

CRS Report for Congress

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Child Care Issues in the 106th Congress

Updated January 4, 2001

(name redacted)

Analyst in Social Legislation
Domestic Social Policy Division

(name redacted)

Specialist in Social Legislation
Domestic Social Policy Division

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Summary

In President Clinton's 2000 State of the Union Address, he outlined several child care-related initiatives, in the form of tax credit proposals; increased child care subsidies; and increased funding for Head Start and the 21st Century Community Learning Centers programs. Details of those proposals were included in the Clinton Administration's FY2001 budget proposal. This was the third year in a row that the Clinton Administration proposed a major child care initiative. As was the case in the 105th Congress, the 106th Congress introduced considerable child care-related legislation, however, little action was taken on the dozens of bills introduced.

Child care policy debates typically focus on three elements: availability, affordability, and quality of child care. All three of these elements would be addressed by the Administration's and other proposals. In addition, a fourth element was raised during the 105th Congress and was addressed again in some bills introduced in the 106th Congress: the extent to which child care policy treats families with and without a stay-at-home parent equitably.

A primary reason for the current focus on child care is welfare reform legislation enacted in 1996, which has called attention to the child care needs of welfare recipients and low-income families who are attempting to become and remain economically self-sufficient. In addition, for families with tax liability, a tax credit is available to offset part of the costs of child care, but the terms of this credit have not been updated since 1981. Regarding the quality of child care, recent research on early brain development has heightened interest in the experiences of children in child care settings, while the death of a Massachusetts infant in 1997 and subsequent murder conviction of his caregiver focused national concern on the basic question of child care safety. Finally, after-school child care also has become a focus in the current debate.

The federal government operates several programs related to child care, of which the largest is the Child Care and Development Block Grant, a grant program that helps subsidize the child care expenses of low-income and welfare families. The Clinton Administration advocated for new spending for this block grant and the Dependent Care Tax Credit (DCTC). In 2000, the Administration proposed to not only expand the DCTC, but to make the credit refundable as well.

Numerous child care bills were introduced in the 106th Congress but few received full floor action. Like the Administration's initiative, some were omnibus packages of tax and grant provisions. Proposals would have increased the supply of child care through tax incentives or grants for employers, and through expanded federal grants to states. Some bills would have made child care more affordable through the tax code, and some (including the Administration's latest initiative) had provisions for families with an at-home parent. Legislation proposed to upgrade the quality of child care primarily through voluntary incentives. Several would have provided incentives for use of nationally accredited child care providers or credentialed caregivers.

Contents

Most Recent Developments	1
Introduction	2
Federal Programs and Recent Funding	3
Clinton Administration Proposals in 2000	6
Legislation in the 106 th Congress	9
Action on Child Care Legislation	12
FY2001 Budget Resolution	13
FY2001 Appropriations Legislation	14
FY2000 Budget Resolution	17
FY2000 Appropriations Legislation	17
Child Care Provisions in the Taxpayer Refund Act of 1999 (vetoed)	18
Action in the 105 th Congress	18
Legislative Approaches	19
Availability of Child Care	19
Affordability of Child Care	21
Quality of Child Care	22
Additional Reading	24
CRS Reports and Issue Briefs	24
Other Resources	25

List of Tables

Table 1. Appropriations for Federal Child Care and Related Programs, FY1998-FY2001	5
Table 2. Overview of Additional Funding Proposed and Enacted in Administration's 2000 Child Care Initiative	9
Table 3. House and Senate Proposals for CCDBG Appropriations Compared to Enacted Law (P.L. 106-554)	16

Child Care Issues in the 106th Congress

Most Recent Developments

On December 21, 2000, the Consolidated Appropriations Act, 2001 was signed into law (P.L.106-554), providing appropriations for Department of Health and Human Services programs including the Child Care and Development Block Grant (CCDBG), the Social Services Block Grant (SSBG), and Head Start. The law provides an additional \$817 million in funding for the CCDBG, which when added to the \$1.183 billion provided as an advance appropriation in the FY2000 law, amounts to \$2 billion in FY2001 funding for the CCDBG. In other child care-related funding, the FY2001 appropriations law provides \$6.2 billion in FY2001 funding for Head Start, a \$933 million increase over the FY2000 level. An advance appropriation of \$1.4 billion for Head Start in FY2002 is also included in the new law. Funding for the SSBG was decreased by \$50 million from its FY2000 level, being set at \$1.725 billion for FY2001. The law does include a provision maintaining states' ability to transfer up to 10% of their annual Temporary Assistance for Needy Families (TANF) allotments to the SSBG.

Additional child care provisions, relating specifically to federal child care, drawn from the vetoed appropriations legislation covering the legislative branch (H.R. 4985) were also included in the Consolidated Appropriations Act, 2001. These provisions include continuing to permit executive branch agencies (not including the General Accounting Office) to use agency funds (otherwise available for agency salaries and expenses) to provide child care services, in a federal or leased facility, or through contract, for civilian employees of the agency. These funds are to be used to improve the affordability of child care for lower income federal employees using or seeking to use the child care services offered by the agency facility or contractor. Also included in P.L. 106-554 is a new provision (Section 643) which requires that all current and newly hired workers in all child care centers located in federally owned or leased facilities undergo criminal background checks in compliance with the Crime Control Act of 1990. (See FY2001 Appropriations Legislation section for additional information.)

On December 6, 2000, HHS released state-reported data on Child Care and Development Fund (CCDF) subsidy receipt, indicating that in FY1999, on an average monthly basis, 1.8 million children in low-income families received federal child care subsidies. This is an increase of 300,000 families from the 1.5 million served in FY1998. HHS estimates that only 12 percent of federally eligible children were served in FY1999.

Introduction

For the third straight year, the Clinton Administration proposed a major child care initiative for 2000. The 2000 initiative, outlined in President Clinton's State of the Union address, and detailed in his budget request for FY2001, included child care proposals that would increase spending and tax incentives by \$3.3 billion over 2000. President Clinton put forth proposals to both expand *and make refundable* the dependent care tax credit (DCTC); to create a tax credit for businesses that provide child care services for their employees; to increase subsidies provided through the Child Care and Development Block Grant (CCDBG); to provide an additional \$1 billion for the Head Start program; to increase funding for child care services for low-income higher education students; and to increase funding for after school programs through 21st Century Community Learning Centers. This marked the third year in a row that the President's child care initiative has combined tax initiatives with increased program funding.

In 1999, the Clinton Administration's proposed child care package totaled approximately \$20 billion over 5 years, intended primarily to help parents pay for child care and also to expand the supply of quality care for preschoolers and activities for school-aged children. However, little final action occurred in the 106th Congress on any major child care proposal, despite the introduction in Congress of well over 50 bills. Similarly, most of the many child care-related bills proposed during the 105th Congress also lacked legislative movement. This report provides background information on child care programs, funding, and proposals, and tracks the progress of child care legislation and appropriations during the 106th Congress.

Child care policy debates typically focus on three elements: availability, affordability, and quality of child care. All three of these elements would be addressed by the Administration's and other proposals. In addition, a fourth element emerged in the 105th Congress; i.e., the extent to which child care policy treats all families with children equitably, including families in which a parent stays home to care for the children. In both his 1999 and 2000 initiatives, the President Clinton included a proposal intended to address this concern for families with infants. Several bills introduced in the 106th Congress also addressed this issue.

A primary reason for the current focus on child care is welfare reform legislation enacted in 1996, which has called attention to the child care needs of welfare recipients and very low-income families who are attempting to become and remain economically self-sufficient. The 1996 welfare law consolidated several previously existing child care programs into one, with substantially increased federal funding. Lawmakers are closely watching the implementation of welfare reform at the state level, to assess its impact on child care demand and to determine whether the supply of affordable care is adequate for the need, especially among low-income families that are not receiving welfare.

For families with tax liability, a tax credit is available to offset part of the costs of child care. This is known as the dependent care tax credit (DCTC). However, the terms of this credit (i.e., the credit rate, the amount of expenses against which the credit can be claimed, etc.) have not been updated since 1981. In the meantime,

changes in the tax code and new provisions benefitting families with children have raised questions about the continuing value of this tax credit, motivating the Administration and others to propose changes in the existing provision. In his 2000 State of the Union address, President Clinton not only proposed to expand the DCTC (as he also proposed to do in 1999), but also proposed to make the credit refundable.

Regarding the quality of child care, recent and highly publicized research on early brain development has heightened interest in the experiences of children in child care settings, particularly babies and very young children. Quality issues include the training, qualifications and compensation of caregivers, group size and caregiver/child ratios, and curriculum. At the same time, the death of a Massachusetts infant in 1997 and subsequent murder conviction of his caregiver focused national concern on the basic question of safety in child care. Finally, after-school child care and activities for school-aged children also have become a focus in the current debate, and are promoted as a preventive measure to keep children away from risky behavior and to protect them from victimization.

Federal Programs and Recent Funding

Several federal programs support child care, primarily for low-income working families. The primary federal grant program is the **Child Care and Development Block Grant (CCDBG)**, which was created in 1990 and reauthorized and substantially expanded in 1996, as part of welfare reform. The CCDBG is administered by the Department of Health and Human Services (HHS), and provides block grants to states, according to a formula, which are used to subsidize the child care expenses of families with children under age 13, if the parents are working or in school and family income is less than 85% of the state median. (In practice, many states establish income eligibility levels that are lower than this federal threshold.) Child care services are provided on a sliding fee scale basis, and parents may choose to receive assistance through vouchers or certificates, which can be used with a provider of the parents' choice, including sectarian providers and relatives.

States receiving CCDBG funds must establish child care licensing standards, although federal law does not dictate what these standards should be or what types of providers must be covered. In addition, states must have health and safety requirements applicable to all providers receiving CCDBG subsidies, that address prevention and control of infectious diseases, building and physical premises safety, and health and safety training for caregivers. However, federal law does not dictate the specific contents of these requirements.

The CCDBG is funded through both discretionary and capped entitlement grants, and state maintenance-of-effort and matching requirements apply to part of the entitlement funds. States must use at least 4% of their total funds to improve the quality and availability of child care, and must target 70% of entitlement funds on welfare recipients working toward self-sufficiency or families at risk of welfare dependency. Remaining entitlement and discretionary funds may be used for low-income, non-welfare, working families. No more than 5% of state allotments may be used for state administrative costs.

In FY2001, a total of \$4.57 billion was appropriated for the CCDBG (see **Table 1**). Entitlement funds of \$2.57 billion were appropriated in advance by the welfare reform law, and \$2 billion in discretionary funds were appropriated by the FY2001 Consolidated Appropriations Act , P.L. 106-554 for FY2001. Unlike prior years, there is no advance discretionary funding for CCDBG in FY2002.

Under welfare reform, total CCDBG funding is scheduled to increase to \$3.7 billion by FY2002. Overall, the welfare law authorized a total of \$20 billion for child care for 6 years (FY1997-FY2002), which is \$4 billion more than the Congressional Budget Office (CBO) had estimated would have been available under prior law.

The **Child and Adult Care Food Program (CACFP)** provides federal funds (in some cases commodities) for meals and snacks served in licensed child care centers, family and group day care homes, and Head Start centers. Child care providers that are exempt from state licensing requirements must comply with alternative state or federal standards. Children under 12, migrant children under 15, and children with disabilities of any age may participate, although most are preschoolers. Eligible providers are usually public and private nonprofit organizations. The CACFP is an open-ended entitlement, administered by the Department of Agriculture. In FY2001, estimated obligations are \$1.8 billion.

The **Dependent Care Tax Credit (DCTC)** is a non-refundable tax credit for employment-related expenses incurred for the care of a dependent child under 13 or a disabled dependent or spouse, under Section 21 of the tax code. The maximum credit is 30% of expenses up to \$2,400 for one child (for a credit of \$720), and up to \$4,800 for two or more children (for a credit of \$1,440). The credit rate is gradually reduced as income goes up for taxpayers with incomes above \$10,000, until the credit rate reaches 20% for taxpayers with incomes above \$28,000. The current, estimated revenue loss for FY2000 is \$2.2 billion, as determined by the Joint Committee on Taxation.

Under Section 129 of the tax code, payments made by a taxpayer's employer for **dependent care assistance** may be excluded from the employee's income and, therefore, not be subject to federal income tax or employment taxes. The maximum exclusion is \$5,000. Section 125 of the tax code allows employers to include dependent care assistance, along with other fringe benefits, in nontaxable flexible benefit or "cafeteria" plans. The estimated revenue loss associated with this income exclusion is currently \$400 million in FY2000, as determined by the Joint Committee on Taxation.

Title XX of the Social Security Act authorizes **Social Services Block Grants (SSBG)**, which may be used for social services at the states' discretion. There are no federal income eligibility requirements, targeting provisions, service mandates, or matching requirements. Child care funded by SSBG must meet state or local standards. An HHS analysis of state expenditures in FY1998 indicates that almost 10% of SSBG funds were used for child care in that year. Title XX is a capped entitlement, administered by HHS, and state allocations are based on relative population size. Legislation enacted by the 105th Congress (P.L. 105-178) reduced the entitlement ceiling for the SSBG from \$2.38 billion to \$1.7 billion in FY2001. However, Congress has appropriated \$1.725 billion for FY2001, despite the ceiling.

On May 17, 2000, two bills (H.R. 4481 and S. 2585) were introduced, which would have restored the authorized ceiling to the earlier \$2.38 billion level, but neither was acted upon in the 106th Congress.

Although not generally characterized as a child care program, **Head Start** provides comprehensive early childhood education and development services to low-income preschool children, typically (but not always) on a part-time basis. Head Start funds are provided directly by HHS to local grantees, which must comply with detailed federal performance standards. In FY2001, \$6.2 billion was appropriated for Head Start, of which \$4.8 billion is available in FY2001 and \$1.4 billion is available in FY2002. The advance funding component of the appropriation was new for the Head Start program, starting in FY2000.

Several Education Department (ED) programs also provide support for early childhood or after-school activities. **Even Start** provides grants for family literacy projects that include early childhood education for children through age 7 (FY2001 appropriations were \$250 million). The Individuals with Disabilities Education Act (IDEA) authorizes an **early intervention program for infants and toddlers with disabilities** (funded in FY2001 at \$384 million), and **preschool grants for children with disabilities** (funded in FY2001 at \$390 million). In addition, the Elementary and Secondary Education Act authorizes grants to rural and inner-city public elementary or secondary schools for **21st Century Community Learning Centers**, which provide after-school activities (funded at \$846 million in FY2001).

FY1998 - FY2001 funding for the programs identified above is summarized in the following table. (For more details on the FY2001 Appropriations process see *FY2001 Appropriations Legislation* section.)

Table 1. Appropriations for Federal Child Care and Related Programs, FY1998-FY2001
(\$ in millions)

Program	FY1998	FY1999	FY2000	FY2001
CCDBG (discretionary portion) ^a	\$1,002	\$1,000	\$1,183	\$2,000
CCDBG (entitlement portion)	2,067	2,167	2,367	2,567
Child and Adult Care Food	1,562 ^b	1,599 ^b	1,690 ^b	1,807
Dependent Care Tax Credit	^c	2,455 ^c	2,200 ^c	N/A
Dependent Care Assistance	^c	400 ^c	400 ^c	N/A
Social Services Block Grants ^d	2,299	1,909	1,775	1,725
Head Start	4,347	4,658	5,267 ^e	6,200 ^f
Even Start	124	135	150	250
IDEA Infants and Toddlers	350	370	375	384

Program	FY1998	FY1999	FY2000	FY2001
IDEA Preschool Grants	374	374	390	390
21 st Century Community Learning Centers	40	200	454	846

^a The CCDBG discretionary amounts shown in each column reflect the appropriated funding to be made available for that given year, taking the advance funding into account.

^b Estimated obligations, Department of Agriculture.

^c Estimated revenue loss, Joint Committee on Taxation. Comparable estimate for FY1998 not available.

^d Total SSBG amount shown. In FY1998, states spent an estimated 9.5% on child care.

^e Of the \$5.267 billion, \$3.867 billion was available for FY2000, and \$1.4 billion is available for FY2001.

^f Of the \$6.2 billion, \$4.8 billion is available for FY2001, and \$1.4 billion will be available for FY2002.

Clinton Administration Proposals in 2000

President Clinton described his Administration's child care initiative for 2000 in his State of the Union address. Details of the proposals were included in the FY2001 budget request. The President's proposals for FY2001 funding would have increased child care spending and tax incentives by \$3.3 billion over 2000 levels. The major elements of the proposal included increased funding for the CCDBG, Head Start, and the 21st Century Community Learning Centers, and both expansion and modification of the DCTC. Most components of the 2000 child care initiative are similar to that of 1999, with one significant new addition: a proposal to make the DCTC *refundable*, thus providing a benefit to families with no tax liability.

The following is a summary of the 2000 child care initiative, noting the funding requested by President Clinton for FY2001, and, where applicable, the appropriated amounts ultimately enacted into law:

CCDBG Expansion. The Administration proposed to increase FY2001 funding for the CCDBG by \$817 million over the FY2000 level, which would bring it up to \$2 billion. According to Administration documents, the additional funding would enable the program to provide nearly 150,000 additional low-income children with child care subsidies in FY2001. When combined with the \$2.6 billion in child care entitlement funding provided under the welfare reform law (P.L. 104-193), the Child Care and Development Fund would reach a total of \$4.6 billion for FY2001. Congress met this appropriation request, and \$817 million in additional CCDBG funding for FY2001 was provided in P.L. 106-554.

Dependent Care Tax Credit Expansion. The Clinton Administration proposed to expand the DCTC by increasing the credit amount for middle-income families, and, for the first time ever, to make the DCTC *refundable*, thus assisting lower income families. Specifically, the maximum credit rate would be increased from 30% to 50% and the credit would apply to families earning up to \$60,000 rather than \$28,000, as under current law. Also, by making the DCTC refundable (beginning in 2003), low

income families with no tax liability would be eligible for the DCTC benefit (up to \$2,400). In addition, as in 1999, President Clinton proposed again in 2000 to allow parents who stay at home with a child under age one to claim annual child care expenses up to \$500. The Administration estimated that these DCTC expansion proposals would provide tax credits worth an additional \$7.5 billion over 5 years. Several bills that included these legislative proposals were introduced during the 106th Congress, but none were enacted into law.

Tax Credits for Private Employers. The Clinton Administration proposed a tax credit to encourage businesses to provide child care for employees. Eligible for the credit would be private employers that expand or operate child care facilities, train child care workers, contract with a child care facility to provide child care services to employees, or provide child care resource and referral services to employees. Like the 1999 proposal, it would create a tax credit covering 25% of costs up to \$150,000 per year, per business. The Administration estimated that the proposal would provide tax credits worth over \$500 million over 5 years. No legislation in this area received full floor action in the 106th Congress.

After-School Child Care. The Clinton Administration has been successful in funding after-school care through the 21st Century Community Learning Centers program which was created in 1997. The President proposed for FY2001 to fund the program at a level of \$1 billion – more than double the FY2000 funding of \$454 million, estimating that this additional funding would enable the program to reach over 10,000 schools and 2.5 million students. The Administration also contended that this requested amount would provide sufficient funds for the program to make after- and/or summer-school programs universally available to all Title I schools identified as low-performing, while also offering high quality after-school opportunities to others. Congress did not fully meet President Clinton's requested level in the FY2001 appropriations legislation, however P.L. 106-554 did increase funding for FY2001 to \$846 million.

Early Learning Fund. The Clinton Administration again in 2000 proposed to create the Early Learning Fund– new entitlement funding to help improve early childhood education for children under 5 years old. As proposed, the Fund would require \$600 million in FY2001 and \$3 billion over 5 years. Funds would be used to provide grants to communities to improve school readiness by fostering the cognitive, physical, social and emotional development of children under 5 years old. Grants to the states would be contingent on reporting progress regarding child care quality goals and children's educational goals. A federal evaluation would assess improvements in outcomes. Like the CCDBG, the Early Learning Fund would be administered by HHS. The FY2001 Consolidated Appropriations Act (P.L. 106-554) provides \$20 million for this new initiative.

Head Start Expansion. The Clinton Administration followed up on FY1999's expanded Head Start funding with another proposed increase. The FY2001 budget request included an additional \$1 billion for Head Start – the largest proposed single-year increase in the program's history – which would bring FY2001 Head Start funding to \$6.3 billion. With the FY2000 proposal, the Clinton Administration aimed to add approximately 60,000 Head Start pre-school slots and 10,000 Early Head Start slots, bringing the total number of children in Head Start, according to DHHS, to

approximately 950,000. The request was consistent with President Clinton's goal of enrolling a million children in Head Start by 2002, including doubling the number of infants and toddlers in Early Head Start. Clinton Administration budget documents also highlighted the Administration's intent to increase participation in Head Start by under-represented groups in specifically targeted areas with recent influxes of immigrants and children with limited proficiency in English. Congress met President Clinton's request for a significant increase for Head Start, providing (in P.L. 106-554) an FY2001 appropriation of \$6.2 billion, of which \$1.4 billion will become available in FY2002.

College Campus-Based Child Care. The Clinton Administration's budget request included \$15 million for the Child Care Access Means Parents in School program. This program, funded at \$5 million in FY2000, would establish and support child care services on college campuses. Administration documents note that states may also use a share of the CCDF fund for this purpose. The Consolidated Appropriations Act, 2001 (P.L. 106-554) provides more than President Clinton's requested amount, funding the Child Care Access Means Parents in School program at \$25 million for FY2001.

CCDBG Quality Activities. In the advance appropriation for the CCDBG for FY2001 (provided in the FY2000 Consolidated Appropriations Act), Congress included an additional \$173 million for activities related to quality improvement in child care, such as resource and referral services for parents, scholarships and training for child care providers, monitoring and inspection of providers, networks for family day care providers, and linkages with Head Start. (These amounts are in addition to the 4% set-aside that states must use for quality activities.) The Administration has requested that Congress continue to provide these additional funds. The Administration's budget also requests \$10 million in continued child development and child care research funding. (These funds are not shown in **Table 2**, because the request would maintain, but not increase amounts above the level provided in the FY2000 Consolidated Appropriations Act.)

The Consolidated Appropriations Act 2001 (P.L. 106-554) provides that of the \$817 million appropriated for the CCDBG, \$19.1 million shall be available for resource and referral, of which \$1 million shall be specifically for the Child Care Aware toll free hotline. Also, \$273 million shall be reserved for quality activities (\$100 million for quality infant and toddler care specifically). Finally, of the FY2001 funds, \$10 million shall be used for child care research, demonstration and evaluation activities.

Services for Families of Children with Disabilities. The Clinton Administration proposed in its FY2001 budget to continue a \$4 million program (funded at that level in FY2000 by Congress) that provides grants to states for support systems to help families who have children with disabilities deal with such problems as inadequate child care. The FY2001 request proposed to fund this program from the \$10.2 million provided for funding Developmental Disabilities Projects of National Significance (DDPNS). The Consolidated Appropriations Act, 2001 (P.L. 106-554), increased this total amount for DDPNS to \$10.9 million.

The following table shows new funding, above amounts provided in FY2000, requested and ultimately received by the Administration for FY2001, for components of the proposed child care initiative.

Table 2. Overview of Additional Funding Proposed and Enacted in Administration's 2000 Child Care Initiative

(\$ in billions)

Proposal	FY2001 proposed additional funding	Additional funding enacted for FY2001 (P.L. 106-554)
CCDBG Expansion	\$0.817 ^a	\$0.817
DCTC Expansion ^b	0.121	not enacted
Tax Credits for Private Employers	0.042	not enacted
After-School Child Care (21 st Century Learning Centers)	0.547	0.392
Early Learning Fund	0.600	0.020
Head Start Expansion	1.000	0.933
College Campus-Based Child Care	0.010	0.020
Total	\$3.137	\$2.182

^a In addition to this amount, the current welfare reform law (P.L. 104-193) provides for an increase in CCDBG entitlement funding of \$200 million from FY2000 to FY2001.

^b Includes an expansion of the credit for families with earnings below \$60,000, and assistance for stay-at-home parents of infants. (Refundability is phased in beginning in 2003). Includes tax expenditures and effect on outlays.

Legislation in the 106th Congress

Numerous child care bills were introduced in the 106th Congress, of which many were similar to proposals offered in 1998. Legislation included several omnibus packages that, like the Clinton Administration's 2000 initiative, were a combination of child care grant and tax provisions. (Similar versions were introduced in the 105th Congress.) These were:

- ! H.R. 143, the CIDCARE (Creating Improved Delivery of Child Care: Affordable, Reliable, and Educational) Act, introduced by Representative Gilman, January 6, 1999. This bill would expand benefits under both the existing DCTC and DCAP; establish a new tax credit for employers that support child care for their employees; authorize incentive grants for quality improvement activities to states that maintain child care licensing and other standards at certain levels; authorize grants to accreditation and credentialing

organizations and other groups to establish a national child care training infrastructure; require that child care supported by certain federal agencies be delivered through accredited or credentialed providers, to the maximum extent feasible; and authorize cancellation of certain student loans for individuals who work as child care providers.

- ! S. 17, the Child Care ACCESS (Affordable Child Care for Early Success and Security) Act, introduced by Senator Dodd, January 19, 1999. This bill would increase entitlement funding available for the CCDBG; appropriate additional funds for activities to improve the quality of child care; authorize grants to be made to local collaboratives for child care and early education activities for children age 0 through 5; authorize cancellation of certain student loans for individuals who work as child care providers; appropriate additional funds for the CCDBG to be used for school-aged child care; expand eligibility under the CCDBG to children under age 16; increase authorizations for the 21st Century Community Learning Centers program; expand the DCTC, make it refundable and payable in advance, and allow DCTC benefits to families with an at-home spouse and a child under age 1; establish a new tax credit for employers that support child care for their employees; authorize grants to local communities that generate additional resources for child care from the private sector; and require that child care centers operated for federal employees meet certain standards, including accreditation or credentialing.
- ! H.R. 1139, the Affordable Child Care, Education, Safety and Security Act (ACCESS), introduced by Representative Tauscher, March 16, 1999. This bill would increase funding available for the CCDBG; increase the dependent care tax credit; provide a tax credit for stay-at-home parents providing child care for children under age 1; establish a tax credit for employers that assist with child care; provide grants to business consortia to initiate quality, affordable child care; appropriate funds for early learning programs; and establish a child care provider scholarship program. (The portions of Representative Tauscher's bill related to tax provisions were also introduced separately by Representative Cardin in H.R. 1119.)
- ! S. 599, the Caring for Children Act, introduced by Senator Chafee, March 11, 1999. This bill would double the funding for the CCDBG; increase the maximum DCTC from 30% to 50% of child care expenses, resulting in a maximum tax credit of \$1,200 for working parents with one child, or \$2,400 for those with two or more children; make available a maximum DCTC of \$900 to parents who stay home for a year to care for a child age 3 or under; provide tax credits to businesses for child care-related start-up costs of up to \$500,000; provide grants to small employers for child care; commission a study by the U.S. General Accounting Office to determine if liability concerns are hindering the availability of child care; establish a bonus/penalty system to help enforce existing state health and safety inspection standards; and require federal child care facilities to comply with state health and safety standards.

- ! S. 616, the Child Development Act, introduced by Senator Wellstone, March 15, 1999. This bill would increase funding for the CCDBG; provide loan forgiveness to those who earn a degree and work in early childhood education; and expand the dependent care tax credit, including a minimum credit for stay-at-home parents with a child under age 1.
- ! S. 749, the Early Learning Trust Fund Act, introduced by Senator Kennedy, March 25, 1999. This bill would provide \$10 billion over 5 years in funding for an HHS grant program for states to create full-day, full-year pre-kindergarten services, with a 20% cash or in-kind match.
- ! S. 810/H.R. 1430, the Caring for America's Children Act, introduced by Senator Jeffords and Representative Gilman, April 15, 1999. This bill would increase the dependent care tax credit (DCTC); increase the child tax credit; permit parents to choose among the DCTC, child tax credit and dependent care assistance program for each dependent child; create a child care tax credit for employers; establish a state grant program to fund activities designed to improve the quality of child care; amend the CCDBG to encourage states to improve the enforcement of existing state laws and regulations regarding the inspection of child care facilities; establish youth development-focused programs that provide care for school-aged children during the non-school hours; require federal child care centers to meet standards established by a child care accreditation entity; increase the CCDBG authorization from \$1 billion to \$2 billion; and permit use of Community Development Block Grant funds to renovate or construct child care facilities. (This comprehensive bill was also introduced by Senator Jeffords in the form of four smaller, more narrowly focused bills: S. 811, S. 812, S. 813, and S. 814.)

In addition, a number of single-purpose child care bills were introduced. These included proposals to create a new tax credit for employers who support child care for their employees (S. 63 - Kohl and H.R. 389 - C. Maloney; H.R. 963 - Pryce; S. 1147 - Graham); proposals to expand funding under the CCDBG and/or the 21st Century Community Learning Centers program for after-school child care (S. 316 - Kennedy, H.R. 489 - Slaughter, S. 716 - Kohl, S. 817 - Boxer); a proposal to amend the CCDBG to provide incentive grants to improve the quality of child care (S. 1475 - Reed); a proposal to amend the CCDBG to provide for improved care for young children (H.R. 2693 - Woolsey); a proposal to provide grants to improve the quality and availability of after-school programs (H.R. 1307 - Castle); a proposal to establish a child care provider scholarship program (H.R. 846 - Weygand); a proposal to increase availability of child care for children whose parents work nontraditional hours (H.R. 2694 - Woolsey); a proposal to amend the CCDBG Act to provide incentive grants to improve the quality of, and access to child care, by increasing child care payment rates (H.R. 2943 - Bishop); proposals to provide for the acquisition, construction, and improvement of child care facilities or equipment (S. 1539 - Dodd; H.R. 3610 - Jackson; H.R. 3889 - McCarthy); proposals to improve child care offered to federal employees (H.R. 28 - Gilman and H.R. 206 - Morella; these are not the same bill, and both were approved by the House Government Reform Committee; S. 1176 - Robb, a bill which would allow federal agencies to use appropriated funds to

pay tuition for employees' children); a proposal to increase the child tax credit to \$1,000 for children under the age of 5 (H.R. 756 - Wolf); separate proposals to make the DCTC refundable (S. 130 - Snowe; H.R. 2164 - Peterson); a proposal to expand the DCTC for lower income working families (H.R. 285 - Sweeney); and separate proposals to increase and expand the DCTC, and create a minimum credit for parents who stay at home with an infant (S. 1160 - Grassley; H.R. 2259 - N. Johnson; H.R. 2020 - N. Johnson; H.R. 2085 - Hooley; H.R. 4336 - Stabenow). Representative DeLauro introduced a bill which would allow a refundable credit to grandparents who provide primary child care services without compensation for grandchildren who are not their dependents (H.R. 5602). Legislation also was introduced in the 106th Congress that would make it a federal crime for certain child care providers to intentionally misrepresent themselves to parents or police (H.R. 469 - Lazio). Another bill would authorize bonus grants to states under the TANF program for certain activities, including their performance in providing safe and accessible child care to eligible families (H.R. 699 - Woolsey).

Senator Kerry introduced S. 1068, the Early Childhood Development Act of 1999, which in addition to providing funding for family-based services for households with children under age 6, would allow states to use this funding to increase child care quality and supply. Senator Stevens introduced S. 2866, the Early Learning Opportunities Act, which would, among other things, provide funds for increasing availability of early childhood programs and increasing compensation for child care providers. Representative Nadler introduced H.R. 2552, a bill requiring the posting of Consumer Product Safety Commission child care center safety standards in child care centers. Representative Lowey introduced H.R. 3318, which would establish a program to provide child care through public-private partnerships. Senator Voinovich introduced S. 1154, the Prenatal, Infant and Child Development Act of 1999, which includes a proposal to allow states to transfer an additional 15% of their TANF block grant to the CCDBG for expenditures under a state early childhood collaboration program. Under current law, states may transfer up to 30% of their TANF allotments to the CCDBG. Representative Stark introduced H.R. 2175, a proposal to, among other things, amend the Social Security Act to appropriate funds for a child care quality improvement grant. Senator Frist and Representative Bryant introduced S. 2236 and H.R. 4750 respectively, legislation which would establish programs to improve the health and safety of children receiving child care outside the home. Representative DeLauro introduced H.R. 4206, a bill which would establish a grant program to improve the quality and expand the availability of child care services and family support services for families with children under 3 years of age.

Action on Child Care Legislation

The Children's Health Act of 2000 was signed into law (P.L. 106-310) on October 17, 2000. This law includes authorization for the appropriation of funds for making grants to states intending to establish programs to improve the health and safety of children receiving child care outside the home. No funds were appropriated for this purpose in FY2001 appropriations legislation. The authorization level for future years is at such sums as may be necessary.

H.R. 3122, introduced by Representative Thomas (10/21/99) was signed into law (P.L. 106-100) on November 12, 1999. The law permits the enrollment in the House

of Representatives Child Care Center of children of federal employees who are not employees of the legislative branch.

Two other bills pertaining to child care for federal employees received full committee action but never full floor action. The Quality Child Care for Federal Employees Act (H.R. 28) introduced by Representative Gilman was approved by the House Government Reform Committee on May 19, 1999. H.R. 28 would require that child care centers for federal employees meet state and local codes as well as require that at least 50% of children receiving care in those centers be children of federal employees or contractors. On September 15, 1999, H.R. 28 was reported by the Committee on Government Reform (H.Rept. 106-323), and placed on the Union Calendar. The bill was discharged by the Judiciary Committee on the same day.

On June 7, 1999, H.R. 206, introduced by Representative Morella, was reported by the House Government Reform Committee (H.Rept. 106-169). This bill would provide greater access to child care services for federal employees, allowing any executive agency to use appropriated funds, otherwise available for salaries, for provision of child care for its employees. This provision was included in the FY2000 Treasury, Postal Service and General Government Appropriation bill, signed into law on September 29, 1999 (P.L. 106-58 –see Appropriations Legislation section below). Similar language was also included in the Consolidated Appropriations Act 2001 (P.L. 106-554).

Committee Hearings. On March 16, 1999, the House Ways and Means Subcommittee on Human Resources held a hearing on the federal resources available for child care. On July 27, 1999, the Senate Committee on Health, Education, Labor and Pensions (HELP) held a hearing to discuss innovations that are being made to help improve the quality and supply of child care. On October 8, 1999, the House Subcommittee on Housing and Community Opportunity held a field hearing on H.R. 1112 (Maloney), “The Children’s Development Commission Act (KIDDIE MAC).” On April 11, 2000, the Senate HELP Committee’s Subcommittee on Children and Families held a hearing on the availability of early childhood programs for low-income families, and their impact on those families.

FY2001 Budget Resolution

The conference report (H.Rept. 106-577) on the FY2001 budget resolution was agreed to by the House (roll call #125, 220-208) and by the Senate (roll call #85, 50-48) on April 13, 2000. This final resolution did not include child care measures that had been approved in the earlier Senate version, S.Con.Res. 101 (S.Rept. 106-251). The Senate’s resolution included a “Sense of the Senate” measure, which assumed that tax relief should be directed to parents who are struggling to afford quality child care, including those who wish to stay home to care for a child; and assumed a total of \$4.567 billion in funding for the CCDBG (an increase of \$1 billion) in FY2001. The text of the Senate’s version was incorporated into the House version (H.Con.Res. 290), and was passed by the Senate on April 7, 2000. The House passed its version, H.Con.Res. 290 (H.Rept. 106-530) on March 24, 2000.

FY2001 Appropriations Legislation

Consolidated Appropriations Act, 2001 (H.R. 4577, P.L. 106-554, signed December 21, 2000). As was the case for FY2000, the FY2001 appropriations for programs administered by the Departments of HHS, Labor, and Education were included in a consolidated bill for FY2001. Included in P.L. 106-554 are FY2001 appropriations for the Child Care and Development Block Grant (CCDBG), the Social Services Block Grant (SSBG), Head Start, and two new initiatives: the Early Learning Fund and a program of loan forgiveness for child care workers. The law provides an additional \$817 million in funding for the CCDBG, which when added to the \$1.183 billion provided as an advance appropriation in the FY2000 law, amounts to \$2 billion in FY2001 funding for the CCDBG.

In other child care-related funding, the FY2001 appropriations law provides \$6.2 billion in FY2001 funding for Head Start, a \$933 million increase over the FY2000 level. An advance appropriation of \$1.4 billion for Head Start in FY2002 is also included in the new law. Funding for the SSBG was decreased by \$50 million from its FY2000 level, being set at \$1.725 billion for FY2001. The law does include a provision maintaining states' ability to transfer up to 10% of their annual Temporary Assistance for Needy Families (TANF) allotments to the SSBG in FY2001. Under earlier legislation (P.L. 105-178, the Transportation Equity Act) the allowable transfer amount was scheduled to be reduced from 10% to 4.25% in FY2001, however the newly enacted appropriations legislation supercedes that earlier law, for FY2001.

The law provides \$20 million for a new Early Learning Fund, and \$1 million for the loan forgiveness for child care providers program. The House had not proposed funding for either of these initiatives, and the Senate had proposed \$10 million for loan forgiveness, but no funding for the Early Learning Fund.

Additional child care provisions, relating specifically to federal child care, drawn from the vetoed appropriations legislation covering the legislative branch (H.R. 4985) were also included in the Consolidated Appropriations Act, 2001. These provisions include continuing to permit executive branch agencies (not including the General Accounting Office) to use agency funds (otherwise available for agency salaries and expenses) to provide child care services, in a federal or leased facility, or through contract, for civilian employees of the agency. These funds are to be used to improve the affordability of child care for lower income federal employees using or seeking to use the child care services offered by the agency facility or contractor. Also included in P.L. 106-554 is a new provision (Section 643) which requires that all current and newly hired workers in all child care centers located in federally owned or leased facilities undergo criminal background checks in compliance with the Crime Control Act of 1990.

Leading up to the consolidated bill and conference report (H.Rept. 106-1033), both the House and Senate passed versions of FY2001 appropriations bills for the Departments of Labor, Health and Human Services, and Education. Differences between the House and Senate bills (H.R. 4577 and S. 2553), with regard to child care and related funding are explained below. Provisions regarding federal child care were originally included in appropriations legislation for the Department of Treasury, the Postal Service, and General Government, and subsequently the Legislative Branch

appropriations, before ultimately being included in the Consolidated Appropriations Act, 2001.

House Labor/HHS/Education Appropriations Bill. On June 14, 2000, the House passed its Labor-HHS-Education FY2001 Appropriations bill (H.R. 4577). The bill proposed to increase CCDBG funding by \$400 million in FY2001 and to provide an additional \$817 million in advance funding for the CCDBG in FY2002. However, under Section 518, Title V of the House bill, a portion of the \$817 million increase for FY2002 would be subject to rescission, *if* advance appropriated programs in *all* of the FY2001 appropriations bills exceeded \$23.5 billion. If that cap was surpassed, H.R. 4577 states that funding for CCDBG in FY2002 could not drop below the level of CCDBG appropriations provided for FY2001 in the FY2000 Appropriations Act (P.L. 106-113): \$1.183 billion (shown in **Table 3**). In the event that this would occur, the resulting appropriation for FY2002 *could* have been lower than the FY2001 total, by as much as \$400 million (the additional amount which would be appropriated for FY2001). However, in S. 2553, the bill reported by the Senate Appropriations Committee (and the text of which was then adopted and passed by the full Senate under the number H.R. 4577), the CCDBG would receive \$817 million in additional funds for FY2001, without the contingent rescission. The final law (P.L. 106-554) does not include any of the House language pertaining to this potential rescission.

The House bill proposed to increase Head Start funding by \$400 million, which would have brought the total to \$5.7 billion. The House bill proposed to fund the Social Services Block Grant (SSBG) at its authorized level of \$1.7 billion.

Senate Labor/HHS/Education Appropriations Bill. On June 30, 2000, the full Senate passed its version of a Labor/HHS/Education appropriations bill. On May 12, 2000, the Senate Appropriations Committee approved and reported S. 2553/S.Rept. 106-293, which would provide FY2001 funding for the Departments of Labor, HHS, and Education. The Senate substituted the text from the committee-approved bill (S.2553) and amended and passed H.R. 4577. This Senate version of H.R. 4577 would provide an additional \$817 million for the Child Care and Development Block Grant (CCDBG) for FY2001, raising the level of discretionary child care funding to \$2 billion for FY2001. The bill did not include an advance appropriation for FY2002 – S.Rept. 106-293 states that total funding for FY2002 would be included as part of the FY2002 bill. Also included in the bill were proposals to increase Head Start funding by \$1 billion (bringing the total funding level to \$6.3 billion), and to increase funding for the 21st Century Learning Center programs by \$146.5 million. The Senate's recommended increases in the CCDBG and Head Start program were the same as those proposed by President Clinton in his FY2001 budget request. The Senate bill did include a \$1.1 billion cut to the Social Services Block Grant—a block grant which can be used to provide child care services. S. 2553 would fund the SSBG at \$600 million in FY2001, a \$1.1 billion difference from the \$1.7 billion proposed by the House.

Table 3. House and Senate Proposals for CCDBG Appropriations Compared to Enacted Law (P.L. 106-554)

	FY2001		FY2002
	Advance Appropriation from FY2000 bill (P.L. 106-113)	Appropriation included in FY2001 appropriations bills	Advance Appropriations for FY2002, as included in FY2001 bill
House (H.R. 4577)	\$1.183 billion	\$400 million	\$2 billion ^a
Senate (S. 2553)		\$817 million	none
Consolidated Appropriations Act, 2001 (P.L. 106-554)	\$1.183 billion	\$817 million	none

Source: Table prepared by the Congressional Research Service (CRS).

^a A portion of the proposed \$2 billion in advance appropriations for CCDBG in FY2002 would be subject to recession if advance appropriated programs in all of the FY2001 appropriations bills exceed \$23.5 billion. (See text of House Appropriations bill section for details.)

Treasury, Postal Service, and General Government Appropriations. As was the case for FY2000, provisions regarding federal child care were initially included in FY2001 Treasury, Postal Service and General Government appropriations legislation. Ultimately, however, these provisions were rolled into the Consolidated Appropriations Act, 2001, as described above. The following describes the House and Senate activity leading up to that point.

On July 20, 2000, the House passed H.R. 4871, which included a provision (Section 634) that would continue to permit executive branch agencies (not including the General Accounting Office) to use agency funds (otherwise available for agency salaries and expenses) to provide child care services, in a federal or leased facility, or through contract, for civilian employees of the agency. These funds would be used to improve the affordability of child care for lower income federal employees using or seeking to use the child care services offered by the agency facility or contractor. The bill stipulated that amounts paid to licensed or regulated child care providers may be paid in advance of child care services rendered, covering agreed upon periods as appropriate. The House also agreed to an amendment (H.Amdt. 1019) which would require that all current and newly hired workers in all child care centers located in federally owned or leased facilities undergo criminal background checks in compliance with the Crime Control Act of 1990.

The Senate's bill (S. 2900), reported out of the appropriations committee on July 20, 2000 included language identical to H.R. 4871 with respect to the use of funds for improving affordability of child care for lower income federal employees (Section 634), but did not include the H.R. 4871 provision regarding the timing of payments to child care providers, nor the House amendment language requiring that current and

newly hired child care workers in federal child care centers undergo criminal background checks. On July 26, the Senate voted to invoke cloture to proceed with debate on H.R. 4871.

On July 26, a third bill, H.R. 4985, was introduced as a new bill and reported from the Legislative Branch appropriations conference committee as Division B of that conference. This bill included all of the same federal child care provisions (Sections 633 and 643) as those in H.R. 4871, except for the provision that would allow for advance payment of salaries to child care providers. This was the language included in the final law (P.L. 106-554).

FY2000 Budget Resolution

The conference report (H.Rept. 106-91) on the FY2000 budget resolution (H.Con.Res. 68) was approved in the House and Senate on April 14 and 15, 1999, respectively. The conference agreement assumed \$3 billion in new mandatory CCDBG spending over 10 years and \$3 billion in additional tax relief in the form of child care credits for families with children.

The conference report's assumption regarding new CCDBG entitlement spending over 10 years marked a decrease from the proposed \$5 billion included in Senator Dodd's amendment (S.Amdt. 160, modified) to the Senate's budget resolution proposal (S.Con.Res. 20). The House version of the budget resolution (H.Con.Res. 68) did not specify any assumptions regarding child care. Prior to the conferees' finalization of the conference report, Senators Dodd and Jeffords offered a non-binding motion instructing Senate negotiators to insist on the inclusion of the Dodd amendment in the conference report. Although the motion passed by a vote of 66-33, indicating bipartisan support for new funding in child care, the final conference report included only a portion of the amount originally proposed by Senator Dodd.

FY2000 Appropriations Legislation

FY2000 Consolidated Appropriations Act. On November 29, 1999, the President signed into law the FY2000 Consolidated Appropriations Act (H.R. 3194/P.L. 106-113), which provides \$1.183 billion in advance funding for the CCDBG in FY2001, \$1.775 billion for the Social Services Block Grant (SSBG), and \$5.267 billion for Head Start. (see **Table 1.**) The signing of the consolidated appropriations bill (H.R. 3194), which contained funding for Departments of Labor, Health and Human Services, and Education programs among others, followed seven continuing resolutions and the veto of H.R. 3064. In the case of the CCDBG, the final funding level matched the level requested by the President. The Senate bill (S. 1650) had proposed \$2 billion in advance funding for CCDBG in FY2001, but the lesser \$1.183 billion was agreed to in conference. Head Start's final funding also matched the President's requested amount, however P.L. 106-113 splits the availability of funding over FY2000 and FY2001. The SSBG appropriation marks a decrease from not only its FY1999 appropriation level, but also from what was requested by the President, House (H.R. 3037– \$1.909 billion) and Senate (S. 1650 – \$2.38 billion, of which \$1.3 billion would have been advance funded for FY2001).

FY2000 Treasury, Postal Service and General Government Appropriations (P.L. 106-58). On September 29, 1999, the President signed P.L. 106-58, which permits the use of executive branch agency funds (otherwise available for salaries) to provide child care services for low-income federal employees. The Senate, on July 1, 1999, and the House, on July 15, 1999, had passed versions of a FY2000 Treasury, Postal Service and General Government Appropriation bill (S. 1282 and H.R. 2490, respectively), both containing provisions regarding federal child care. Both House and Senate bills included a provision allowing executive branch federal agencies to use agency funds to provide child care services for employees of the agency, in a facility owned or leased by the agency, provided these funds are used to improve the affordability of child care for low-income federal employees. In addition, the Senate bill would have required regulations establishing health and safety standards for federal agency child care programs and required that facilities meet state or local licensing standards and comply with standards set by a state or nationally recognized accreditation entity.¹

Child Care Provisions in the Taxpayer Refund Act of 1999 (vetoed)

On September 23, 1999, President Clinton vetoed the Taxpayer Refund Act of 1999. The conference report, (H.Rept. 106-289) on the bill (H.R. 2488) had passed both the House and Senate on August 5, 1999. The conference agreement did not include all of the child care provisions from the House bill and Senate amendment. The agreement did not adopt the Senate provision to create a tax credit for employer-supported child care, and also dropped the Senate's amendment proposing a \$10 billion increase in CCDBG funding over 10 years. The conference agreement did include provisions regarding the dependent care tax credit (DCTC), but modified the Senate amendment's proposal. The conference agreement would have set the DCTC maximum credit percentage at 35% for taxable years beginning in 2001 through 2005, and 40% thereafter. (The Senate amendment would have set the maximum credit rate at 40% beginning in taxable year 2001. The House bill had no DCTC provisions.) The conference agreement also included the Senate amendment's provision which would have extended up to \$960 of additional credit (\$1,920 for two or more qualifying dependents) to taxpayers with qualifying dependents under age one. The conference agreement, however, would have made this provision effective for taxable years beginning after 2005 rather than the Senate amendment's effective date of taxable year 2001.

Action in the 105th Congress

Although none of the major authorizing committees acted on a comprehensive proposal in the 105th Congress, some action on child care did occur. For example, the Head Start program was reauthorized for 5 years (P.L. 105-285). The Higher Education Act also was reauthorized (P.L. 105-244), with two child care-related provisions: grants for campus-based child care (authorized at \$45 million in FY1999

¹ For more information on federal child care provisions included in these appropriation bills, see CRS Report RL30202, *Appropriations for FY2000: Treasury, Postal Service, Executive Office of the President, and General Government*.

and such sums as necessary in subsequent years); and a loan forgiveness demonstration program for low-income individuals who complete a degree in early childhood education and work full-time in a child care facility (authorized at \$10 million in FY1999 and such sums as necessary in later years). Appropriations legislation subsequently provided \$5 million for the campus-based child care grants in FY1999, but no funding for the loan forgiveness demonstration (P.L. 105-277).

Also during the 105th Congress, both the House and Senate passed resolutions recognizing parents who stay home with their children. In the Senate, this provision was included in the FY1999 budget resolution, which also assumed increased spending for the CCDBG and the DCTC. These assumptions required additional legislative action, however, which did not occur.

The 105th Congress acted on several child care-related bills that did not become law. For example, the House Government Reform and Oversight Committee approved legislation that would have mandated standards for child care provided to federal employees. Similar legislation was approved by the Senate, as part of the FY1999 Treasury, Postal Service appropriations bill. The House eventually passed a bill allowing federal agencies to use funds for child care, but not mandating standards for such care. No further action occurred on these proposals.

Several bills would have earmarked tobacco revenues for child care. The Senate debated legislation that would have provided grants to states from a National Tobacco Trust Fund, and approved an amendment that would have required states to use part of these trust fund grants for child care, after defeating an effort to table this amendment by a vote of 33 to 66. However, the Senate ultimately stopped consideration of this bill and returned it to the Commerce Committee, where no further action took place.

Legislative Approaches

More than 50 child care bills were introduced in the 105th Congress, and several dozen, many with similar provisions, were introduced again in the 106th Congress. Like the Administration's 1999 initiative, several were omnibus packages of tax and grant provisions. In general, these bills addressed one or more of the traditional elements in child care policy debates: availability, affordability, and quality of care. The following sections briefly describe the legislative approaches that have been proposed in each of these areas.

Availability of Child Care

Proposals in the 105th Congress would have increased the supply of child care in several ways, including through tax incentives or grants for employers to provide child care for their employees, and through expanded federal grants to increase the supply of child care for low-income families. Other proposals would have increased the availability of specific types of child care, such as after-school care.

Private Sector Incentives. Like the Administration's initiative, numerous proposals would have established a new tax credit for businesses that support child care programs for their employees. The bills differed somewhat regarding the size of the tax credit and the types of expenditures that could be covered. For example, the size of the credit varied from 20% of qualified expenditures to 50%. Some proposals would have placed a dollar limit on the credit of \$100,000 or \$150,000 in a single year, while others would have established no upper limit. One proposal would have limited the credit to \$100,000 for start-up costs, \$25,000 for facility operating costs, and \$50,000 to reimburse employees for their child care expenses.

Under some proposals, the credit would have been available only for start-up costs, such as buying, building, rehabilitating or expanding properties, while others would have also allowed the credit to apply to operating costs, including the costs of training and scholarships for caregivers, allowing higher pay for caregivers with higher levels of training, and resource and referral services. Some bills would have allowed the credit to be used for the costs of accreditation or credentialing.

As an alternative to tax credits, some proposals would have encouraged private employers, especially small businesses, to provide child care for their employees through federal grants. Proposals varied in size from \$25 million annually to \$75 million. In some cases, grants would go directly to businesses or consortia of employers; in others, grants would go through states and then to private employers. In general, HHS would administer these grants, which would help employers set up and operate child care programs. Several bills would have limited participating employers to those with fewer than 50 or 100 employees.

Expansion of CCDBG. Numerous bills were introduced in the 105th Congress to increase funding for the CCDBG, either by increasing its discretionary authorization level or by directly appropriating additional funds for its entitlement component. Some of these proposals would have increased funding by as much as \$1.5 billion per year. In some cases, these additional funds would have been specifically earmarked for services to non-welfare, low-income working families. Some bills also would have earmarked a certain amount of funding for families with very young children.

New Grant Programs. Several bills would have created new, free-standing grant programs, independent of the CCDBG, to provide quality child care and related services, especially focusing on very young children (in some cases, children under age 6; in others, children under age 3). Authorization levels varied widely, going as high as \$4 billion annually in the out-years. Some proposals would have authorized formula grants to states, while others would have awarded funds directly to local grantees. Under some proposals, HHS would have been the federal administering agency; others would have established the program within the Department of Education and provided grants to local education agencies. One proposal would have authorized grants to states for school-based child care programs for children under age 7.

After-School Child Care. As proposed by the Administration, numerous bills sought to increase annual funding for the 21st Century Community Learning Centers from \$40 million to \$200 million. As described earlier, this proposal was successful

for FY1999. For FY2000, funding for the 21st Century Community Learning Centers was increased further to \$454 million. In addition, several bills would have authorized or directly appropriated funding for after-school programs, either through grants to states or to local education agencies, administered either by HHS or the Department of Education. Primarily as a delinquency prevention measure, after-school programs also were proposed to be administered by the Department of Justice.

Campus-Based Child Care. To enable low-income parents to pursue higher education, several bills proposed to authorize funds for the Education Department to make grants for campus-based child care. This proposal was included in the reauthorization of the Higher Education Act, and \$5 million was appropriated for FY1999, and again in FY2000. In addition, bills were introduced that would have increased the dependent care allowance that is considered in determining Pell Grant awards.

Welfare-to-Work Exemption. Under the new Temporary Assistance for Needy Families (TANF) welfare program, states may not withhold benefits to single custodial parents with children under age 6 for failure to work, if they cannot find appropriate and affordable child care. One proposal would have extended this exemption to parents with children under age 11.

Legal Liability Concerns. One proposal would have required the General Accounting Office to study whether legal liability concerns are a barrier to the establishment and operation of child care programs by businesses, schools, community centers, or individuals in their own homes.

Facilities Construction. To make it easier for child care programs to obtain financing to buy, build or substantially rehabilitate facilities, several bills would have authorized the Department of Housing and Urban Development to insure mortgages and would have established a Children's Development Commission to certify facilities for such insurance. Another proposal would have authorized grants to states for construction or renovation of school-based child care programs, and another would have authorized \$100 million over 5 years under the CCDBG for a capital financing program for child care.

Affordability of Child Care

Numerous bills proposed to make child care more affordable for parents through the tax code, and some of these proposals included provisions for families with an at-home parent. In addition, most proposals to increase federal funds for child care were specifically intended to help provide affordable care for low-income families.

DCTC Revisions. The maximum credit available under the existing Dependent Care Tax Credit is 30% of expenses, up to \$2,400 for one child (for a maximum credit of \$720) and \$4,800 for two or more children (for a maximum credit of \$1,440). The credit rate is gradually phased down for taxpayers with incomes above \$10,000 as their incomes go up, until it reaches 20% for taxpayers with incomes above \$28,000. Moreover, the existing tax credit is non-refundable, which means that it can be used only by families with tax liabilities.

Several bills proposed to make the DCTC refundable (as did the President in his 2000 State of the Union Address), so that families without tax liability could actually receive a payment equal to the credit. Many bills would have done a combination of the following: increase the percentage of expenses that may be claimed for the credit (i.e., the credit rate); increase the amount of expenses that may be considered in calculating the credit; and increase the income levels at which the credit rate phases down. Some bills would have denied the credit altogether for higher income taxpayers. One proposal would have connected the credit rate to the status of the provider, with a higher credit rate available for taxpayers who use accredited or credentialed child care.

Several proposals would allow the DCTC to be used by families where a parent is not employed and stays home to care for the children. In general, these proposals would have “deemed” such families to have child care expenses of a certain amount, and would have enabled the family to claim a credit based on these deemed expenses. Most of these proposals would have limited such benefits to families with very young children. One proposal would have eliminated the DCTC altogether for families with children under age 5, and instead would have increased the per-child tax credit (which is a separate, recently enacted tax provision available to all families regardless of employment status) from \$500 to \$1,500 for children in this age group.

Other measures would have amended the Dependent Care Assistance Program (DCAP) to enable its use by families with an at-home spouse, and a related proposal would have increased the number of years to 5 of little or no earnings that are disregarded in calculating Social Security benefits, for individuals who did not work in those years to care for a dependent child under age 12.

Business Tax Credits. Some of the employer tax credit proposals, described in the previous section on availability of child care, also would have required that any tax credit claimed by an employer must be passed on to employees in the form of reduced child care costs.

Expansion of CCDBG. As described earlier, numerous bills would have increased CCDBG funding, which is designed to increase the supply of affordable child care for low-income families. Moreover, one proposal would have required states, as a condition of receiving CCDBG funds, to base their child care payment rates on market rate surveys that are no more than 2 years old. (This is currently a requirement under the CCDBG regulations, which took effect August 24, 1998.)

New Grant Programs. Also as described in the previous section, several new, free-standing grant programs were proposed in the 105th Congress, largely focused on providing quality services for young children. Improving the affordability of care also was a goal of many of these proposals.

Quality of Child Care

Numerous bills would have attempted to upgrade child care quality, primarily through voluntary incentives. None would have mandated federal standards for child care, which has led to contentious debates when proposed in the past. However,

several would have provided incentives for use of nationally accredited child care providers or credentialed child caregivers.

Competitive Incentive Grants. Several bills proposed to award competitive or challenge grants to states that comply with certain conditions related to quality. Some of these proposals would have awarded as much as \$1 billion per year, and conditions for receiving such grants varied. For example, one proposal would have awarded incentive funds to states that had not reduced their child care standards or requirements since 1995, and had furnished sufficient matching funds to draw down 80% of their CCDBG matching funds the previous year. Another proposal would have rewarded or penalized states under the CCDBG program, by increasing or reducing their block grant allotment by 10%, depending on the state's performance in maintaining health and safety standards.

Other proposals would have awarded grants to states that require criminal background checks for child care workers, conduct frequent health and safety inspections, require first aid training for workers, maintain certain child-staff ratios, and require a minimum level of training for caregivers. States that adopted quality components of the military child care system or other successful models would have received incentive funds, under another measure.

In general, these incentive grant proposals would have targeted the funds toward quality related activities, such as subsidies for credentialed providers, parent education, scholarships for education or training needed to obtain accreditation or credentialing for providers, training and technical assistance, development of criteria for accreditation and credentialing, higher payments for accredited or credentialed providers or for special needs child care, or equipment for special needs children. Some proposals would have allowed states to use funds to upgrade their licensing standards and enforcement of standards, and for higher caregiver salaries and other incentives for caregivers to pursue more advanced training.

New Grant Programs. As already stated, several bills would have created free-standing grant programs for services to young children, and most of these bills emphasized improvement of quality as a primary goal.

CCDBG Quality Improvement Funds. One proposal would have amended the existing 4% reserve for quality improvement activities under the CCDBG to make the use of funds more explicit. Under this proposal, funds would be used for one or more of the following: resource and referral programs; assistance in meeting state and local standards; monitoring and enforcement of licensing and regulatory requirements; training; and compensation for child care staff. (These activities were specifically authorized under the CCDBG before it was amended in 1996.) Another proposal would have appropriated an additional \$600 million per year for quality activities under the CCDBG. To receive these funds, states would be required to set quality benchmarks and provide grants to local cooperatives for quality improvement activities.

Child Care Workforce. Although training and education for child care providers was included in many proposals, several bills focused specifically on this issue. Proposals included development by HHS of a model training program for

caregivers, based on the military program; grants for technology-based training programs; a national child care provider scholarship program, as proposed by the Administration; and cancellation of student loans for child care workers who have a degree in early childhood education or development, as ultimately included in the higher education reauthorization. Other proposals would have established various incentives for caregivers to pursue accreditation or credentialing, and one bill would have authorized grants to local counties to provide early childhood training for welfare recipients.

Tax Credit Incentives. As mentioned earlier, numerous bills would have made child care more affordable through expansion of the Dependent Care Tax Credit, and one proposal would have allowed a larger credit for accredited or credentialed care. Some proposals also would have increased the amount of tax-free dependent care assistance allowable, if taxpayers used accredited or credentialed child care, and another measure would have required child care facilities supported by a proposed business tax credit to become accredited after 3 years. Legislation also was proposed that would have allowed a tax deduction to providers for the costs of pursuing accreditation or credentialing.

Federal Child Care. Several bills were offered in the 105th Congress that addressed the quality of child care operated by federal agencies for their employees, and would have required programs to comply with state and local licensing requirements and/or accreditation standards. Legislative activity in the 106th Congress, as mentioned earlier, included passage of the FY2000 Treasury, Postal Service, and General Government Appropriations bill (P.L. 106-58) containing a provision to assist in providing child care services for low-income federal employees.

Telephone Hotline. Finally, one proposal would have authorized funding for HHS to operate a national, toll-free telephone hotline to provide information and assistance to families seeking quality early childhood education services. Other proposals would have required HHS to disseminate information on the importance of quality child care.

Additional Reading

CRS Reports and Issue Briefs

CRS Report RL30785, *The Child Care and Development Block Grant: Background and Funding*, by Alice Butler and (name redacted).

CRS Report RL30081, *Child Care Subsidies: Federal Grants and Tax Benefits for Working Families*, by (name redacted), (name redacted), and (name redacted).

CRS Report 96-780, *Child Care for Low-Income Families: Federal Programs and Welfare Reform*, by (name redacted).

CRS Report 98-875, *Child Care: State Programs Under the Child Care and Development Fund*, by Evelyne Parizek, (name redacted), and (name redacted).

CRS Report 98-541, *Child Care: The Role of the Federal Government*, by Molly Forman and (name redacted).

CRS Report 98-113, *Child Day Care Centers: A List of Resources for Starting and Operating a Child Day Care Center*, by Marjorie Washington.

CRS Report RS20537, *Head Start: Background and Funding*, by Alice Butler and (name redacted)

CRS Report 94-953, *Social Services Block Grants (Title XX of the Social Security Act)*, by (name redacted).

Other Resources

U.S. Department of Commerce. Census Bureau. *State Estimates of Organized Child Care Facilities*, by Lynne M. Casper and Martin O'Connell. Population Division Working Paper #21, March 1998.

——— *Who's Minding Our Preschoolers? Fall 1994*, by Lynne M. Casper. Current Population Reports, P70-62, November 1997.

——— *Who's Minding the Kids? Child Care Arrangements. Fall 1995*, by Kristin Smith. Current Population Reports, P70-70, October 2000.

——— *My Daddy Takes Care of Me! Fathers as Care Providers*, by Lynne M. Casper. Current Population Reports, P70-59, September 1997.

——— *What Does It Cost to Mind Our Preschoolers?* by Lynne M. Casper. Current Population Reports, P70-53, September 1995.

U.S. Department of Health and Human Services. National Child Care Information Center Home Page, [<http://nccic.org>].

——— *Access to Child Care for Low-Income Working Families*. Administration for Children and Families, October 19, 1999.

U.S. General Accounting Office. *Child Care: Use of Standards to Ensure High Quality Care*. GAO/HEHS-98-223R, July 1998.

——— *Child Care: How Do Military and Civilian Center Costs Compare?* GAO/HEHS-00-7, October 1999.

——— *Child Care: State Efforts to Enforce Safety and Health Requirements*. GAO/HEHS-00-28, January 2000.

——— *Education and Care: Early Childhood Programs and Services for Low-Income Families*. GAO/HEHS-00-11, November 1999.

——— *Welfare Reform: States' Efforts to Expand Child Care Programs*. GAO/HEHS-98-27, January 1998.

U.S. House of Representatives. Committee on Ways and Means. *2000 Green Book*,
Section 9, October 6, 2000.

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