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OA/ID Number: 13878
Folder ID Number: 13878-014

Folder Title:
White House Wire-Child Care, 5/5/89

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. . . on Child Care

May 5, 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. This child credit would be refundable and, thus, available to families who have no income tax liability. 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. Eligibility for the credit would be phased in, benefiting families with income below \$13,000 in 1990 and families with income below \$20,000 by 1994. Initially, 2.5 million families would be eligible for the credit; 3.5 million, when the credit is fully implemented. In addition, the current child care credit would be made refundable, qualifying another 1 million families. 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: Funding for Head Start would be increased by \$250 million over the FY 1989 level, to pay for the enrollment of up to 95,000 more disadvantaged four-year olds. The proposed expansion would increase the range of choices available to low-income families in meeting their child care needs. In addition, through Head Start's comprehensive approach, which provides educational, medical, nutritional and social services to children at risk of falling behind, the newly participating children would be given a better start in life.

SECRETARY OF LABOR DOLE TESTIFIES ON THE PRESIDENT'S BILL

Secretary of Labor Elizabeth Dole testified in support of the Administration's child care proposal before the Senate Finance Committee on April 19, 1989 and before the Human Resources Subcommittee of the House Ways and Means Committee on April 27, 1989. The Secretary outlined the guiding principles behind the President's program:

1. **More parental choice** -- Parents -- who are the best judges of quality care and know what is in their children's best interest -- should have the discretion to make decisions about their children's care.

2. **Encourages options** -- Federal policy should increase, not decrease, the range of options available to parents.

3. **Non-discrimination** -- Federal child care policy should not discriminate against those families who sacrifice the income of a second career to have one parent 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 young children.

The Secretary added that at the President's direction, the Department of Labor is studying the extent to which market barriers 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 Child Care," with Senator Dodd as its principal sponsor. This bill, "ABC," does not meet the President's principles for increasing 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 or approve. It is the States, not parents, who have the ultimate decision-making power on the care children will receive under ABC.

Encourages options: ABC imposes federal day-care standards on all providers who receive public assistance. All States currently regulate day care to some degree, ensuring a healthy and safe environment for children. These costly Federal 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 their children to be taught and guided by the religious values that are central to their lives would not be able to receive assistance: All caregivers -- including relatives -- are prohibited from engaging in sectarian activities, worship or instruction in providing services under ABC.

In fact, parents could not use their ABC eligibility to have anyone other than a grandparent, aunt or uncle care for their children 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 well-targeted and would serve only a fraction of families most in need. Families with incomes as high as 4 times the poverty level are

eligible for ABC. Only a small number of eligible children would actually receive care under ABC -- 6 percent in 1990 according to the sponsors' estimates -- and there is no guarantee that they would be from families most in need. Only one million children, the sponsors say, 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 11% of children under 5 are cared for in child care centers. Only 46% of children under five have employed mothers. Of mothers who are employed, the great majority use relatives or neighbors as child care providers. For parents with young children who prefer to care for their children themselves while their spouses work, the President's proposals will shift the economics of work and child care in their favor. The President's proposals discriminate neither against day care centers nor mothers caring for children at home.

MYTH: Only wealthy married couples can afford to have one parent stay home to care for their children.

FACT: In more than half of all married-couple families with children whose income was less than \$20,000 in 1986, the mother stayed at home to care for the children. In contrast, mothers stayed at home to care for the children in less than one-third of all married-couples with children and incomes over \$20,000. Approximately 80 percent of children in center-based care come from two-earner families. Subsidies biased toward center-based care (such as ABC's) offer financial assistance to families that are already comparatively better off.

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

FACT: All states currently regulate day care to some extent. Every state licenses child care centers, and all but one regulate some or all family day care homes. State and local governments are best able to determine what standards are needed for child care. Federal standards, proposed in the past, will not work. Congress, realizing this, prohibited implementation of federal standards in 1980.

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

FACT: As many as one-third of day care centers are religiously-affiliated. ABC prohibits assistance "for any sectarian purpose or activity, including sectarian worship and instruction." Religiously-affiliated facilities must drop religious components of their day care curriculum to receive assistance. Also, litigation may render these facilities wholly ineligible for assistance, just as many religious elementary schools are now precluded from receiving direct financial assistance. The

President's approach does not fall into the thicket of legal problems raised by ABC, because assistance goes directly to parents.

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

FACT: The typical "unregulated" day care provider is a mother caring for one or two other neighborhood children, along with her own child. In contrast, in day care centers, the average ratio of children to staff is five to one. According to an ABT Associates report, The National Day Care Home Study, unregulated family child care is "stable, warm and stimulating ... it caters successfully to the developmentally appropriate needs of children in care; 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 regulatory status."

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