Child Care Initiative
Spending Options

I. Subsidy (Child Care and Development Block Grant)

II. Quality Fund

III. Targeted Investment for Quality/Availability

A. Scholarships/Apprenticeships
B. Consumer Education, Research, and Technology
C. Enforcement – a means around standards issue
D. Early Learning/Head Start
E. School-Age Care

Dept. of Ed – $ → schools
HHS – $ → communities

TABLE 4.2 AFTER-SCHOOL ACTIVITIES CHILD WOULD BENEFIT FROM
(OF PARENTS WHO WOULD WANT AFTER-SCHOOL PROGRAMS N=295)

Group	Basic Skills Tutoring	Arts, Music and Cultural Programs	Computer Technology Classes	Supervised Recreational Activities	Community Service or Volunteering
All Parents	74	91	95	86	84
School Level					
Primary	73	95	96	87	77
Middle	74	87	94	86	89
Urbanicity					
Urban	79	91	96	83	82
Suburban	68	92	97	87	85
Rural	75	88	92	89	84
Race/Ethnicity					
Non-Black / Non-Hispanic	68	89	94	85	94
Black	93	98	98	91	80
Hispanic	90	95	100	95	86
Household Income					
Less than $25,000	79	94	96	90	82
$25,000-$50,000	73	90	96	87	86
$50,000 or more	70	89	94	85	84
Parent's Education					
No more than grade 12	80	89	95	85	81
At least some college	69	92	96	87	85

Caring for America's Children

The Clinton Administration and Child Care

October 23, 1997

> *Over the past decade, the number of American families with working parents has expanded dramatically. Making high quality child care more affordable and accessible is critical to the strength of our families and to healthy child development and learning..... Each of us --from businesses to religious leaders to policy-makers and elected officials --has a responsibility and an important stake in making sure that children of all ages have the best possible care available to them. From infancy through adolescence, in child care settings and after-school programs, children can learn and thrive with the right care, attention, and education.*
>
> -- President Clinton, July 23, 1997

President Clinton is hosting the first-ever White House Conference on Child Care to focus the nation's attention on the importance of addressing the need for safe, affordable, quality child care. This Conference underscores and builds upon the President Clinton's commitment to strengthen the American family by giving parents the tools they need to fulfill their responsibilities and giving children the ability to reach their full potential.

STRENGTHENING AMERICA'S WORKING FAMILIES

- **Putting Families First**. Throughout his presidency, President Clinton has worked hard to help America's working families. That is why the President fought for the passage of the Family and Medical Leave Act (FMLA) to allow workers to take up to 12 weeks unpaid leave to care for a newborn or adopted child, to attend to their own serious health needs, or to care for a seriously ill parent, child or spouse. In June 1996, President Clinton proposed expanding FMLA to allow workers to take up to 24 unpaid hours off each year for school and early childhood education activities, routine family medical care, and caring for an elderly relative. The President also has fought for greater health security for America's families. He signed into law the Health Insurance Portability and Accountability Act which includes important new protections for an estimated 25 million Americans who move from one job to another, who are self-employed, or who have pre-existing medical conditions. And in August 1997, President Clinton signed the Balanced Budget Act which included $24 billion for the Children's Health Initiative -- the single largest investment in health care for children since 1965 -- to provide meaningful health care coverage to millions of uninsured children.

- **Providing Economic Opportunity**. In 1993, President Clinton put into place an economic strategy that invests in people and provides real opportunity. President Clinton has fought for policies that help working parents fulfill their responsibilities, including winning inclusion of a $500 per-child tax credit for children under age 17 in the Balanced Budget Act -- helping 27 million families with 45 million children. The new Child Tax Credit is in addition to the Earned Income Tax Credit and the Child and Dependent Care Tax Credit (tax credits President

Clinton protected during the balanced budget negotiations). President Clinton also expanded the Earned Income Tax Credit to give 15 million working families tax relief. In 1997, the average tax credit is $1,450 on family income up to $29,290. And the President proposed and signed into law an increase in the minimum wage from $4.25 to $5.15. For a full-time, year-round worker at minimum wage, this 90-cent increase raises yearly income by $1,800 -- as much as the average family spends on groceries over seven months.

INVESTING IN CHILD CARE

- **Increasing Child Care Funding.** Because of President Clinton's leadership, federal funding for direct child care subsidies has increased by nearly 70 percent since he took office, providing child care services for over one million children. The 1996 welfare law increased child care funding by $4 billion over six years, providing child care assistance to low-income working families and parents moving from welfare to work.

- **Increasing Participation in Head Start and Improving Program Quality.** For more than thirty years, Head Start has been one of our nation's best investments ensuring that low-income children start school ready to learn. President Clinton has made expanding and improving Head Start a priority of his Administration. Since 1993, funding for the program has increased by 43 percent -- in fiscal year 1997, Head Start will serve nearly 800,000 low-income children four years old and younger. The Balanced Budget continues the expansion of Head Start toward the President's goal of serving one million children in 2002. Over the last three years, the Clinton Administration has also invested significantly in improving program quality, providing local programs with the resources they need to attract and retain high quality teachers, and ensuring the safety of Head Start centers.

- **Created Early Head Start for 0-3 Year Olds.** Initiated by the President in 1994, there are now 143 *Early Head Start* programs across the country, expanding the proven benefits of Head Start to low-income families with children age three and under. The program provides early, continuous and comprehensive child development and family support services, preparing children for a lifetime of learning and development. In FY 1997, the program will have served nearly 25,000 children and their families.

- **Developed a Full-Day, Full-Year Head Start Initiative.** In March 1997, the Administration announced a new Head Start initiative that will expand Head Start services for children while also helping parents, including those moving from welfare to work. Under the new initiative, child care providers will be given priority for Head Start expansion funds to deliver full-day, full-year Head Start services in partnership with Head Start. Children will stay in one place all day rather than attending Head Start for half a day then moving to child care for the remainder of the day.

- **Expanding Child Care in Rural America.** Under the Clinton Administration, the Agriculture Department's Rural Housing Service's Community Facilities program is directing its efforts towards meeting the need for quality child care in rural areas. As a part of this effort, 31 child care centers were created in FY 1997 and the program will expand in FY 1998. In addition, the Rural Housing Service has been forming partnerships with other federal programs (including Head Start) and the private sector to help provide child care in rural America.

- **Providing Child Care in Urban Communities.** Under the Clinton Administration, the Department of Housing and Urban Development is supporting working families and those moving to work by providing both quality child care for their children and opportunities for parents to become self sufficient. Community Development Block Grants fund initiatives that include education/training opportunities, on-site after-school child care and construction of child care and youth centers. The Ounce of Prevention Program enhances efforts already underway in Empowerment Zones/Enterprise Communities with summer and after-school education/recreation activities and mentoring and tutoring programs. In 1997, the Department awarded $550 million in urban revitalization (HOPE VI) funds which will be used to physically revitalize communities and fund initiatives such as on-site day care centers and transportation services that provide access to employment centers and health care facilities. In 1997, the Administration funded $42 million for the Family Economic Development and Supportive Services (EDSS) program that will include child care services, youth leadership and mentoring skills and family/parental development counseling.

- **Serving Children with Special Needs.** Under the Clinton Administration, the Department of Justice has worked hard to make sure that children with disabilities have access to child care along with non-disabled children. For instance, the Justice Department has entered into agreements regarding children with disabilities with the two largest child care companies in the country -- KinderCare has agreed to do "finger-prick" tests as requested by doctors and parents for children with diabetes and, in another agreement with KinderCare, the company has agreed to develop a model policy to enable a child with mental retardation to attend one of its centers with a state-funded personal care attendant. In addition, La Petite Academy has agreed to do the same "finger-prick" tests, to keep epinephrine on hand for severe and possibly-life-threatening allergy attacks, and to make changes to some of its programs so that children with cerebral palsy can participate. The Justice Department also provides information through its ADA information hotline (1-800-514-0301, 1-800-514-0383 TDD) and produces *Commonly Asked Questions about Child Care Centers and the ADA* for distribution. Additionally, the HHS Child Care Bureau has launched a special initiative to assist ten states to develop and implement effective plans aimed at improving and expanding their child care service delivery system. The project, "Map to Inclusive Child Care," will expand to other states over the next three years.

- **Easing the Commuting Dilemma for Families.** The President is fighting for welfare-to-work transportation grants to assist states and local communities in moving individuals from welfare-to-work -- including helping parents with small children obtain transportation to their jobs *and* to child care. Proposed legislation is included in the transportation authorization bills currently before Congress. In addition, as a part of the Transportation Department's Livable Communities Initiative, the Federal Transit Administration (FTA) has provided opportunities for on-site community services -- Head Start facilities, a health clinic, and child care centers -- at transit facilities across the country to help parents obtain child care for their children on their commuting routes to work or training.

ENSURING HEALTH AND NUTRITION IN CHILD CARE

- **Improving Health and Safety with Healthy Child Care America**. In an effort to improve the health and safety of child care programs and to provide child health education to child care providers and parents, in 1995, the Clinton Administration launched the Healthy Child Care America initiative. This effort has established partnerships between child care providers and health care services in 46 states, helping to ensure that children in child care are in safe and healthy environments.

- **Ensuring that Children in Child Care Settings Are Properly Immunized**. In July 1997, President Clinton proposed new child care regulations to ensure that children in child care receive the immunizations they need on time. The proposed rule would require that all children in federally subsidized child care be immunized according to state public health agency standards. This proposed regulation will particularly affect those children in child care arrangements that are legal but exempt from state licensing requirements.

- **Providing Quality Nutrition to Children in Child Care**. President Clinton has maintained the commitment to providing quality nutrition in the Child and Adult Care Food Program (CACFP), a federal program that provides healthy meals and snacks in child and adult day care facilities. In 1997, the program provided meals to about 2.5 million children and almost 50,000 adults in approximately 35,000 child care centers (including after-school centers), 195,000 family and group day care homes, and 1,500 adult day care centers. Child care providers in the CACFP must serve meals that meet federal nutrition guidelines, and must offer free or reduced-price meals to those eligible. The General Accounting Office identified CACFP as one of the most effective vehicles for reaching family child care providers and enhancing the care they provide because of its unique combination of resources, training, oversight and peer support. Notably, 87 percent of family child care homes that are considered to be providing good quality child care are participating in the Child and Adult Care Food Program, according to the Families and Work Institute's *Study of Children in Family Child Care and Relative Care*.

CARING FOR SCHOOL-AGE CHILDREN

- **Convened the 1997 School-Age Child Care Forums**. The Child Care Bureau at the Department of Health and Human Services convened ten regional conferences to share promising initiatives for school-age children among child care, education, and community based organizations from nearly every state. These conferences spurred additional dialogue among participants and stimulated planning to address "out of school time" in states and communities across the country.

- **Keeping Schools Open as Community Learning Centers -- A Guide.** In May 1997, First Lady Hillary Rodham Clinton released *Keeping Schools Open as Community Learning Centers: Extending Learning in a Safe, Drug-Free Environment Before and After School.* The Department of Education, along with the National Community Education Association, Policy Studies Associates, and the American Bar Association, wrote the step-by-step guidebook on how school facilities can be used for after-school programs.

- **Providing After-School Activities Through 21st Century Learning Centers and Title I.** The Clinton Administration's Improving America's Schools Act of 1994 reauthorized the Elementary and Secondary Education Act. This law included a new statutory requirement that encourages schools receiving funding to enhance their instruction with such programs as extended school years, before- and after-school programs, and summer programs -- effectively giving "teeth" to after-school options. For instance, Title I -- which is funded by the Improving America's Schools Act and provides extra help with basic and advanced skills to disadvantaged students in elementary and secondary schools -- has been successful in helping Title I funded schools provide after-school programs. In addition, under this law, the 21st Century Community Learning Center program has been developed -- a program that once fully implemented will benefit urban and rural schools and their communities, allowing schools to stay open beyond the normal hours, offering expanded learning opportunities to children after-school. The President's current budget request includes $50 million to fund 350 21st Century Community Learning Center programs in FY 1998.

- **Supporting Positive After-School Choices with the Safe and Drug-Free Schools Communities Act.** Because children unsupervised after school are more likely to engage in risky behaviors like substance use, the Safe and Drug-Free Schools and Communities Act funds before and after-school programs. In the 1994-95 school year, over 2,700 school districts used these funds to support before- and after-school activities.

- **Staying Safe After School with Community Schools.** In the Anti-Gang and Youth Violence Initiative, the President has called for 1,000 new after-school initiatives across the country. Schools that stay open longer and are open on weekends and during the summer can provide students, parents and communities with access to valuable resources. Turning schools into after-hour safe havens can help to prevent violent crime and violent behavior while boosting our children's academic achievement.

- **Helping Children Through Service.** As co-chair of the Presidents' Summit for America's Future, President Clinton helped bring businesses, nonprofits, states and communities, and volunteer groups to Philadelphia in April 1997 to focus on service and to ensure that every child in America has five key resources -- a caring adult, a safe place, a healthy start, a marketable skill, and a chance to serve. Many of the hundreds of corporations and nonprofits that made commitments at the summit pledged to become involved in after-school and mentoring programs. America's Promise, the nonprofit organization founded to follow up on the summit promises, is now working with these organizations to ensure that they do so.

- **Enhancing Child Care and After-School Care with the Corporation for National Service**. Established by President Clinton in 1993, the Corporation for National Service, through AmeriCorps, Learn and Serve America and the National Senior Service Corps, is addressing the needs of children through service activities. Approximately two-thirds of the national service programs work to address the needs of children and youth often in child care and after-school settings. AmeriCorps members, college students, and senior volunteers, working alongside child care providers, are serving as tutors and mentors, health and nutrition educators, in both child care and after-school programs across the country.

- **Aiding the Boys and Girls Clubs of America**. The Clinton Administration is providing resources to the Boys and Girls Clubs of America to establish and enhance more clubs throughout the United States. These Clubs are situated in at-risk communities and reach thousands of kids through violence prevention and reduction, educational health programs and youth leadership development. For instance, the Boys and Girls Clubs of America was awarded an AmeriCorps grant to provide education awards to 100 full-time and 800 part-time AmeriCorps members in up to 100 clubs early next year. The AmeriCorps members will be either older (17 and 18 year-olds) Boys or Girls Clubs members or club member alumni who will serve as tutors, mentors, and recreation activity coordinators in after-school programs.

PROVIDING INFORMATION AND TECHNICAL ASSISTANCE

- **Providing Child Care Information**. In 1995, the Clinton Administration established the Child Care Bureau at the Department of Health and Human Services (HHS) to streamline child care program operations and improve the quality and efficiency of service. In addition, HHS launched the National Child Care Information Center to disseminate child care information, publications and resources to help providers start up child care centers, parents locate child care in their communities, and researchers and policy makers attain access to policy information. Through the Technical Assistance Project, HHS has brought states together to share promising practices and has held special forums on school-age care, consumer education, Tribal child care programs, and a range of other topics.

- **Promoting Public/Private Partnerships**. The Child Care Bureau has launched a nationwide effort to promote public/private partnerships in child care by providing technical assistance to states on promising initiatives going on across the country.

- **Providing a Resource and Referral Clearinghouse for Working Families**. The Department of Labor Women's Bureau recently published a report entitled: *What Works! The Working Women Count Honor Roll Final Report* which highlights employers who have made real change in the areas that working women and their families care about most -- pay and benefits, family friendly workplaces (including child care) and respect and fair treatment on the job. Hundreds of employers accepted this challenge to deliver real change -- especially in child care. This guide was a result of the Working Women Count national questionnaire which surveyed 250,000 working women -- the largest questionnaire of working women ever. Notably, child care was identified as a top issue for working women. In addition to this guide, the Labor Department has expanded its resource and referral clearinghouse for employers and working families. The agency has established a toll-free number (1-800-827-5335) and provides materials like the *Work and Family Resource Kit* and *Care Around the Clock: Developing Child Care Before 9 and after 5.*

- **Training Caregivers -- a Nationally Acclaimed Program**. The Education Department's Office of Educational Research and Improvement supports the regional laboratory in San Francisco, California called WestEd. WestEd has developed a nationally acclaimed Infant/Toddler Caregiver Training Program which teaches caregivers how to provide nurturing and stimulating environments to promote quality child care. Research-based videos and printed materials are available in Spanish, Chinese, and English. Eight thousand caregivers have been trained in California and the program has been expanded across the nation.

LEARNING LESSONS FROM THE MILITARY CHILD DEVELOPMENT PROGRAMS

- **Providing High Quality Child Care -- The Military Model**. Under the Clinton Administration, the Department of Defense (DoD) has made important strides to improve the quality of child care for the children of the men and women who serve our country. The DoD Child Care System serves over 200,000 children (age zero to 12) daily making the U.S. military system the largest employer-sponsored child care program in the nation. The DoD Child Care System, known as the Child Development Program, includes Child Development Centers, Family Child Care homes, School Age Care programs, and Resource and Referral services. Through this system, the military offers full-day, part-day, and hourly child care, part-day preschools, before- and after-school programs for school age children, and extended hour care which includes nights and weekends to accommodate shift workers. Because of the Department of Defense's commitment to excellence in child care, since 1992, the number of military child care facilities that are accredited by the independent National Association for the Education of Young Children has risen from 55 to 353. Currently, over 75 percent of military child care programs are accredited, as compared to only 7 percent of other child care facilities nationwide. Since the early 1990s, the DoD has focused on improving the quality, availability, and cost of child care for military families.

- **Sharing the Military's Expertise**. Because of the DoD's high quality, comprehensive child care programs, in April 1997, President Clinton directed the Secretary of Defense to share the expertise and lessons learned from the Military Child Development Programs with Federal, State, tribal, and local agencies, as well as with private and nonprofit groups, that are responsible for providing child care. In his Directive the President stated, "The Military Child Development Programs have attained a reputation for an abiding commitment to quality in the delivery of child care. The Department of Defense's dedication to adequate funding, strict oversight, improved training and wage packages, strong family child care networks, and commitment to meeting national accreditation standards is laudatory. I believe that the military has important lessons to share with the rest of the Nation on how to improve the quality of child care for all of our Nation's children." In response to the President's directive, the Pentagon is implementing a plan to reach out to states and civilian child care centers to share its expertise.

SUPPORTING A FAMILY-FRIENDLY FEDERAL WORKPLACE

- **Promoting Family-Friendly Initiatives**. Under President Clinton's leadership, the federal government, striving to be a model employer for other private and public employers, has implemented family-friendly leave initiatives that enhance the ability of employees to balance family and employment obligations. In addition to leave initiatives, the federal government offers compressed or flexible work schedules to many workers so that they may spend more time with their families.

- **Providing Child Care for Federal Workers**. In addition to the Department of Defense's model child care program, there are more than 230 child care centers for civilian government employees in federal buildings in as many as 36 states. The General Services Administration (GSA) oversees 108 of these centers, making GSA the largest civilian sponsor of work-site child care in the nation. Under this Administration, the emphasis on quality has continued -- with 73 percent of GSA sponsored centers accredited by the independent National Association for Education of Young Children, and with a goal of reaching 100 percent accreditation within two years. Striving to meet the needs of parent workers, 89 percent of GSA centers have infant care, 74 percent have drop-in/emergency care, and 42 percent provide summer programs for school aged children. In addition, more than 80 percent of centers are open 11 or more hours per day. Nearly 70 percent of the child care center directors have ten or more years of experience in early childhood education.

Child Care for Young Children: Quality

"Recent brain research suggests that warm, responsive child care is not only comforting for an infant; it is critical to healthy development."

- *Rethinking the Brain: New Insights into Early Development*
Families and Work Institute (1997)

● **Higher quality child care for very young children (0 to 3) was consistently related to high levels of cognitive and language development.** "Mother-Child Interaction and Cognitive Outcomes Associated with Early Child Care", NICHD Early Child Care Research Network (1997)

● **Studies have raised concerns about the quality of care:**

- A four-state study of quality in child care centers found **only one in seven (14%) were rated as good quality.** *Cost, Quality and Child Outcomes in Child Care Centers, (Executive Summary)* University of Colorado at Denver (1995)
- **Thirteen percent of regulated and 50 percent of nonregulated family child care providers offer care that is inadequate.** *The Study of Children in Family Child Care and Relative Care*, Families and Work Institute (1994)
- **"The quality of services provided by most centers was rated as barely adequate."** *The National Child Care Staffing Study* (Executive Summary), National Center for the Early Childhood Workforce (1989)

● **"[M]any children living in poverty receive child care that, at best, does not support their optimal development and, at worst, may compromise their health and safety."** *New Findings on Children, Families, and Economic Self-Sufficiency*, National Research Council, Institute of Medicine (1995)

What Works to Improve the Quality of Child Care

● **Children who receive warm and sensitive caregiving are more likely to trust caregivers, to enter school ready and eager to learn, and to get along well with other children**. . . To ensure that child care settings nurture children, protect their health and safety, and prepare them for later school success, better qualified staff are essential." *Starting Points: Meeting the Needs of Our Youngest Children*, Carnegie Task Force on Meeting the Needs of Young Children (1994)

● **"[S]maller group sizes, higher teacher/child ratios and higher staff wages result in quality child care.** Outcomes for children are also better when they attend programs that include a curriculum geared to young children, well prepared staff and where parents are involved in programming." *Early Childhood Care and Education: An Investment That Works*, National Conference of State Legislatures (1997)

● **Any child care setting will benefit from a health consultant**. . . to advise on potential infectious diseases, explain symptoms and treatments to families, plan health alert procedures when infectious disease occurs, and assist with public health reporting requirements. *Caring for Infants and Toddlers in Groups*, Zero to Three: National Center for Infants, Toddlers and Families (1995)

● **States with stronger licensing requirements had a greater number of good-quality centers** according to recent research. *Cost, Quality and Child Outcomes in Child Care Centers*, University of Colorado at Denver (1995)

● **Voluntary conformity to higher standards through professional center accreditation or through meeting another set of quality standards also increased the likelihood of higher classroom quality.** *Cost, Quality and Child Outcomes in Child Care Centers*, University of Colorado at Denver (1995)

For additional information, contact the National Child Care Information Center at (800) 616-2242 or visit the Web site at ***http://ericps.crc.uiuc.edu/nccic/nccichome.html***

A Profile of the Child Care Work Force

Approximately three million child care teachers, assistants, and family child care providers in the U.S. care for 10 million children each day.

Who are the child care teaching staff?

97% are female
41% have children
10% are single parents

- Child care teaching staff earn an average of $6.89 per hour or $12,058 per year (based on 35 hours per week and 50 weeks per year) (data from *Cost, Quality and Child Outcomes in Child Care Centers*, Technical Report 1995, salary data are in 1993 dollars).

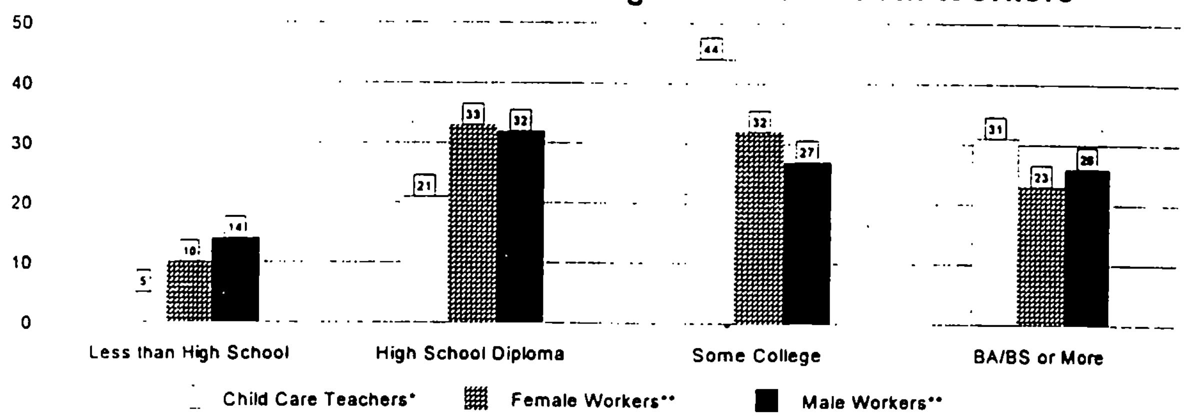
- Only 18 percent of child care centers offer fully paid health coverage to teaching staff.

- Although they earn lower wages, child care teachers are better educated than the general population.

- One-third of all child care teachers leave their centers each year.

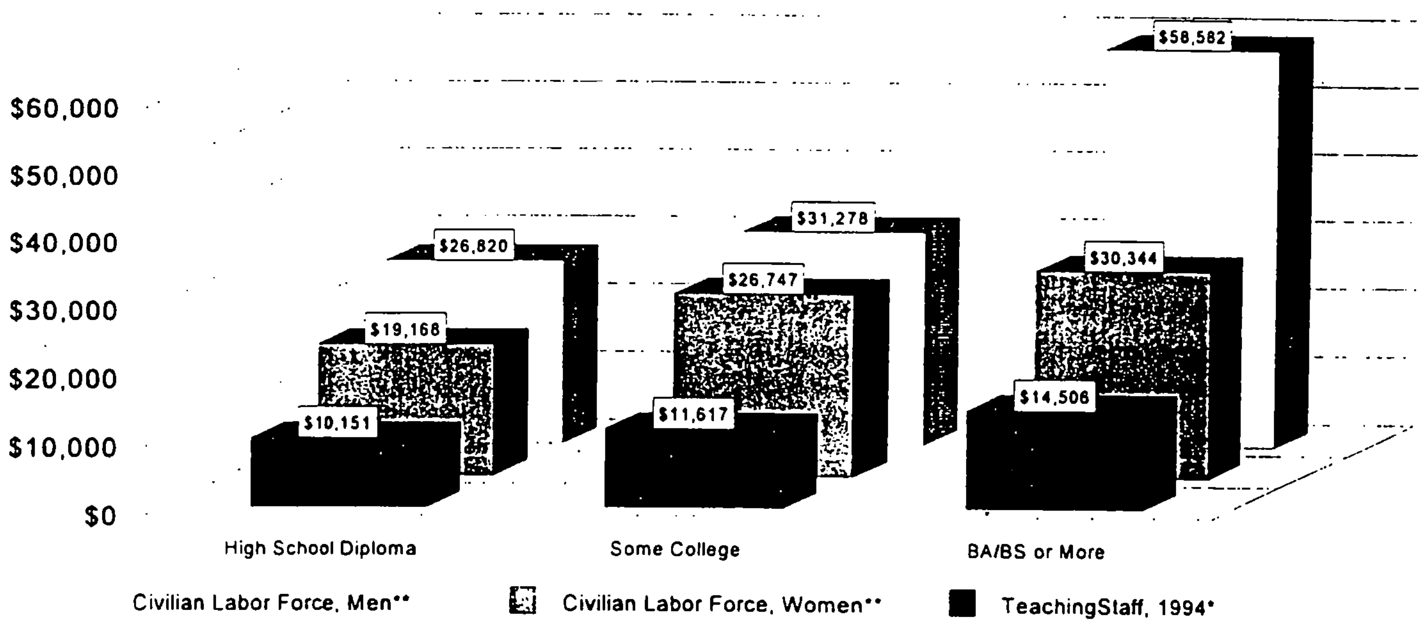
- Family child care providers who care for and educate young children in their homes also have very low earnings. Providers earn $9,528 annually after expenses (data from *The Economics of Family Child Care Study*, a forthcoming publication from Wheelock College, earnings in 1996 dollars). Unregulated providers, who care for fewer children and are offered fewer supports; earned just $5,132 after expenses.

Education of Child Care Teaching Staff Versus All Workers***



*National Child Care Staffing Study **Current Population Surveys, 1995. Bureau of Labor Statistics, U.S. Department of Labor

Annual Wages of Child Care Teaching Staff Versus All Workers***



*National Child Care Staffing Study, wages in 1996 dollars **Current Population Surveys, 1996. Bureau of Labor Statistics, U.S. Department of Labor

****These charts only provide information on center-based teaching staff.*

This fact sheet is primarily excerpted from materials developed by the National Center for the Early Childhood Work Force (NCECW), (phone: 202-737-7700; E-mail: **ncecw@ncecw.org**).

Child Care for Young Children: Demographics

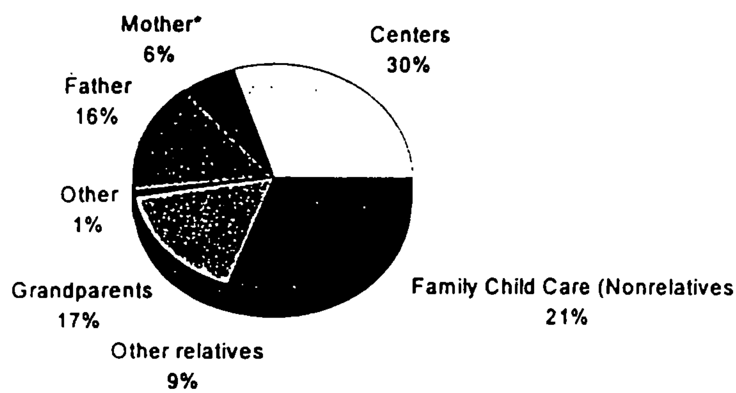
● According to the National Center for Education Statistics, in 1995 there were approximately 21 million infants, toddlers, and preschool children under the age of six in the U.S., more than 12.9 million of these children were in child care.[†]

● Forty-five percent of children under age one were in child care on a regular basis.[†]

● While use of center-based care increased from 1988 to 1993, most young children are still in a home-based setting, including family child care.[**]

Primary Child Care Arrangements Used by Families with Employed Mothers for Preschoolers: 1993

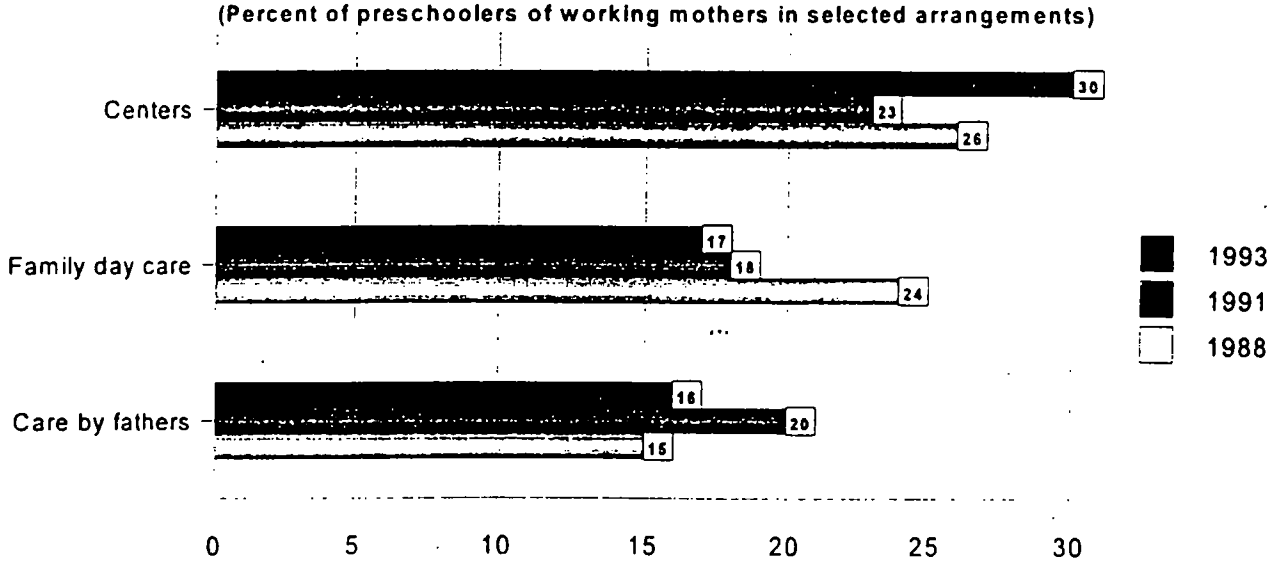
(Percent of preschoolers of working mothers in selected arrangements)



* Includes mothers working at home or away from home. Source: Casper, L.M. *Who's Minding Our Preschoolers?* U.S. Bureau of the Census, Current Population Reports, P-70, no. 53, Washington, DC 1996

Changes in Selected Child Care Arrangements: 1988 to 1993

(Percent of preschoolers of working mothers in selected arrangements)



Source: Casper, L.M. *Who's Minding Our Preschoolers?* U.S. Bureau of the Census, Current Population Reports, P-70, no. 53, Washington, DC 1996

This profile of child care demographics has been excerpted from information provided by the [†] National Center for Education Statistics, U.S. Department of Education and the [**]U.S. Bureau of the Census.

For additional information, contact the National Child Care Information Center at (800) 616-2242 or visit the Web site at ***http://ericps.crc.uiuc.edu/nccic/nccichome.html***

Out-of-School Time

School-Age Care

According to the Bureau of the Census, in 1997 there were 38.8 million children between the ages of 5 and 14 years living in the U.S. There are approximately 24 million school-age children with parents in the workforce or pursuing education (based on 1993 SIPP data from the Bureau of the Census).

Care Arrangements of School-Age Children

- Experts estimate that **nearly 5 million school-age children spend time as latchkey kids without adult supervision during a typical week.**

- **Approximately 1.7 million children in kindergarten through grade 8 were enrolled in 49,500 formal before- and/or after-school programs in 1991,** according to the National Study of Before and After School Programs.

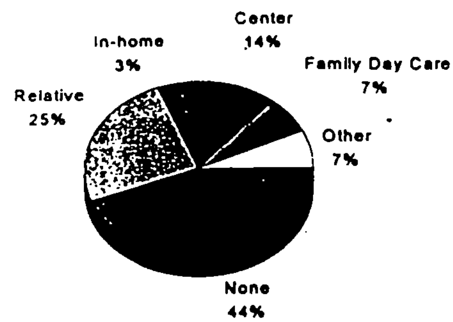
- In 1993-94, according to the National Center for Education Statistics, there were 18,111 before- or after-school programs in public schools--70% of public schools did not offer extended learning programs.

- School-age children are likely to spend time in many different care arrangements. According to the National Child Care Survey (1990), **76 percent of school-age children with an employed mother spend time in at least two child care arrangements during a typical week, in addition to their time in school.**

- According to the National Child Care Survey, children aged 5 to 12 with employed mothers use the following types of supplemental care: 7% are in family day care; 14% are in centers, 3% are cared for by in-home providers, 25% are cared for by relatives and 44% do not use supplemental care.

Use of Supplemental Care,

Children 5 to 12 with Employed Mothers



The Effects of Out-of-School Time on Children

- Children under adult supervision in a formal program during after-school hours have demonstrated improved academic achievement and better attitudes toward school than their peers in self- or sibling care. Miller and Marx, 1990 in *Supplement o the National Assessment of Chapter 1*

- Youth are at greatest risk of violence after the regular school day. Youth between the ages of 12 and 17 are most at-risk of committing violent acts or being victims between 2:00 pm and 6:00 pm--a time when they are not in school. *Fight Crime: Invest in Kids*, 1997

The most frequently mentioned barrier to participation is the parents' inability to pay the tuition and fees charged by programs. Other barriers include availability, quality of activities, inadequate facilities, transportation, high staff turnover, hours of the program and lack of resources.

Components of Successful Before- and After-School Programs include: linkages between after-school and regular school programs, children's participation in age appropriate learning activities, hiring of qualified staff, low student-staff ratio, involvement of parents, program evaluation and coordination with the schools and other community organizations.

For information on what states and communities are doing to meet the need for school-age care, contact the National Institute on Out of School Time (formerly the School-Age Child Care Project), Center for Research on Women, Wellesley College at (617) 283-2547 or visit the World Wide Web site at: http://www.wellesley.edu/WCW/CRW/SAC/. For additional information on extended learning in after-school programs in schools, contact the U.S. Department of Education, please call (800) USA-LEARN or visit the World Wide Web site at: http://www.ed.gov/PFIE.

Economics of Child Care

● In 1994, 62% of married mothers with a child under age six were in the workforce, compared with 30% in 1970.†

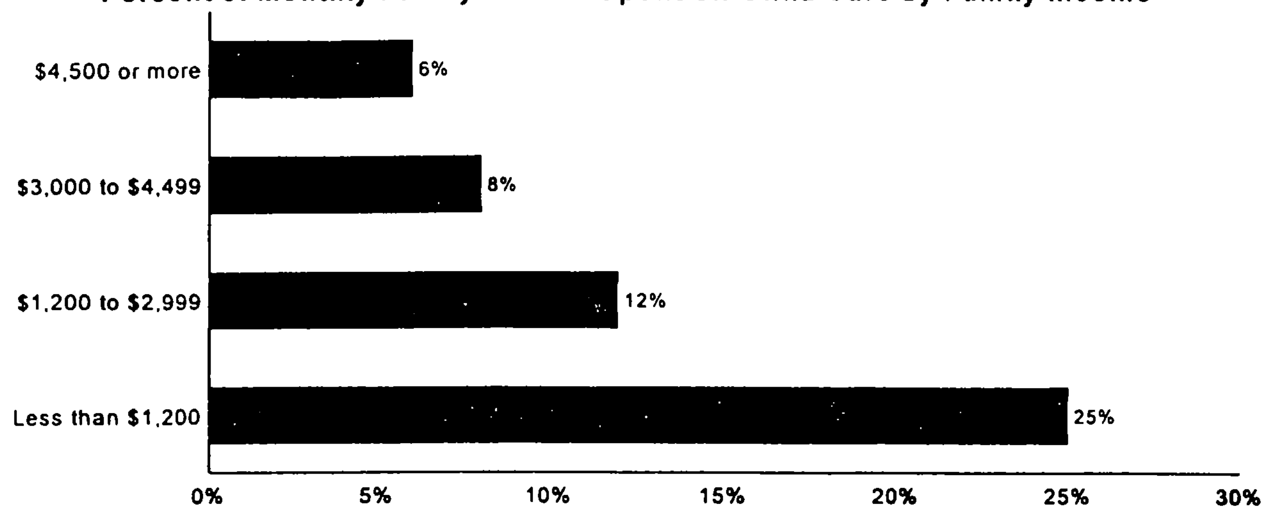
● The increased employment of mothers outside the home has led to a sharp increase in the use of child care over the past several decades. Eight of 10 employed mothers with children under six are likely to use some form of nonparental child care arrangement.†

● In 1990, 7.2 million mothers with 11.7 million children under age 15 worked full or part time during nonstandard hours.**

● In 1993, the average family with an employed mother and a child under age five spent about $74 per week for child care for all preschoolers in the family.*

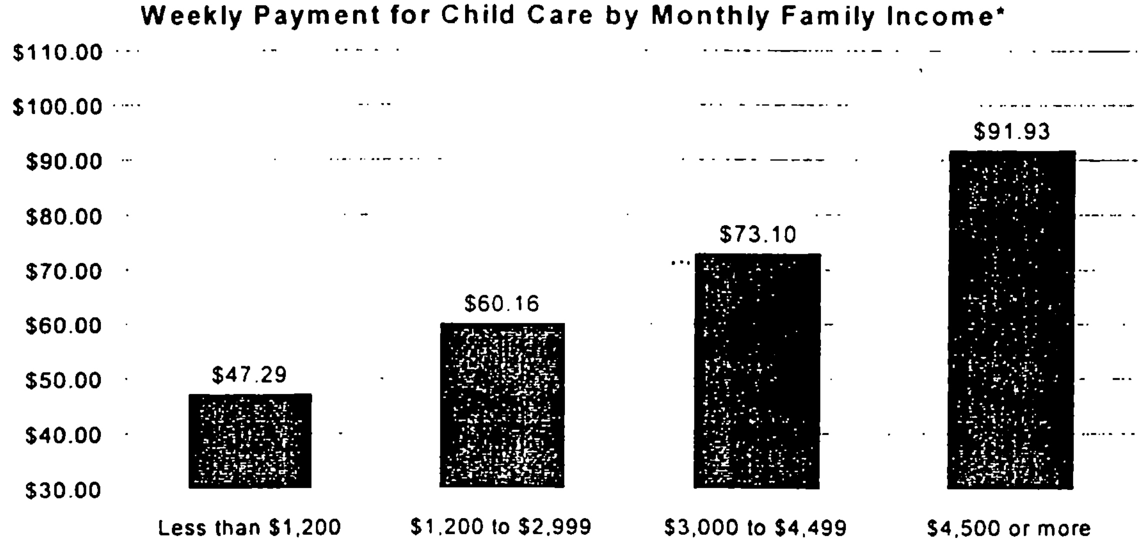
● Families with annual incomes under $14,400 that paid for care for children under five spent 25% of their income on child care, compared with 6% for families with incomes of $54,000 or more.*

Percent of Monthly Family Income Spent on Child Care by Family Income *



* Limited to families with a preschooler, 1993 data. Source: Casper, L.M. *What Does It Cost to Mind Our Preschoolers?* U.S. Bureau of the Census, Current Population Reports, P-70, no. 52. Washington, D.C., 1995

Weekly Payment for Child Care by Monthly Family Income*



*Limited to families paying for child care for preschoolers, 1993 data Source: Casper, L.M. *What Does It Cost to Mind Our Preschoolers?* U.S. Bureau of the Census, Current Population Reports, P-70, no. 52. Washington, D.C., 1995

Information in this fact sheet is excerpted from † Sandra L. Hofferth, "Child Care in the United States," *The Future of Children*, vol. 6, no. 2 Summer/Fall 1996, with additional information from: National Center for Education Statistics, U.S. Department of Education; *U.S. Bureau of Census; **Women's Bureau, U.S. Department of Labor.

For additional information, contact the National Child Care Information Center at (800) 616-2242 or visit the Web site at ***http://ericps.crc.uiuc.edu/nccic/nccichome.html***

November 18, 1997

MEMORANDUM FOR DISTRIBUTION

FROM: ELENA KAGAN
DEPUTY ASSISTANT TO THE PRESIDENT
FOR DOMESTIC POLICY

RE: DEPUTIES MEETING ON CHILD CARE INITIATIVE

As you know, the President announced that he will unveil a child care initiative in his 1998 State of the Union Address. The Domestic Policy Council has been leading a policy development process, with significant input from various federal agencies and White House offices, to develop policy options on child care for the President's consideration.

The purpose of today's Deputies-level meeting is to discuss various policy options for the child care initiative that have been developed over the past months. At the meeting, representatives from the Departments of the Treasury, Health and Human Services, and Education will make brief presentations of several proposals, with the balance of the meeting reserved for discussion.

Attached for your review please find several documents: 1) an overview paper which outlines current federal investment in child care, proposes goals for a new child care initiative, and summarizes the policy options for discussion at the Deputies meeting, and 2) the policy proposals developed by various agencies (which are summarized in the overview paper).

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CHILD CARE INITIATIVE

Overview of Current Federal Investment in Child Care

The Federal government invests in child care in a variety of ways. The two principal mechanisms designed to help parents pay for child care are the Child and Dependent Care Tax Credit (CDCTC) and the Child Care and Development Block Grant (CCDBG):

- **Child and Dependent Care Tax Credit (CDCTC).** The CDCTC provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The non-refundable credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit rate depending on the taxpayer's adjusted gross income. The Federal government spent approximately $2.6 billion on the CDCTC in 1997.

- **Child Care and Development Block Grant (CCDBG).** The CCDBG is the primary Federal subsidy program devoted to child care, enabling low-income parents and parents receiving Temporary Assistance for Needy Families (TANF) to work or participate in the educational or training programs they need in order to work. Welfare reform increased federal funding for child care by approximately $4 billion over five years (FY 1997 - FY 2002), and it consolidated four child care subsidy programs into the CCDBG. The funds are distributed primarily by formula to the States to operate direct child care subsidy programs and improve the quality and availability of care. The Federal government spent $2.9 billion in direct child care subsidies in FY 1997, serving a little more than one million children.

In addition, the $500 per-child tax credit in the Balanced Budget Act can provide significant additional support to help parents meet child care costs.

In addition to these programs, the federal government runs a food program for child and adult day care centers through the USDA and invests in after-school programs for school-age children. The Child and Adult Care Food Program (CACFP) provided meals to approximately 2.5 million children in approximately 35,000 child care centers (including after-school centers) in 1997. The General Accounting Office identified the CACFP as one of the most effective vehicles for reaching family child care providers and enhancing care in home-based settings. After-school programs are supported through a variety of initiatives, including the Department of Education's 21st Century Learning Centers, funded at $40 million for FY 1998, which will provide after-school program opportunities in public schools for a million children.

Goals of New Child Care Initiative

The goals for the Child Care Initiative will drive decisions on how to invest limited additional resources. Agency representatives generally have argued for a child care initiative addressing each of the following goals:

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

These goals and their prioritization of course remain open for discussion and debate. A child care initiative could decide to focus on one or two of these goals, rather than all three.

Policy Options

The remainder of this memo outlines policy options relating to the goals of affordability, safety and quality, and availability. Some of the options address more than one of these goals, but are placed in a single category for organizational purposes.

I. AFFORDABILITY

In order to help more parents afford child care, the Administration could: 1) expand the Child Care and Development Block Grant and/or 2) modify the Child and Dependent Care Tax Credit. The pros and cons of building on one or both of these mechanisms are discussed in the attached papers prepared by the Departments of the Treasury and HHS. Information on the way the two mechanisms assist low-income families appears below, followed by policy options relating to each.

	CCDBG	**CDCTC**
Current Federal funding level	$2.9 billion (FY 1997)	$2.6 billion (FY 1998)
Eligibility criteria	Families (TANF and non-TANF) with children under 13 who need child care and earn less than 85% of state median income	Taxpayers who pay for at least 50% of the care of a child under 13 and/or a disabled dependent or spouse in order to work.
% of overall dollars in program going to families with AGI below 200% of poverty	100%	19%

	CCDBG	CDCTC
% of families with AGI below 200% of poverty and children under 13 who receive assistance under program	12% (of potentially eligible families)	13%
Amount of federal assistance	\$2,200 (average, annual federal subsidy per-child)	\$494 (average tax relief per family with AGI below 200% of poverty)

1. Increase Federal Investment in the Child Care and Development Block Grant

There are three options for additional investment in the Child Care and Development Block Grant:

OPTION ONE: Increasing CCDBG funding based on current formula.

OPTION TWO: Increasing CCDBG funding and working with states to set specified benchmarks or performance standards for use of additional funding (e.g. to expand eligibility, make co-payments more affordable, improve reimbursement rates).

OPTION THREE: Increasing CCDBG funding and requiring that funds are targeted to reach families of a specified income level or to pay child care costs for children of a specified age level. No Support

For each of these options, using HHS estimates, for every \$100 million of annual additional investment in the CCDBG, the child care costs of at least an additional 35,000 children from families with incomes below 200% of poverty will be subsidized:

Increased Investment in CCDBG	Number of Additional Children Reached
\$100 million/year or more than \$500 million/5 years	Approximately 35,000/year
\$300 million/year or more than \$1.5 billion/5 years	Approximately 105,000/year
\$500 million/year or more than \$2.5 billion/5 years	Approximately 175,000/year

Increased Investment in CCDBG	Number of Additional Children Reached
$700 million/year or more than $3.5 billion/5 years	Approximately 250,000/year
$1 billion/year or more than $5 billion/5 years	Approximately 350,000/year

2. Modify the Child and Dependent Care Tax Credit

The Child and Dependent Care Tax Credit is currently a non-refundable credit that may be claimed by taxpayers who pay for the care of a qualifying individual (children under 13 years old and/or disabled dependents or spouses) in order to work. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care. The amount of the credit rate depends on the taxpayer's adjusted gross income (AGI). The credit rate is phased down from 30% (for taxpayers with AGI of $10,000 or less) to 20% (for taxpayers with adjusted gross income above $28,000). The maximum amounts of qualifying expenses for which credits may be claimed are $2,400 for one qualifying individual and $4,800 for two or more qualifying individuals. Thus, the maximum credit ranges from $480 to $720 for a taxpayer with one qualifying individual and $960 to $1,440 for a taxpayer with two or more qualifying individuals.

Four options are proposed for discussion:

OPTION ONE: Beginning in 1999, taxpayers would become eligible for the 30 percent credit rate if their income is $18,000 or less. The credit rate would be phased down from 30% to 20% for AGI between $18,000 and $45,000. In subsequent years, the starting point for the phase down range would be indexed for inflation, as would the maximum amounts of qualifying child and dependent care expenses that could be claimed.

> **IMPACT AND COST**: The Department of the Treasury estimates that this option would affect 2.1 million taxpayers with AGI below $45,000, providing an average tax cut increase of $74. It would cost approximately $2.4 billion over five years (see Treasury paper for fuller discussion).

OPTION TWO: Beginning in 1999, taxpayers would become eligible for a 50% credit rate if their income is $18,000 or less. The credit rate would be phased-down from 50% to 20% for AGI between $18,000 and $47,000. In subsequent years, the starting point for the phase down range would be indexed for inflation, as would the maximum amounts of qualifying child and dependent care expenses that can be claimed.

IMPACT AND COST: The Department of the Treasury estimates that this option would affect 2.2 million taxpayers with AGI below $47,000, providing an average tax cut increase of $233. It would cost approximately $4.6 billion over five years (see Treasury paper for fuller discussion). $6.9 billion over 10 yrs.

OPTION THREE: The CDCTC would be made refundable in 1999, thus allowing individuals who do not have an income tax liability to claim the credit.

IMPACT AND COST: The Department of the Treasury estimates that this option would affect 1.3 million families, mostly with AGI between 160-200% of poverty, providing an annual tax cut increase or refund of $407. It would cost approximately $6.9 billion over five years (see Treasury paper for fuller discussion).

OPTION FOUR: In addition to making the CDCTC refundable, the phase-down would be adjusted as described in Option One.

IMPACT AND COST: The Department of the Treasury estimates that this option would affect 3.4 million families, providing an average tax cut increase or refund of $347. It would cost would cost approximately $11 billion over five years (see Treasury paper for fuller discussion).

II. SAFETY AND QUALITY

Four proposals to ensure safety and quality in child care will be presented for discussion: increasing federal funds targeted to quality improvements, either by increasing funding for the CCDBG (with its set-aside for quality improvements) or by establishing a separate quality fund; increasing federal investment in education and training for child care providers; and establishing a new fund for activities related to consumer education, technology development and utilization, and data and research.

1. Increase Federal Funds Targeted to Quality Improvements

OPTION ONE: Increase federal funding in the CCDBG and thereby increase required 4% set-aside for quality improvements.

IMPACT AND COST: For every $100 million of annual, additional investment in the CCDBG, States would receive an additional $4 million in flexible funding for quality improvements:

Additional Annual Investment in CCDBG	Increase in Quality Set-Aside Per Year (4% of increase)
$100 million	$4 million
$300 million	$12 million
$500 million	$20 million
$700 million	$28 million
$1 billion	$40 million

OPTION TWO: Establish a fund distributed to the States according to the CCDBG formula to provide grants to communities to improve safety, quality, and learning for young children in child care (see HHS paper for fuller discussion). This fund would differ from the 4% set-aside for quality in the CCDBG because it would be designated for use by communities, rather than by States, and because it would be targeted for to infants and toddlers.

> **IMPACT AND COST**: This fund would build on the North Carolina model of community grants known as "Smart Start." HHS recommends a funding level of $800 million per year or $4 billion over 5 years to reach 1,000 communities; still needed is a range of cost options and further impact analyses.

2. **Increase Federal Investment in Provider Education and Training**

OPTION: Build on the Child Care Provider Scholarship Fund announced by the President at the White House Conference on Child Care, in which states provide scholarship funds to students working toward a state or national credential, certificate or Associate, B.A. or B.S. degree. Child care workers, who must commit to remaining in the field for at least one year for each year of assistance received, will earn increased compensation or bonuses when they complete their course work, provided by some combination of the scholarship fund and the worker's employer.

> **IMPACT AND COST**: For every $50 million of annual federal investment in the Child Care Provider Scholarship Fund (matched with one State or Community dollar for every four federal dollars), up to 50,000 child care providers will receive scholarship assistance.

Federal Investment in Child Care Provider Fund	Number of Scholarships Available
$50 million/year or $250 million/5 years	50,000/year
$100 million/year or $500 million/5 years	100,000/year
$150 million/year or $750 million/5 years	150,000/year
$200 million/year or $1 billion/5 years	200,000/year

3. <u>Increase Federal Investment in Consumer Education, Research, and Technology</u>

The CCDBG currently contains a 4% set-aside for quality activities, under which consumer education is an allowable, but not a required expense. HHS reports that although some States are investing some of their quality set-aside in consumer education efforts, these efforts are limited and scattershot. Further, HHS reports that no funds are presently targeted to child care data and research.

OPTION: Establish a new fund for activities related to consumer education, technology development and utilization, and data and research. Funds would support research and demonstration projects, a National Center on Child Care Statistics, a national child care hotline, and a consumer education campaign to help parents select safe and healthy care for their children (see HHS paper for fuller discussion).

> **IMPACT AND COST**: HHS recommends federal investment of $50 million per year; still needed is a range of cost options and further impact analyses.

III. AVAILABILITY

Two options to make child care more available will be presented for consideration: 1) investing in school-age care opportunities, and 2) providing incentives to businesses to create and/or run child care programs.

1. <u>Invest in School-Age Care Opportunities</u>

Three options will be presented for consideration:

OPTION ONE: Expand the existing 21st Century Community Learning Centers program to provide start-up funds to school-community partnerships to establish before- and after-school programs for school-age children at public schools. This expanded program would target additional funding to high-need communities (using eligibility requirements for the President's Title V Teacher Recruitment proposal), further concentrate on providing enriching after-school programming for children, and require an increased local match to ensure that programs become self-sustaining after receiving start-up funding (see Department of Education paper for fuller discussion).

IMPACT AND COST: The Department of Education recommends annual federal funding of up to $400 million. Using the Department of Education assumption of a one-to-one local match and an average per-child cost of an after-school program as $800/year, the Department estimates that this level of funding would enable the program to serve up to 1 million children. Using these estimates, other levels of federal investment would yield:

Federal Investment	Approximate Number of Children Served
$100 million	250,000
$400 million	1 million
$680 million	1.7 million (which would double the current level of participation in after-school programs)
$800 million	2 million

OPTION TWO: Establish a fund to support after-school program opportunities to be distributed to the States according to the CCDBG formula, with matching and benchmark-setting requirements. Funds would go through States directly to communities, with 50% targeted to areas with high concentrations of poverty. These funds would enable communities to create new programs and link already-existing community resources such as schools, libraries, parks, and recreation centers to build the supply of school-age care and improve quality. The proposal is modeled after the Making the Most of Out of School Time (MOST) projects (see HHS paper for fuller discussion).

IMPACT AND COST: HHS recommends an annual investment of $300 million; still needed is per-child cost and a range of investment options and further impact analyses.

OPTION THREE: Increase federal funding in the CCDBG and thereby increase CCDBG dollars targeted to support after-school opportunities. HHS estimates that approximately one-third of children currently served by the CCDBG are school-age.

IMPACT AND COST: HHS estimates a general increase in the CCDBG will proportionately increase school-age slots by approximately 30%.

2. **Provide Tax Incentive to Businesses**

OPTION: Senator Kohl has introduced legislation to provide a tax credit to businesses that incur costs related to providing child care services to their employees. Qualifying expenses would include those a business incurs to build or expand a child care facility, operate an existing facility, train child care workers, reserve slots at a child care facility for employees, or provide child care resource and referral services to employees. The credit would cover 50% of qualified costs incurred, but could not exceed $150,000 per year.

IMPACT AND COST: The Department of the Treasury advises that low-wage workers are generally less likely to receive employer-provided fringe benefits than middle- and higher-wage workers and that the proposed credit is therefore likely to benefit disproportionately middle- and higher-wage workers. The Joint Committee on Taxation has estimated the Kohl proposal to cost $2.6 billion over five years.

HHS submission

Affordability

Federal child care assistance in FY 1997 provides $2.9 billion in direct subsidies, serving a little more than one million children. However, even with this substantial investment, only 10% of eligible children receive assistance. Due to the high demand for assistance, States often set eligibility levels below the allowable income level established in the Federal statute. For example, although a State can allow families up to 85% of State Median Income to receive assistance, many States cut off eligibility at 130% of the Federal poverty level. Therefore, many working families are not eligible for direct assistance and are also unable to take advantage of the Dependent Care Tax Credit.

OPTION 1: Increase CCDBG funding without benchmarking or targeting.

Interaction with Current Program: The proposal is simply an increase in the CCDBG.

Cost Estimate: The Secretary has recommended a $700 million increase in the CCDBG to expand the number of children served with subsidies. These funds would be matched at the FMAP (which averages around 56%).

Impact Analysis: An increase of $700 million in CCDBG would provide at least 250,000 child care slots in FY 99.

Pros:
- Gives States the flexibility to spend the funds as best fits its needs.
- Enables the States to serve more working families with subsidy through the CCDBG.

Cons:
- May not be targeted enough to reach the working poor population in need of child care assistance.

OPTION 2: Increase the Child Care and Development Block Grant (CCDBG) funding and require States to set benchmarks to make care more affordable and accessible for low-income working families.

Interaction with Current Program: New funding will be provided through the CCDBG, although in order to access additional dollars, each State would have to set benchmarks, based on the State's individual situation. The benchmarks would describe how States will expand eligibility to serve more working families, make copayments more affordable, and improve reimbursement rates. For instance, if a State currently sets eligibility at 130% of the Federal poverty level, they may expand eligibility to 135% of poverty.

Cost Estimate: See Option 1 above.

Impact Analysis: An increase of $700 million in CCDBG would provide at least 250,000 child care slots in FY 99. Requiring States to set benchmarks will ensure that funds are targeted to low-income working families.

Pros:
- Retains State flexibility to use funds for the particular child care needs of their populations.
- Targets low-income working families without adding regulatory or administrative burden on the States.
- Focuses on results by requiring States to set and report on benchmarks.

Cons:
- May have to provide technical assistance to States in order for them to set appropriate and enforceable benchmarks.
- May not be sufficiently targeted to assure that funds reach specific age groups or specified income levels. However, all funds would still reach low income families that are eligible for CCDBG.

OPTION 3: Increase CCDBG funding, but require that the funds be targeted.

OPTION 3A: Target the CCDBG increase to reach families of a certain income level.

Interaction with current program: Funding would be provided through the CCDBG. Every State would be required; regardless of its individual situation, to assure that the additional money goes to families at a specified income level.

Cost Estimate: See Option 1 above.

Impact Analysis: This option would assure that additional funds are targeted to working poor families, rather than those families who are moving from welfare to work.

Pros:
- Provides a mechanism to target funds to more working poor families.

Cons:
- Limits the flexibility that States have under CCDBG to assess their own needs and allocate funds accordingly.
- Restricts States' ability to use the funds to move families from welfare to work.
- Recreates the type of administrative complications that the reforms in the Personal Responsibility Act were designed to eliminate.
- May not achieve its goal due to a substitution effect. For example, States may move the working families whom they already serve under this targeted funding and use the existing funding on other families, leading to no net increase in the number of working families served.

OPTION 3B: Target the CCDBG increase to reach children of a certain age.

Interaction with Current Program: Funding would be provided through the CCDBG. Every State would be required, regardless of its individual situation, to assure that the additional money goes to children in a specified age group.

Cost Estimate: See Option 1 above.

Impact Analysis: This option provides a mechanism to reach a specific targeted population based on the age of the children in the family. For instance, only a third of the children currently served are school age. Therefore, a general increase in CCDBG will proportionately only increase school age slots by over 30%. Targeting could increase the number and proportion of school age children affected.

Pros:
- Provides a mechanism to attempt to target funds to children in a certain age group.

Cons:

- May not achieve its goal due to a substitution effect. For example, States may move the children of a targeted age whom they already serve under this targeted funding and use the existing funding on other children, leading to no net increase in the number of children served from the specified age group.
- May restrict States' ability to serve all children in families with children of different ages (one child may be eligible while a "non-target" age child may not be eligible for the subsidy).
- Takes away the flexibility that States have under CCDBG to assess their own needs and allocate funds accordingly.
- Restricts States' ability to use the funds to move families from welfare to work, by constraining States' priorities.
- Recreates the type of administrative complications that the reforms in the Personal Responsibility Act were designed to eliminate.

Treasury Submission

Modifying the Child and Dependent Care Tax Credit

Current Law

A taxpayer may be eligible for a nonrefundable tax credit if he or she pays for the care of a qualifying individual in order to work. Qualifying individuals include children under the age of 13 and disabled dependents or spouses. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care.

The amount of the credit rate depends on the taxpayer's adjusted gross income. The credit rate is phased-down from 30 percent (for taxpayers with adjusted gross income of $10,000 or less) to 20 percent (for taxpayers with adjusted gross income above $28,000). The maximum amounts of qualifying expenses for which credits can be claimed are limited to $2,400 for one qualifying individual and $4,800 for two or more qualifying individuals. Thus, the maximum credit ranges from $480 to $720 for a taxpayer with one qualifying individual and $960 to $1,440 for a taxpayer with two or more qualifying individuals.

Employees may exclude from their taxable income (and their earnings for social security tax purposes) amounts their employers provide as child and dependent care benefits, including cafeteria plan contributions. The exclusion is limited to $5,000 of child care expenses per year and does not vary with the number of qualifying dependents. The amount of the expenses eligible for the child and dependent care credit is reduced dollar for dollar by the amount of excludable expenses.

Options to Increase the Credit Amounts and/or to Extend Eligibility

Option 1: Beginning in 1999, taxpayers would become eligible for the 30 percent credit rate if their income is $18,000 or less. The credit rate would be phased-down from 30 percent to 20 percent for AGI between $18,000 and $45,000. In subsequent years, the starting point for the phase-down range is indexed for inflation, as are the maximum amounts of qualifying child and dependent care expenses that can be claimed for the credit or the employer exclusion.

Option 2: Beginning in 1999, taxpayers would become eligible for a 50 percent credit rate if their income is $18,000 or less. The credit rate would be phased-down from 50 percent to 20 percent for AGI between $18,000 and $47,000. In subsequent years, the starting point for the phase-down range is indexed for inflation, as are the maximum amounts of qualifying child and dependent care expenses that can be claimed for the credit or the employer exclusion.

Option 3: The child and dependent care tax credit would be made refundable in 1999, thus allowing individuals who do not have an income tax liability to claim the credit.

Option 4: In addition to making the child and dependent care tax credit refundable, the phase-down range would be adjusted as described under option 1.

Impact Analysis and Cost

Cost and Number of Families Affected by Various Options									
	Cost in Fiscal Year (millions)							Number of Taxpayers with Cut (1999)	Average Tax Cut (1999)
	1999	2000	2001	2002	2003	1999-2003	1999-2007		
Option 1	39	192	204	239	238	673	2,446	2.1 million	$74
Option 2	132	613	543	550	555	1,838	4,638	2.2 million	$223
Option 3	150	698	636	683	747	2,167	6,880	1.3 million	$409
Option 4	215	1,014	965	1,068	1,205	3,261	11,078	3.4 million	$234

Options 1 and 2: Increase Amount of Child and Dependent Care Tax Credit

Pros

- The child and dependent care tax credit parameters have not been adjusted for inflation since 1982. Options 1 and 2 essentially adjust the child and dependent care credit for inflation since 1982.

  -- In 1982, nearly 6 percent of taxpayers who benefited from the child and dependent care tax credit were eligible for the maximum credit rate of 30 percent.

  -- But in 1999, very few taxpayers will qualify for the 30 percent rate because the income threshold ($10,000) has not been increased since 1982 Options 1 and 2 increase the threshold from $10,000 to $18,000, the level it would be in 1999 if the parameters had been indexed in 1982.

- Through the tax system, assistance can be provided directly to parents for their child care needs with low administrative costs.

- Working parents can receive the credit by filing a tax return and avoid the hassles and stigma associated with applying for assistance through welfare offices.

Cons

- The child and dependent care tax credit is not well targeted to those with low income.

-- Under current law, about 1 percent of the child and dependent care tax credit is received by families with money income in the bottom quintile and children under 13. About 32 percent of the credit is received by those with income in the top quintile.

-- Taxpayers, who also claim the $500 child credit, will not benefit from an increase in the child and dependent care tax credit unless their income is at least between 130 and 160 percent of poverty.

- The IRS cannot easily verify child care expenditures. In 1988, about one-third of the child and dependent care tax credit amounts were overclaimed on tax returns. While compliance efforts since 1988 may have reduced this error rate, these initiatives have not significantly improved IRS's ability to verify expenditures.

<u>Options 3 and 4: Expand Eligibility for the Credit by Making it Refundable</u>

<u>Pros</u>

- Low-income taxpayers will not benefit from an expansion of the child and dependent care tax credit unless the credit is made refundable.

<u>Cons</u>

- Many beneficiaries of a refundable child and dependent care tax credit already are able to use the EITC to fully offset their income and payroll taxes. Hence, critics of refundability will be quick to label a new refundable child and dependent care tax credit as "welfare" and vigorously fight the proposal.

- In the past, efforts to create new refundable credits (including recent experience with the child credit) have led to increased scrutiny of the EITC and its compliance problems. Unfortunately, the EITC will remain vulnerable to such attacks until the most recent set of compliance initiatives can be fully implemented, and studies show an improvement in compliance.

- The child and dependent care tax credit will generally not be available to most taxpayers until the end of the year. But low-income parents, particularly those who are just entering the workforce, need assistance in "real-time."

HHS Submission

The Supply and Quality of Care for Young Children

Currently, activities to improve safety, health, and learning in child care are funded by States under the required 4 percent minimum set-aside for such activities in the Child Care and Development Block Grant (CCDBG). States fund a variety of quality activities including training, licensing improvements, and resource and referral services. Since there is a tremendous need for direct assistance, most States spend only the minimum set-aside on quality activities.

OPTION 1: Increase CCDBG funding thereby increasing the amount of money that is allocated to quality via the 4% minimum set-aside.

Interaction with the Current Program: This proposal is simply an increase in the CCDBG.

Cost Estimate:
The funds for quality activities would increase by 4% of the total CCDBG increase. The Secretary proposes a $700 million subsidy increase.

Impact Analysis: A CCDBG increase would result in the States having more money to direct toward quality activities. The Secretary's proposal would result in $28 million more for quality. However, the net increase in quality funds would be offset by the fact that the increased subsidies would result in more children in child care in need of quality enhancements.

Pros:
- Improves affordability
- Potentially increases supply
- Devotes more funding to State-identified quality and supply issues.

Cons:
- Is not primarily a quality strategy; 96% of the new funds do not target quality at all, but 100% of the funds are applied to one of the three goals of quality, affordability, and supply.
- Does not target young children, especially infants and toddlers, who have the most critical health and safety concerns in child care.
- Does not allow the Administration to use its funds to leverage additional public and private resources to increase the total investments in quality.
- Does not pomote decision making at the community level.

OPTION 2: Establish a fund distributed to the States according to the Child Care and Development Block Grant formula to provide grants to communities to improve safety, health, and learning for young children in child care. The funds would specifically target young children, with a focus on infants and toddlers who are the most vulnerable children in care. States would be required to match the Federal money and would have to set benchmarks to measure their outcomes. At least 85% of funds would go directly to communities and 50% would be targeted to areas with high concentrations of poverty. This model is based on the Smart Start program in North Carolina which has allowed many counties to improve the supply and quality of care for young children. With these funds communities might choose to establish family child care networks, promote accreditation, help providers meet health and safety standards, and promote health and parent education in child care.

Interaction with the Current Program: The vast majority of the CCDBG funding currently goes toward affordability, most often in the form of vouchers. The quality money is extremely limited and typically goes to general activities funded by the States. Little or no money is administered for these purposes directly by communities. The new funding would not replace the quality set-aside, but would give communities a role in building local supply.

Cost Estimate:
The Secretary has recommended a $800 million dollar increase in the CCDBG to increase the health, safety and learning environment of child care programs.

Impact Analysis:
The proposal recognizes that the real issue in child care is whether *each community* has an adequate supply of quality care. These funds would improve the safety, health and learning of young children in child care by allowing up to 1000 communities to craft solutions that meet their specific needs.

North Carolina's Smart Start program demonstrates the impact that the community grants would have. One Smart Start county has expanded supply by 3,578 spaces in licensed programs. In another, every child care center and 50 percent of the family child care programs are participating Smart Start programs to improve the quality of care, which affects 1,234 young children in the county. In North Carolina's most populous county, 7000 children were enrolled in programs that received enhancements through the county's Smart Start grant. In other North Carolina communities, 1400 children received health and developmental screenings as a result of the Smart Start grants.

Pros:

- Gives flexibility to communities to tailor funds to their specific needs.
- Focuses on results by requiring communities to meet

benchmarks and report on outcomes.

- Targets young children, especially infants and toddlers, who are the most vulnerable children in care.
- Allows communities to build supply and fill gaps in their system of care.

- Meets the President's challenge to find a way to replicate successful child care models across the country.
- Uses Federal money to leverage State and local public and private sector funds.

Cons:

- Limits State flexibility to determine the use of funds.
- Targets only one age group.

HHS submission

Child Care Provider Education and Training

Child care provider training is one of a number of allowable activities under the Child Care and Development Block Grant set-aside for quality activities, but only a small portion of the set-aside is spent for that purpose. The funds that do go to training are often spread very thin and cover only basic workshops which don't lead to credentials or degrees.

OPTION 1: Establish the Child Care Provider Scholarship Fund announced by the President at the White House Conference. States will administer scholarship funds to providers for either pre-service on in-service coursework as part of a degree or credential program. The provider and the sponsoring child care program must also bear a portion of the cost. The provider, who will receive increased compensation after the coursework is complete, must commit to remaining in the field for at least one year for each year of assistance received.

Interaction with the Current Program: These funds are targeted specifically to providers who are enrolled in a degree or certificate program, unlike current expenditures for training. In addition, these scholarships are tied to an increase in compensation.

Cost Estimate:
The Secretary's proposal recommends an investment of $150 million in scholarship funds to provide training and support.

Impact Analysis:
The scholarships will reach approximately 150,000 providers and increase the quality and supply of child care for about 1.5 million children.

Pros:
- Targets training of providers, which is a proven effective approach to build warm and responsive interactions between the provider and the child. These interactions, while often the most difficult aspect of quality to measure, have been found in recent studies to be one of the most powerful predictors of children's healthy development in child care.
- Requires an investment from several stakeholders including the provider and the sponsoring child care program.
- Impacts potentially scores of children with each scholarship, because each provider reaches many children.

Cons:
- Cannot guarantee that the recipient will stay in the field beyond the one year commitment. However, child care workers have an average turnover of over 30%, but programs like T.E.A.C.H. in North Carolina have shown that education reduces turnover. In North Carolina, staff turnover is only 10% for people who participate in the program, compared to 42% overall.

HHS Submission

National Leadership for Consumer Education, Research, and Technology

The Child Care and Development Block Grant (CCDBG) currently contains a 4% set-aside for quality activities, under which consumer education is an allowable cost. However, quality set-aside funds only meet a small portion of the need for consumer education. In addition, the law provides a small set-aside for technical assistance, which amounts to about $8 million per year.

OPTION 1: Establish a new fund for activities related to consumer education, technology development and utilization, and data and research to help redefine the future of child care in America. The fund would support a national child care hotline and a consumer education campaign to help parents select safe and healthy care for their children, a project to increase the use of distance learning technologies for rural and home-based providers, and a National Center on Child Care Statistics, along with research and demonstration projects.

Interaction with the Current Program: These funds will go to initiatives which will lead the field of child care into the twenty first century. Although some States are investing some of their quality set-aside in consumer education, these limited efforts are scattered around the country and provide inadequate coverage even within States. No funds are targeted to child care data and research on a national level. A few States and academic institutions are undertaking research, which primarily consists of studies with small sample sizes. Currently there is no framework to provide leadership to coordinate consumer education, technology development and utilization, and research of a national scope. The fund for consumer education, research and technology will fill that gap.

Cost Estimate: The various components of this effort total $50 million.

Impact Analysis: The Secretary's proposal provides sufficient funds for a consumer education initiative, which will reach millions of households with information for parents on how to find and select safe, healthy care. The quality of care for thousands of children, particularly rural children, will be enhanced by the training of providers, made possible by distance learning technologies. The National Center for Child Care Statistics and competitive research and demonstration projects will help policymakers, community leaders, and program developers find solutions to the lack of safe, healthy, affordable, and accessible care.

Pros:

- Targets funds directly to consumer education to assist parents in choosing care that will protect the health and safety of their children.
- Will potentially build the supply of quality care by

creating demand for quality care

- Provides funds specifically for data and research to help policy makers and community leaders better understand how to build the supply of affordable, quality care.

Cons:

- Does not directly increase the supply of care
- Does not directly make care more affordable

Education Submission

Expanding School-Age Care Through 21st Century Community Learning Centers

Description of Policy Option

The Department of Education proposes to expand the existing 21st Century Community Learning Centers program to provide start-up funds to school-community partnerships to establish before- and after-school programs for school-age children at public schools. The proposal responds to surveys showing strong parental support for keeping schools open during non-school hours and complements existing and proposed funding from HHS by enabling communities with under-utilized school facilities to apply for 21st Century funding and enabling other communities to apply for funding from HHS. The expanded 21st Century funding would provide up to 1 million school children per year with safe, drug-free, low-cost, and accessible programming combining learning, enrichment and recreational activities.

Description of Current Programs and Interaction of Proposal with Current Programs

This proposal would expand the existing 21st Century Community Learning Centers program that was sponsored by Senator Jeffords in 1994. The program has won strong bipartisan support in Congress, which increased its funding from $1 million in FY97 to $40 million in FY98 with particularly strong support from Rep. Nita Lowey. The program was designed to expand the use of school facilities during non-school hours.

In expanding the current program, the Department proposes to better target funding to high-need communities, further focus it on enriching after-school programming for children, and require an increasing local match to make sure programs become self-sustaining after receiving start-up funding. As now, schools would be required to partner with community, business, or educational organizations and programming could be provided by these partners in the schools.

Schools can currently use Title I, Safe and Drug-Free Schools and other federal funding for after-school programming, but these dollars are already committed and stretched thin. An expanded 21st Century Schools program would enable high-need schools to start before- and after-school programs linked to other federally funded activities, further benefit from federal school-based nutrition programs, and provide a catalyst for the schools to partner with community organizations and businesses.

The Education Department has also generated interest from a private foundation to supplement the 21st Century Community Learning Centers by developing training, technical assistance and networking capacity among participating sites. This private funding would further help the education and child care communities work effectively together in providing after-school care.

Impact Analysis

A $400 million per year 21st Century program would reach up to 1 million school children per year. While the current law limits eligibility to "inner city and rural" schools, the Department proposes to retarget the program to *high-need* urban, rural, and suburban communities using the same eligibility as used for the President's Title V Teacher Recruitment proposal. Thus, 4,300 high-need communities serving approximately a third of the nation's school children and 60 percent of the nation's poor children would be eligible for funding.

Pros of Expanding 21st Century Community Learning Centers

- Increases the supply of after-school programs in a cost-effective manner by establishing or expanding programs at underutilized school buildings.
- Compliments HHS funding by allowing communities to choose between school-based and non-school based options.
- Responds to surveys showing strong parental and educator support for school-based after-school programs. Parents often prefer school-based programs because they do not require transportation from school to the after-school program and they trust their school officials to care for their children and provide appropriate activities.
- Enables linkages between after-school activities and school-day activities and learning.
- Provides start-up funding not requiring on-going funding after five years.
- 21st Century Schools has a proven record of support in this Congress.
- Does not require the creation of a new federal program.

Cons of Expanding 21st Century Community Learning Centers

- Some schools operate in an isolated manner and do not broadly engage parents or community organizations in their programs. However, schools are increasingly interested in partnering with community organizations and this funding would provide a catalyst for them to do so. Schools would be *required* to partner with outside organizations.
- Some are concerned that any school-based after-school program could lead to a divisive debate over vouchers. However, 21st Century Schools has won bipartisan support in this Congress and did not engender a debate over vouchers because it is premised on taking advantage of underutilized school facilities.

Cost of Proposal

The Department of Education proposes to expand 21st Century funding from $40 million to $400 million per year, serving up to 1 million children per year, assuming a one-to-one local match and an average cost of $800 per child. Each program would set its hours to meet the community's needs but would operate for the equivalent of 3-4 hours each school day.

HHS submission

The Supply and Quality of School-Age Care

Experts estimate that nearly 5 million school-age children spend time without adult supervision during a typical week. However, only about 1.7 million children in kindergarten through grade 8 were enrolled in formal before- and after-school 49,500 programs in 1991, according to the National Study of Before and After School Programs. School-age children are currently served by the Child Care and Development Block Grant (CCDBG) subsidy program. Approximately one-third of the subsidies go to school-age children (i.e. approximately $1 billion).

OPTION 1: Establish a fund distributed to the States according to the CCDBG formula to provide grants to increase the supply and quality of school-age care. States would be required to match the Federal money and to set benchmarks to measure their progress. At least 85% of funds would go directly to communities, with 50% targeted to areas with high concentrations of poverty. The new money would allow communities to create new programs and link already-existing community resources such as schools, libraries, parks, and recreation centers to build the supply of school-age care and improve quality.

Interaction with the Current Program: Money would be targeted to school-age children, unlike the CCDBG funds. Rather than funding slots through the subsidy program, the new money would build supply and quality through partnerships in communities. Decisions would be made at the community level, rather than the State level, to allow communities to fill their own local needs.

Cost Estimate: The Secretary has recommended a $300 million dollar increase in the CCDBG to improve the supply and quality of care school-age children.

Impact Analysis:
An increase in funding for this program would affect school-age children from a variety of economic backgrounds by allowing them to have safe and productive ways to spend their before and after-school time. The funds would provide up to 500 community grants to expand current promising programs and create new, comprehensive services. The proposal is modeled after the Making the Most of Out of School Time (M.O.S.T.) projects, underway in three American cities. The following are examples of what the Seattle M.O.S.T. project accomplished in its first two years: provided training for 560 school-age caregivers, served 250 low-income children in free summer programs, served an additional 500 low-income children by establishing three new programs and expanding seven existing ones, and created a database of school-age programs that was used by 2000 families in a nine-month period.

Pros:
- Targets school-age care, which is lacking in many communities.

- Builds on existing community resources to maximize the impact of the investment.
- Prevents children's exposure to violence and substance abuse during the hours that studies show they are most likely to experience those risks.
- Enhances academic performance through academic enrichment and homework supervision and support.
- Allows communities to fill the gaps that they identify in their school-age care systems.
- Uses a community approach to reach a broader range of families than CCDBG subsidy.
- Meets the President's challenge to find a way to replicate successful child care models across the country.

Cons:

- Limits State flexibility.
- Targets only one age group.

Treasury Submission

Child Care Infrastructure Act of 1997 (S.82)

Description of Proposal

Senator Kohl has introduced a bill (S. 82) that would provide a tax credit to businesses that incur costs related to providing child care services to their employees. Qualifying expenses would include those a business incurs to build or expand a child care facility, operate an existing facility, train child care workers, reserve slots at a child care facility for employees, or provide child care resource and referral services to employees. The credit would be for 50 percent of qualified costs incurred, but not to exceed $150,000 per year.

Current Law and Interaction

The costs of child and dependent care services provided by an employer are currently deductible compensation. An employer that builds a structure for use as a child care facility would normally depreciate the associated capital costs. Under the proposal, many taxpayers will see it to their advantage to take the tax credit for expenses that they would otherwise have deducted or depreciated.

Impact Analysis

In general, low-wage workers are less likely to receive employer-provided fringe benefits than middle- and higher-wage workers. Therefore, the proposed credit is likely to disproportionately benefit middle- and higher-wage workers.

Pros

- The proposal could increase the availability of child care services by giving businesses an incentive to provide those services to their employees.

- The proposal addresses concerns about the quality of child care by requiring that qualifying expenditures be taken with regard to a licensed child care facility and by allowing training and continuing education costs for child care employees to qualify for the proposed credit.

Cons

- The proposal will not necessarily increase the number of quality child care placements or improve the quality of existing facilities. Instead, it will provide a subsidy to businesses that take the credit for expenses that they would have made -- and deducted or depreciated -- in the absence of the credit.

- Because the proposed credit is likely to disproportionately benefit middle- and higher-wage workers, it is not the most efficient use of scarce Federal resources to support child care.

- A tax credit for employers will not benefit the nearly 30 percent of the labor force whose employers are non-taxable (governments, non-profit organizations, etc.).

Cost of Proposal

JCT has estimated the proposal to cost $2.6 billion over five years.