their child care needs.

New Child Tax Credit

Low-income families in which a parent works would be eligible for a tax credit of up to \$1,000 per child under age four. It would be refundable, and thus available to families who have no income tax liability. The credit would equal 14 percent of earnings up to the maximum credit of \$1,000 per child. It would be phased out over a \$5,000 range. In tax year 1990, the credit would be phased out as taxpayers' incomes increased from \$8,000 to \$13,000. This phaseout range would increase to between \$15,000 and \$20,000 by 1994.

- o 2.5 million families would be eligible for the credit initially; 3.5 million, when the credit was fully implemented.
- o Two-parent families in which one parent stays at home to care for the children, single working parents and dual-earner couples with children would all benefit from the credit.
- o Families would be free to choose the kind of child care that best suits their needs -- care through churches, relatives, neighbors, or child care centers.
- o The credit would be provided in addition to the Earned Income Tax Credit (EITC) and would be available, as the EITC is, in advance as a payment in parents' paychecks.

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Refundable Dependent and Child Care Tax Credit

The current credit would be made refundable so that low-income working families with little or no Federal income tax liability would benefit fully from it.

- o An additional one million families would benefit from this proposal.
- o The primary beneficiaries would be low-income, single working parents who incur child care expenses in order to work but who, unlike higher-income parents, do not now receive assistance in meeting these expenses through the tax code.
- o The current credit would be an alternative to the new child credit. For each eligible child, parents could claim the one credit that best meets their needs and circumstances.

The cost of the two proposals is estimated at \$187 million for FY 1990, increasing to \$2.5 billion by FY 1993.

The Head Start Amendments of 1989

This legislative proposal would increase the FY 1990 authorization for Head Start to provide \$250 million more than the FY 1989 appropriations level.

- o This increased funding would enable Head Start to meet the President's commitment to serve more poor four-year-olds.
- o The proposed expansion would increase the range of choices available to poor families in meeting their child care needs, but it would also do much more. Through a comprehensive approach that provides educational, medical, nutritional, and social services to children at risk of falling behind, Head Start gives poor children a better start in life. The newly participating four-year-olds would be able to carry the gains made in Head Start directly into kindergarten.
- o Because Head Start emphasizes parental and community involvement, the President's proposal would also benefit the families of the newly participating children and afford concerned volunteers the opportunity to devote time and effort to improving the lives of some of our nation's most vulnerable citizens.
- o Up to 95,000 more poor four-year-old children and their families could be served, increasing by a third the number of poor children in this age group participating in Head Start.

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

April 17, 1989

FACT SHEET

Support for Polish Reforms

Overall

- o The U.S. initiative encourages eight specific new steps to support Polish political and economic reforms, as these take root over time.
 - Each step is designed to encourage sound economic policies and political reforms.
 - Each economic step contains its own conditionality; there is no untied aid or unconditional credits.
- o We have been consulting with the Congress, the Polish-American community and our Allies and friends about the elements of the initiative.

Specific Elements

- o Private Business Agreement
 - Poland's private business sector is relatively small (6% of non-agricultural GNP) but growing rapidly. Some leading entrepreneurs have ties to Solidarity.
 - A government-to-government private business agreement could serve as a vehicle for direct links between Polish and U.S. business.
 - The Commerce Department, Small Business Administration and U.S. small business and entrepreneurial associations will have roles in this initiative.

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o Exchanges

- The U.S. will explore new exchanges, training and educational programs to support the private sector.
- The Roundtable agreements provide for establishment of independent political, economic and professional associations. These are already springing up.
- Creative programs would be modest in cost but could have a major impact.

o Debt swaps

- The USG will encourage voluntary debt-equity swaps for private sector investment in Polish enterprises or for participation in environmental, education or other humanitarian projects.
- Under such a scheme, the prospective investor (which may be a commercial bank itself) purchases outstanding bank debt, usually at a discount, in secondary markets and then redeems that debt at or near full value in local currency from official financial institutions in Poland. The investor then uses the proceeds to buy equity shares in a local enterprise.
- In a debt for nature transaction, the mechanism is similar except that the group purchasing the debt would, with the approval of the Polish Government, use the local currency proceeds for environmental projects.
- We understand that both commercial banks and environmental groups are interested in debt-equity swaps in Poland.

o GSP for Poland

- The U.S. will begin the legislative process to accord Generalized Systems of Preferences benefits to Poland.
- GSP provides duty free entry for a number of goods from beneficiary countries. Poland's per capita income is under the qualifying ceiling.

-- GSP would facilitate Poland's ability to service and repay its debt.

-- We will work closely with Solidarity as we proceed.

o OPIC for Poland

-- As Solidarity is legally registered, the U.S. will seek legislation to authorize the Overseas Private Investment Corporation (OPIC) to operate in Poland.

-- OPIC provides political risk insurance for U.S. overseas private investment, and has project financing authority as well.

-- OPIC programs would encourage commercially-viable arrangements that take advantage of Poland's liberalized foreign investment law. It could support cooperation with Poland's private sector.

-- Once authorized, OPIC and the Polish Government will negotiate an investment incentives agreement detailing OPIC's rights and the GOP's responsibilities for OPIC-assisted investment.

-- In the absence of GSP, OPIC would make an independent determination that Poland is taking steps to adopt and implement worker rights. We will work closely with Solidarity.

o IFC

-- The U.S. will consider, on their merits, viable private sector loans by the International Finance Corporation, of support for Poland's private sector.

-- One IFC loan was approved for Poland last fall (about \$14 million).

o Paris Club

-- The U.S. will indicate to its Allies in the Paris Club willingness to consider a substantial rescheduling of Poland's official debt.

- This process will assist Poland to regularize its external finances.
- The mechanism for this process is the Paris Club, an informal group of creditor nations.
- Most of Poland's \$39 billion debt is to official creditors (\$2.4 billion to the U.S. -- mostly Commodity Credit Corporation and ExIm Bank).
- The terms and timing of a rescheduling will depend on several factors, including Poland's progress in working with the IMF and in introducing sound economic policies.
- Poland has had several reschedulings, but is currently not meeting its payments. We would want an agreement on a repayment schedule that Poland would meet.
- o IMF
 - The U.S. believes that the Roundtable Accords will clear the way for Poland to work with the IMF to develop a program which supports sound, market-oriented economic policies.
 - Poland has been a member of the Fund since 1986. Since that time, Poland has had regular consultations with the Fund staff.
 - A stand-by agreement would provide discipline, direction and conditional resources to Polish economic reform and adjustment efforts.

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U.S. Sanctions on Poland 1981 - 87

<u>Date</u>	<u>Measure</u>	<u>Status</u>
12/81	Science and Technology:	
	o New agreement not signed	o New agreement signed September 1987
	o Suspension of travel for Polish scientist	o Lifted August 1984
12/81	Fishing:	
	o Suspended privileges in U.S. waters	o Lifted January 1984
12/81	Civil Aviation:	
	o Suspended Lot's landing rights	o Lifted August 1984
12/81	Credits:	
	o Suspended Poland's eligibility for official credits	o Lifted February 1987
12/81	Technology Transfer:	
	o No exceptions policy on COCOM licensing of less sophisticated exports to Poland	
1/82	Debt Rescheduling:	
	o Suspended renegotiation of Poland's official debt	o Lifted March 1984
10/82	MFN Suspension:	o Lifted February 1987
1982/83	IMF/IBRD Entry:	
	o Delayed Action	o Lifted December 1984 o Poland joined both June 1986
1985	High-level Contacts:	
	o Restricted GOP contacts to office director level	o Lifted September 1986

There are no standing U.S. Sanctions against Poland.

Roundtable Agreements

- o The Roundtable Accords consist of overall agreements on political, trade union and economic reform, and several specialized agreements.
- o Solidarity, Rural Solidarity and the independent students' union will be legalized.
- o Political reforms include:
 - free elections (this June) to a new Senate with legislative and veto powers;
 - a division of seats (60% regime; 35% opposition; 5% official Catholic groups) in the lower chamber of Parliament.
 - establishment of a new office of the President, with broad but limited powers (the Roundtable includes explicit limits on the President's ability to declare martial law);
 - establishment of a free opposition press, which should include daily and weekly newspapers and some agreed access to the electronic media;
 - a liberalized law on independent associations, including political associations.
- o Agreement on economic reform has been much tougher. Both sides agree on the need for market reforms.
- o The Accords are unprecedented for a communist country.
- o Solidarity and the Polish government, both concerned about Poland's economic situation, have repeatedly stated their intention to appeal for Western economic support.

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THE WHITE HOUSE
Office of the Press Secretary

EMBARGOED FOR RELEASE
UNTIL 12:00 NOON
MONDAY, APRIL 17, 1989

TEXT OF REMARKS BY THE PRESIDENT
TO THE CITIZENS OF HAMTRAMCK, MICHIGAN

Hamtramck City Hall
Hamtramck, Michigan

April 17, 1989

Americans are not mildly sympathetic spectators of events in Poland. We are bound to Poland by a very special bond, a bond of blood, of culture and shared values. So it is only natural that, as dramatic change comes to Poland, we share the aspirations and excitement of the Polish people.

In my Inaugural address, I spoke of the new breeze of freedom gaining strength around the world. "In man's heart," I said, "if not in fact, the day of the dictator is over. The totalitarian era is passing, its old ideas blown away like leaves from an ancient lifeless tree."

I spoke of the spreading recognition that prosperity can only come from a free market and the creative genius of the individual. I spoke of the new potency of democratic ideas -- of free speech, free elections and the exercise of free will.

We should not be surprised that the ideas of democracy are returning with renewed force in Europe -- the homeland of philosophers of freedom whose ideals have been so fully realized in America. Victor Hugo said: "An invasion of armies can be resisted, but not an idea whose time has come." My friends, liberty is an idea whose time has come in Eastern Europe.

For almost half a century, the suppression of freedom in Eastern Europe, sustained by the military power of the Soviet Union, has kept nation from nation, neighbor from neighbor. As East and West seek to reduce arms, it must not be forgotten that arms are a symptom, not a source, of tension. The true source of tension is the imposed and unnatural division of Europe.

How can there be stability and security in Europe and the world as long as nations and people are denied the right to determine their future -- a right explicitly promised them by agreements among the victorious powers at the end of World War Two? How can there be stability and security in Europe as long as nations, which once stood proudly at the front rank of industrial powers, are impoverished by a discredited ideology and stifling authoritarianism? The United States has never accepted the legitimacy of Europe's division. We accept no spheres of influence that deny the sovereign rights of nations.

Yet the winds of change are shaping a new European destiny. Western Europe is resurgent. Eastern Europe is awakening to yearnings for democracy, independence and prosperity. In the Soviet Union itself, we are encouraged by the sound of voices long silent, and the sight of the rulers consulting the ruled. We see "new thinking" in some aspects of Soviet foreign policy. We are hopeful that these stirrings presage meaningful, lasting and more far-reaching change.

Let no one doubt the sincerity of the American people and their government in our desire to see reform succeed in the Soviet Union. We welcome the changes that have taken place, and we will continue to encourage greater recognition of human rights, market incentives and elections.

East and West are negotiating on a broad range of issues, from arms reductions to the environment. But the Cold War began in Eastern Europe; if it is to end, it will end in this crucible of world conflict -- and it must end. The American people want to see East and Central Europe free, prosperous and at peace. With prudence, realism and patience, we seek to promote the evolution of freedom -- the opportunities sparked by the Helsinki accords and deepening East-West contact.

In recent years, we have improved relations with countries in the region. In each case, we looked for progress in its international posture and internal practices -- in human rights, cultural openness, emigration issues, opposition to terrorism. While we want relations to improve, there are certain acts we will not condone or accept -- behavior that can shift relations in the wrong direction: Human rights abuses, technology theft, and hostile intelligence or foreign policy actions against us.

Some regimes are now seeking to win popular legitimacy through reforms. In Hungary, a new leadership is experimenting with reforms that may permit a political pluralism that only a few years ago would have been unthinkable. And in Poland, on April 5, Solidarity leader Lech Walesa and Interior Minister Kiszczak signed agreements that, if faithfully implemented, will be a watershed in the postwar history of Eastern Europe.

Under the auspices of the Roundtable agreements, the free trade union Solidarity will be formally restored, a free opposition press will be legalized, independent political and other free associations will be permitted, and elections for a new Polish Senate will be held. These agreements testify to the realism of General Jaruzelski and his colleagues. And they are inspiring testimony to the spiritual guidance of the Catholic Church, the indomitable spirit of the Polish people -- and the strength and wisdom of Lech Walesa.

Poland faces, and will continue to face for some time, severe economic problems. A modern French writer observed that communism is not another form of economics. It is the death of economics. In Poland, an economic system crippled by the inefficiencies of central planning, almost proved the death of initiative and enterprise. Almost. But economic reforms can still give free rein to the enterprising impulse and creative spirit of the Polish people.

The Polish people understand the magnitude of this challenge. Democratic forces in Poland have asked for the moral, political and economic support of the West. And the West will respond. My Administration is completing a thorough review of our policies toward Poland and all of Eastern Europe.

I have carefully considered ways the United States can help Poland. We will not act unconditionally. We will not offer unsound credits. We will not offer aid without requiring sound economic practices in return. We must remember that Poland is still a member of the Warsaw Pact. We must take no steps that compromise the security of the West.

The Congress, the Polish-American community, the American labor movement, our allies and international financial institutions, must work in concert if Polish democracy is to take root anew, and sustain itself. We can and must answer this call to freedom. And it is particularly appropriate, here in Hamtramck, for me to

salute the members and leaders of the American labor movement for hanging tough with Solidarity through its darkest days.

The Poles are now taking concrete steps that deserve our active support. I have decided on specific steps by the United States, carefully chosen to recognize reforms underway, and to encourage reforms yet to come once Solidarity is legal:

-- I will ask Congress to join me in providing Poland access to our Generalized System of Preferences, which offers selective tariff relief to beneficiary countries.

-- We will work with our allies and friends in the Paris Club to develop sustainable new schedules for Poland to repay its debt, easing a heavy burden so that a free market can grow.

-- I will also ask Congress to join me in authorizing the Overseas Private Investment Corporation to operate in Poland, to the benefit of both Polish and U.S. investors.

-- We will propose negotiations for a private business agreement with Poland to encourage cooperation between U.S. firms and Poland's private businesses. Both sides can benefit.

-- The United States will continue to consider supporting, on their merits, viable loans to the private-sector by the International Finance Corporation.

-- We believe that the Roundtable agreements clear the way for Poland to be able to work with the International Monetary Fund on programs that support sound, new, market-oriented economic policies.

-- We will encourage business and private non-profit groups to develop innovative programs to swap Polish debt for equity in Polish enterprises; and for charitable, humanitarian and environmental projects.

-- We will support imaginative educational, cultural and training programs to help liberate the creative energies of the Polish people.

When I visited Poland in September 1987, I told Chairman Jaruzelski and Lech Walesa that the American people and government would respond quickly and imaginatively to significant internal reform of the kind we see now. Both of them valued the assurance. So it is especially gratifying for me to witness the changes now taking place in Poland, and to announce these important changes in U.S. policy. The United States keeps its promises.

If Poland's experiment succeeds, other countries may follow. While we must still differentiate among the nations of Eastern Europe, Poland offers two lessons for all. First, there can be no progress without significant political and economic liberalization. Second, help from the West will come in concert with liberalization. Our friends and European allies share this philosophy.

The West can now be bold in proposing a vision of the European future: We dream of the day when there will be no barriers to the free movement of people, goods and ideas. We dream of the day when Eastern European peoples will be free to choose their system of government and to vote for the party of their choice in regular, contested elections. We dream of the day when Eastern European countries will be free to choose their own peaceful course in the world, including closer ties with Western Europe. And we envision an Eastern Europe in which the Soviet Union has renounced military intervention as an instrument of its policy.

on any pretext. We share an unwavering conviction that one day all the peoples of Europe will live in freedom.

Next month, at a summit of the North Atlantic Alliance, the leaders of the Western democracies will discuss these concerns. These are not bilateral issues between the United States and the Soviet Union. They are, rather, the concern of all the Western allies, calling for common approaches. The Soviet Union should understand, in turn, that a free democratic Eastern Europe as we envision it would threaten no one and no country. Such an evolution would imply, and reinforce, the further improvement of East-West relations in all dimensions -- arms reductions, political relations, trade -- in ways that enhance the safety and well-being of all of Europe. There is no other way.

What has brought us to this opening? The unity and strength of the democracies, and something else -- the bold new thinking in the Soviet Union; the innate desire for freedom in the hearts of all men. We will not waver in our dedication to freedom now. If we are wise, united and ready to seize the moment, we will be remembered as the generation that helped all of Europe find its destiny in freedom.

Two centuries ago, a Polish patriot named Thaddeus Kosciuszko came to these American shores to stand for freedom. Let us honor and remember this hero of our own struggle for freedom by extending our hand to those who work the shipyards of Gdansk, and walk the cobbled streets of Warsaw. Let us recall the words of the Poles who struggled for independence: "For your freedom and ours." Let us support the peaceful evolution of democracy in Poland. The cause of liberty knows no limits; the friends of freedom, no borders.

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STATEMENT OF ELIZABETH HANFORD DOLE
SECRETARY OF LABOR
BEFORE THE
UNITED STATES SENATE
COMMITTEE ON FINANCE
APRIL 19, 1989

Mr. Chairman and members of the Committee, thank you for the opportunity to present the Administration's proposals on child care assistance for working families.

Children are the nation's most precious resource, one that the American people must invest in wisely. The quality of life of our nation's families, and the continued competitiveness of America in a global marketplace, are both dependent on the care we provide our children.

A number of dramatic changes have occurred over the past decade which demonstrate the very real need for a public policy on child care which is sensitive to the tremendous diversity in working families across America.

While almost 30% of married couples with children under age 14 remain in so-called traditional families, where one parent stays at home with the children, there has been a dramatic increase in the number of families where both parents work outside the home.

Women have entered the workforce at an astonishing rate in the past several decades. Approximately two-thirds of mothers with children under high school age are now in the workforce in either full-time or part-time jobs.

There has also been a substantial increase in the number of families which are supported by a single parent, with particularly acute needs among low-income families headed by women.

All of these working families have important child care needs. Needs that are individual, needs that are compelling, needs that are important to the well-being of the child, the family, and the employer. In responding to the child care needs of working families, the President developed a proposal based on four important principles.

MORE PARENTAL CHOICE

The first principle of the President's proposal recognizes the differing circumstances of today's families and provides a policy which offers parents -- the real child care experts -- a choice in the child care which is best suited to their needs. Parents are the best judge of quality care and know what is in the best interest of their children.

For those parents who need child care because they work outside the home, again diversity is the order of the day. Parents want choices and are expressing their preferences. According to a 1984-1985 Census Report, more than one half of 26.5 million children under age 15 with employed mothers are in school most of the time their mothers are at work. One million of these are latch-key children. Of the remaining 12.6 million children not in school most of the time their mothers are at work, more than one half (54%) are cared for by relatives. Some 23% are cared for by non-relatives in the child's own home or another home; 19% are in day care centers that include churches, community and non-profit centers. But people work part-time, full-time, night-shift, day-shift, swing-shift -- one size does not fit all. Parents seek child care supervised by people who share their values.

As you can see, there is a complex mosaic from which parents choose. The President's proposal is designed to enhance parental choice within that mosaic.

ENCOURAGES OPTIONS

Thus, the President's second principle is that federal policy should increase, not decrease, the range of options available to parents. The federal government should not become involved in licensing decisions, and federal financial support

should not be made contingent upon state licensing decisions. Churches play a vital role in making child care available. Neighbors, friends and family members can provide excellent care. Our policy should not discriminate against them as child care providers, nor drive them out of the market by imposing federally mandated standards and paperwork requirements on them. Such federal intrusion will decrease the supply of care and increase costs for parents. Federal policy should expand the range of choices available to parents, not limit them through biasing federal support toward one kind of care.

NON-DISCRIMINATION

The President's third principle recognizes the fact that there are 7.6 million married couples with children today -- some 30% -- in which one of the parents remains home to care for their children. These families care for 7.4 million children under the age of six and 7 million children between the ages of six and thirteen. It is the Administration's belief that in charting a course for public policy in child care, the federal government should not discriminate against these families who sacrifice the income of a second career for the mother to stay at home to care for their children. Our tax credit may provide the marginal assistance for the low-income mother who would prefer to be at home with her children, but feels she needs to work to make ends meet. This tax credit may empower her to reach that goal.

TARGETED TO POOREST FAMILIES

Child care assistance is a concern particularly for those parents who have the fewest resources and thus the fewest choices in making child care arrangements -- low-income parents. The President's fourth principle is that assistance should be targeted to low-income families, particularly those with young children.

The federal government currently provides assistance to families through five provisions of tax law: 1) the personal and dependency exemptions, 2) the standard deduction 3) the earned income tax credit, 4) the dependent care tax credit, and 5) the employee exclusion for child care benefits. As I will explain shortly, the President proposes to amend the tax law further to target more assistance to low-income families with children to help them meet their child care needs. The federal government also provides child care services and assistance through a variety of programs, the largest of which include the Social Services Block Grant and child care feeding program.

The newest federal legislation to respond to child care needs of parents is the excellent Family Support Act, which emerged from this committee. The Family Support Act recognizes

that child care is a key for low-income families to become independent of welfare. It provides welfare parents access to child care, transportation and other services necessary to participate in an education or training program or work. It also provides twelve months of "transitional" child care to AFDC recipients who leave the rolls due to work.

In addition to these tax credits and services, the federal government provides educational, medical, nutritional, and social services to young disadvantaged children through the Head Start program.

Overall, the federal government already spends about \$7 billion on Head Start and child care through tax expenditures and more than forty specific programs and services. As I think you'll agree, federal involvement in child care is broad and responds to a wide variety of needs.

But states, localities, and private employers have also responded to changing demands in the workforce through child care assistance. Twenty-nine states already provide child care assistance to parents through their tax codes. Fifteen states provide resource and referral information to parents and employers regarding local child care options.

The realities of the workplace have encouraged some private employers to offer assistance in child care, as well. With the American workforce growing at a slower rate, and business competing for workers, every benefit counts. By the year 2000, women will comprise over three-fifths of the new workforce, and almost half of the workforce will be women. More businesses are beginning to realize that child care needs must be met if they are to compete in an increasingly tight labor market.

A recent Bureau of Labor Statistics survey of workplaces with ten employees or more determined that some 61% had one or more work practices, such as flexible work schedules and on-site care, which help parents care for their children.

Employers have responded enthusiastically to a program which the Department of Labor has recently developed. The Work and Family Clearinghouse is a computerized system used to assist employers in identifying the most appropriate policies for responding to the dependent care needs of their employees seeking to balance dual responsibilities of work and family. Such family responsive policies have favorable "bottom line" implications for employers -- particularly in such areas as productivity, labor-management relations and the ability to recruit and retrain the most competent workers in the projected tight labor market of the future. Information on some 70 successful employer programs can

be accessed by businesses across the nation which are interested in providing child care assistance of their own.

THE ADMINISTRATION'S PROPOSAL

Mr. Chairman, I would like to take a few moments to describe the specific provisions of the Administration's proposals, founded on the four principles I described earlier. They contain four distinct parts which together enhance the range of parental choices in child care.

Additional Assistance through the Tax Code.

1. Child Tax Credit. Assistance to low-income families, containing at least one employed parent, would be expanded by making a tax credit available to families with children under age four. The tax credit would equal 14% of earnings up to a maximum of \$1,000 per child. The maximum credit would be phased out, initially for families with income between \$8,000 and \$13,000, and by 1994 for incomes between \$15,000 and \$20,000. The credit would be refundable and would be effective for tax years beginning January 1, 1990. Families would have the option of receiving the refund in advance through a payment added to each paycheck.

2. Refundability of Dependent Care Tax Credit. The President's initiative recognizes the unique needs of work-related child care expenses by maintaining the current dependent care tax credit (DCTC). In addition, this tax credit for child care expenses incurred would be made refundable so that low-income families, including those with no tax liability, can get the benefit of the credit. Families eligible for both the new credit and the dependent care credit for the same child could choose whichever of the two credits best suits their needs. The refundable dependent care credit would be effective for tax years beginning January 1, 1990.

Parents want and need to make important choices about how to best care for their children. Together, these tax credits provide the greatest flexibility for family choice, and put more dollars directly into the hands of low-income families eligible for the credits. The tax credits allow parents to influence the direction of the market.

While some proposals call for considerable government intervention in the market, the tax credit approach is an excellent way to provide assistance without extensive administrative overhead and regulation.

Some proposals advocate that our children march lock-step to an institution where Washington sets the rules. But families

have the basic responsibility for the care of their children. We must carefully support the role of the family in choosing the best care. The child care needs of working Americans can best be met by providing assistance to parents, not to providers; through state and local regulations, not federal standards; through community-based and public-private partnerships, not federal bureaucracies; and by parental involvement, not federally mandated procedures.

Excessive and costly government intrusion is the hardest on those least able to afford its impact -- low-income families.

3. Expansion of Head Start. The President also has proposed a dramatic increase of \$250 million in funding for the Head Start program. These funds would be used to enroll up to 95,000 more poor four-year-olds in the program.

Head Start, of course, is much more than child care. However, this expansion would increase the range of child care choices to poor families, while giving their children a better start in life.

4. Liability Study. In addition, at the President's direction, I have undertaken a study to determine the extent to which market barriers or failures prevent employers from obtaining liability insurance necessary to provide child care on or near their

employees' worksites. A working group has been established at the Department of Labor to gather information about the problem on a nationwide basis. If our efforts uncover significant barriers standing in the way of insuring prospective child care providers, we will recommend possible ways to address the problem.

Mr. Chairman, the Administration stands ready to work with you to craft acceptable legislation which is based on the four principles I have outlined today. I look forward to that opportunity and I hope we can begin such a dialogue in the coming days.

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SETTING THE RECORD STRAIGHT ON CHILD CARE

The changing nature of American society heightens the need for quality, affordable, accessible child care. President Bush wants parents to have the choice and the power to select the best, safest environment for their children. The President believes that child care is a family issue. His child care proposals reflect his belief in the family as a primary force in building a better America.

MYTH: TODAY'S WOMEN DON'T WANT TO STAY HOME WITH THEIR CHILDREN

FACT: The traditional family in today's society is far from obsolete. In reality, more than 80 percent of [mothers] state they would prefer to stay home with their children if they could afford to. In addition, less than one pre-school child in three has a year-round, full-time employed mother.

MYTH: ONLY WEALTHY FAMILIES CAN AFFORD FOR A PARENT TO STAY HOME TO CARE FOR THE CHILDREN

FACT: The median income of two parent/two income families in 1986 was \$38,346 compared to \$25,803 for traditional two parent/one-earner families. And approximately 83 percent of children under five in day care are from two-earner families. What exists today is one group of families who choose two earners in order to achieve a higher financial standard of living and another who choose economic sacrifice so that one parent can stay home with small children. [Sound pro-family, pro-child government policy/President Bush's proposals] should respect both of these options.

MYTH: THERE IS A CRITICAL SHORTAGE OF DAY CARE IN AMERICA TODAY

FACT: In fact the day-care industry is expanding (from 4,400 centers in 1960 to 39,929 centers today). Even so, national daycare chains such as Gerber and Kindercare report average vacancies of 30 percent. While the cost of a full-time sitter or commercial day care has increased prohibitively, the costs of "family day care" and group center have increased only slightly in real terms over the last ten years.

MYTH: THE GOVERNMENT CURRENTLY SPENDS LITTLE ON CHILD CARE

FACT: The 1988 costs of current child care programs and tax credits are more than \$6,900,000. However, currently the federal government provides twice as much assistance to each child in a family choosing formal daycare as for traditional families where one parent remains at home. [Under the ABC bill, this ratio would rise to three to one.]

MYTH: STATE LICENSING OF CHILD CARE WILL HELP AVAILABILITY AND AFFORDABILITY

FACT: While it is sound policy for states to require that large day care centers be licensed, the major results of many states' zoning codes and health regulation is to limit the choice and restrict the supply of child care. [President Bush's] child care proposals seek to expand, not restrict, parents' options by providing funds directly to parents allowing them to choose the type of care appropriate for their family.

MYTH: THOSE SUPPORTING [TAX CREDIT PROPOSALS] OPPOSE WORKING WOMEN

FACT: It is a recognized truth that women are playing an expanded and vital role in the workplace and in professions throughout our society. However, women also should have the right to temporarily step out of the mainstream workforce to raise their children. Reducing the confiscation of family income by taxation is a sensible and sound approach to enabling mothers to stay at home with their children if they so choose.

MYTH: CHURCH-AFFILIATED DAYCARE IS PROTECTED UNDER THE ABC BILL

FACT: Nearly one-third of daycare centers are church-affiliated. Direct government subsidization of daycare as proposed by ABC would have a severely negative impact on these centers; any daycare center which provided religious values to children through prayers, stories, or songs would be denied government support. The loss would be felt most tragically in the inner city where churches play a crucial role in helping break the cycle of poverty and giving disadvantaged youth hope for the future. Under President Bush's tax credit policy, parents who wish to use tax credit funds for religious care can choose to do so.

MYTH: UNREGULATED FAMILY DAYCARE IS UNHEALTHY AND UNSAFE FOR CHILDREN

FACT: The typical "unregulated" daycare provider is a mother caring for her children as well as one or two other neighborhood children. According to a Department of Health and Human Services report, The National Daycare Home Study, regulated providers were less likely to be caring for their own children, had a greater number of children to supervise, and charged higher prices than unregulated carers. The study also reported that unlicensed, neighborhood facilities pose less of a danger of a child catching infectious disease than do larger unregulated facilities.

STATEMENT OF ELIZABETH HANFORD DOLE
SECRETARY OF LABOR
BEFORE THE
UNITED STATES SENATE
COMMITTEE ON FINANCE
APRIL 19, 1989

Mr. Chairman and members of the Committee, thank you for the opportunity to present the Administration's proposal on child care assistance for the working family.

The future belongs to our children. They are the nation's most precious resource, one that the American people must invest in wisely. The quality of life of our nation's families, and the continued competitiveness of America in a global marketplace, are both dependent on the opportunities and experiences we are able to offer our children.

A number of dramatic changes have occurred over the past decade which demonstrate the very real need for a public policy on child care which is sensitive to the tremendous diversity in working families across America.

While almost 30% of married couples remain in so-called traditional families, where one parent stays at home with the children, there has been a dramatic increase in the number of families where both parents work outside the home.

Women have entered the workforce at an astonishing rate in

the past several decades. Approximately two-thirds of mothers with children under high school age are now in the workforce.

There has also been a substantial increase in the number of families which are supported by only a single parent, with particularly acute needs among low income families headed by women (an increase from 23% in 1959 to 49% last year).

All of these working families have important responsibilities for child care. The first principle of the President's proposal recognizes the differing circumstances of today's family and provides a policy which offers diversity in choosing the child care best suited to their needs.

For those parents who need child care because they work outside the home, again diversity is the order of the day. There are 26.5 million children with working mothers, of whom one half are in school most of the time. Of the remaining 12.6 million children not in school most of the time, more than one half (54%) are cared for by relatives. Some 23% are cared for by non-relatives in the child's own home or another home; 20% are in day care centers that include churches, community and non-profit centers. The remaining 3% (500,000) of children take care of themselves.

As you can see, there is a wide mosaic from which parents choose. The President's proposal is designed to preserve that

mosaic. Thus, his second principle, that federal policy should increase, not decrease, the range of options available to parents. The Federal government should not become involved in licensing decisions, and federal financial support should not be made contingent upon state licensing decisions. Local governments are perfectly capable of addressing licensing issues. Churches play a vital role in making child care available. Neighbors and family members can provide excellent care. Our policy should not discriminate against them as child care providers, and potentially drive them out of the market by mandating federally-imposed standards, which increase costs.

The President's third principle recognizes the fact that there are 7.6 million families --some 30%-- today in which one of the parents remains home to care for their children. These families care for 7.4 million children under the age of six and 7 million children between the ages of six and thirteen. It is the Administration's belief that in charting a course for public policy in child care, the Federal government should not discriminate against these families because of their decision to care for their own children.

Still the demand for child care is great. And it is certainly a concern among those who are least able to pay for it -- low and moderate income parents.

The Federal government currently provides assistance to low

income parents through five provisions of tax law: 1) the personal and dependency exemptions, 2) the standard deduction, 3) the earned income tax credit, 4) the dependent care tax credit, and 5) the employee exclusion for child care benefits. The Federal government also provides child care services and assistance through the Job Training Partnership Act (JTPA), Social Services Block Grant, Vocational Education, AFDC, WIN and numerous other programs.

The newest Federal legislation to respond to child care needs of parents is the Family Support Act, which emerged from this Committee. The Family Support Act recognizes that child care is a key for low-income families to become independent of welfare, and it guarantees welfare mothers access to child care, transportation and other services that are necessary to participate in an education or training program or work.

In addition to these tax credits and services, the Federal government provides direct services to young children through the Head Start program.

Overall, the Federal government spends about \$7 billion on child care through tax expenditures and specific programs and services. As I think you'll agree, Federal involvement in child care is broad and responds to a wide variety of needs.

Any additional federal support for child care should be targeted, then, to those most in need. The Administration's fourth principle targets low income families, particularly those with very young, because they face the greatest difficulty in meeting the child care needs of their children. Our plan will help all low income families with young children, not just those who participate in government sponsored child care.

These principles are the foundation for the President's proposal. The President has made it clear that he will be flexible on the details, but firm on his devotion to those principles.

THE ADMINISTRATION'S PROPOSAL

The Administration's proposal contains four distinct parts which together enhance the range of parental choice in child care:

1. Assistance to low income families would be expanded by making a refundable tax credit available to families with children under age four. The tax credit would equal 14% of earnings up to a maximum of \$1,000 per child. The maximum credit would be phased out gradually, initially for families with income between \$8,000 and \$13,000, and by 1994 for incomes between \$15,000 and \$20,000.

2. The current child and dependent tax credit would be made refundable so that low income families, including those who have no tax liability can get the benefit of the credit.
3. The resources available to the Head Start program would be expanded by \$250 million over the current level. This expansion would increase the range of child care choices to poor families and meet the President's commitment to include more poor four year-olds in this program. In fiscal year 1990, these funds would extend the ladder of opportunity to as many as 95,000 more children who most need the assistance Head Start offers.
4. In addition, at the President's direction, I have undertaken a study to determine the extent to which market barriers or failures prevent employers from obtaining liability insurance necessary to provide child care on or near their employees' worksites.

March 16, 1989

Memorandum

Re: The President's Child Care Proposal: Arguments Pro and Con
That Have Appeared In The Media

CON

- o "...Bush plan does not help families in which no one works, and it pays the most to low-income families who earn the most." -- NBC (Connie Chung) 3/15/89
- o "Critics call the President's plan a giveaway program that would not help create new day care." -- CBS (Wyatt Andrews) 3/15/89
- o "White House spokesman Marlin Fitzwater conceded there was no guarantee that the assistance ... would actually be used for child care." -- Reuters (Michael Gelb) 3/15/89
- o "You can go out and spend it on beer if you wanted to." -- Sen. Dodd, numerous sources.
- o The Dodd plan is "far broader," covering low- and middle-income families and older children. -- ABC (Peter Jennings) 3/15/89
- o "To propose a \$1000 Federal tax credit and call it child care is to be misleading. Twenty dollars a week...is not what I call help." -- Sen. Dodd, numerous sources.
- o "Bush's child-care program makes no effort to regulate the quality of child-care arrangements. ... Unlike the Bush proposal, the Dodd measure would set standards for day-care providers." -- LA Times 3/16/89 (James Gerstenzang)
- o The Dodd bill is "bipartisan legislation." -- UPI (Eliot Brenner) 3/16/89

*ABC
Marlin
Michael Gelb*

(more)

- o "...Sen. Dodd and Labor Committee Chairman Edward Kennedy...helped forge a delicate compromise allowing federal funds to support church-based day-care programs that meet certain standards. The compromise united powerful groups like the National Education Association and the United States Catholic Conference behind the legislation." -- Wall Street Journal (Cathy Trost and Gerald F. Seib) 3/16/89.

"It [the Democratic proposal] would make non-sectarian church-based child care fully eligible for assistance, a point that complicated efforts to pass the legislation last year." -- UPI (Eliot Brenner) 3/16/89

PRO

- o The Bush plan "would give qualifying families the tax credit whether they sent children to organized day care, to relatives or to no day care at all....The Senate plan would give cash benefits to low-income families, but only in cases where children actually go to licensed and regulated child care programs." -- CBS (Wyatt Andrews) 3/15/89
- o "Mr. Bush...said the essence of his tax-credit plan is 'parental choice.' ...His approach...provides benefits to parents who choose to stay at home and care for their children themselves, as well as to those who work." -- Wall Street Journal (Cathy Trost and Gerald F. Seib) 3/16/89.
- o "Sen. Hatch, who is a co-sponsor of the bill, warned of further battles over standards, which he thinks should remain a state responsibility." -- Wall Street Journal (Cathy Trost and Gerald F. Seib) 3/16/89.
- o "And Sen. Nancy Kassebaum... called the bill 'economically troubling' because of the 'growing escalation of costs' associated with it." -- Wall Street Journal (Cathy Trost and Gerald F. Seib) 3/16/89.

(more)

- o "Assistance should go directly to the parents." President Bush, quoted in USA Today (Jessica Lee and Michelle Healy) 3/16/89 and other sources.
- o "During the campaign, Mr. Bush said [the Democratic] proposal would have required the licensing of grandmothers...." -- The Washington Times (Jeremiah O'Leary) 3/16/89
- o "The federal government should not become involved in licensing decisions and federal financial support should not be made contingent on state licensing issues. Neighbors and other family members can provide excellent care." -- President Bush, quoted in The Washington Times (Jeremiah O'Leary) 3/16/89
- o "The federal money would be dispersed to the states and they would be required to distribute at least 70 percent in direct subsidies to eligible families. The remaining funds would go to administer the program and increasing the supply and quality of day-care facilities." -- Washington Times (Jeremiah O'Leary) 3/16/89
- o "The Senate measure reflected a bill that died on the Senate floor last fall in a filibuster." -- UPI (Eliot Brenner) 3/16/89
- o The Democratic plan was "endorsed by unsuccessful Democratic presidential candidate Michael Dukakis...." -- Reuters (Michael Gelb) 3/15/89
- o The Bush tax credit "would be refundable in order to be available to families without tax liabilities...." -- Reuters (Michael Gelb) 3/15/89
- o "Bush also asked Congress for an additional \$250 million for the Head Start program." -- Reuters (Michael Gelb) 3/15/89
- o "Church-based day care centers might also be ineligible for government funding under the Democratic plan because of Constitutional limits on government assistance to religious organizations." -- Reuters (Michael Gelb) 3/15/89
- o "...this maximizes options and it does not eliminate the more formal day-care centers and child-care centers." -- AP, 3/15/89

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01a. Memo	Barbara Selfridge to Holly Selfridge, re: Child Care Materials. (1 pp.)	04/25/89	~~P-5~~	

Collection:

Record Group: Bush Presidential Records
Office: Speechwriting, White House Office of
Series: Speech File, Backup
Subseries:
WHORM Cat.:
File Location: White House Wire on Child Care 4/28/89

Open on Expiration of PRA
 (Document Follows)
 By SN (NLGB) on 4/5/2005

Date Closed: 9/23/2004	OA/ID Number: 06347
FOIA/SYS Case #:	
Re-review Case #: 2004-2265-S	
P-2/P-5 Review Case #:	
MR Case #:	Appeal Case #:
MR Disposition:	Appeal Disposition:
Disposition Date:	Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

April 25, 1989

To: Holly Williamson

From: Barbara Selfridge

Subj: Child Care Materials

Attached are copies of the pieces that were in clearance with some notes on them.

Some points that you might want to take into account in the piece your office is doing:

- o DOL did not like the tone of the ABC "Raw Deal" piece, as we discussed by phone this morning. They would opt for less inflammatory language and drop the Dodd quote completely.

- o Their concern on the quantity piece is that it focuses so much on liscensed care when the administration is trying to downplay that kind of care. (Unfortunately that is the only kind of care we have much info. on. In a piece like the one your office is doing where there is other info. in the paper that might not stick out so much.) I have included in that package a quote they sent over from the DOL study that is useful -- it makes the point about quantity but does note the existence of spot shortages.

- o People have also expressed concern that Administration materials be sensitive to the use of "church-based" care because that can be taken as meaning only Christian care. Religiously-based care or religiously affiliated care might be better terms.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01b. Report	Re: ABC: A Raw Deal for America's Families. (2 pp.)	n.d.	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Speechwriting, White House Office of
Series: Speech File, Backup
Subseries:
WHORM Cat.:
File Location: White House Wire on Child Care 4/28/89

Open on Expiration of PRA
(Document Follows)
By SN (NLGB) on 4/5/2005

Date Closed: 9/23/2004	OA/ID Number: 06347
FOIA/SYS Case #:	
Re-review Case #: 2004-2265-S	
P-2/P-5 Review Case #:	
MR Case #:	Appeal Case #:
MR Disposition:	Appeal Disposition:
Disposition Date:	Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
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P-3 Release would violate a Federal statute [(a)(3) of the PRA]
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(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

tu. Plummer

ABC: A RAW DEAL FOR AMERICA'S FAMILIES
(Supplement to "ABC and the President's Principles")

DOES NOT TRUST PARENTS TO MAKE THE RIGHT DECISIONS FOR THEIR CHILDREN

ABC's principal sponsor (Senator Dodd) has said of the President's tax credit approach, "You could spend it on beer if you wanted."

- Reveals the philosophy underlying ABC: parents cannot be trusted.
- Is unfair and demeaning to low income working families who are doing their best to care for their children.

DISCRIMINATES AGAINST RELIGIOUS-BASED CARE

ABC's report language specifically rejects "...a narrow, technical interpretation that sectarian activities are permitted so long as no financial assistance under this Act is used for the sectarian activities."

"Under the committee's broad interpretation, an entity receiving any form of financial assistance under the Act shall not include any sectarian activities, worship or instruction in providing child care services under this Act....Section 19(a) embodies the Committee's intent that all aspects of child care services provided by an entity receiving financial assistance under this Act be completely non-sectarian in nature and content."

This language covers all caretakers, including relatives.

REDUCES AVAILABLE CHILD CARE AND INCREASES COSTS

A study of the original version of ABC done by the "Child Care Review" provides an indication of the effects of ABC on parents who use child care centers:

- Would raise the cost of center care for parents by nearly \$1.2 billion a year, an average of \$6.76 per child per week or \$351 per child per year.
- The increase for some parents would be as much as \$25 per child per week because the bill affects states differently. Parents in 10 Southern States and Ohio, Rhode Island, Hawaii and Utah would be particularly hard hit.
- 12,630 licensed child care facilities -- over 20 percent of licensed centers in operation -- would close.

*Don
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*USE
North
Carolina
study on
carefully
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was done
on original
bill + so
not totally
applicable
now*

Similarly a study done by researchers in North Carolina estimates that the annual, per child cost of center care under federally mandated standards similar to those likely to result from ABC would be \$5300. This is:

- Triple the per child subsidy for care that underlies the ABC sponsors' estimate of the number of children served in the first year. [70 percent of \$2.5 billion = \$1.75 billion. Divided by the one million children the sponsor say this bill would subsidize = \$1750 per child.]
- Almost double the \$3000 that ABC's sponsors cite as the annual cost of care per child.
- More than double the median annual cost that families who pay for care report that they spend on child care arrangements for all of their children. [\$1950 -- \$2106]

ABC would affect the price and availability of family-based care even more than center-based care. For the care ABC regulates, it would:

- Point
use*
- Establish intrusive licensing and inspection procedures. Unannounced State inspections would not be limited to the providers' normal business hours nor to the portion of the home used for child care.
 - Establish a basis for State inspectors to require modifications to homes in order to make them like structures built specifically for institutional child care.
 - Require family-based providers to make written policies and program goals available to parents.

BUDGET BUSTER

Using the sponsors' own assumptions about the number of children who are eligible and the number who would receive care in the first year, the cost of fully funding ABC would be \$30-40 billion a year. But ABC will drive up costs and reduce availability of care so that the full cost of ABC could easily be 2 to 3 times as much -- \$60 billion to more than \$100 billion a year.

AVAILABILITY OF CHILD CARE

There is no evidence of a general, national shortage of available child care.

o A comprehensive Department of Labor study of child care examined data on demographic and economic trends, Federal programs providing financial assistance for child care, tax and regulatory policy at State and local levels, actions by employers and labor unions, and workplace trends. They concluded:

Considerable concern has been raised that a "shortage" of child care exists. This report finds no evidence in support of the contention that there is a general, national shortage of available child care. (Department of Labor, "Child Care: A Workforce Issue," 1988)

o A 1984-85 Census survey of the 26.5 million children under age 15 with working mothers counted 0.5 million school-age children -- only 1.8 percent of the total -- as caring for themselves most of the time their mothers were at work. Another Census study specifically concerned with after-school care confirms that survey. ("Who's Minding the Kids?" 1987; "After-School Care of School-Age Children: December 1984," 1987)

Commonly cited "evidence" of a shortage does not hold up under scrutiny.

o Comparisons of the number of slots in licensed child care facilities with the number of children of working mothers are misleading because:

-- More than half of all children of working mothers are cared for by their relatives and their own parents (typically the father, while the mother works). Of the 12.6 million children under age 15 with working mothers, 54 percent were cared for by their parents or relatives most of the time their mother was working.

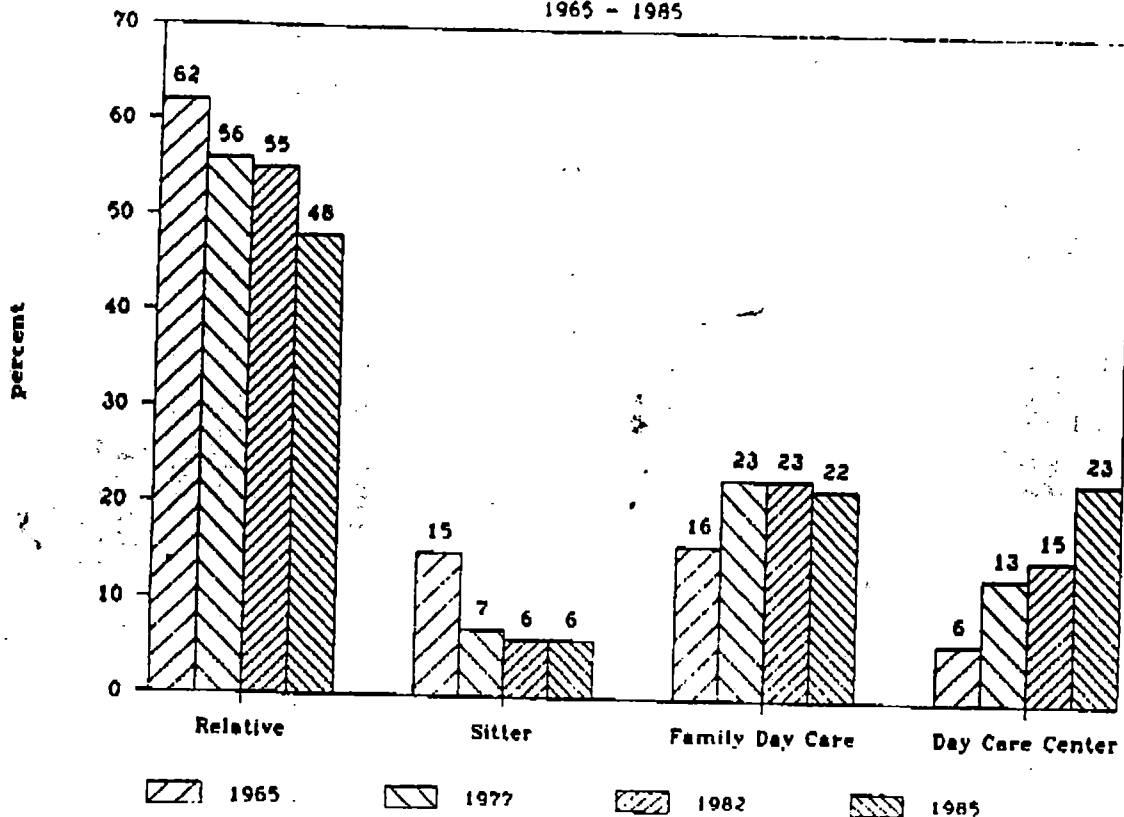
-- Half of the States specifically exempt small, family day care homes from regulation. Consequently this source of child care -- which serves almost as many children as child-care centers -- is not counted in the tally of licensed slots. ("Who's Minding the Kids?"; National Day Care Home Study, 1981; Gwen Morgan, "The State of State Child Care Regulation," 1987)

Photocopy-Preservation

Over the last ten years, the number of licensed day care centers and family day care providers has grown. From studies we have learned that changes have occurred in child care arrangements for preschoolers during the past twenty years. The following chart graphically illustrates that point.

CARE OF PRESCHOOL CHILDREN.

1965 - 1985



LOTUS

Substitute Paragraph on vacancy-shortage

insert at top of page 3

The concern that a shortage exists, national in scope and susceptible only to Federal remedy, seems unsupported by the data. Local day care center waiting lists (a doubtful yardstick due to parents applying to multiple providers) and individual parents' difficulties arranging care seem to account for the perception of an insufficient supply. That anecdotal evidence, documented in newspapers and legislative hearings, may indicate spot shortages of care, however, perhaps reflecting increased local demands not yet met by a larger supply.

Child Care: A Workforce Issue
 Rept. of the Secretary's Task Force

o Long waiting lists for some centers do not prove a general shortage, either.

-- Parents will often put their names on several lists, particularly for low-cost or popular child-care centers. Some centers, rather than advertising, use waiting lists to enroll children not placed there by child welfare agencies. And many of the centers that maintain waiting lists admit that they do not cull the lists regularly, so the length of the lists is of little consequence. (Mathematica, "The Child Care Challenge: What Parents Need and What Is Available in Three Metropolitan Areas," 1989*)

There is no general shortage of slots in child care centers. The number of slots has grown dramatically and prices have not risen significantly, as they would have if there were a shortage of center care.

o The number and capacity of child care centers in operation has doubled in the past decade.

	<u>1976</u>	<u>1986</u>
<u>Number of Licensed Centers</u>	18,300	39,900
<u>Licensed Capacity</u>	1.0 million	2.1 million

Sources: Hofferth and Phillips, "Child Care in the United States," 1987; Prosser, "Day Care Centers," 1986.

o Weekly family expenditures for center-based care have risen little if at all.

-- The average weekly payment, per family, was \$19.56 in 1975 and \$14.12-\$19.15 in 1985, expressed in 1975 dollars. (Hofferth, National Institute for Child Health and Human Development, Testimony on "Child Care in the United States," Select Committee on Children, Youth and Families, July 1987.)

*Note that the summary of this report contains assertions with little or no basis in the study's data, such as welfare reform causing a shortage of child-care slots and a shortage of center-based care for infants.

There are vacancies in both child care centers and family day care homes.

o For child-care centers participating in the federal Child Care Food Program:

-- Half had vacancy rates greater than 9 percent.

-- 32 percent had vacancy rates of more than 20 percent. (Abt Associates, "Study of the Child Care Food Program," 1988)

o The National Child Care Association, a group of proprietary child care centers, has estimated that there is a 14-30 percent vacancy rate among its membership. (Testimony before the House Education and Labor Committee, April 1989)

o In California, there is an 18 percent vacancy rate among licensed family day care homes and a 12 percent vacancy rate among all child-care centers. (California Child Care Resource and Referral Network, "Inventory of Child Care Facilities," 1987)

Many employers have adopted practices services or benefits to facilitate child care.

o 63 percent of workplaces with ten or more employees have adopted policies that facilitate child care.

Percent of Employers Who Facilitate Child Care

	<u>Number of Employees at Workplace</u>			<u>All Workplaces</u>
	<u>10-49</u>	<u>50-249</u>	<u>250 or more</u>	
Work Schedule and Leave Policies	62	58	59	61
Benefits or Services	9	15	32	11
Any of Above	63	62	68	63

Source: "BLS Reports on Employer Child-Care Practices," USDL News 88-7, 1988.

FOURTEEN MYTHS
ABOUT
FAMILIES AND CHILDCARE

by
Robert Rector
Policy Analyst
The Heritage Foundation
(202-546-4400)

The following is a draft copy on article
to be published in a forthcoming issue of
The Harvard Journal on Legislation

Fourteen Myths about Families and Childcare

by Robert Rector

Introduction

The federal government is currently entangled in a heated debate over national childcare policy. At the root of this controversy lie five central questions:

- 1) Should a national childcare policy be restricted to children of employed mothers? Should it discriminate against and exclude families which make an economic sacrifice so that one parent may remain at home to care for young children? More specifically, should traditional families, where the mother remains at home to raise infant children, be taxed to pay for government-sponsored daycare for families where both parents work?
- 2) In supporting employed mothers, what types of daycare should be included? Should government aid be limited to mothers who place their children in formal daycare centers? Should mothers who use informal modes of daycare by relatives and neighbors be excluded from government support? This question is especially pertinent since the informal daycare system in the U.S. is, in fact, far more extensive than the formal, institutional daycare system.
- 3) Who should get the money? Should funds be provided directly to parents through tax relief to meet family priorities as determined by parents? Or should funds go to social service institutions and bureaucracies to meet priorities selected by a few members of Congress? In other words, who best knows how to spend limited resources to meet family needs: millions of parents or a few dozen Congressional staffers and bureaucrats? Who will spend funds to meet family needs most efficiently: parents or bureaucrats?
- 4) What income levels should be assisted? Should assistance be targeted to low income families or should we set in motion a vast new middle class entitlement?
- 5) Should the government embrace a policy which diminishes the role of religious values in American society and restricts the ability of parents, who so desire, to have their children raised in a religious environment--especially when less coercive and more pluralistic alternatives are readily available?

In answering the above questions, we must accept the simple policy rule: that whatever modes of childrearing the government

chooses to subsidize will be utilized increasingly. If the government chooses to subsidize a limited range of childcare options, the use of these options will inevitably expand even if parents would have chosen other alternatives in the absence of government intervention.

The recent childcare debate has focused on heavily publicized schemes, such as the Act for Better Childcare (ABC), which would subsidize formal institutional childcare arrangements that are currently used by less than one pre-school child in ten.¹ The vast majority of families with children would be taxed to finance the flow of resources into government-sponsored daycare centers. The policy confrontation clearly pits the preferences and well-being of most families with children against the financial interests and "advanced" social vision of certain segments of the daycare industry and child development community.

Helping Families With Children: An Analogy

The following analogy contrasts the basic differences between liberal and conservative approaches to aiding families with young children. Suppose the government wanted to help parents feed their children. On the one hand, the government could give families greater income through tax cuts and cash payments to very low income families. On the other hand, the government could set up a chain of government restaurants or heavily subsidize non-profit restaurants in selected communities.

The government restaurant could provide "fed burgers" to the public. If the "fed burgers" were free or if their price was heavily subsidized, families would use the restaurant and there would even be waiting lines. We would then see advocates from the "fed burger" industry arriving in Washington claiming the waiting lines at the government restaurant showed a pent up public demand for "fed burgers" which was not being satisfied. The advocates would tell us that the only way to help parents feed their children was to get more money and go out and build more government restaurants. None of this, of course, would indicate that parents actually preferred government cuisine, or that such a policy was either an efficient or fair approach to helping families feed themselves.

The situation in childcare is quite similar. Liberals want to channel funds to government-sponsored daycare centers. Conservatives want to provide tax relief and cash assistance to families with young children and to allow parents to choose how the funds should be spent: either on a wide variety of types of daycare, or to help the family stay afloat financially while the mother cares for the children at home. While the correct policy for helping to feed children seems obvious, many find the daycare issue more confusing. Much of the confusion stems from a number of basic misconceptions about families and the daycare industry. To help eliminate some of these misconceptions this paper will examine fourteen myths about families and daycare.

Myth #1 The Traditional Family Is Obsolete

According to those who favor a massive increase in government-sponsored daycare in the United States, the "traditional family," where the father is employed while the mother remains at home to care for children, is a thing of the past. Congressional daycare advocates such as Senator Dodd (D.--Conn.), state that while a mother caring for her own pre-school children is clearly a social ideal, it is an antiquated one. Nearly all young children, we are told, either are or soon will be in some form of professional daycare. The notion that parental care of young children is passe in a modern society allows daycare proponents rhetorically to treat the interests of the daycare industry and interests of families and children as if they were identical.

But the traditional family is far from obsolete. Information provided in the a 1987 Census Bureau Report, Who's Minding the Kids shows that only 46 percent of children under five have employed mothers.² Interestingly, less than one pre-school child in three has a mother employed full-time, and less than one in five has a mother employed full-time throughout the year.³

Traditional parental care of young children is not only the most common form of care of young children, it is clearly the overwhelming preference of parents. More than 80 percent of mothers state that they would prefer to stay at home with their own children if they could afford to do so. And by a ratio of two to one mothers under age 44 state that they do not regard the increased enrollment of young children in daycare centers in recent years as a positive development.⁴

Myth #2 Traditional Families Are Affluent

A second myth is that [those traditional families which do exist are affluent. Families which use daycare, we are led to believe, do so out of "economic necessity," while other families have the "luxury" of allowing a mother to remain at home.⁵ Again the argument collides headfirst with social reality. While employed single mothers clearly do use daycare through economic necessity, some 80 percent of the pre-school children using daycare come from two parent/two earner families. The median income of two parent/two earner families in 1986 was \$38,346, about 50 percent more than the median income of traditional families.⁶

Even more striking, when we compare the average family where both parents are employed with the average traditional family where only the father is employed while the mother remains in the home, we find that the husband's salary in both types of families is roughly the same. In other words, the average traditional family is not significantly more affluent then the average two parent/two earner family even when the earnings of the second spouse in

the two earner family are ignored.⁷

There are not two types of families in the U.S., one of which uses daycare from "economic necessity," while the other has the luxury of choice in childrearing. Rather, there are two types of families in our society with two different kinds of family priorities. One group of families chooses to put both parents in the workforce in order to achieve a higher financial standard of living. The other group of families, starting from similar financial circumstances, chooses to make an economic sacrifice so that one parent can remain at home to care for infant children. A pro-family, pro-child government policy should honor both of these options; it should not exclude or discriminate against those parents who choose parental care over institutional care for their children.

Many traditional families are, in fact, among the least affluent of America's families. Few would recognize that among families with pre-school children with incomes below \$15,000 per year, there are more traditional families than families headed by employed single mothers.⁸ Ignored by the media and most social scientists, these low income traditional families are "America's forgotten families." Their needs should be a high priority in any government policy for families with children. But under daycare subsidy schemes, such as the Act for Better Childcare, these low income traditional families are not assisted, but are taxed to provide daycare subsidies for families earning up to \$47,000 per year.⁹

1950s

Myth #3 It Now Takes Two Salaries To Obtain The Same Standard Of Living Which Ozzie and Harriet Had On One Salary

Another common argument by daycare advocacy groups is that the standard of living which was the norm in the 1950s can only be maintained by families today if both parents work. Daycare, the argument runs, has become a modern economic necessity in the struggle to hold the line against declining living standards. Again, this simply is not so. Today, the median income of husbands after adjusting for inflation is 40 percent higher than that of traditional families in 1955. In families where the husband and wife both work full-time, the median income is 270 percent higher--again after adjusting for inflation--than the median income of traditional families in the 1950's.¹⁰

This pattern holds true even for housing costs--correctly regarded as a major burden on today's families. In nominal terms, husbands' incomes increased by 435 percent between 1955 and 1985. In the same period the average nominal cost of a home purchase, holding all changes and improvements in home quality constant, increased by only 264 percent.¹¹

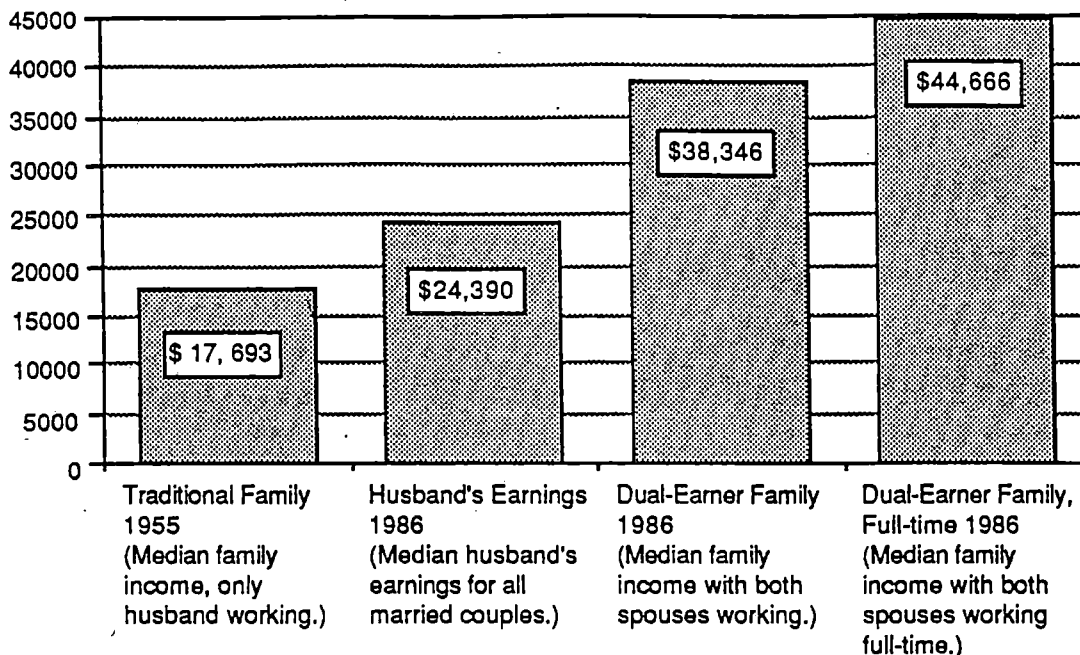
What we have experienced over the last 30 years is not a decline in earnings capacity, but a profound upward "revolution of expectations" in living standards. In the process, we have

largely forgotten what the income level and standard of living of the preceding generations actually was.

Chart 1

End of the Ozzie and Harriet Family?

Does it take two incomes to give families the standard of living that one used to?



(All figures in 1986 Dollars.)

SOURCE: See footnote 10.

As already noted, the overwhelming majority of pre-schoolers using daycare come from two parent/two earner families. Today's families where both spouses work enjoy, on average, a standard of living more than twice that of the "Ozzie and Harriet" generation. It is important that the government assist those families where the mother is employed, but it is equally important that the government not ignore or discriminate against families which have chosen to "make do" at a lower level of income so that one parent can remain at home to raise young children.

Myth #4 The ^{is a} Shortage Of Daycare

The current cry of daycare advocates is that the daycare industry has not expanded quickly enough to meet demands. They see a chronic economic bottleneck in the daycare industry, and call for direct government subsidization to create the new daycare "infrastructure". But there is no evidence of a bottleneck in the supply of daycare: the day-care industry is expanding

rapidly. The number of children in formal group care centers increased from 141,000 to 2.1 million, or 1500 percent, between 1960 and 1986. The number of centers also grew, from 4400 to 39,929. There are at least another 1.6 million small, unlicensed neighborhood providers.¹²

Moreover, if the demand for daycare had exceeded the supply, the price of daycare would increase rapidly. This has not occurred. The constant dollar cost of formal centers and neighborhood providers has remained the same, or increased only slightly in the last 10 years.¹³

Daycare advocacy groups cite waiting lists at some daycare centers as proof of shortages and a bottleneck in supply. But other centers in the same communities report vacancies. Facilities with waiting lists are, almost invariably, those with government subsidies which are charging below market rates. Any organization using direct government subsidies to offer any good or service, from hamburgers to daycare, to the public at below market rates will inevitably develop a "waiting list." But such a waiting list, clearly, should not be interpreted as evidence of an overall supply shortage.

A recent survey by the Labor Department, entitled Childcare: A Workforce Issue, supported this conclusion. It stated:

Considerable concern has been raised that a "shortage" of child care exists. This report finds no evidence in support of the contention that there is a general, national shortage of available care.¹⁴

Gerber and Kindercare, national daycare chains, report average vacancy rates of 30 percent. A preliminary survey by the National Childcare Association, which represents private sector daycare providers, finds an average vacancy rate of between 15 and 30 percent within a variety of states across the country.¹⁵ Gary Neugebauer, publisher of The Childcare Information Exchange states that across the U.S. there are, in fact, currently two licensed daycare slots for each child in a daycare center.¹⁶ In many areas it would be accurate to speak of a daycare "glut" rather than a shortage.

However, many families do face a perceived "shortage" of daycare in the sense that they would like more daycare options or better quality care than they can afford. Obviously, though, families face this same "shortage" in varying degrees for all products and services. The solution is not for the government to establish a daycare "infrastructure," just as it would be inappropriate for the government to create a "restaurant infrastructure." Instead, the government should provide tax relief to parents to allow them to have more money to spend on daycare (if they so choose).

Myth #5 The "Magic Dollar" Argument

Rec.
C. B. G.
W. B. G.

Much of the controversy over recent daycare legislation has focused on the issue of whether funds should be provided directly to parents or should be given to daycare centers. The Act for Better Childcare provides for a "trickle down" daycare strategy, in which funds are passed through multiple layers of bureaucracy and eventually doled out largely as grants, to daycare centers. This cumbersome "trickle down" funding--providing money to virtually everyone but parents--is rationalized as follows: funds given directly to daycare centers from the government will cause an increase in supply, while the same funds given to parents to spend in daycare centers will not cause supply to increase. Thus, one dollar given as a direct grant to a daycare center, we are to believe, assumes a "magic" quality which causes the "daycare infrastructure" to expand; the same dollar given to parents who spend it in a daycare center has no impact on supply, but will only increase costs.

No evidence has ever been presented to justify this peculiar notion. Economic logic and history, of course, indicate exactly the opposite: direct bureaucratic subsidization of a service is the least efficient way of meeting a public need. It virtually guarantees swollen administrative costs, salary escalation, and general inefficiency. For example, public housing units constructed directly with government funds generally cost 40 percent more and are of lower quality than similar units constructed in the private sector.

On the other hand, giving funds directly to parents introduces an intrinsic quality control mechanism. It insures that funds are properly targeted, e.g., monies go to facilities which parents have chosen as most appropriate to meet the needs of their children, not to a handful of centers which are adept at pulling political strings and jumping through loops of bureaucratic red tape. Giving funds directly to parents means that daycare providers must compete for the funds; parents will direct their funds toward daycare providers which offer the best quality care at the lowest cost.

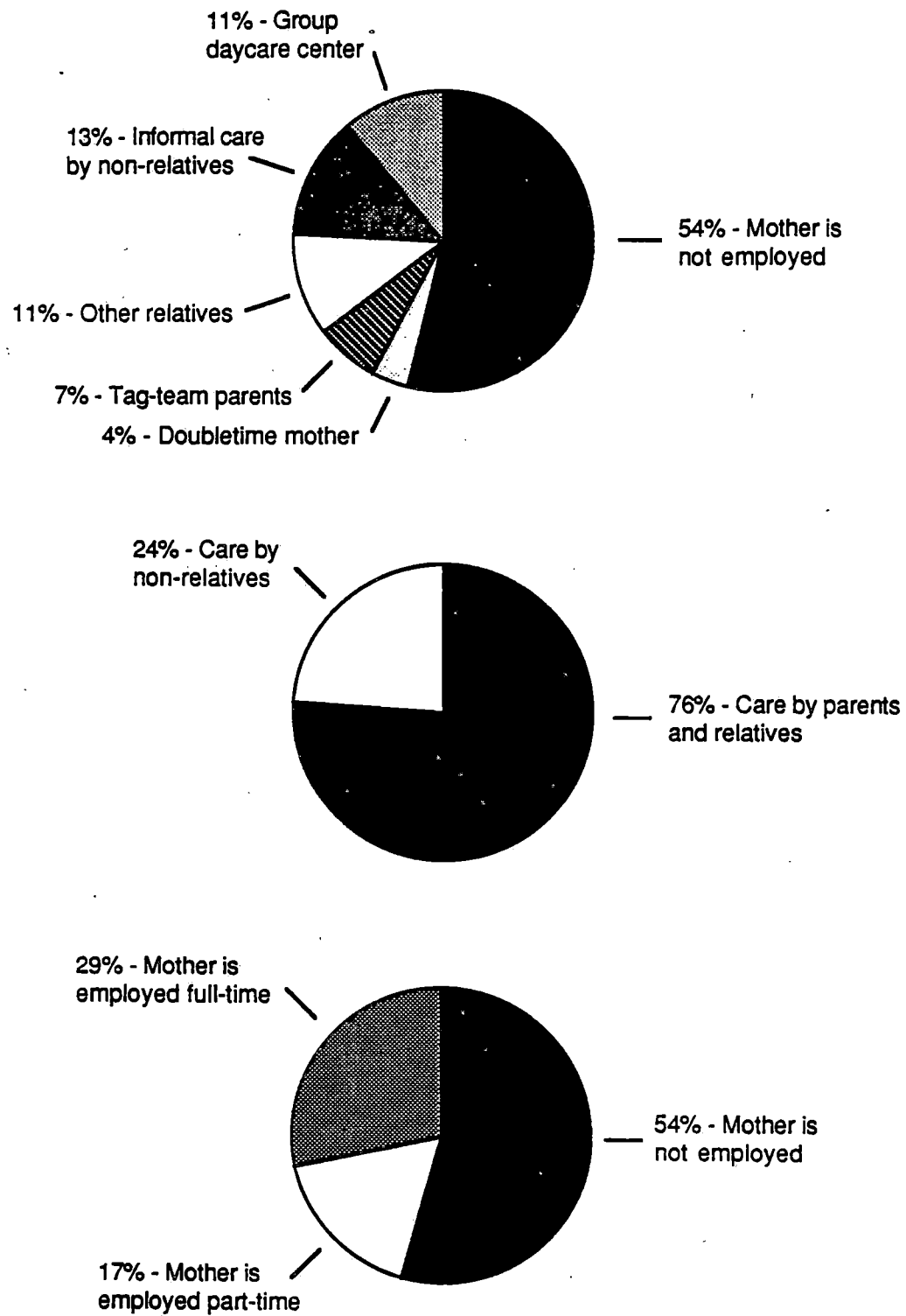
If the government decided it wanted to help families purchase refrigerators, the last thing it would do would be to provide direct subsidies to bureaucratically-selected appliance stores on the theory that this would expand supply and lower prices. The same logic applies to daycare; the key to a sound childcare policy is to increase the income of parents, not the income of daycare centers.

Myth #6 The Prevalent Use Of Daycare Centers

Contrary to popular wisdom, the use of daycare centers is, at present, quite rare. As noted, over half of children under age five in the U.S. reside in homes where the mother is not employed. But even in families where the mother is employed, use of formal institutional daycare is relatively rare. Seven percent of young children are cared for by "tag team" parents,

Chart 2

Patterns of Childcare for Children Under Five



SOURCE: See footnotes 2 and 3.

where the mother and father work different shifts and the father cares for the children in the mother's absence. Another four percent of pre-school children are cared for by "double time" mothers, who earn income at home while caring for their own children; many of these mothers are employed as informal daycare providers for other children in the neighborhood. Finally, an additional eleven percent of children under five are cared for by grandmothers, aunts, or other relatives while the child's mother works. This means that, overall, three out of four pre-school children are in parental or relative care during the course of the average day.¹⁷

Only one child in four is customarily in non-relative care. And even among these children, care by formal institutions is not the norm. Instead, a majority are cared for in neighbors' homes or through other informal arrangements; there is no evidence indicating that parents are dissatisfied with informal daycare arrangements. Overall, among children under five, only 11 percent are placed in formal daycare centers while the mother works.

Despite the relative rarity of institutional daycare, recent legislation to cope with the daycare "crisis" restricts all assistance to formal licensed daycare facilities. Employed mothers using fathers, grandmothers, and neighbors to care for their young children would receive no support. Thus, roughly three out of four pre-school children with employed mothers would be denied assistance.¹⁸

A genuine childcare policy--which meets the needs of parents and children, rather than the special interests of the daycare industry and the formal child development community--would seek to expand, not restrict parents' options in childcare. Such a policy would provide funds directly to parents, allowing them to choose the type of care which was most appropriate to their needs rather than bureaucratically pre-selecting the type of care which should be subsidized.

Myth #7 The Latch Key Crisis.

In recent years, cries of alarm have been sounded about the increasing numbers of "latch key" children: young school age children who are left alone without parental supervision for extended periods before and after school. For example, the Children's Defense Fund has claimed that there are at least 7 million latch key children under age 13 in the U.S.

However, a Census Bureau survey of childcare arrangements in 1984 shows that both the extent and the character of the latch key phenomenon have been misrepresented. Census data indicate that there are approximately 2.1 million latch key children between the ages of 5 and 13 who are left without adult supervision for at least brief periods before and after school. Most of these children are over age 10. Only two percent of school-age

children under age 10 care for themselves either before or after school. Among children aged 5 to 7, the figure is even smaller: less than one percent are in self-care before or after school. Another two percent in this age group are cared for by another child under age 14, generally an older brother or sister.

Contrary to popular accounts, latch key children remain without adult supervision for only short periods. Among children under 10--who care for themselves or are cared for by a sibling under 14--a third are alone for less than one hour each day; 89 percent are alone for less than two hours.

Table: Numbers of Latch Key Children

Age Level	Children in Self-Care		Children Cared for by Another Child less than 14 Years Old	
Five to Seven	69,595	(0.75%)	217,923	(2.36%)
Eight	76,637	(2.52%)	111,915	(3.68%)
Nine	160,949	(5.17%)	75,960	(2.44%)

Source: Virginia S. Cain and Sandra L. Hofferth, "Parental Choice of Self-Care for School-Age Children," p. 25.

While some have argued that latch key children are concentrated among low income families--particularly families headed by single working mothers, forced by economic necessity to leave their children unattended--the facts again show otherwise. Latch key children are found disproportionately among intact two parent families and among families with higher incomes. Moreover, latch key children disproportionately tend to be white, to live in the suburbs, and to have better educated parents.

In an in-depth study of latch key children, Drs. Virginia Cain and Sandra Hofferth of the National Institutes of Health found that parents are selective in determining whether or not to have a child care for himself or herself. The maturity of the child and the relative security of the neighborhood, rather than economic necessity, appear to be the prime factors in the decision.¹⁹

This does not mean that latch key children pose no potential problem. In particular, the 307,000 children under age 10 who are in self care (roughly four children for each elementary

school) are a cause for some concern. But the scope of the problem is clearly limited and can be dealt with at the local level; there is no nationwide "crisis" requiring establishment of a new federal program, with new federal monies. The appropriate response by local governments would be modest programs providing before and after school supervision inside the elementary school. Such programs should be funded by user fees paid by the relatively small number of parents who would benefit from the service; exceptions to the user fee principle could be made for very low income families.

Myth #8 The Government Spends Little On Daycare

Another common misconception is that the federal government provides scant funding for daycare. Yet in 1986 the federal government spent, through tax credits and direct outlays, \$5.6 billion per year on daycare. This amounted to over 35 percent of the total nationwide spending on daycare (\$15 billion per year), both public and private.²⁰ It is likely that at least part of the recent increase of mothers with young children in the labor force is due to the high degree of federal subsidization of daycare use.

The federal government already provides roughly twice as much financial assistance, through tax exemptions and credits, for each young child in a family using formal daycare, as it does for a young child in a traditional family where one parent remains at home. If the Act for Better Childcare bill were passed, this ratio would rise to three to one.

Myth #9 Daycare And The Impending "Labor Shortage"

One of the arguments advanced in favor of promoting the entry of mothers with toddlers into the labor force is the impending "labor shortage" of the mid-1990s. Certain segments of the business community have developed an interest in erecting a taxpayer financed "daycare infrastructure" to stave off or mitigate the future "labor shortage."²¹ But even a cursory understanding of the principles of micro-economics demonstrates that an enduring shortage of any service or commodity is impossible in a free market. A shortage persists only briefly until the price of the good (in this case, the wage rate) rises and a new equilibrium price is established where supply matches demand.

Under economic analysis, the "labor shortage" argument should be re-phrased as follows: over the next decade, the demand for labor will increase more rapidly than supply which will cause real wages to rise rapidly. The increase in wages can be forestalled or minimized if the government artificially stimulates an increase in the supply of young mothers in the labor force through taxpayer subsidies for daycare.

The labor shortage/daycare argument is little more than

camouflage for policies designed to restrain the growth in real wages, particularly among female workers. While it is easy to see why this issue has piqued the interests of some parts of American industry; it is difficult to see how anyone could represent this policy as meeting the interests of workers, families, mothers and children.

Myth #10 Unregulated Family Daycare Is Harmful To Children

There are two basic types of daycare providers: "group care centers" which care for more than six children, and "family daycare providers" caring for six children or less. While everyone agrees that group care centers should be licensed--and all states do in fact license such centers--some states do not attempt to license smaller family daycare providers. Even in states which do impose licensing and registration requirements, a majority of small family daycare providers remain unlicensed and unregulated. Overall, approximately 90 percent of the estimated 1.75 million family daycare providers in the U.S. operate without a license.²²

Advocates of institutional care have for years tried to argue that unlicensed neighborhood family daycare providers are less safe and less healthy than large regulated daycare centers. All available scientific evidence flatly contradicts this claim. Indeed, much evidence suggests the opposite. The nationally publicized cases of sexual abuse in daycare, such as The West Point Daycare Center and the McMartin School in California, for example, occurred in large, fully regulated daycare centers.

The National Daycare Home Study, conducted for the Department of Health and Human Services found no indication that unregulated family daycare was harmful or dangerous. It concluded that family daycare was:

"stable, warm, and stimulating...[it] caters successfully to the developmentally appropriate needs of the children in care; parents who use family daycare report it satisfactorily meets their child care needs...[the study's] observers were consistently impressed by the care they saw regardless of regulatory status."²³

The typical unregulated family daycare provider is a mother taking care of one child of her own as well as one or two other children from the neighborhood. The study found that unregulated providers were more likely to comply with state regulations concerning adult/child ratios for children of different ages than were licensed daycare providers. Unregulated providers, according to the study, were governed by a "self-regulating mechanism" concerning the number of children in their care: the more of her own children a mother cared for, the fewer outside children she would take in. The average caregiver/child ratio in unlicensed family care is far lower than in the most

strictly regulated daycare centers.

The HHS study found significant differences between regulated and unregulated family daycare providers. Regulated providers: are less likely to be caring for their own children; have more children under their care; and charge higher prices. These women clearly regard childcare as an occupation. In contrast, unregulated providers are primarily engaged in caring for their own children; they care for one or more neighborhood children as a modest means of supplementing the family's income. Very often mothers in unlicensed homes have begun providing daycare not at their own initiative, but because neighbors and relatives have asked them to do so.

According to the HHS study, unregulated family care providers have the following characteristics:

- o Over half of the parents with children in unregulated family daycare had known the caregiver for six months or longer before placing their children in the provider's care.
- o One-third of parents with children in unregulated care stated that they had a close personal friendship with the caregiver; another third regarded the caregiver as a casual friend.
- o Over half of the children in unregulated family daycare lived within a few blocks of the caregiver's home.
- o Over three-fourths of parents said that their children had a "loving" relationship with the caregiver, and 22 percent said their children had a "friendly" relationship.

Most users of unregulated family daycare were satisfied with their daycare arrangements; only 17 percent of the parents stated that they would prefer to place their children in daycare centers. By comparison, a quarter of the parents with children in regulated family daycare stated that they would prefer less formal daycare by relatives or non-relatives. (The survey did not provide data on the number of parents with children in group daycare centers who would prefer less formal arrangements.)²⁴

The HHS study strongly contested the view that family daycare, either regulated or unregulated, was largely "custodial".²⁵ The study found a high level of teaching activities and interactive play in family daycare; activities such as television watching were infrequent. Moreover, given that unregulated providers have fewer children under their care, the average child in an unregulated home spent more time in direct interaction with adults than the average child in a regulated home. Despite a lack of formal training of caregivers, the average non-resident child in an unregulated setting spent more time in constructive teaching/developmental activities with the caregiver than did the average child in regulated family care.²⁶

Unlicensed family daycare poses far less of a threat to a child's health than does care in a larger group care centers. Researchers at the Centers for Disease Control have found that "large, licensed daycare centers...are major transmission centers for hepatitis, severe diarrhea and other diseases."²⁷ Diseases picked up in large daycare centers are passed on to parents and siblings; Dr. Stephen Hadler, of the Centers for Disease Control has estimated that 14 percent of all infectious hepatitis cases in the U.S. are acquired through daycare facilities. Other daycare diseases include haemophilus influenzae infection, which can cause meningitis, pneumonia, arthritis and blood and skin infections and cytomegalovirus infection which does not harm the daycare infant but can be transmitted to a pregnant mother, resulting in birth defects to the unborn fetus.²⁸

Medical research demonstrates unequivocally that daycare centers are a primary cause of childhood meningitis. Doctors Stephen Redmond and Michael Pichichero analyzed meningitis incidence in Monroe County, New York.²⁹ They found that children, younger than one year, had 12.2 times greater chance of contracting a meningitis attack if they were cared for at a daycare center rather than at home. For children one to two years old, daycare use increased the relative risk by 7.2 times, and for three and four year olds, it was 3.8 times higher. While the overall rate of meningitis, among children in the general population, is 40 to 60 per 100,000 per year, the Monroe County study found that nearly one percent of the children in daycare centers under the age of one suffered a meningitis attack each year.

Based on the age specific meningitis attack rates attributable to daycare centers in the Redmond and Pichichero study, it would be reasonable to conclude that use of daycare centers, at the present time, results in an additional 3,100 meningitis cases per annum nationwide.³⁰ Roughly one tenth of meningitis victims will die and another third will suffer long term neurological damage.

Smaller, generally unlicensed, neighborhood facilities pose less of a threat of infectious disease than do large regulated facilities, because larger centers place more children in contact with each other thereby raising each child's risk of contracting infectious diseases. In particular, the incidence of meningitis is directly proportional to the size of the daycare center and decreases dramatically if there are less than three children in the daycare setting.³¹ "The larger the center or the longer the hours, the greater the chance [of infectious disease occurring]," states Dr. Hadler.³²

Finally, it is ironic that the types of daycare which are most likely to be cited as in "shortage" (i.e., infant care and part-time care) are the services most likely to be provided by unlicensed family daycare. But proposed daycare policies, such as the ABC bill, would vehemently deny any assistance to mothers

which use informal neighborhood care. Moreover, they would impose a tight web of government regulations which would make it much more difficult for unregulated caregivers to operate. Such policies would clearly restrict, rather than expand, parents' childcare options, and would undermine the health of American children; they are emanations of the narrow financial interests of the professional child development/daycare industry and have nothing to do with the interests of parents and children.

Myth #11 Daycare Regulation Has No Impact On Daycare Cost Or Supply

There is general agreement that states, not the federal government, should set standards for primary and secondary schools. State or local authorities determine proper classroom size, teacher/pupil ratios, and teacher qualifications. But while states apparently can be entrusted to regulate schools, when it comes to daycare, we are warned, state authority must be pre-empted by the federal government.

The recently proposed Act for Better Childcare, for example, would impose federal daycare regulations. These federal regulations would force half the states to dramatically raise staff/child ratios in daycare centers, and would stipulate that no state could ever ease its current daycare regulations, even if those regulations exceeded federal norms.

While the ABC bill allegedly intends to expand daycare supply, the unavoidable fact is that stringent daycare regulation raises daycare costs and restricts supply. The following chart shows the current relationship between daycare regulation and daycare supply in states across the nation.³³ Clearly, those states with more stringent standards for staff/child ratios have less daycare relative to their populations. Advocates of stricter regulation vociferously deny this obvious relationship.

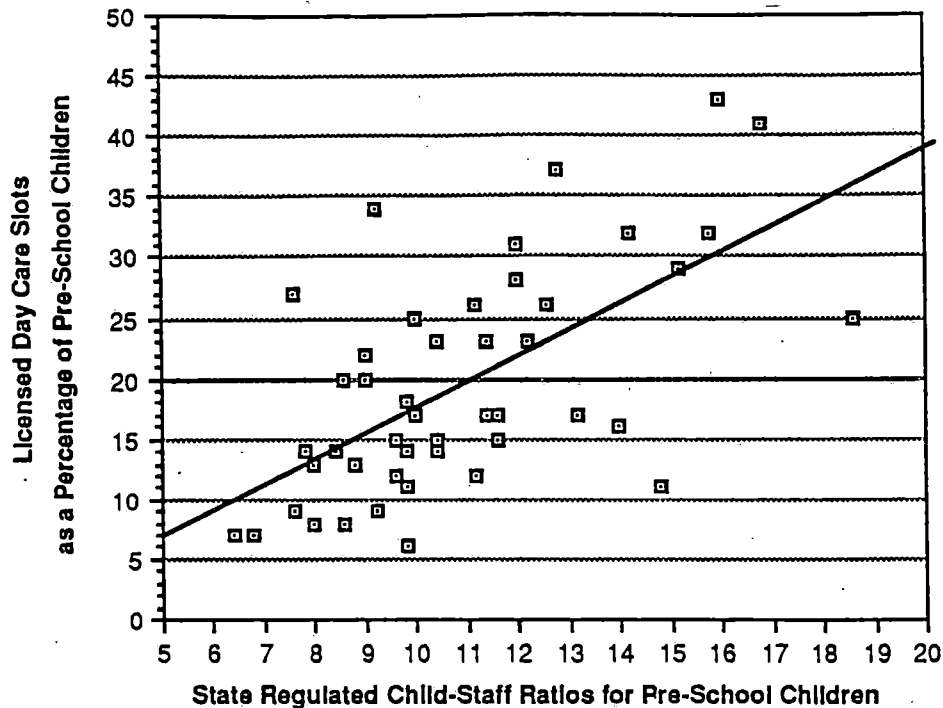
One study of the regulatory impact of the ABC bill found that it would raise daycare costs nationwide by \$1.2 billion and result in the closing of roughly 20 percent of the daycare centers in the U.S. Ironically, southern states, which have the largest supply of daycare per capita, would be hardest hit. In these states, the increase in costs due to federal regulation would exceed the federal subsidies from ABC entering the states.³⁴

The perceived "shortage" of care is most severe in states where excessive regulation has caused daycare costs to skyrocket. There is an obvious and delicate tradeoff between daycare regulatory standards and the costs and availability of daycare. State legislators, for the most part, have grappled conscientiously with the issue for many years. The recent cavalier attitude of federal legislators who have proposed blanket federal regulation of the daycare industry without even the most cursory analysis of the impact of their own proposals

demonstrates why a legislative division of labor between the levels of government is needed--and why regulatory issues of this sort should be kept at the state level.

Chart 3

Effect of Lower Child-Staff Ratios on Day Care Availability



The X-axis represents the average staff-child ratio for children aged one to five set by existing regulation within each state. The Y-axis represents the number of licensed daycare slots within a state as a percentage of the number of children under age five within that state. Each dot on the graph shows the current daycare situation within a particular state. The line on the graph was calculated by linear regression and shows the average mathematical relationship between the child-staff ratio dictated by state regulations and the number of daycare slots available. Data used in the graph were derived from "Are State Standards Too High for Child Care?" in Child Care Review, April 1987.

Myth #12 Daycare And Welfare Dependence

Daycare advocates often argue that a shortage of daycare facilities keeps mothers on AFDC from working. Again, a misconception. AFDC mothers are already guaranteed daycare payments of up to \$175 per month per child or the average cost of daycare in their locality. In many states, an AFDC mother can work full-time at a minimum wage job, receive the full daycare subsidy, and still remain eligible for Medicaid and partial AFDC benefits. A mother working at the minimum wage in such circumstances would have an income that exceeded the poverty level even after deducting for the cost of daycare.

But despite these provisions, few AFDC mothers work. The reasons for the lack of work and for long term welfare dependence are very complex.³⁵ The evidence is clear, however, that a lack of daycare centers and funds to pay for care have never been major determining factors in welfare dependence.

The data from controlled experiments are striking. In Gary, Indiana, an income-maintenance experiment provided free, high-quality daycare to welfare mothers in school or working, and subsidized care to other low-income families. Only 15 percent of the eligible children were enrolled at the program's height. In similar experiments in Seattle-Denver only three percent of low-income mothers not working cited daycare as the reason. Despite the provision of heavily subsidized daycare, there was only a six percent increase in Seattle in the use of licensed day care centers and homes during the course of the experiment, and no increase in use in Denver.³⁶

Similar studies also show that when daycare arrangements are disrupted low income mothers are able readily to find alternatives. In South Carolina, when the daycare facility used by a number of low income women shut down, nearly all continued working and located new care for their children within a few days.³⁷

The recent study of workfare programs by the Manpower Demonstration Research Corporation (MDRC) in Arkansas reinforces these conclusions.³⁸ Over half of the welfare mothers required to participate in the Arkansas experiment had children between three and six. But no evidence was found that a lack of daycare prevented women from participating in the highly successful workfare experiment. Women in the Arkansas program were required to arrange their own day care. Most mothers used, and seemed to prefer, informal care arrangements. The Manager of Work Programs for the state of Arkansas, Clarence V. Boyd, stated:

We did not find that a lack of child care inhibited large numbers of AFDC recipients from participating in the program.... We tried to encourage mothers to make their own arrangements. The mother is best able to determine what care is most appropriate for her needs and the needs of her child.³⁹

The evidence suggests that when AFDC mothers work, they prefer informal care arrangements, particularly by relatives.⁴⁰ AFDC mothers in the inner city, generally have abundant and strong kinship networks in their neighborhoods; one fourth of non-employed welfare mothers actually have another adult female present in the household with them.⁴¹ These informal familial and kinship networks in inner city neighborhoods provide an ideal daycare resource which can help families in escaping from welfare dependence and poverty. Public policy should find ways to strengthen these networks rather than disparaging them as most

professional daycare advocates do.

Myth #13 Daycare And Religion

Under most daycare subsidy schemes, grants would flow from the federal government to daycare centers. But nearly one-third of daycare centers are church-affiliated; many include significant religious instruction in their programs.⁴² A very objectionable aspect of the direct government subsidization of daycare is its negative effect on religious daycare centers. In order to maintain the separation of church and state, any daycare center which actively provided religious values to children through prayers, stories, and songs would be denied government funds. Such centers would be forced either to purge the religious content from their programs or to compete without subsidies against heavily-subsidized secular facilities, thus being driven out of much of the market.

The negative impact on religious daycare could be especially tragic in the inner city where many parents would prefer to have their children raised in a religious environment. The churches of the inner city and their influence on the lives of the young play a crucial role in helping the disadvantaged escape from poverty and despair. Among black male teenagers in the inner city today, those with religious values are 47 percent less likely to drop out of school; 54 percent less likely to use drugs; and 50 percent less likely to engage in criminal activities.⁴³

It is imperative that public policy not make it more difficult for poor parents to put their children in religious daycare if they wish to do so. Under policies which provide direct federal grants to daycare centers, the availability of religious daycare would diminish, and parents desiring religious care would be discriminated against, receiving no assistance. Under a general tax credit policy for families with young children, parents who wished to use tax credit funds for religious care could do so. A policy of tax credits to parents would also alleviate the concerns of liberals who object to direct federal funding of religious institutions even if the funded activity is secularized.

Myth #14 Conservative Tax Credit Proposals Are A Sexist Plot

There is a suspicion that behind the daycare debate lurks a secret goal of the troglodyte right to keep American women barefoot and pregnant in the kitchen. But even within conservative ranks, there is an almost universal recognition that women do and should play an ever larger and indispensable role in the professions and throughout the economy. The conservative movement in the U.S. and abroad is studded with brilliant and assertive female leaders.

The question at hand is not whether women should work, but whether women should have the right to temporarily step out of the workforce to raise their children. It is not a question of whether women's place is in the home, but whether a baby's place is in the home, and whether government policy should actively discourage homerearing of children. (This is a question that will be especially important to female blue collar and service workers who are likely to find a few years at home with infant children to be a more rewarding experience than an unremitting "career" on the factory floor.)

A very large percentage of families are currently following a "sequencing" strategy of childrearing. Women work full-time up to the birth of the first child; after that birth, the mother works full or part-time until the birth of the second child. With two pre-schoolers in the household, daycare becomes far less feasible and desirable, and the mother leaves the labor force and remains at home to care for the two children. When the older child reaches school age, the second child is placed in daycare and the mother reenters the labor force. Note that a "sequencing" family is most economically vulnerable when it has two pre-school children at home. This is precisely the point at which daycare subsidy schemes would deny all support to the family. However, under conservative tax credit policies, the family is supported throughout each stage of the sequencing process.

The conservative/liberal battlelines on the daycare issue have become confused. In her recent book, The Second Stage, Betty Friedan writes, "We should move for some very simple aids that make it possible for mothers (or fathers) who want to stay at home and take care of their own children to do so, with some economic compensation that might make a difference."⁴⁴ The most obvious way to enable more mothers to do this is to reduce the present rapacious confiscation of family income by taxation.

The Real Problem Facing America's Families: Over-Taxation

If the federal government really wants to help families with young children, it should re-focus its attention on the real problem facing families today: over-taxation. Government policy used to protect families with children from excessive taxation recognizing that such families were the cornerstone of America's future. But that pro-family tax policy has long since disappeared.

In 1948, a family of four at median family income paid 2 percent of its income to the federal government in taxes--today that same family pays roughly 24 percent.⁴⁵ This means, for example, that a family earning \$30,000 per year pays between \$7,000 and \$8,000 in taxes to the federal government. The average federal tax burden, in fact, nearly equals the average share of the family income contributed by working mothers. Yet as we know, most mothers state that they would prefer to stay home with their

children, at least temporarily, if they could afford to so. In far too many cases, mothers with young children are being forced into the workforce to compensate for the loss of family income due to burgeoning tax rates.

Nor is this problem restricted to the middle class. Even low income families face high tax burdens. A truck driver struggling to support a wife and two infant children on \$15,000 per year pays an astounding \$2,335 in federal taxes. Often the government follows the enlightened policy of taxing low income families back into poverty.

The growth of government spending and taxation has disproportionately affected families with children. Between 1960 and 1984, the average income tax rate for single persons and married couples with no children did not increase, but for a married couple with two children it climbed 43 percent; for a family with four children, tax rates soared 233 percent.⁴⁶ The primary cause of this growing anti-family distortion of the tax code has been the eroding value of the personal exemption. In 1948, a personal exemption of \$600 equalled 42 of the average personal, per capita income, which was then \$1,434. Over the next three and one-half decades, the personal exemption lagged far behind while incomes rose and inflation undermined the dollar's value. The tax reform legislation of 1986 did raise the value of the exemption finally to \$2,000, but this has only partially offset the decline of the preceding thirty years. To have the same value relative to income as it had in 1948, today's personal exemption would have to be raised to \$6,468.

In no small measure, the "Great Society" has been funded by an ever larger tax burden on families with children; we have taxed the future to finance the present. The growing use of daycare, with its ancillary problems, by millions of families who would prefer other arrangements for their children is a direct consequence of the government's tax policy.

Tax Credit Policies

President Bush and others have proposed taking the first steps toward reducing the family tax burden by offering tax cuts to families with young children. While the liberal ABC bill offers daycare subsidies to families earning up to \$47,000, the conservative "toddler tax credit" proposals focus on initial assistance on low income families. In general, the tax credit policies would offer a \$1,000 tax cut per preschool child to families earning less than \$20,000. (President Bush has promised to make the tax credit available to families above \$20,000 when this becomes financially feasible.) Very low income families who pay little in taxes would receive equivalent cash assistance through an expanded earned income tax credit.⁴⁷ The policy would not be restricted to families using daycare and parents would be free to use the funds as they chose.

Chart 4

Value of Personal Income Tax Exemption Measured in Constant Dollars

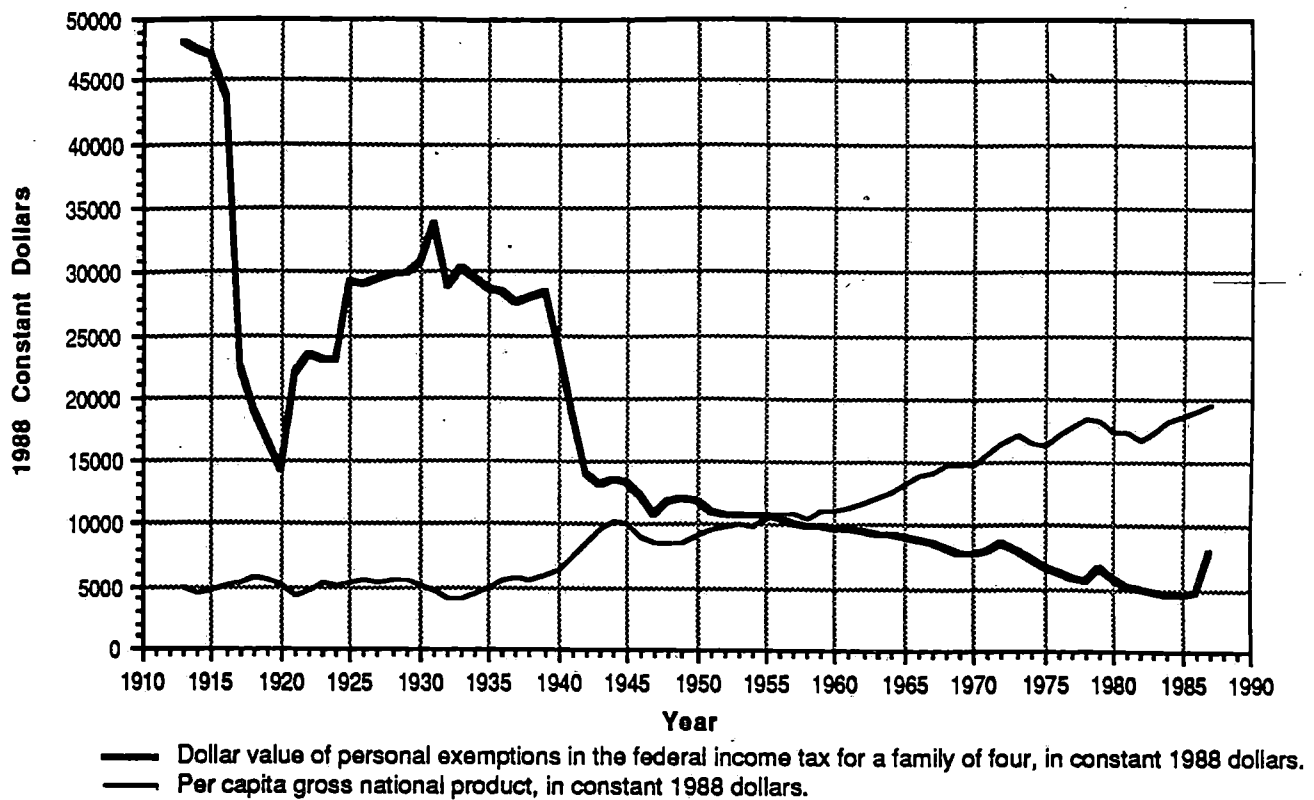
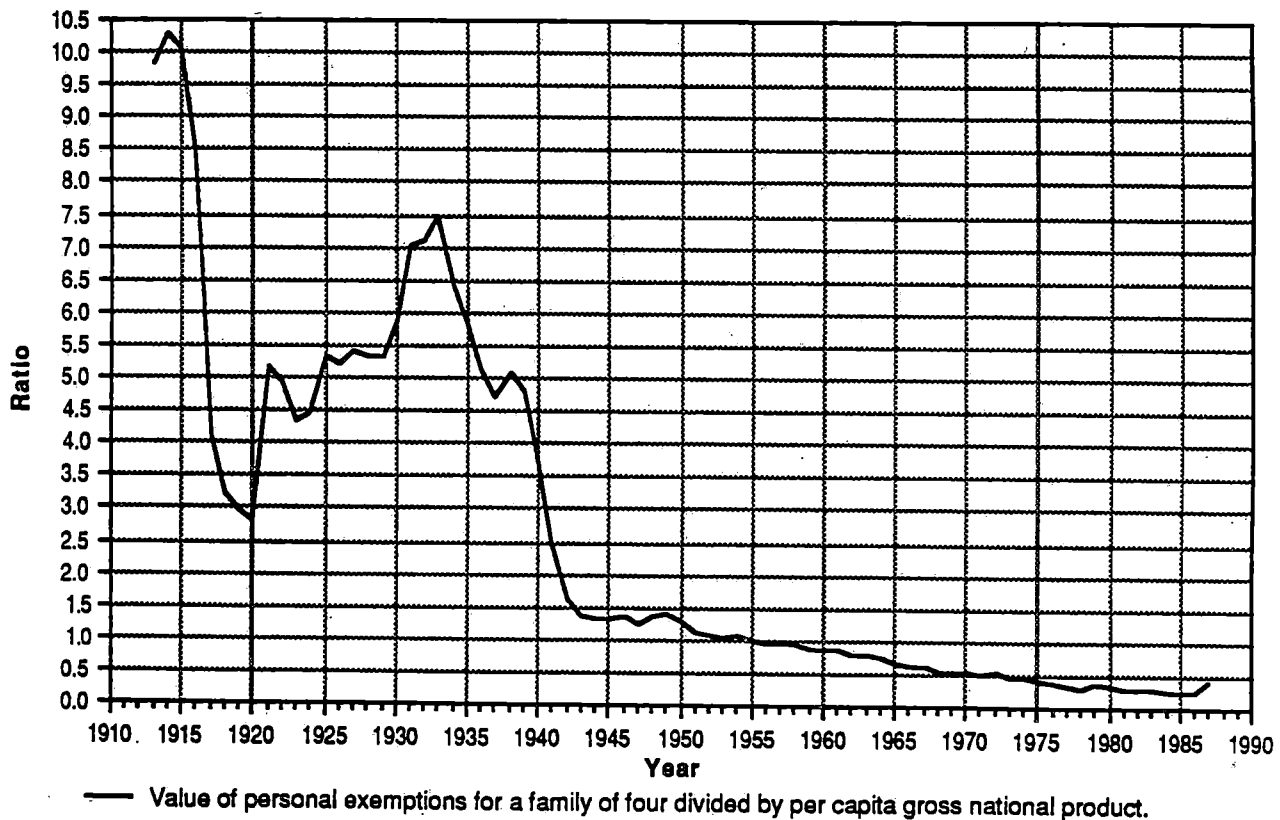


Chart 5

Ratio of Value of Personal Income Tax Exemptions to Per Capita Gross National Product



SOURCE: For both charts, Joseph A. Pechman, "Federal Tax Policy", 5th ed., (Washington, D.C.: The Brookings Institution, 1987) pp. 313-4, and data from The U.S. Bureau of Economic Analysis.

The childcare tax credit proposals have received criticisms based on misunderstanding. First, some have argued that tax relief will do little to help low income families since they do not pay taxes. But low income families do pay taxes: family of three earning \$12,000, for example, currently pays \$1,300 in federal taxes. And the child care tax credit policy would provide significant cash assistance as well. Families would not need to wait for a tax refund at the end of the year; income and social security tax withholding from the weekly pay check would be reduced or eliminated, and government cash supplements would also be provided through the regular pay check.⁴⁸

Second, critics have charged that the tax credit proposals do not really provide for choice in childcare because a \$1,000 per child would not enable the average mother to quit her job and remain at home with her children. But the tax cut may make it more attractive for many mothers working at low wages to remain at home since the net gain from employment for such women after day-care costs and other work related expenses may be relatively low. The tax cut could enable other mothers to work less and spend more time with their children if they chose. Equally important, the tax credit would give desperately needed tax relief to hundreds of thousands of low income traditional families who are presently struggling to keep their heads above water on one salary while the mother remains at home to care for infant children.

Finally, critics contend that a \$1000 per child tax cut is not sufficient to pay for the full cost of day-care in a formal day-care center, which averages about \$3000 per year. But this criticism ignores the \$1.5 billion in day-care subsidies which the federal government already provides to low income families through existing programs. Combined with the \$1,000 per child tax credit these funds should be sufficient to pay for the full cost of daycare for pre-school children in low income families.

Conclusion

It is impossible to ignore the trendiness in the current daycare debate. It seems our society can accept only one stereotype of women at a time. In the 1950s all mothers were supposed to be at home baking cookies. In the 1980s all mothers are supposed to have degrees in bio-chemistry; they are supposed to be employed full-time from their early twenties until they retire. When they have a child, they are supposed to stay with the child for a few weeks and then plunk it in a daycare center for 40 or more hours per week, and get back to things that are really important.

But most mothers today do not fit this stereotype--nor do they want to. We need a more humane model for helping families with young children meet their needs. And we need a more humane model for helping young women integrate careers and motherhood over a life time. That model should be rooted in parental choice, and

not in a one dimensional policy of subsidizing the use of daycare centers.

Much of the political momentum behind the current daycare debate stems from the fact that conventional wisdom on this issue is completely inaccurate. Traditional parental care for children has not disappeared; it remains the most common form of pre-school care and is overwhelmingly preferred by American parents. Families practicing traditional parental care are not more affluent than the rest of society, and there are large numbers of very low income traditional families. Lobbying interests in Washington would have us believe that daycare centers are the wave of the future. But use of daycare centers is rare, employed mothers exercise a wide range of childcare options including care by neighbors and relatives. Informal care by neighbors and relatives is not unhealthy; in many respects, informal care is better for children than care in large daycare centers. Finally, there is not an iota of evidence indicating a market failure or structural bottleneck in the daycare industry and justifying direct government funding of a "daycare infrastructure."

At the same time the basic economic reality underlying much of the childcare controversy remains largely unrecognized. Among American households, families with young children have the lowest per capita incomes; yet these families face extremely high tax burdens. Federal taxation on families with children has grown by 1200 percent over the last generation. The key to helping families is not to tax them further while offering them another round of "free" benefits. The key is to allow families to keep more of their own earnings.

At heart it is a matter of human freedom. The central question is not "who shall care for the children?" It is, rather, "who shall decide who cares for the children?" Parents--not bureaucrats--know best how to use their own money to meet family needs. Parents--not political elites--should determine how their own children should be raised.

1. The Act For Better Childcare introduced by Congressman Dale Kildee (D--Mich.) and Senator Christopher Dodd (D--Conn.) would provide \$10 billion over four years in grants to daycare centers. Daycare advocates acknowledge these funds represent a mere foot in the door toward the creation of a much bigger daycare system costing as much as \$85 billion per annum. See Robert Rector, "The American Family and Day-Care," The Heritage Foundation Issue Bulletin, No. 138, April 6, 1988, and Robert Rector, "The 'ABC' Child Care Bill: An Attempt to Bureaucratize Motherhood," The Heritage Foundation Issue Bulletin, No. 145, October 6, 1988.

2. The Bureau of the Census, U.S. Department of Commerce, Who's Minding the Kids?, Household Studies, Series P-70, No. 9, (Washington, D.C: U.S. Government Printing Office, May 1987.) The data for this Census report were collected through a survey conducted from December 1984 to March 1985. The Census report includes only children with employed mothers; to determine children in different childcare arrangements as a percentage of all young children in the population, the children under five in Who's Minding the Kids? have been divided by the total number of children under age five in January 1985. The procedure is consistent with the original process used by the Census to estimate the aggregate number of children in different types of daycare from the original survey sample. See Robert Rector, "The American Family and Day-care," Heritage Foundation Issue Bulletin, No. 138, pp. 16-17. See also The Bureau of the Census, U.S. Department of Commerce, Current Population Report, Series P-20, No. 423, Marital Status and Living Arrangements: March 1987, (Washington, D.C.: U.S. Government Printing Office, 1988), p. 43, which provides similar data on children for 1987: 55% of children under six live with one or more non-employed parents.

3. The number of children with mother's employed full-time is derived from Who's Minding the Kids, op. cit., p. 2. The number with mothers who are employed full-time full year has been calculated based on data provided in Douglas Besharov and Michelle M. Dally, "One Policy for Working Moms Won't Fit All", The Wall Street Journal, October 29, 1986. Besharov's data show that only 70 percent of full-time mothers with young children are employed full-time year round.

4. In a 1987 poll, 88 percent of mothers with children under age 18 agreed with the statement that "If I could afford it, I would rather be at home with my children." By nearly a two-to-one margin, women under age 44 said that they did not regard the increase of children in day-care as positive. Source: "Opinion Roundup," in Public Opinion, July/August 1988.

5. Barbara Reisman, Amy J. Moore, and Karen Fitzgerald, Child Care: The Bottom Line, (New York: The Child Care Action Campaign, 1988), p. 31.

6. The Bureau of the Census, Current Population Reports, Series P60, No.159, Money Income of Households, Families, and Persons in the United States: 1986, (Washington D.C.: U.S. Government Printing Office, 1988), p.58

7. In 1986, husband and wife families where only the husband was employed, the mean husband's salary was \$29,556. In husband and wife families where both spouses are employed, the mean husband's salary was \$27,074. Thus, there was an eight percent difference in the husbands' incomes. Source: Bureau of the Census, Current Population Reports, Series P60 No. 159, op. cit. p. 83.; and unpublished Bureau of the Census data for 1986.

8. In 1986, among families with incomes below \$15,000, there were 839,000 traditional families with at least with one child under age six. Calculations based on unpublished Census Bureau data.

9. See Robert Rector, "The american Family and Day-care", op cit., and Robert Rector, "The 'ABC' Child Care Bill: An Attempt to Bureaucratize Motherhood", op. cit.

10. Data for 1955 are from: U.S. Bureau of the Census, Historical Statistics of the United States, Colonial Times to 1970, Bicentennial Edition, Part 1, (Washington, D.C.: U.S. Government Printing Office, 1975), p. 296, series G183. Data for 1986 are estimated from: U.S. Bureau of the Census, Current Population Reports, Series P60, No. 159, Money Income of Households, Families, and Persons in the United States: 1986, op. cit., pp. 58 and 83.

11. Data sources for incomes: U.S. Bureau of the Census, Historical Statistics of the United States, Colonial Times to 1970, Bicentennial Edition, Part 1, op. cit., p. 296, series G183; and U.S. Bureau of the Census, Current Population Reports, Series P60, No. 156, Money Income of Households, Families, and Persons in the United States: 1985, (Washington, D.C.: U.S. Government Printing Office, 1987), p. 296. Housing costs: U.S. Department of Labor, Bureau of Labor Statistics, unpublished data from the Consumer Price Index.

12. Susan Rose-Ackerman, "Unintended Consequences: Regulating the Quality of Subsidized Day-care," Journal of Policy Analysis and Management, Vol. 3, No. 1 (1983), p. 15. Sandra L. Hofferth and Deborah A. Phillip, "Child Care in the United States, 1970 to 1995," Journal of Family and Marriage, August 1987, p. 565.

13. Sandra L. Hofferth, Statement before the Select Committee on Children, Youth, and Families, July 1987, p. 9.

14. U.S. Department of Labor, Child Care: A Workforce Issue, Executive Summary, Report of the Secretary's Task Force, p. 10.

15. Interview with William Tobin, representative of the National Child Care Association, November 30, 1988.

16. David Kelly, "Hands off Child Care: Further Federal Involvement Would be Counterproductive, Costly," Barron's, January 2 1989, p. 9.

17. William R. Mattox, Jr., "Who Will Care for the Children?", Family Policy, May/June 1988, p.2.

18. Proponents of the Act for Better Childcare claim the act would promote choice because it contains a minor daycare voucher provision. But the voucher could be used only in licensed daycare facilities which comprise only a quarter of the daycare in use. The prospect that the availability of federal funds will entice many more unregulated family daycare providers to become licensed has not been borne out by the prior experience with the Social Services Block Grant and Child Care Food Program.

Even the above overstates the degree of choice which would exist under the Act for Better Childcare. Prior experience shows that only a small part of the funds, if any, would be voucherized. Most of the monies would be channelled as direct grants to a small fraction of licensed daycare facilities. The intent of the ABC legislation with respect to parental choice can be recognized from the amendments which were stricken from the bill. One amendment, offered in full mark-up hearing in the House Committee on Education and Labor, provided eligible parents with an option of either placing their children in a daycare center subsidized by direct grants or receiving vouchers of equivalent value to be used in any licensed facility of the parent's choice. The authors of the ABC bill strenuously opposed this amendment and it was rejected by a nearly unanimous vote of the Democratic majority on the committee.

19. Virginia S. Cain and Sandra L. Hofferth, "Parental Choice of Self-Care for School Age Children," paper presented at the Annual Meeting of the Population Association of America, Chicago, Illinois, May 1987.

20. Data on private and public expenditures in daycare are not available for the same base year. The Who's Minding the Kids? report estimated total private expenditures at \$11.1 billion per annum based on a sample taken in the spring of 1985. The Labor Department's Child Care: A Workforce Issue lists \$2.51 billion in direct federal outlays in 1986. Assuming that private expenditures increased by 15 percent between 1985 and 1986, combined federal and private spending in 1986 would have equalled \$15.2 billion. Federal reimbursements of private daycare expenditures through the Dependent Care Tax Credit were valued at \$3.17 billion in 1986. Thus federal outlays and tax credit expenditures together equalled \$5.67 billion or roughly 37

percent of overall daycare spending. Data on state and local government expenditures are not available.

21. Reisman, et al., p. 54.

22. Hofferth, p. 565.

23. U.S. Department of Health and Human Services, Final Report of the National Day Care Home Study, Volume 1: Summary of Findings, September 1981, pp. 82 and 124.

24. The Final Report of the National Day Care Home Study, Volume 4: Parent Component, table 5.32.

25. The Final Report of the National Day Care Home Study, Volume 2: Research Report, p.375.

26. The National Day Care Home Study volumes correctly note that caregivers in regulated family daycare homes spend a greater percentage of their time in constructive interaction with the children in their care than do caregivers in unregulated settings. But the caregiver's time in a regulated home is divided among more children. The smaller number of children in unregulated homes actually means that each individual child in the unregulated homes spent more time in direct positive/developmental interaction with the caregiver than did the average child in regulated family care facilities. See the correlation coefficients measuring the behavior of individual children and the interactions of caregivers with individual children in Final Report of the National Day Care Home Study, Volume 3: Observation Component, pp. D-3 through D-108.

27. Thomas E. Ricks, "Researchers Say Day-Care Centers Are Implicated in Spread of Disease," The Wall Street Journal, September 5, 1984.

28. Ron Haskins, Ph.D. and Jonathan Kotch, M.D., "Day Care and Illness: Evidence, Costs, and Public Policy," Pediatrics, Supplement, Vol. 77, No. 6, June 1986, pp. 951-982.

29. Stephen R. Redmond, M.D. and Michael E. Pichichero, M.D., "Hemophilus influenzae Type b Disease: An Epidemiologic Study With Special Reference to Day-care Centers," Journal of the American Medical Association, Vol. 252, No. 18, November 9, 1984, pp. 2581-2584.

30. The Redmond and Pichichero research provides meningitis attack rate per 100,000 for daycare children at specific ages. It also provides a meningitis attack rate per 100,000 non-daycare children in the same age groups. Applying the net differences in attack rates per age group to the total number of children in each age category in daycare centers nationwide yields an estimated total of 3,100 meningitis cases per annum attributable to daycare centers. The specific age breakdown of children in

daycare centers was taken from Who's Minding the Kids?, op. cit..

31. Gregory R. Istre, M.D., Judy S. Conner, Claire V. Broome, M.D., Allen Hightower, M.S., and Richard S. Hopkins, M.D., "Risk Factors for Primary Invasive Haemophilus influenzae disease: Increased Risk From Day Care Attendance and School-aged Household Members," The Journal of Pediatrics, Vol. 106, No. 2, February 1985, pp. 190-195.

32. Ibid.

33. Simple corelation coefficient of the variables, regulated child/staff ratio and daycare slots per child in the state, was .51.

34. "The Impact of the Federal Regulations in the ABC Bill," Child Care Review, April/May, 1988, pp. 5-8.

35. Lawrence M. Mead, Beyond Entitlement: The Social Obligations of Citizenship, (New York: The Free Press, 1986).

36. Suzanne H. Woolsey, "Pied-Piper Politics and the Child-care Debate," Daedalus, Spring 1977, p. 135.

37. Ibid.

38. Daniel Friedlander et al., Arkansas: Final Report on the Work Program in Two Counties (New York: Manpower Demonstration Research Corporation, 1985).

39. Interview with Clarence V. Boyd, April 18, 1988.

40. Woolsey, op. cit.

41. Lorelei Brush, "Child Care Used by Working Women in the AFDC Population: an Analysis of the SIPP Data Base", October 15, 1987, paper prepared for the Office of Planning and Evaluation, Department of Health and Human Services, p. 24.

42. Dr. Robert L. Maddox, Executive Director of Americans United for Separation of Church and State, "Americans United Press Release," dated July 29, 1988.

43. Michael Novak, The New Consensus on Family and Welfare, (Washington, D.C.: The American Enterprise Institute, 1987), p. 34.

44. Quoted in Deborah Fallows, "The Politics of Motherhood," The Washington Monthly, June 85, p. 48.

45. Tax rates presented in this paper include the income tax, the employee share of Social Security tax, and the employer share of Social Security tax. These taxes are generally recognized to be direct taxes on a parent's wages. The combined

families would not need to wait until the end of the tax year
 to receive the credit which would be refundable for most of the
 low-income employees and employees of small businesses. These
 three types of employees would be eligible for the credit
 whether or not they were employed by the same employer. The
 credit would be available to employees of small businesses who
 are parents, however, only if the child is under the age of
 17. Retirement income and other income would not be taken
 into account when determining if the credit was available. The
 credit would be available to families where the child's income
 did not exceed \$1,000. The credit would be available to
 families on a sliding scale from 10 to 20 percent of the
 credit.

Increase

AVAILABILITY OF CHILD CARE

There is no evidence of a general, national shortage of available child care.

o A comprehensive Department of Labor study of child care examined data on demographic and economic trends, Federal programs providing financial assistance for child care, tax and regulatory policy at State and local levels, actions by employers and labor unions, and workplace trends. They concluded:

Considerable concern has been raised that a "shortage" of child care exists. This report finds no evidence in support of the contention that there is a general, national shortage of available child care. (Department of Labor, "Child Care: A Workforce Issue," 1988)

o A 1984-85 Census survey of the 26.5 million children under age 15 with working mothers counted 0.5 million school-age children -- only 1.8 percent of the total -- as caring for themselves most of the time their mothers were at work. Another Census study specifically concerned with after-school care confirms that survey. ("Who's Minding the Kids?" 1987; "After-School Care of School-Age Children: December 1984," 1987)

Commonly cited "evidence" of a shortage does not hold up under scrutiny.

o Comparisons of the number of slots in licensed child care facilities with the number of children of working mothers are misleading because:

-- More than half of all children of working mothers are cared for by their relatives and their own parents (typically the father, while the mother works). Of the 12.6 million children under age 15 with working mothers, 54 percent were cared for by their parents or relatives most of the time their mother was working.

-- Half of the States specifically exempt small, family day care homes from regulation. Consequently this source of child care -- which serves almost as many children as child-care centers -- is not counted in the tally of licensed slots. ("Who's Minding the Kids?"; National Day Care Home Study, 1981; Gwen Morgan, "The State of State Child Care Regulation," 1987)

o Long waiting lists for some centers do not prove a general shortage, either.

-- Parents will often put their names on several lists, particularly for low-cost or popular child-care centers. Some centers, rather than advertising, use waiting lists to enroll children not placed there by child welfare agencies. And many of the centers that maintain waiting lists admit that they do not cull the lists regularly, so the length of the lists is of little consequence. (Mathematica, "The Child Care Challenge: What Parents Need and What Is Available in Three Metropolitan Areas," 1989*)

There is no general shortage of slots in child care centers. The number of slots has grown dramatically and prices have not risen significantly, as they would have if there were a shortage of center care.

o The number and capacity of child care centers in operation has doubled in the past decade.

	<u>1976</u>	<u>1986</u>
<u>Number of Licensed Centers</u>	18,300	39,900
<u>Licensed Capacity</u>	1.0 million	2.1 million

Sources: Hofferth and Phillips, "Child Care in the United States," 1987; Prosser, "Day Care Centers," 1986.

o Weekly family expenditures for center-based care have risen little if at all.

-- The average weekly payment, per family, was \$19.56 in 1975 and \$14.12-\$19.15 in 1985, expressed in 1975 dollars. (Hofferth, National Institute for Child Health and Human Development, Testimony on "Child Care in the United States," Select Committee on Children, Youth and Families, July 1987.)

*Note that the summary of this report contains assertions with little or no basis in the study's data, such as welfare reform causing a shortage of child-care slots and a shortage of center-based care for infants.

There are vacancies in both child care centers and family day care homes.

- o For child-care centers participating in the federal Child Care Food Program:

- Half had vacancy rates greater than 9 percent.

- 32 percent had vacancy rates of more than 20 percent. (Abt Associates, "Study of the Child Care Food Program," 1988)

- o The National Child Care Association, a group of proprietary child care centers, has estimated that there is a 14-30 percent vacancy rate among its membership. (Testimony before the House Education and Labor Committee, April 1989)

- o In California, there is an 18 percent vacancy rate among licensed family day care homes and a 12 percent vacancy rate among all child-care centers. (California Child Care Resource and Referral Network, "Inventory of Child Care Facilities," 1987)

Many employers have adopted practices services or benefits to facilitate child care.

- o 63 percent of workplaces with ten or more employees have adopted policies that facilitate child care.

Percent of Employers Who Facilitate Child Care

	<u>Number of Employees at Workplace</u>			<u>All Workplaces</u>
	<u>10-49</u>	<u>50-249</u>	<u>250 or more</u>	
Work Schedule and Leave Policies	62	58	59	61
Benefits or Services	9	15	32	11
Any of Above	63	62	68	63

Source: "BLS Reports on Employer Child-Care Practices," USDL News 88-7, 1988.

QUALITY CHILD CARE

The contention that quality can be assured only if there are Federal standards, to be used as a basis for licensing child care providers, is not well-grounded in fact.

o "It has been tacitly assumed that licensed providers supply a better quality of service than do unlicensed providers, so many proposals have been made to establish and enforce child care standards. But in fact no empirical evidence exists to support that assumption." (Institute on Poverty, Focus, Spring 1989)

o "Research on child care has been fraught with methodological problems preventing generalizations from the results and leading to inconsistencies in some of the findings. In spite of hundreds of studies, quality remains an illusive concept." (Ooms and Herendeen, "Briefing paper for Family Impact Seminar," 1989)

The assumption that unlicensed care necessarily is bad care is not borne out by the facts either.

o Almost half (47-48 percent) of all care for preschool children of working mothers is provided by relatives, including fathers, grandparents and in some cases the mother herself while she is working. It is hard to argue that care by relatives is not "quality" care. (U.S. Census, "Who's Minding the Kids?" 1987; Congressional Research Service, "Child Day Care: Patterns of Use Among Families with Preschool Children," 1988)

o About 77 percent of all preschool children are cared for in informal arrangements that generally are not licensed, while formal center-based care is used by a minority of parents -- regardless of their income levels. Because there is no evidence of a national shortage of center care, parents' extensive use of non-center care must reflect their judgment that it is of good quality. (Census, "Who's Minding the Kids?"; CRS, "Child Day Care")

o Low child-to-caregiver ratios and small group size, which proponents of Federal standards and licensing believe are two of the best indicators of quality care, are actually more common in informal care than in formal care, as shown in the chart below.

Characteristics of Care, by Age of Child	Care Arrangement					
	Informal Care				Formal Care	
	Own Home		Relative Home	Family Day Care Home	Nursery School	Child Care Center
	Parent	Other				
Median Number of Children Per Adult						
0-1 yrs	1	1	1	2	4.8	4
2 yrs	1	1	1.5	3.1	4.8	5
3-4 yrs	1	1	1	3	7.5	7.2
Median Number of Children Per Group						
0-1 yrs	1	1	1	2.3	6	9.2
2 yrs	1	1.3	1.3	3.73	11.4	9.6
3-4 yrs	1	1	1	3.4	14	14.6

Source: Rand, "What Parents Pay For: Quality of Child Care and Child Care Cost," 1988.

Because many family day care homes are not licensed, the assertion often is made that they provide low quality care. That simply is not the case.

o A study by Abt Associates and the Stanford Research Institute, the only national study to date to include unlicensed homes, found that "family based care was stable, warm and stimulating...parents who use family day-care report it satisfactorily meets their child care needs...[The study's] observers were consistently impressed by the care they saw regardless of family status." (National Day Care Home Study, 1981)

o Higher income families, who presumably are not as constrained in their child care choices by cost considerations, use family day care more than lower income families, suggesting that parental choice of this type of child care reflects parents' beliefs that it is quality care (see table below).

Use of Family Day Care Homes: Primary Care Arrangements of Youngest Child Under Age 5 in Families with Employed Mothers

<u>Family Income as a Percentage of Poverty Threshold</u>	<u>Percentage of Children in Family Day Care</u>
Below 200%	16.4%
200% to 400%	25.9%
400% & over	29.2%

Source: Congressional Research Service, "Child Day Care," December 1988

Academics, task forces and professional interest groups focus on regulatable aspects of care, but other factors may well be more important.

o "Child care that parents assess as high quality may not have the easily observed structural characteristics on which licensing agencies focus....A secure and loving environment and emotional and intellectual growth may weigh more heavily in parents' decisions than counts of children and adults....Licensing agencies attempt to safeguard the quality of child care provided in the marketplace. Yet our results suggest that the structural elements that are currently the focus of licensing are, in fact, irrelevant in terms of what parents demand from child care." (Rand, "What Parents Pay For: Quality of Child Care and Child Care Costs," 1988)

Research now available on regulatable aspects of care is not generalizable and has produced conflicting results on the importance of these aspects of care, such as child-to-caregiver ratios. It is clear, however, that mandating child-to-caregiver ratios would raise the cost and reduce the availability of care.

o "Most of the research linking the [regulatable] characteristics of child care quality with developmental outcomes has come as a result of studies which evaluated the results of quality within a specific type of care, while studies which have focused on variation across types of care are more rare." (Silverberg, "Nonmaternal Care: Implications for Children and Parents," 1988)

o Research on centers' child-to-caregiver ratios, a characteristic which is fundamental to proposals for Federal standards, has been contradictory. For example,

-- In an early phase of the National Day Care Study of center-based care, low child-to-caregiver ratios were found to be linked statistically with favorable scores on tests of child development. Yet when the same study later randomly assigned children to centers (which avoids the bias that may result from parental selection of providers), the children in centers with low ratios did not score better. (National Day Care Study, 1981)

-- While Howes (1987) has suggested that low child-to-staff ratios are associated with increased social competence in children, Clarke-Stewart (1987) has reached the opposite conclusion.

o Despite continuing interest, no research has systematically linked regulatable characteristics with the risk of injury to children or with sexual abuse. For example, the National Day Care Study tried to relate regulatable characteristics to injuries, but did not succeed. "Nursery Crimes" (Finkelhor, Williams and Burns, 1978) was unable to compare abuse rates in licensed and unlicensed care. It did find that 82 percent of facilities with substantiated instances of sexual abuse had been inspected in the preceding twelve months.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM

180

TO: BOBBIE KILBERG

FROM: LORNA GLADSTONE

RE: MEETING ON CHILD CARE, APRIL 18, 1989

These are excerpts from the Family Circle article I was talking about, and might give someone some ideas? The article is entitled America's Most Caring Corporations or words to that effect.

1. CAMPBELL SOUP, Camden, New Jersey, 48% women employees.
Provide on-site care. Enroll 115 children.
2. CHAMPION INTERNATIONAL, Stamford Connecticut, Paper goods.
18% women employees. Day-care across from headquarters.
3. IBM, Armonk , N.Y., 30% women. Child care referral service.
4. MERCK & CO., Rahway, N. J., 38% women employees. Provided start-up money for day-care near headquarters and have committed to 500,000 for expansion.
5. NCNB, Charlotte, N.C., 75% women. Child-care resource and referral service.
6. PACIFIC GAS & ELECTRIC CO., San Francisco, CA. 22% women.
Option to pay child care expenses with pre-tax dollars (up to \$5,000).
7. PROCTOR & GAMBLE, Cincinnati, Ohio, 32% 2 day care centers-
depending on ability to pay. Child care resource and reference service that also trains and recruits providers.
8. STRIDE RITE, Cambridge, MA, 60% women. Company-sponsored day care in 1971. Second one in 1983. Planning a third one in Bedford. Cost of \$7,000 a year per child shared by the company, parent and in some cases MA Dept. Soc. Sciences.

THE WHITE HOUSE

9. 3 M, Minneapolis, MINN, ^{WASHINGTON} 33% women. During summer, Xmas and Easter vacations, school-age children of 3M employees attend a science-enrichment camp a cooperative venture of 3M, the Science Museum of Minnesota and a local YMCA. Also trial program with hospitals to provide sick-child care at home. Full time child-care administrator who oversees 3M's several programs in child-care and counsels parents.

BUILDING A BETTER AMERICA
APRIL 24, 1989

SUMMARY

Since President Bush took office, he has addressed a series of tough issues, meeting both urgent short-term priorities and working toward solutions to the long-term challenges facing the nation. Relying on basic American principles -- traditional family values, choice, accountability, fairness, excellence, peace through strength -- the President is building a better America by:

1. Keeping the economy strong -- with no new taxes
2. Seizing international opportunities for peace
3. Investing in our future
4. Working for a kinder, gentler America

Keeping the Economy Strong -- With No New Taxes

- o Record economic growth -- 76 months of economic expansion. Nearly 20 million new jobs have been created, and the unemployment rate is now at its lowest since December, 1973. Real median family income set a new record in 1987 and continues to grow.
- o A comprehensive budget proposal sent to the Congress and an unprecedented bipartisan agreement with the Congress reached on the budget reducing the Federal budget deficit, meeting Gramm-Rudman-Hollings deficit reduction targets with no new taxes
- o A comprehensive plan to rescue the Savings and Loan industry which has cleared the Senate
- o An initiative for cutting the capital gains tax rate sent to the Congress to encourage investment and create jobs and opportunity
- o In the Uruguay Round of GATT trade negotiations, substantial progress has been made by the Administration toward reducing trade barriers to U.S. exports
- o A plan for raising the minimum wage to \$4.25 coupled with a six month training wage

Seizing International Opportunities for Peace

- o The signing of a bipartisan accord with the Congress on Central America
- o The initiation of a dialogue with the Soviet Union. Secretary Baker met with Foreign Minister Shevardnadze in March, and these talks will continue when the two meet next in Moscow

- o An eight-step program to support Polish political and economic reforms
- o Intensive Presidential consultations with the leaders of 34 nations, including 18 bilateral meetings held during the Asia trip
- o A plan to strengthen the international response to Third World debt
- o Comprehensive foreign policy and defense strategy reviews initiated

Investing in Our Future

Improving Education

- o A comprehensive legislative package for educational excellence sent to the Congress

Protecting our Environment

- o A multi-agency commitment to oversee the Alaskan oil spill cleanup effort
- o The development of Clean Air Act revisions, with provisions for control of acid rain and other problems
- o An announcement of an effort to seek legislative authority to ban hazardous waste exports, where agreements do not exist for their safe disposal
- o A call for the worldwide phaseout of CFCs by the year 2000
- o A plan of action to identify and prioritize clean up of defense and civilian radioactive waste
- o A legislative proposal, already enacted by the House, to deregulate natural gas by January 1, 1993

Fighting Drugs and Crime

- o A major \$6 billion anti-drug abuse initiative focusing on education, rehabilitation, interdiction and enforcement
- o Action in response to the drug emergency in the District of Columbia, including enforcement support, more prison space, and stepped-up efforts in prevention and rehabilitation
- o A temporary suspension of imports of certain types of semi-automatic weapons
- o Action to modify lease and grievance procedures to facilitate eviction of those involved in drug related criminal activity from public housing
- o New aviation security initiatives announced by the Secretary of Transportation, to counteract terrorism in the skies

Working for a Kinder, Gentler America

Child Care

- o A child care initiative to give low and moderate income working families greater choice and flexibility in meeting their child care needs
- o Legislation to increase the FY 1990 authorization for Head Start by \$250 million to help up to 95,000 more 4-year olds

National Service

- o The creation of the Office of National Service in the White House, and leadership in the Administration's initiative on volunteerism

Welfare Reform and Medicaid

- o Quick action to implement major welfare reform legislation that will help reduce long-term welfare dependency
- o Expansion of the Medicaid program to serve more pregnant women, infants, and children

Homelessness

- o An initiative to provide over \$1 billion in federal resources to help end homelessness and pave the way to jobs, permanent housing and health care

Ethics and Civil Rights

- o A comprehensive ethics proposal to make uniform the standards among all three branches of government
- o Whistleblower protection legislation, now law, to strengthen the rights of those who report misdeeds and mismanagement
- o Enforcement of the new Fair Housing Laws, to fully prosecute those discriminating in housing opportunities on the basis of religion, race, age, ethnicity, handicap or family status
- o Support by the Department of Justice for the objectives of the Hate Crimes Bill, which provides for the collection of data about crimes motivated by race, religion, ethnicity or sexual orientation

President Bush has set an agenda for the country. He is orienting us as a nation toward the future -- building a better America -- keeping America strong and at peace. Leadership is the ability to see the shape of things to come, to address tomorrow's challenges today. George Bush is preparing the nation for the 21st Century.



NAM STATEMENT ON FEDERAL CHILD CARE LEGISLATION
April 19, 1989

The National Association of Manufacturers believes that the threshold issue in the debate on federal child care legislation is preserving the ability of business, individuals and local government entities alike to select the child care options which are responsive to the widely varying child care needs in the United States.

Federal child care initiatives should enhance, not restrict, child care options available to business and to families of all income levels. Child care legislation should not limit parental choice by promoting a particular type of child care. Equally important, it should provide federal financial assistance to those families at the lowest end of the income scale.

Employers, too, should have the opportunity to match child care benefits with their employees' diverse needs which vary with geographic location, workforce composition and employee preferences, among other factors. Realistic incentives are an important tool in assisting business to address these needs. NAM members are already working to meet employee child care needs by implementing a broad range of child care benefits, including resource and referral programs, on-site and near-site centers, cafeteria plan child care options, dependent care accounts to allow pre-tax dollars to be used for child care, child care consortia and flexible work scheduling. Since child care needs vary by company as well as by location, federal child care initiatives should not emphasize one type of employer provided child care program over another.

NAM urges Congress to facilitate employer provided child care options by supporting initiatives that encourage flexible benefits programs. Flexible benefit plans permit employees to select their benefits according to individual needs and assist business in helping to control spiralling benefits costs, which presently account for 45 percent of compensation costs in the manufacturing industry. Federal child care legislation should not restrict child care options available to families through their employers.

The NAM supports a dual-pronged approach to improving access to child care, combining tax credits for those who need them most, the working poor, with enhanced discretionary spending. Existing tax credit mechanisms afford the most economic means of assisting lower income working families with child care expenses.

The NAM also believes that limited fiscal resources for federal assistance programs dictate placing a realistic income cap on eligibility for child care tax credits. An income cap would help ensure that those genuinely in need of federal assistance would in fact receive it.

In addition to enhanced funding for Head Start programs included in President Bush's and other congressional proposals, the NAM recommends limited increase of federal funding available to states for expansion and development of child care services. State governments should have broad discretion in determining how these funds are to be used, as they can best determine local needs. Enhancement of child care programs and facilities should be shared by the public and private sector, subject to the reality of financial constraints.

The extent to which liability insurance is a barrier to market entry for child care providers should be explored in the interest of broadening access to all types of child care. The NAM supports President Bush's proposal that the Secretary of Labor make this determination before recommending specific steps to reduce liability exposure.

The most workable and universally beneficial child care legislation would retain and promote flexibility of programs and choices for employees and employers; would enable state governments to determine the most efficient use of child care funding; and target for assistance those lower income families for whom child care is key to their participation in the workforce.



||||| NATIONAL ASSOCIATION OF MANUFACTURERS |||||

NEWS

89-58

FOR IMMEDIATE RELEASE

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NAM SUPPORTS LOW INCOME TAX CREDITS AND MORE FUNDING FOR CHILD CARE

WASHINGTON, DC, April 19, 1989 -- The National Association of Manufacturers, calling today for improved access to child care, urged Congress to move forward on child care tax credits for the working poor and limited spending increases for Head Start and state child care initiatives.

The NAM also asked Congress to facilitate employer provided child care by encouraging flexible benefits programs.

"American families, especially low income workers, face a variety of child care needs. It's in everyone's best interest for business and government to work together -- not at odds -- to increase child care opportunities for our workers," commented Alexander B. Trowbridge, NAM's president.

Trowbridge called for "federal child care initiatives that enhance, not restrict, options available to business and to families of all income levels."

"Child care legislation should not limit parental choice by promoting a particular type of child care," he continued. "Equally important, it should provide federal financial assistance to those families at the lowest end of the income scale."

Trowbridge said limited fiscal resources dictate placing a realistic income cap on eligibility for child care tax credits, "to ensure that those genuinely in need of federal assistance in fact receive it."

He added that while NAM member companies already are working to meet employee child care needs through a broad range of child care benefits, "Realistic incentives are needed to spur business to do even more to help working families."

Trowbridge went on to praise flexible benefit plans, saying they not only help employers tailor benefits to employees' needs, but also help business to control spiralling benefit costs, which now account for 45 percent of compensation costs in the manufacturing industry.

Commenting on the numerous child care bills under consideration, Trowbridge said President Bush's proposal is "a good first step" for improving child care. Sen. Dodd's "ABC" bill, he added, "limits parental choice, is unrealistically expensive, and will drive up child care costs. It's just not the right answer to our child care needs."

NAM member companies account for 85 percent of the manufactured products and manufacturing jobs in the United States. Since its founding in 1895, NAM has advocated policies that promote economic growth and efficiency in American industry.

To Hally Williamson
Fax: 456-6218



The

Phyllis Schlafly Report

VOL. 21, NO. 10, SECTION 2

BOX 618, ALTON, ILLINOIS 62002

MAY, 1988

Exposing the Myths About Child Care

1. Is traditional mother care of children in the home a thing of the past?

According to *Who's Minding the Kids?*, a 1987 Census Bureau report, only 45 percent of children under five have mothers in the labor force. Fewer than one child in three has a mother employed full-time, and fewer than one in five has a mother employed full-time throughout the year. Even when the mother is employed, many families prefer to have the child cared for by grandparents, or other adult family members, rather than professional day care providers. Nearly half of the young children whose mothers are employed are cared for by adult family members or relatives.

2. Do Americans want government-licensed day care?

Paid professional day care of the kind envisioned in the Dodd-Kildee bill is used by only a small minority of American families. Overall, only one young child in three in the U.S. receives any form of paid day care. No more than one in ten attends professional day care centers of the sort that would be subsidized in the Dodd-Kildee bill.

3. When parents need day care, what kind do they prefer?

In the face of costly and arbitrary government red tape, most family day care providers take the simplest course: they operate without a license in the so-called underground market. As many as 95 percent of the nation's 1.75 million neighborhood providers are unlicensed and unregulated. Unlicensed day care provided by women well known within their neighborhoods often is preferred by parents because it is less impersonal, less expensive, and more convenient.

4. Who uses day care — high-income or low-income families?

Some 83 percent of children under five in day care are from two-parent/two-earner families. The median income for such families in the U.S. is \$38,346. The median income of a traditional two-parent family with one earner, on the other hand, is \$25,803. Most of the benefits of the existing dependent care tax credit go to families with incomes over \$30,000 per year. When lower income families use day care, normally they do not use professional group care facilities of the kind that would be subsidized in the Dodd-Kildee bill. They are more likely to use care by a relative or neighbor.

Mothers in professional jobs are about three times more likely to put their children in professional group care than are mothers in blue collar or service worker jobs.

5. Would federal day care bills help the poor and needy?

The Dodd-Kildee bill promotes a policy of "Robin Hood in reverse," taxing hard-pressed traditional single-earner families to provide subsidized day care for affluent professional couples. Over 80 percent of young children using day care come from affluent two-parent/two-earner families. The median income for these families is nearly 50 percent higher than for two-parent/single-earner families. Traditional single-earner families would not benefit from Dodd-Kildee, but would pay higher taxes to fund the program.

6. What is the problem about child care costs?

The problem is not a lack of professional day care but an erosion of family income due to a tax code that is increasingly biased against dependent children. A genuine pro-children policy would focus on providing tax relief to families, rather than taxing them to provide subsidized day care services to generally more affluent parents. The Dodd-Kildee bill discriminates against families in which the mother, often at considerable financial sacrifice, remains at home to care for her own young children.

7. Is there a critical shortage of day care?

There is no persistent shortage of day care in the U.S. Day care is one of the most rapidly growing industries in the economy. Over the last 25 years, the number of spaces for children in day care centers has expanded at a rate of nearly 10 percent per annum. Occasional shortages are due largely to excessive regulation, not a lack of willing providers. By demanding stricter federal regulation, the Dodd-Kildee bill would reduce rather than expand the supply of day care. The Dodd-Kildee bill would help bureaucrats and social service providers far more than families.

Between 1960 and 1986, the number of children in formal group care centers skyrocketed by 1,500 percent from 141,000 to 2.1 million. The number of centers grew from 4,400 to 39,929. There are at least another 1.65 million unlicensed neighborhood day care providers.

If there were shortages and constraints in the supply of day care, prices would increase sharply. But in general the cost of day care, measured in constant dollars, has stayed relatively unchanged for the past decade. While the cost of hiring a full-time sitter to care for a child in one's home has increased, the costs of "family day care" providers and group care centers have remained constant or increased only slightly in real terms over the last ten years.

8. Does state licensing help or hurt availability and affordability?

All states require large-scale group day care centers to be licensed. This is reasonable. More than half the states also regulate small neighborhood or what is known as "family day care" providers caring for five children or fewer. In some states, if an adult cares for even one unrelated child outside the child's home, the adult is judged to be operating a "day care facility" and must obtain a license.

In theory, these regulations are meant to protect children. In practice, they often are the product of an arbitrary bureaucracy and have little or nothing to do with the quality or safety of day care. The major effect of zoning codes, building, and health regulations is, in many cases, to restrict supply. Often, building codes designed for restaurants and orphanages are applied to small neighborhood family day care providers, forcing expensive structural changes that make it uneconomic to provide day care services.

In Texas, for instance, neighborhood providers can be required to install three stainless-steel sinks and a vent over the stove. In California, family day care homes have been required to install sprinkler systems and fire-retardant walls; one woman, seeking to expand enrollment in her six-child day care home, was told that she would have to install separate bathrooms for boys and girls and the bathrooms would have to be made large enough to accommodate wheelchairs. In state after state, day care providers have been cited for absurd or bizarre regulatory abuses.

9. Should unlicensed day care be abolished?

There is no systematic evidence that day care by unlicensed providers is in general less safe or less healthy than care in large regulated day care centers. Indeed, the evidence suggests the opposite. Nationally publicized cases of alleged sexual abuse in day care, such as those involving the West Point Daycare Center and the McMartin School in California, have occurred in large fully regulated day care centers. Studies show that smaller "family day care" providers are generally more attentive to children's emotional needs than larger group centers.

The most significant threat to the health of young children in day care is the spread of contagious diseases. Smaller, generally unlicensed, neighborhood facilities pose less threat than do large, regulated facilities. Dr. Stephen Hadler of the Centers for Disease Control explains that larger centers place more children in contact with each other, thereby increasing the chances of contracting serious infectious diseases. Says Hadler: "The larger the center or the longer the hours, the greater the chance [of infectious disease occurring]." Policies like those proposed in the Dodd-Kildee bill, which would tighten the net of day care regulations, driving many small

scale providers out of business, and which would subsidize primarily large professional day care centers, would undermine the health of American children.

10. How would the Dodd-Kildee ABC Bill subsidize day care?

The Dodd-Kildee bill proposes a "trickle-down" strategy, filtering the funds through multiple layers of expensive federal and state bureaucracy in order ultimately to subsidize government-selected day care centers at the local level. Even when the funds actually reach local day care centers, there is nothing to prevent them from being swallowed up by increased salaries and supervisory costs.

At the federal level, the bill would create a "National Advisory Committee on Child Care Standards" and an "Office of the Administrator of Child Care" in the Department of Health and Human Services. A new bureaucracy would allocate monies among states, monitor and approve state "comprehensive day care plans," and enforce extensive new federal regulations. At the state level, an array of governmental and quasi-governmental organizations would be created and sustained by taxpayer funds. These would include 100 permanent day care commissions mandated in the legislation, new day care planning offices, day care referral agencies, day care inspectors and regulators, and a new national network of training centers for day care providers.

To be eligible for funding, each state would have to comply with new federal regulations and provide 20 percent matching funds. States would not be required to provide federal funds to all day care providers, only to selected institutions. Which organizations receive such aid surely will be determined in great part by local bureaucratic politics.

While the Dodd-Kildee bill contains a minor provision allowing states to provide day care vouchers, which would stimulate consumer choice, no state is required to provide vouchers. Vouchers are mentioned in only two paragraphs of the 63-page bill. In practice, little if any of the Dodd-Kildee funding would reach parents in the form of vouchers.

11. How would Dodd-Kildee affect neighborhood day care that does NOT receive federal funds?

The bill would set "minimum" federal standards and regulations in day care. Each state accepting Dodd-Kildee funds would be required to enforce these federal regulations. The state would be allowed to retain its own regulations only to the extent that they were more stringent than the corresponding federal standards. Each state, moreover, would be required to hold all its day care providers to federal standards, not simply those receiving federal funds. Thus the bill would attempt to bring all 1.65 million informal, unlicensed neighborhood providers, as well as all church-based day care and group care centers, under federal control.

All day care personnel, including neighborhood providers and church-based day care, would be forced to receive at least two days "training" each year in government-authorized training centers. All states would have to set maximum child/staff ratios for group care centers equal to the current nationwide median child/staff standards. Thus in half of the states, day care centers would be required to raise existing staff levels, immediately sharply boosting cost per child enrolled.

"Minimum" federal day care standards also would be developed by the new National Advisory Committee on Child

Care Standards. Two-thirds of the members of this body would be selected by Congress and one-third by the President. These minimum standards would establish additional child/staff ratio requirements, more stringent educational and training qualifications for all day care workers nationwide, and additional health and building safety regulations. The Committee also could establish federal curriculum requirements for day care, although the bill does not require that it do so.

12. Would the Dodd-Kildee bill improve the quality of day care?

Higher staff/child ratios would raise costs dramatically. But the 1979 National Day-Care Study commissioned by the Department of Health, Education and Welfare found very little correlation between staff/child ratios and quality. Operators of day care centers in California point out that state credentialing rules, requiring day care workers to have completed college course work in child development, significantly raise salary costs while barring many competent and caring persons from employment — nearly all mothers and grandmothers are deemed unfit to work in day care centers.

13. Who does the Dodd-Kildee bill discriminate against?

The 54 percent of children under five whose mothers are not employed would receive no benefits from the Dodd-Kildee proposal. Even among those children who receive day care, only a small number would receive assistance through the Dodd-Kildee bill. Funds that trickled down through the bureaucratic labyrinth would be channeled primarily toward professional group care centers. Children who receive care from relatives or from the millions of unlicensed neighborhood providers would be ineligible for assistance; together these two groups comprise roughly 75 percent of all young children in day care. Overall, no more than one young child in ten would be likely to receive subsidized care under the Dodd-Kildee plan.

The Dodd-Kildee bill would take from the poor to give to the wealthy. Over 80 percent of day care users are two-parent/two-earner families whose median income is nearly 50 percent higher than the income of traditional two-parent/single-earner families. Though children of needy single working mothers also would receive subsidized care, they are only a small percentage of the children using day care.

The Dodd-Kildee bill does attempt to ensure that subsidized care goes only to families with incomes below 115 percent of the state median for families of comparable size. BUT such a limit would include many families with high incomes. In California, for instance, a family of four with an income of \$41,656 would be eligible; in Maryland the limit would be \$46,063; in New Jersey \$46,929. Moreover, two-earner families with incomes above the 115 percent threshold already receive billions of dollars in day care subsidies through the current day care tax credit. The bill would not require that any specific percentage of its funds be targeted to low income families.

14. How would the Dodd-Kildee bill eliminate religious day care?

A day care center in a religious institution which receives any Dodd-Kildee funding, either directly or through vouchers, is prohibited from providing any religious influence on the children in its care. This means that children could not say

grace over their milk and cookies. In any room used for day care within such an institution, religious pictures and images would have to be turned to the wall or covered with sheets to hide them from children's eyes. Religious day care centers receiving funds would be barred from favoring members of their own faith when hiring child care workers. All religious day care centers, even those which refused federal funding, would be subject to federal regulations concerning the educational and professional qualifications of day care staff, child/staff ratios, and possibly curriculum.

Even if the extremely offensive provisions of section 20 were struck from the bill, the impact would differ little. Any program of direct subsidization of day care, or even the provision of day care vouchers, ultimately will restrict the activities of religious day care centers. Such a program will tend to force religious institutions to abandon the day care field by placing them at an economic disadvantage.

Church-run centers in the inner city would be the greatest victims of this no-religion policy. While early childhood development strategies touted in the Dodd-Kildee plan are seldom of enduring benefit to disadvantaged children, religious institutions and the strong moral values they inculcate have an unchallengeable record in helping inner city youth escape from drug addiction, illiteracy, and poverty.

15. What does the Federal Government now spend on child care?

The 1988 costs of current Federal Child Care Programs and Tax Credits are more than \$6,900,000,000. Current tax credits benefit primarily high-income families. All other child care expenditures benefit primarily families on welfare. Low- and middle-income families are taxed but not benefited. The breakdown is listed below in millions of dollars:

Tax Credits	
Child and Dependent Care Tax Credit	\$3,920
Employer-Provided Child Care Tax Credit	65
Non-profit Child Care Center Tax Exemption	3
Child Care/Early Education	
Head Start	1,206
Child Care Food Program	582
Special Education Preschool Services	219
Dependent Care Planning and Development	8
Special Milk Program	4
Child Development Associate Scholarship Program	1
Welfare and Job Training — Child Care Expenses	
Food Stamps	50
Aid to Families With Dependent Children	44
Housing Assistance	18
Work Incentive Program	9
Job Training Partnership Act	9
Vocational Education	1
Student Financial Aid — Child Care Expenses	65
Social Services/Community Development Funding	
Social Services Block Grants (Title XX)	660
Community Development Block Grant	35
Child Welfare Programs	1+

The information in Questions 1-14 was taken from Issue Bulletin #138 called "The American Family and Day Care" by Robert Rector published by the Heritage Foundation, 214 Massachusetts Avenue, N.E., Washington, D.C. 20002. The information in Question 15 was taken from the House Education & Labor Committee testimony of Douglas Besharov of the American Enterprise Institute, 1150 17th St., N.W., Washington, D.C. 20036.

Five Principles of Good Child Care Policy

Excerpts from the Testimony of
U.S. Secretary of Education William J. Bennett*

Let me present the fundamental principles that I believe should guide our efforts in the development of public policies bearing on child care.

1. Any government policy or program in the area of child care should be judged by one standard above all others: Does the policy or program under consideration strengthen or weaken, over the long term, the vital social institutions — especially the family — that bear primary responsibility for the nurture and protection of our children? In our society, families have the basic responsibility for the care of children.

I am disturbed by some of the child care proposals now pending before Congress. They seem, however unintentionally, to put families to one side; they seem to accept as inevitable the declining importance and role of the family; and they seem more concerned with creating new structures than with supporting the very best structures possible for our children: our families. Finally and fundamentally, child care is a family issue.

2. When we analyze child care policies, we must be sensitive to whether our policies discriminate against families that choose to have a parent stay at home to care for their children. The choice as to whether a parent, particularly a parent with young children, should or should not seek employment out of the home must be made by each family. The government should not bias that choice through its policies.

Many of the child care proposals now before Congress address themselves only to the situation of two working parents or a single working parent. These proposals would take tax dollars from all families — including families in which the mother or father, often at considerable financial sacrifice, stays at home to care for their children — and spend them in most cases on families where both parents are working, many of whom are financially better off. Government policies should be neutral toward the choice of child care arrangements.

3. For those parents who do choose non-parental care for their children, we should insist on fair and equal treatment for the various types of child care available to them. Government programs should not favor or promote day care in a secular setting over day care in a religious one, or institutional care over informal care. Parents should be able to make decisions of the kind of child care they want, and the government should respect their choice.

4. When we do spend public money, we should consider targeting funds on those most in need — on lower-income families.

5. In seeking to improve the care for our children, we should resist the temptation to set up government programs that will result in overlapping responsibilities and ever-growing bureaucracies. In particular, we must avoid the all-too-familiar pattern of establishing a federal program that manages to spend large amounts of taxpayer money without actually benefiting those who most deserve help, or that ends up funding bureaucracies rather than benefiting the intended recipients.

* before the House Committee on Education and Labor, Subcommittee on Human Resources, April 21, 1988.

Good Child Care Proposals

1. **The Child Care Income Tax Reform, H.R. 3944 and S. 2187.**
Sponsors: Rep. Clyde Holloway (R-LA) and Sen. Malcolm Wallop (R-WY).

- A \$150 to \$400 tax credit for all children below mandatory school age, on a scale that gives the greater amount to low-income families.
- The credit is refundable at the lower income levels up to the amount paid in Social Security taxes.
- The above would replace the existing Child and Dependent Care Credit.

2. **The Toddler Tax Credit, H.R. 4434.**
Sponsor: Rep. Richard T. Schulze (R-PA).

- A \$750 tax credit for each child under age 6 in families with annual incomes over \$13,000 to be applied against federal income and Social Security taxes; refundable if tax credits exceed the tax due.
- For families with annual incomes below \$8,000 a year, a cash refundable Earned Income Tax Credit for Young Children under age 6 (EITC/YC) of \$15 for the first child for each \$100 earned by the parent, and \$10 for each additional child for each \$100 earned by the parent.
- Adjust the amounts incrementally for families with annual incomes between \$8,000 and \$13,000.
- The above would replace the existing Child and Dependent Care Credit for children under age 6. The existing Dependent Care Credit would be retained for children over age 6.

3. **The Family Care Package of 1988, H.R. 4219.**
Sponsor: Rep. Philip M. Crane (R-IL).

- A \$5,000 tax exemption for dependents under age 6.
- A \$4,000 tax exemption for dependents between age 6 and age 18.
- A \$5,000 tax exemption for handicapped dependents.
- A \$4,000 tax exemption for dependents over age 55.
- The above more generous exemptions would replace the Child and Dependent Care Credit, which would be repealed.

All three of the above bills meet the five tests proposed by Secretary Bennett. They respect the family, they do not discriminate against mothers who care for their own children, they accord 100% freedom of choice to families in selecting child care, they advantage low-income families, and they do not create or expand a bureaucracy.

Ask your Congressmen and Senators to co-sponsor all three bills.

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