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Series:	Sununu, John, Files
Subseries:	Issues Files

OA/ID Number:	29142
Folder ID Number:	29142-009

Folder Title:
Child Care 1990 (1 of 2) [1]

Stack:	Row:	Section:	Shelf:	Position:
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Family Research Council

T.M. Gary L. Bauer, President

Facsimile Cover Sheet

To: ANDY CARD

Company: The White House

FAX No. 456-2397

From: Gary Bauer / Elizabeth Kegley

FAX No. 202/393-2134

Date: 3/22/90 Time: 1:40 pm

Total number of pages: 3 (including this cover sheet)

If there are any problems with this transmittal, please contact this office as soon as possible. Thank you.

Operator: EKegley
Phone Number: 202/393-2100

Additional Notes: URGENT

1

Family Research Council
T.M. Gary L. Bauer, President

TO: Newt Gingrich, John Sununu
FROM: Gary Bauer
RE: "Wee Tots" Changes

It is our understanding that the current "wee tots" position of the Stenholm coalition is to offer a credit of up to $600 per child for families with incomes below $22,000 who have children under age one. Importantly, the credit size and income eligibility would be indexed for inflation and the proposal would be fully implemented immediately.

Per your request, here are changes we would like to see made in the current proposal. While we would prefer a $600 credit over the previously discussed $430 credit, we consider it a greater priority to obtain the following changes than to have the larger credit amount.

* <u>Increase the age of eligibility</u>. The current proposal applies only to families with children under age one. There are two different options for raising this cut-off:

   * <u>raise the limit to age 2 or 3.</u> This not only expands the size of the constituency that benefits, but it makes the proposal a more legitimate "parental leave" alternative since all mandatory leave bills stipulate that the leave can be taken in the first two years of a child's life. Also, it can be argued that the tax code already distinguishes between children under two and those over two in that Social Security numbers are required after a child's second birthday.

   * <u>replace the EITC-Young Child Supplement with a "wee tots" credit that goes to children up to age 4, 5, or 6.</u> This is a more attractive proposal to us and a better use of limited resources. In addition, this proposal would be attractive to those concerned about cluttering the tax code with new credits and to those concerned about overall cost. (a "wee tots" credit is less expensive than the EITC-Young Child Supplement because "wee tots" does not permit taxpayers to "double-dip" and claim both it and the Dependent Care Tax Credit).

*** Extend the "wee tots" credit up the income scale.** This expands the constituency that receives the credit (touching more and more conservative pro-family voters), strengthens the proposal's value as a parental leave alternative, and allows conservatives to pre-empt liberal initiatives designed to reduce tax regressivity by offering tax relief to working-class and middle-income taxpayers.

An appropriate upper threshold to shoot for would be families with annual incomes of $32,000 a year (the current median family income).

While it is possible to move up the income scale if the "wee tots" credit continues to be refundable, moving up the income scale becomes easier (and less costly) if the credit is made non-refundable. In addition, making the credit non-refundable reduces the negative income tax implications of this legislation which is of concern to many economic conservatives. Politically, a non-refundable credit is easier to defend in this legislation than under ordinary circumstances because this bill will include a substantial expansion of the Earned Income Tax Credit. Thus, no one can argue that you are favoring working class taxpayers over the working poor.

One final note . . . The Stenholm Bill officially calls the "wee tots" credit a "Supplemental Infant Credit." We want it to be called either a "Young Child" credit (if you broaden it to replace the "Young Child" supplement) or a "Toddler" tax credit. Many of our constituents are familiar with these latter terms and are confused about the "supplemental infant" terminology.

PROVISIONS FOR RELIGIOUS LIBERTY AND PARENTAL CHOICE IN DAYCARE PROGRAMS

1) If the legislation contains funds for a daycare grant program to the states, the grant program must guarantee assisted parents the option of receiving a child care certificate or voucher which will empower the parents to select the child care provided to their children. (This provision is particularly important if the grant program provides federal funds to the states, through Social Service Block Grants, which the states may use to pay for daycare in the public schools; any legislation which expands the role of the public schools in caring for pre-school children should be unacceptable unless it guarantees assisted parents the right to select non public school care through child care vouchers.)

2) If the legislation contains funds for a daycare grant program, it must contain explicit language permitting states to allow parents to use the program's vouchers or certificates in facilities which provide children with religious values and instruction.

3) If the legislation contains funds for a daycare grant program, religious organizations which receive funds should be able to show preference for members of the faith with respect to employment.

4) If the legislation contains funds for a daycare grant program, religious organizations receiving funds should be able to refuse employment to persons whose past or present conduct violates the religious and moral teachings of the organizations.

5) If the legislation contains funds for a daycare grant program, the program should not require religious organizations receiving vouchers or certificates to be automatically subject to state secular daycare regulation if the state does not choose to so regulate the religious organization.

Note: The Senate-passed legislation contains items #1, 2, and 4

The Stenholm/Shaw bill from last year contained items #2 and 5

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WILLIAM BENTLEY BALL

March 7, 1990
FAX

MEMORANDUM TO: Hon. Newt Gingrich
Congress of the United States
House of Representatives

RE: Child Care Legislation

I appreciate your great help on behalf of parental rights and religious liberty. In reaction to your request last night:

1. No bill is a child care bill which does not come to terms with the reality out there, that fully one-third of all child care is religious. Therefore a bill that excludes it or which hobbles the availability of religious child care (e.g., through federal regulation or mandated state regulation) could not be called a "child care" bill.

2. Legislation which expressly states that a voucher may be used by a parent for religious child care should be held constitutional against Establishment Clause challenge on the ground that the primary effect of the benefit is the care and protection of the child and the economic relief of the parent. Exclusion of parents, on account of their religious choice, from the benefits of general welfare legislation would constitute a denial of their rights under the Free Exercise Clause. Excellent precedent for these conclusions are to be found in decisions of the Supreme Court. (If the bill is up-front with specific inclusion of the availability of vouchers for religious child care, it will be challenged in the Congress, and later in the courts, as unconstitutional. That is a given. At the Congressional level this challenge is readily answerable and should cause no panic.)

3. Language specifying "religious child care" may take two possible forms:

- "child care provided by a religious provider," "religious provider" being defined as "any church, religious school, or other religious entity which provides care for children, which exists primarily for religious purposes, and which is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code."

- saying that "such vouchers may be used for child care which includes religious activity as an instructional device."

4. As to the Pell Grant scheme: one of its provisions states that the funds appropriated may not be used for "any religious worship or sectarian activity." 20 U.S.C. §1069c. That provision would have to be omitted in the child care bill and a specific provision included instead which would expressly allow the voucher to be used for religious child care. As to the Grove City Act, I see no provision in the Pell Grant statute which negates the applicability of the Grove City Act. Perhaps the alternative distribution of Pell grants under Section 1070a(2) (i.e., directly to the student instead of the institution) could be paralleled in the child care bill in order to permit the parent to be directly reimbursed from government funds after the parent has made payment to the religious provider. That might be helpful constitutionally.

It would likely not solve the Grove City problem, the Grove City Act being extremely overbroad.

5. The best way to take care of the Grove City problem is to provide that "moneys paid for redemption of vouchers for child care services by parents shall not be deemed federal financial assistance to the provider of such services." That is what should be provided, but if such provision is politically impossible, then there must be provided language which does give specific protection to religious providers to dismiss and to refuse to hire, on religious and moral grounds. Otherwise "Grove City" problems will have to be fought out in the courts on constitutional grounds. (There are indeed such grounds.)

Hon.. Newt Gingrich
March 7, 1990

6. It must be provided that the religious child care entity is free, in its admissions, to select children of its particular faith. It would contradict the very purpose of making vouchers available for religious child care to forbid the religious provider from being religious in the true sense of retaining its integrity with respect to membership.

7. It must be provided that the religious child care entity may select its employees on the basis of religious criteria. It is a contradiction of "religious child care" to say that, for example, a Baptist child care may not decline, on religious grounds, Catholic applicants for employment, or that a Catholic provider could not refuse employment, on religious grounds, by a Baptist applicant.

* * * * * *

I shall be most anxious to see what text you will be coming up with, and I shall be happy to be of what assistance I can as matters move forward.

My bottom line is: religious child care must be openly and expressly included, with provisions rendering it available, in its integrity, to parents.

The crucial alternative, no matter how disguised in S. 5, is the Swedish model.

William Bentley Ball

WBB:dh

Rex → John Stohlton - 801-378-5624 FAX 378-5278

E. CLAY SHAW
15TH DISTRICT, FLORIDA

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COMMITTEE:
WAYS AND MEANS
SUBCOMMITTEES:
OVERSIGHT
HUMAN RESOURCES
RANKING MEMBER

Congress of the United States
House of Representatives
Washington, DC 20515

March 15, 1990

MEMORANDUM

To: The Honorable John Sununu

From: E. Clay Shaw, Jr.

Thanks for spending so much time with us yesterday afternoon while we reached final agreements on our child care bill. Hopefully, all your work will keep the President in a solid position on child care.

Attached are the items I promised you:

--a one page summary of the counter proposal that includes the most recent cost estimates;

--a detailed summary of all the provisions in the counter proposal, now changed to reflect the agreements at our meeting yesterday;

--a set of talking points you can use to defend this offer with the religious right;

--a revised list of the three religious provisions in the offer and a comparison of these provisions with those in the Senate bill.

I plan to convey the offer to Tom Downey sometime this morning. When I do, he will probably give me information about whether he intends to sign on to the Speaker's bill and, if so, when they hope to introduce the bill. If he does, I'll pass the information along.

Please let me know whether there's anything else you need. As planned, Tom and I will try to call you when we meet.

Thanks again for all your help.

Child Care Alternative
March 15, 1990

(5 years, in $ billions)

	3/14/90 COUNTER PROP.	INITIAL DEM. PROPOSAL	ORIG. W & M	ORIG. E & L
Title I -- Head Start				
$500 million per year, 5 yrs	2.5	1.9	2.6	1.9
Title II -- School-Based Child Care				
Strike	0	1.9	2.6	1.9
Title III -- Title XX and EITC				
Proposal on EITC and Title XX needs clarification, especially on meaning of "modified standards". No mandates on states should be included.	2.25 14.4	1.75 13.5	1.75 13.5	2.6 -
Add new religious provisions on sense of Congress, mandatory vouchers, and religious tenets				
Title IV -- Coordination and Infrastructure				
Strike	0	.9	2.2	1.1
(These activities could be included under Title XX, perhaps in a new set aside grant with its own money)				
Titles V & VI -- Business and Incentive Grants				
Include new version of Business Grant	.1	-	.5	.1
Additions to Tax provisions:				
Reduce Dependent Care Tax Credit and Section 129 between $70,000 and $90,000; cap at $90,000	(1.1)	-	-	-
Clarify use of telephone tax and other funding sources				
Total (BAS/EA)	$18.15	19.95	23.2	7.6
Direct Spending	$15.55	15.25	15.25	-
Total (without Head Start)	$15.65			

Draft Response
March 14, 1990

Title I: Head Start

1. Increase authorization by $500,000,000 in 1991; keep at new level for next four years (1992-95)

2. Longitudinal study; $1 million per year for 20 years

Title II: Small Business Involvement

1. $25 million per year grant program, 1991-95

2. Small businesses eligible

3. Apply to Secretary of HHS

Title III: Expand Title XX

1. Creation of an automatic appropriation for new day care set-aside within Title XX: Automatic appropriation of $450 million per year, FY 91-FY95

2. State allotment formula (ratio of number of children under 13 in each state to total number of children under age 13 in the U.S.)

3. States have two years to spend each year's allotment; procedures are outlined for redistribution among the states of unused funds

4. States must identify a lead agency to administer funds and coordinate day care expenditures in the state

5. States must submit an annual plan to HHS that identifies the lead agency, describes how funds will be spent, assures that funds supplement not supplant state and local child care expenditures, assures that not more than 7% of funds are spent on Administration, assures that priority is given to low-income families, assures that child care providers meet state and local regulations, provides that all public child care expenditures in the state will be coordinated by lead agency, establishes fiscal and accounting procedures

6. Enumeration of permitted uses of funds, with emphasis on parent choice; e.g., child care services, child care services for special needs and sick children, after and before school care, staff training, information and

WEETOTS
+ CAPPING OF DCTC.

referral, insurance pools, activities to improve quality of child care; emphasis on expanding parent choices, creating new supply, and serving low-income families

7. Methods of funding: grants, contracts, certificates

8. Parental rights of choice: clarifies that parents who use certificates can select any type of day care, including religious care; if religious care is freely selected by parents using certificates, the constitutional prohibition on establishment of religion is not violated

9. Child Care Certificates:

--Certificates are issued directly to parents or legal guardians

--states cannot disadvantage parents using certificates by making them wait longer to receive services or by giving them a certificate of lower value, than parents using care funded by grants or contracts proportional

--states must offer the certificate program within 1 year

--states can use Title XX funds to set-up their certificate program

--parents must have the option of getting a certificate; they must be allowed to use the certificate in any facility that meets state law

10. Rights of Religious Providers: religious providers can give preference in employment to people who have adhered and do adhere to tenets or teachings of their organization

11. List of entities eligible to receive funds: units of state and local government, public schools, nonprofit organizations, professional and employee associations, consortia of small businesses, proprietary entities, and other entities approved by state and secretary

12. Prohibitions on use of funds for: federal matching requirements, purchase or improvomant of land, construction, providing services generally available to state residents without costs

13. Reporting requirements:

--unused funds reported to Secretary each fiscal year

--States must submit an annual report containing at least the following information: number and type of services and programs, average cost per child by type of provider, number of children served, average income of families being served, efforts by states to promote and ensure health and safety and improve quality; also contains directions to Secretary to establish, within 6 months, guidelines for state reports

--Secretary must send annual report to Congress containing summary of information collected from states

--Secretary must send annual report to states of exemplary practices and innovative programs

Title V: Tax Changes Relating to Child Care

1. Increase in basic EITC to 17, 21, and 25 percent for families meeting income criteria with 1, 2, and 3 children respectively; phaseout percentages are 12, 15, and 18 percent respectively; details of phasein and phaseout

2. Supplemental young child credit of 6 percent, phaseout of 4.25 percent, for families meeting income criteria with child under age 6

3. Definition of qualifying child

4. Advance payment provisions; employers required to obtain certificate of eligibility for EITC from each employee each year (previous law says employers "shall" use advance payment for all eligible employees; see 3507(d)(4) of 1986 Tax Code); this provision insures that employers will know which of their employees is eligible for EITC and therefore for advance payment

5. Calendar year limitation on effectiveness of certificate; makes EITC eligibility certificate good until circumstances change

6. EITC and Federal means-tested payments: for purposes of computing whether a parent meets the EITC requirement that the parent provide at least half the child's support, all federal means-tested payments are treated as if they had been provided by the parent

7. Conforming amendments include directions to IRS to design new tables to show EITC benefits

8. Secretary of Treasury must conduct a study to determine whether the requirements of this Act have placed "undue" paperwork burdens on employers; must be completed and submitted to Ways and Means within 2 years

9. Phaseout of Dependent Care Credit and Section 129 exclusion ("Flexible Benefit Plans") for families with incomes between $70,000 and $90,000; cap both credits at $90,000

<u>Title VI: Child Care Earnings Excluded from Social Security Excess Earnings Test</u>

1. Earnings by a person over age 65 from child care are excluded from wages when computing income taxes

2. Applies to both earnings from a day care employer and from self-employment in providing day care services

Talking Points on
Compromise Offer
March 15, 1990

1. 86 percent of the funds in the bill ($14.4 of $16.75, not including Head Start) go into expansion of the Earned Income Tax Credit; parent choice is maximized because all this money can be used in any way that parents see fit, including the purchase of religious day care;

2. The Dependent Care Tax Credit is phased out between $70,000 and $90,000 of income; the credit is capped at $90,000. This provision substantially reduces the amount of federal money in a program that discriminates against families in which one parent stays at home to care for children. This provision also reduces the political support for a program many religious groups would like to abolish.

3. No federal regulations, standards, or mandates on the states.

4. All the provisions of the ABC bill have been removed.

5. Other than a small business grant, the only grant provision in the bill is the expansion of the Title XX program; because this program already exists, new bureaucracy will be minimized.

6. The bill contains three explicit religious provisions that guarantee the purchase of religious care by parents using Title XX money:

--requirement that states must provide a voucher to any parent who wants one;

--language stipulating that vouchers can be used to purchase religious care;

--statement that religious providers can give preference in hiring to individuals who adhere to their religious tenets or teachings.

Comparison of Religious Provisions
in S-5 and 3/14/90 Counter Proposal to Initial Democratic Proposal
March 15, 1990

vision		Response Provision	
tion	Description	Location	Description
108(a)(4)	States must provide parents of eligible children with the option of a certificate (voucher)	(d)(6)	Option of certificate must be available for all parents; also, parents using vouchers cannot be disadvantaged relative to parents using grants or contracts with regard to length of waiting period or cost of care
. 121(a)	If provider gets funds from certificates, sectarian activities are ok (the language actually removes a prohibition against sectarian activities)	(d)(4)	If parent uses certificate to select provider, religious activities are ok
122(b)	A sectarian organization may require employees to adhere to religious tenets and teachings including drugs and alcohol	(d)(8)	A sectarian organization may require that employees have adhered and do adhere to religious tenets and teachings

03-15-90 09:14 AM

Senate Pro

Author	Brief Title	Loca
Domenici	Mandatory Vouchers	Sec.
Ford/ Durenberger	Vouchers Constitutional	Sec
Coates	Religious Tenents	Sec.

March 15, 1990

Major Concerns Regarding the ADA

Definition of Disability:

The definition of disability should not include:

Behavioral disorders, including Disruptive Behavior Disorders, Gender Identity Disorders, Psychoactive Substance-Induced Organic Mental Disorders, Schizophrenia, Delusional Disorder,Mood Disorders, Anxiety Disorders, Dissociative Disorders, Sexual Disorders, Impulse Control Disorders, Adjustment Disorder, Personality Disorders.

Persons that are "regarded as" being disabled.

Coverage for persons who have a relationship with, or an association to, the disabled.

Designation as a "discreet and insular" minority. The definition of "disability" should be amended so that it complies with the Supreme Court standard for minority status.

Requirements for employers and owner of public accommodations:

Factors to be considered in the determination of "undue hardship"(Title I) and "reasonable accommodation" (Title III) should include:

The loss of jobs due to the requirements of the Act; and

The possibility of closing down the entity due to the requirements of the Act.

The employer's obligations remain unclear under the ADA. In order to make clear the employer's obligations under the Act, the definition of "essential functions"of a job should be provided.

Religious organizations:

Churches, religious corporations, associations and societies which are exempt from taxation under 501 C3 of the IRS Code should not be included under the definition of employer. They should receive no less treatment than do private clubs.

Remedies:

The remedies for the ADA should not be cross referenced to any other civil rights legislation, rather they should be explicitly stated in the Act.

Contagious Disease:

The "direct threat" qualification standard is too restrictive for public safety, and should be amended to reflect the "significant risk" standard as put forth by the Supreme Court in the *Arline* decision.

TERRY ALLEN

Adoption:

In the prohibition of discrimination in adoption programs, the well being and best interests of the adoptive child shall be the paramount concern over and above any consideration of disability.

Nothing contained in the ADA or in the Rehabilitation Act of 1973 should prohibit the refusal of an adoption agency to allow the adoption of any child by any person on the basis of the present or past alcoholism, drug abuse, or sexual practices of such individual.

Coverage of Congress:

The U.S. Congress should be covered under the ADA, with the provisions enforced by the Office of Fair Employment Practices. Accommodations to the ADA should be exclusively funded from Member's personal expense accounts.

Police:

Nothing contained in the ADA should affect in any way employment qualifications imposed for the selection or promotion of law enforcement officers.

Big Brothers:

Not withstanding any provision in the ADA or in section 504 (Rehab. Act of 73) to the contrary, the provisions of the ADA and of section 504 should not require the employment or participation in any program involving the care or supervision of children of any person who is "handicapped" by virtue of a contagious disease acquired through the illicit use of drugs or illicit sexual practices.

Armed Services and National Guard:

Nothing contained in the ADA or in the Rehabilitation Act of 1973 should require the armed services or national guard to admit any person who is handicapped by virtue of drug abuse, alcoholism, or a contagious disease acquired by virtue of illicit drug use or homosexual activity.

March 15, 1990

Major Concerns Regarding the ADA

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Family Research Council
T.M. Gary L. Bauer, President

March 14, 1990

The Honorable John Sununu
Chief of Staff
The White House
Washington, D.C. 20500

MAR 15 1990

Dear Governor Sununu:

As you know, the Family Research Council (and our parent organization, Focus on the Family) have been following the child care debate with great interest. Apart from opposing the creation of a new federal day care bureaucracy, we have repeatedly urged passage of a "toddler tax credit" -- a new credit which taxpayers with preschool children could choose instead of (but not in addition to) the Dependent Care Tax Credit. Such a credit is needed to address the tax code's existing bias against families that care for their own children.

We were pleased that the President's original child care legislation proposed such a credit and that he included "non-discrimination against mothers at home" among his four child care principles. Nevertheless, we were unable to join many of our friends in endorsing the Stenholm-Shaw Bill last October because that proposal's tax provisions did nothing to level the playing field between users of paid day care and families that care for their own children. It failed to address the tax code's existing discrimination against families that care for their own children.

As the House once again prepares to consider child care legislation, Congressman Stenholm has indicated he will add to his original proposal a "toddler tax credit" of up to $400 for children under age one. While this provision is far less ambitious than the President's original proposal (which offered up to $1,000 for children under age five), we believe it is a sufficient step in the right direction to merit our qualified support of the Stenholm proposal <u>provided there is assurance from the White House that the President will oppose as unacceptable any legislation emerging from conference that does not</u>

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<u>include this provision or that diverges in any other radical way from the thrust of the Stenholm alternative</u>.

Governor, we are eager to rally our constituency behind a proposal that embodies the President's four child care principles. We want to see good legislation pass the House. Even more than that, we want to see good legislation emerge from conference. While we regret that the "toddler tax credit" provisions are so modest that they leave us no negotiating room in conference, we trust that you will be able to offer the assurances we need to join in the effort to see the Stenholm bill through the Congress and to the President's desk for signature.

With warm regards,

Gary L. Bauer

Gary L. Bauer
President

(Dictated and signed in my absence.)

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1. NICK CALIO

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1. GOV SUNUNU / SAN FRANCISCO
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6.
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2.

SPECIAL INSTRUCTIONS/REMARKS:

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THE WHITE HOUSE
WASHINGTON

February 6, 1990

MEMORANDUM FOR GOVERNOR JOHN SUNUNU

FROM: NICK CALIO NC
JACK HOWARD

THROUGH: FRED McCLURE

RE: Child Care: Plot of Members' Positions

Per your request, we have plotted out members' positions on the major outstanding child care issues. The issues are listed by bill title down the left-hand side of the page. The members are listed at the top of the page.

The document, by its nature, is somewhat imprecise since the members' positions on many issues are fluid and open to negotiation. Nonetheless, the plot should prove useful to you in that it provides members' original positions on the issues. Moreover, where appropriate, we have attempted to indicate members' willingness to move on a given issue.

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Memo	From Nick Calio to John Sununu Re: Members of Congress Positions on Major Outstanding Child Care Issues (4 pp.)	2/6/90	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Child Care 1990 (1 of 2) [1]

Open on Expiration of PRA
(Document Follows)
By JP (NLGB) on 10/28/05

Date Closed:	12/17/2004	**OA/ID Number:**	29142-009
FOIA/SYS Case #:	1998-0004-F[1]	**Appeal Case #:**	
Re-review Case #:	2005-0426-S	**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

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

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

PRM. Removed as a personal record misfile.

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

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
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	HAWKINS	DOWNEY	STENHOLM/ SHAW (GOODLING/ JOHNSON generally allied)	EDWARDS/BARTLETT HOLLOWAY/SCHULZE
I. **HEAD START**				
A. Authorization	$440 million increase in FY 1990 & "such sums" thereafter. Probably willing to break out as a separate bill.	$614 million increase in FY 1990 "such sums" thereafter	$300 million increase for each of next three years	No increase
B. Expansion to non-poor and full-day programs	Mandates expansion both to non-poor (allow use of up to 50% of dollars for non-poor) for full day programs (up to 50% of dollars)	Same as Hawkins. Committed to getting "something" on full day to appease liberals	Allows (without mandating) up to 50% of dollars to be used for full-day programs; no expansion to non-poor children	Opposed to full-day care
C. Age focus	No Provision	Same as Hawkins	Sense of Congress that, whenever possible, children should not be limited to one year in Head Start	No provision
II. **SCHOOL-BASED CHILD DEVELOPMENT**	New grant program $440 million in FY 1990 ("such sums" thereafter) with additional regulations.	Same as Hawkins	States are encouraged, but not required, to consider allocating some Title XX funds to sohool-based child care	Opposed because it conflicts with current Head Start

	HAWKINS	DOWNEY	STENHOLM/ SHAW (GOODLING/ JOHNSON generally allied)	EDWARDS/BARTLETT HOLLOWAY/SCHULZE
III. ABC OR TITLE XX CHILD CARE GRANT	New $612 million yearly "ABC" grant to establish day care with extensive regulations, inspections, and training requirements	Additional $1.6 billion over four years for Title XX grant, earmarked for child care. Regulations similar to ABC. (Open to accomodation on regulations issue)	Additional $1.6 billion over 4 years for Title XX block grant, earmarked for child care services; no new regulations	Can support Stenholm/Shaw but would prefer to do nothing. Regulations anathema, but willing to consider a fix that "covers" Downey and produces a bill.
Religious language:	Prohibits funds from going to religiously-affiliated child care centers	Silent on issue, Title XX funds already go to religious institutions. Wants to remain silent and avoid the fight.	Sense of Congress language allowing use of vouchers. Some of this group is willing to drop; others not.	Since don't want grant program, don't address religious issue. If grant program is put in place, they want some kind of affirmative statement that funds can go to religious insitutions.

EITC	HAWKINS	DOWNEY	STENHOLM/ SHAW (GOODLING/ JOHNSON generally allied)	EDWARDS/BARTLETT HOLLOWAY/SCHULZE
B. **DEPENDENT CARE TAX CREDIT RESTRICTIONS FOR THE WEALTHY** (Current law: no phase out)	No provision	No phase out; wants to avoid issue in the interest of simplicity.	Phase-out for families with incomes between $70,000 and $90,000	Same as Stenholm/ Shaw
VII. **EITC COST** (Current law: $6.5 billion in FY 1991)	No provision	Additional $4.1 billion in FY 1991	Additional $4.1 billion in FY 1992 (same as Downey) However, capping the EITC saves an estimated $100 million a year.	Estimated additional $4.5 billion in FY 1992
VIII. **OTHER COSTS**	$1.87 billion/year in authorization	$400 million/year for Title XX. Would like to increase this amount.	$325 million/year in authorization not available unless appropriated, $400 million/year for Title XX	
IX. **TOTAL 5 YEAR COSTS**	Hawkins/Downey combined: $22.7 billion	Downey EITC: $13.5 billion (Downey standing alone appears lower. However, his bill is an amendment to H.R. 3 and reaches $22.7 billion when the two are combined.	$17.2 billion (EITC total cost: $13.5 billion/net cost, $12.4 billion)	$15 billion (Net cost: $14.1 billion)

THE WHITE HOUSE

WASHINGTON

February 6, 1990

MEMORANDUM FOR GOVERNOR JOHN SUNUNU

FROM: NICK CALIO NC
JACK HOWARD

THROUGH: FRED McCLURE

RE: Child Care: Plot of Members' Positions

Per your request, we have plotted out members' positions on the major outstanding child care issues. The issues are listed by bill title down the left-hand side of the page. The members are listed at the top of the page.

The document, by its nature, is somewhat imprecise since the members' positions on many issues are fluid and open to negotiation. Nonetheless, the plot should prove useful to you in that it provides members' original positions on the issues. Moreover, where appropriate, we have attempted to indicate members' willingness to move on a given issue.

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Memo	From Nick Calio to John Sununu Re: Members of Congress Positions on Major Outstanding Child Care Issues (4 pp.)	2/6/90	~~P~~-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Child Care 1990 (1 of 2) [1]

Open on Expiration of PRA
(Document Follows)
By GP (NLGB) on 10/28/05

Date Closed: 12/17/2004	**OA/ID Number:** 29142-009
FOIA/SYS Case #: 1998-0004-F[1] **Re-review Case #:** 2005-0426-S **P-2/P-5 Review Case #:**	**Appeal Case #:** **Appeal Disposition:** **Disposition Date:**
AR Case #: **AR Disposition:** **AR Disposition Date:**	**MR Case #:** **MR Disposition:** **MR Disposition Date:**

RESTRICTION CODES

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

P-1 National Security Classified Information [(a)(1) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

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

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		HAWKINS	DOWNEY	STENHOLM/ SHAW (GOODLING/ JOHNSON generally allied)	EDWARDS/BARTLETT HOLLOWAY/SCHULZE
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		HAWKINS	DOWNEY	STENHOLM/ SHAW (GOODLING/ JOHNSON generally allied)	EDWARDS/BARTLETT HOLLOWAY/SCHULZE
IV.	**EXPANDING REGULATED DAY CARE**	$262-350 million yearly for state inspection of facilities; increase staff salaries; improved resource and referral at local level, etc.	Same as Hawkins. Mimicked Hawkins for tactical reasons but we don't know where he currently stands on the issue.	Opposed to expansion	Opposed to expansion
V.	**BUSINESS INVOLVEMENT**	$25 million yearly for grants to small businesses or consortia small businesses to provide child care for their employees	Same as Hawkins, unclear where he really stands.	$25 million yearly grants to business and small businesses	Opposed to grants
VI.	**EARNED INCOME TAX CREDIT**				
A.	**FAMILY INCOME RANGE**	No tax provisions	Credit phases out between $11290 and $21290 of income.	Credit phases out between $11290 and $21290 of income.	Prefer extending income eligibility as high as $25,000 to $35,000, to reach more middle class Republicans.

EITC	HAWKINS	DOWNEY	STENHOLM/ SHAW (GOODLING/ JOHNSON generally allied)	EDWARDS/BARTLETT HOLLOWAY/SCHULZE
B. DEPENDENT CARE TAX CREDIT RESTRICTIONS FOR THE WEALTHY (Current law: no phase out)	No provision	No phase out; wants to avoid issue in the interest of simplicity.	Phase-out for families with incomes between $70,000 and $90,000	Same as Stenholm/ Shaw
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THE WHITE HOUSE

WASHINGTON

CHILD CARE MEETING

Thursday, February 8, 1990
9:30 a.m.
Governor Sununu's Office

Participants:

Congressman Steve Bartlett
Congressman Bill Goodling
Congressman Clyde Holloway
Congresswoman Nancy Johnson
Congressman Dick Schulze
Congressman Clay Shaw
Congressman Tom Tauke

Rod DeArment, Deputy Secretary of Labor

THE CHIEF of STAFF
has seen

Religion and Child Care

- o Is it constitutional to give dollars to overtly religious child care centers?
  - The Justice Department argues yes.
  - The ACLU argues no.

- o Even if the Congress chose to make grant dollars available to religious programs, the ACLU and other groups could sue on two points:
  - First, on the constitutionality of the grants.
    - There are two issues to be litigated: does assistance to religious programs violate the constitutional prohibition of establishment of religion? does the administration of a program lead to an excessive entanglement of church and state?
  - If the program survives constitutional challenge, the ACLU and others could still sue individual centers, arguing that while the law is constitutional, use of funds by that particular center represents an excessive entanglement of church and state.

URGENT CHILD CARE FACT SHEET

Congress of the United States
House of Representatives
Washington, DC 20515

January 23, 1990

THE CHILD CARE DEBATE --
AND THE JANUARY 25th "PHONE IN"

Dear Colleague:

One of the most urgent issues awaiting final action by the 101st Congress is enactment of comprehensive legislation to expand the availability of high quality child care. As a result of continuing progress, we should be able to have a consensus bill to the President's desk early in the session.

In contrast to this progress, however, are the personalized and inaccurate accusations of some advocates who equate their personal preferences alone with "good child care legislation." On January 25th, some of these advocates are promoting a "national phone-in" to Members' offices to promote their legislative preferences.

Unfortunately, some of these advocates have repeatedly circulated erroneous information to the Congress, the child care community, and the press. In addition, they have unnecessarily created disharmony and bitterness (not to mention confusion) and severely complicated the effort to enact a good bill in 1990.

Members will base their decisions about child care legislation on real numbers and accurate information, not on ad hominem attacks. That is why we -- as proponents of the Ways and Means Committee's proposal as reported from the Committee -- are providing you with the information contained in this Dear Colleague.

Here are several, important facts to keep in mind ---

** the Ways and Means Committee provision replaces only one of five titles in the Education and Labor bill;

** by utilizing a child care earmark in the title XX program (regardless of whether a state currently uses title XX funds for child care), the Ways and Means plan provides assured funding on which states can rely to expand child care services with no increase in bureaucracy, not merely promises of additional funding that are often unfulfilled, even for popular programs;

** states would not suffer the loss in money under the Ways and Means approach that the advocates persist in alleging. In fact, more money would be available for the overall program under the Ways and Means approach, including Head Start expansion, before and after school child care, and quality and training improvements.

In addition, only the Ways and Means measure includes the expansion of the Earned Income Tax Credit (EITC) for working families as a feature of child care legislation.

On the reverse are two tables comparing the Ways and Means proposal to the compromise supported by the advocates. Rather than look only at the first year, these tables compare the proposals in the third year, after the provisions are fully implemented. Table 1 illustrates the distribution of funds for each Title of the House bill. Table 2 shows what states can expect to receive under each proposal. Estimates are given for the minimum and maximum state allotments for child care services and quality improvements.

We hope you will examine this information carefully when weighing which approach best meets the child care needs of [illegible] families. [illegible]

Sincerely,

[illegible]
[illegible] Human Resources

[illegible]
Chairman,
Select Committee on Children,
Youth and Families

TABLE 1. ESTIMATED BUDGET AUTHORITY UNDER
H.R. 3 AS REPORTED BY THE COMMITTEE ON WAYS AND MEANS AND
THE "LABOR COMMITTEE CONFERENCE AGREEMENT"
(Third Year of Authorization -- All dollars reported in millions)

	Ways and Means Proposal	Labor Committee Agreement
A. Title I: Head Start Expansion	$665	$238
B. Title II: School-based Child Care	$665	$476
C. Title III:		
-- Child Care Services	$400 (1,2)	$891
-- Earned Income Tax Credit	$4,072 (1)	$0
D. Title IV:		
-- Quality/supply Improvements	$570	$297
-- Liability Risk Group	$0	(3)
E. Title V: Business Involvement	$25	$25
F. Title VI: Incentive Grants for Standards	$75	$0
TOTAL	$6,472	$1,927

---

(1) Direct spending, not subject to appropriations.
(2) Entitlement authority equals $200 M in first year, $350 M in second year, and $400 M in the third and subsequent fiscal years.
(3) Assumes that $100 million is authorized for first year only.

Table 2.
RANGE OF POSSIBLE ALLOTMENTS FOR CHILD CARE SERVICES AND QUALITY/SUPPLY IMPROVEMENTS UNDER H.R. 3 AS REPORTED BY THE COMMITTEE ON WAYS AND MEANS AND THE "LABOR COMMITTEE CONFERENCE AGREEMENT"
(Third Year of Authorization -- All dollars reported in 1,000s)

	Ways and Means Proposal		Labor Committee Agreement	
Alabama	$6,638	- $20,158	$0 -	$28,167
Alaska	$848	- $1,897	$0 -	$2,185
Arizona	$5,646	- $14,123	$0 -	$17,661
Arkansas	$3,875	- $10,970	$0 -	$14,781
California	$45,816	- $101,330	$0 -	$115,654
Colorado	$5,342	- $11,712	$0 -	$13,271
Connecticut	$5,231	- $9,205	$0 -	$8,280
Delaware	$1,068	- $2,154	$0 -	$2,261
D.C.	$998	- $2,244	$0 -	$2,596
Florida	$19,960	- $43,647	$0 -	$49,347
Georgia	$10,262	- $27,193	$0 -	$35,273
Hawaii	$1,777	- $4,165	$0 -	$4,975
Idaho	$1,623	- $4,409	$0 -	$5,804
Illinois	$18,793	- $41,412	$0 -	$47,123
Indiana	$8,990	- $19,506	$0 -	$21,908
Iowa	$4,586	- $10,362	$0 -	$12,034
Kansas	$4,037	- $9,181	$0 -	$10,717
Kentucky	$6,031	- $16,908	$0 -	$22,661
Louisiana	$7,133	- $24,958	$0 -	$37,135
Maine	$1,950	- $4,412	$0 -	$5,129
Maryland	$7,479	- $14,436	$0 -	$14,493
Massachusetts	$9,529	- $17,069	$0 -	$15,708
Michigan	$14,952	- $31,814	$0 -	$35,130
Minnesota	$6,969	- $14,749	$0 -	$16,207
Mississippi	$4,240	- $16,040	$0 -	$24,584
Missouri	$8,319	- $19,119	$0 -	$22,499
Montana	$1,303	- $3,302	$0 -	$4,165
Nebraska	$2,592	- $6,132	$0 -	$7,375
Nevada	$1,706	- $3,310	$0 -	$3,341
New Hampshire	$1,756	- $3,118	$0 -	$2,838
New Jersey	$12,494	- $22,660	$0 -	$21,180
New Mexico	$2,439	- $7,984	$0 -	$11,551
New York	$28,979	- $62,268	$0 -	$69,351
North Carolina	$10,500	- $26,908	$0 -	$34,183
North Dakota	$1,079	- $2,786	$0 -	$3,556
Ohio	$17,565	- $38,753	$0 -	$44,142
Oklahoma	$5,246	- $14,247	$0 -	$18,752
Oregon	$4,477	- $9,995	$0 -	$11,496
Pennsylvania	$19,419	- $39,727	$0 -	$42,308
Puerto Rico	$2,069	- $20,7[illegible]	$0 -	$38,952
Rhode Island	$1,607	- $3,1[illegible]	$0 -	$3,2[illegible]
South Carolina	[illegible]	- [illegible]	[illegible] -	[illegible]
[illegible]	[illegible]	- [illegible]	[illegible] -	[illegible]
[illegible]	[illegible]	- [illegible]	$0 -	[illegible]
Vermont	$901	- $1,9[illegible]	$0 -	$2,0[illegible]
Virginia	$9,733	- [illegible]	$0 -	[illegible]
Washington	$7,521	- $15,895	$0 -	$17,415
West Virginia	$3,036	- [illegible]	$0 -	[illegible]
[illegible]	[illegible]	- [illegible]	[illegible] -	[illegible]
TOTAL	$400,000 ([illegible] - [illegible]		$0 -	$1,[illegible]

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(4) Direct spending, not subject to appropriations.
(5) Actual amount alloted within the range depends upon appropriations.

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03. Memo	From Nick Calio to John Sununu Re: Need for Immediate Action on Child Care Legislation (4 pp.)	1/3/90	~~P5~~	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Child Care 1990 (1 of 2) [1]

Open on Expiration of PRA
(Document Follows)
By JJ (NLGB) on 10/28/05

Date Closed: 12/17/2004	**OA/ID Number:** 29142-009
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AR Case #: **AR Disposition:** **AR Disposition Date:**	**MR Case #:** **MR Disposition:** **MR Disposition Date:**

RESTRICTION CODES

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PRM. Removed as a personal record misfile.

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THE WHITE HOUSE

WASHINGTON

January 3, 1990

MEMORANDUM FOR GOVERNOR JOHN SUNUNU

THROUGH: FRED McCLURE Fm

FROM: NICK CALIO NC
JACK HOWARD

SUBJECT: NEED FOR IMMEDIATE ACTION ON CHILD CARE LEGISLATION

The child care situation is crying out for initiative. If we seize it, we can put ourselves in control of events, aggressively shape the legislation and, with a victory on our terms, set the tone for the rest of the Second Session. If we let this drift, we will shortly be overrun by events.

I. BACKGROUND

The current situation is full of nuances, but the bottom line is that there are basically two opposing camps: the Gus Hawkins/quasi-ABC forces and the Tom Downey/EITC-Title XX faction. The Administration is positioned closer to the Downey group.

The legislative history of the child care situation is nearly unprecedented. The procedural pyrotechnics used to get the legislation to this point illustrate the fragility of the ABC coalition.

II. POSSIBLE SCENARIOS

Because the trail is so twisted, it is difficult to project with any certainty what will happen next. In our judgement, the two most likely scenarios are:

1) H.R. 3 as reported from Conference is brought to the floor as a separate vehicle. An amendment will be offered which attempts to fix the "religious problem," i.e., how to get federal or state funds to religious child care providers without violating the Constitution.

There are serious questions whether any solution to this problem exists. For instance, during House floor consideration of the Administration-supported Stenholm-Shaw amendment, Majority Leader Gephardt promised key Southern Democrats that he would make sure that the religious problem was fixed in Conference. That pledge is nearly universally regarded as having been enough to swing back a number of Southern Democrats to the Democratic Leadership's column. Those Democrats were the margin of defeat for us.

Despite Gephardt's promise, however, conferees were unable to satisfactorily resolve the issue. Now the Democratic Leadership is promising to fix the problem on the floor, presumably in the form of a Gephardt amendment.

Whether such an amendment can be successfully drafted is doubtful. Hence, a cosmetic fix will probably be offered which will purport to solve the problem. It may well be enough to give wavering Southern Democrats enough cover to continue to support the Democratic Leadership. In that case, we will not have enough votes to defeat H.R. 3 on the floor and some combination of that and S. 5 will reach the President's desk. Pressure to veto such a bill will be intense and, in our opinion, well justified.

2) The other option has the Democrats papering over the Hawkins/ABC and the Downey/EITC rift. As you know, a serious division currently exists between these two camps, a division made deeper and more personal by the now legendary Children's Defense Fund memorandum criticizing Downey and George Miller.

Those wounds continue to fester. But time heals all wounds, or at least those that prevent victory. That, combined with the Democrats sensing an opportunity to roll the President, may result in an uneasy truce declared in the name of party unity. Worse still, we can see some of our more moderate Republicans participating in helping to bridge that gap.

A sub-option would be Representative Charlie Stenholm taking the initiative and working out a deal with Representative Downey. From a substantive standpoint we would get a better product from this alliance than a Hawkins/Downey alliance. However, the Administration would be perceived as standing on the sidelines on a major legislative/policy initiative to which the President is committed. Moreover, we can better frame--and catalyze--the debate by seizing the opportunity ourselves than we can leaving it to Mr. Stenholm.

III. RECOMMENDATIONS

None of the scenarios outlined above is acceptable in our view. Therefore, we propose that we engage now and take charge of events by doing the following:

1) Initiate contact between the White House and Congressman Tom Downey. Preliminary discussions between the Office of Legislative Affairs and Downey and Ways and Means Chairman Rostenkowski's staff (Rostenkowski is a Downey ally) have have already taken place. From everything we can gather, absent some strong Democratic Leadership role, Downey is ready to deal. Our sense is that the earlier we can get to him, the more flexible he will be. If he perceives the Administration to be uninterested or willing to let events drift, his positions will harden and, in search of votes, he will move in the direction of the Hawkins faction. Moreover, it is our understanding that Labor is pressuring Downey to accomodate Hawkins.

However, before we actually bring Downey in to talk, we should quickly consult with key Hill allies such as Reps. Stenholm, Shaw, Tauke, Holloway and Bartlett, as well as the Republican Leadership.

2) As those discussions move forward, our goal should be the "ad hoc" formation of a de facto working group to negotiate the details of an agreement. Since many Members have invested an unusually large amount of time in this issue over a sustained period of time, we would suggest that Members be directly involved in, and in some cases, act as our surrogates during the negotiations.

Somehow we need to fold Senators into this mix without letting them control the agenda. S. 5, already passed by the Senate, has some extremely objectionable features. The agreement we reach with Downey, et. al. should be as close as possible to the one that emerges from Congress.

3) Give announcement of the agreement, or our desire to reach an early agreement, a high profile in the State of the Union Address. This will insure that we get the credit, put flesh on the "kinder/gentler" theme, and indicate that we are willing to work with the Congress on our legislative initiatives. Furthermore, getting a child care bill on our terms may help take sting from those who are concerned about public perceptions in the wake of our past and coming abortion fights.

All this is predicated on the fact that we do not want to force a veto confrontation. We are not confident that we have the votes to sustain a veto in either one of the two scenarios outlined earlier. Critically, even if we do sustain a veto, we are not sure we will have more leverage after a veto than we do now. We would prefer to operate in an environment in which there is significant tension in the Democratic camp, rather than a bitter post-veto atmosphere in which Republicans are more likely to be internally split. Veto struggles tend to unify the Democrats.

Finally, we expect to catch some heavy flak from our right wing about dealing with Downey and Rostenkowski. There are two ways to minimize this:

1) Whatever deal is worked out must be consistent with the President's principles. That is:

   -- parental choice should be maximized;
   -- government action should increase, not decrease, the range of available options;
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   -- given scarce resources, additional funds should be targeted to those most in need.

   The details are open to discussion but the principles are not. In the final product, it must be clear that we set the parameters of the debate.

2) Insure that their surrogates (i.e., Bartlett) are part of the working group that reaches the deal. Some conservatives are arguing that we may be about to renege on the President's commitment to parental choice by adopting a Title XX block grant.

If we produce a deal that emphasizes the EITC, which by definition embodies parental choice, and keeps the restrictions on Title XX block grant to a minimum, the critics will carp but without foundation. Conservatives are supposed to support block grants and state flexibility.

cc: Roger Porter

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04. Memo	From Larry Lindsey to Roger Porter Re: Stenholm Child Care Meeting (2 pp.)	1/18/90	~~P5~~	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Child Care 1990 (1 of 2) [1]

Open on Expiration of PRA
(Document Follows)
By JJ (NLGB) on 10/28/05

Date Closed:	12/17/2004	**OA/ID Number:**	29142-009
FOIA/SYS Case #:	1998-0004-F[1]	**Appeal Case #:**	
Re-review Case #:	2005-0426-S	**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
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AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

RESTRICTION CODES

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THE WHITE HOUSE

WASHINGTON

January 18, 1990

MEMORANDUM FOR ROGER B. PORTER

FROM: LARRY LINDSEY

SUBJECT: Stenholm Child Care Meeting

Today I attended a meeting sponsored by Damon Tobias of Congressman Stenholm's staff. Also attending were Ron Haskins, Robert Rector, and representatives of other allied Congressmen and interest groups. This memorandum summarizes the consensus of those present.

1. We have a quite reasonable chance of getting a majority in the House on a slightly modified version of last year's Stenholm-Shaw bill.

Tobias thinks that we can easily gain 20-30 moderate Democrats who were lost in last year's vote due to leadership pressure and some missteps on our side. These can be added to the 36 Democrats who voted for Stenholm-Shaw. We also lost 16 Republicans and still got 195 votes.

Bad blood among members of the other team has further enhanced our chances of picking up some votes from moderate Democrats.

2. The first compromise we will have to make has to do with whether or not the EITC is used in defining eligibility for poverty programs.

The liberals made a good case in the debate that some individuals would actually be worse off with the EITC because they would lose eligibility for programs such as Medicaid and Food Stamps. This cost a number of moderate Democrat votes. Attachment "A" is a "fact sheet" put out by the Democratic Study Group just before the vote.

Within the Administration it is important to realize that lower level officials at OMB will have to be informed not to oppose these changes, if we decide to strike a deal with Stenholm. The budgetary effects are comparatively minor, but they caused problems on this as a matter of principle during the last debate.

3. The second compromise we will have to make involves the exclusion of child care earnings of senior citizens from the Social Security earnings test.

This is a warm and fuzzy idea that also attracts the support of hard hearted Republican supply siders seeking to do in the earnings test all together. Administration opinion has been divided on earnings test issues in the past. We should be prepared to compromise on this. In the last session, the Senate approved an amendment to do this by a recorded vote of 100-0.

4. <u>We should be prepared to accept some reduction in the existing DCTC.</u>

Stenholm-Shaw involves a phase-out of DCTC benefits between $70,000 and $90,000. The primary benefit is money: $1.1 billion over 3 years. The second benefit is to satisfy the pro-family groups on our right.

5. <u>The hardest issue we are going to have to face is cost.</u>

Stenholm-Shaw cost $17.2 billion. An absolute pre-requisite is that the Stenholm-Shaw tax credit be at least as generous as the Downey tax credit. That means taking the Downey credit. See Attachment B. That is way above our budget envelope, but there is no chance of success with anything less.

6. <u>There is some thought being given to a "fake money" tax cut.</u>

This would actually be a promise to vote on a further expansion of the EITC at a later date. Support for this idea, chiefly from Robert Rector, would undermine the inherent advantage in debate of spending programs over tax programs. Spending programs can advertise their authorization figure and then only have to produce a smaller appropriation. Tax cuts do not have that luxury.

<u>Implications for Legislative Strategy</u>

It is very important that we take into our political calculus the possibility that we are going to WIN on this issue. Winning is very different from forming a blocking coalition. It has the chief advantage of giving members a child care bill that they can vote FOR. Its chief disadvantage is that it takes 218 votes, not just 146.

The House Democratic leadership expects to move in late February or early March. Hawkins will move HR.3 on the floor. Downey will then offer to amendment to HR.3 which is his bill. Stenholm will offer an amendment and numerous Republican amendments will also be on offer. Whatever emerges will then be the bill taken to conference with the Senate.

It may be a better strategy to make a deal with Stenholm which promises close to 218 votes. Then take the 218 possiblity to Downey as an all or nothing deal.

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05a. Memo	From Nick Calio to John Sununu Re: January 23, 1990 Child Care Meeting (5 pp.)	1/22/90	~~P5~~	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Child Care 1990 (1 of 2) [1]

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(Document Follows)
By SP (NLGB) on 10/28/05

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THE WHITE HOUSE
WASHINGTON

THE CHIEF of STAFF has seen

January 22, 1990

MEMORANDUM FOR GOVERNOR JOHN SUNUNU

THROUGH: FRED McCLURE, ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS

FROM: NICHOLAS E. CALIO, DEPUTY ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS, and,

JACK HOWARD, SPECIAL ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS

RE: January 23, 1990 Child Care Meeting

I. INTRODUCTION

Tomorrow's meeting on child care with Democrat Charlie Stenholm and seven key Republican House Members proceeds from our January 3rd memorandum to you. (A copy is attached for your convenience.) Due to Members' recess schedules, tomorrow was the first available date on which a sufficient number of the key players were available.

This memorandum will provide background information on the views of these Members on the child care issue. It will also provide a recommendation on how we may want to handle this meeting.

II. BACKGROUND ON MEETING ATTENDEES' VIEWS ON CHILD CARE

In general, the list of meeting attendees below represents an assessment of how these Members stand relative to the "purist" conservative position versus the more pragmatic child care position. The conservatives generally believe almost exclusively in the tax credit approach. Only grudgingly, and this is a matter of degree with many, do they accept the need for federal expenditures and even more grudgingly do some accept the need for some kind of regulation. As you move to the "left," belief in the tax credit approach fades as Members feel more strongly about regulations, standards and the need for federal outlays. Obviously, carrying that to the extreme takes you to the ABC faction.

The leaders of the "purist" faction seem to be Holloway/Schulze, while the leaders of the "government-has-a-bigger-role" faction seem to be Goodling and Johnson.

Practically any deal we could potentially strike with Downey will fall between the Stenholm/Shaw bill and the Downey bill. Because of the philosophical splits on this issue in the House - as well as the four principles laid down by the President (see page 4 of January 3 memo) -- any deal would have to come a lot closer to Stenholm/Shaw. Otherwise, the conservatives will leave us in droves led by some of the people listed below. On the other hand, unless we keep the moderates happy, they will desert.

<u>CLAY SHAW:</u> House GOP Leadership's point man on the issue. Not overly concerned with substance (although he definitely tilts toward the more conservative position). Is more concerned that the product of his task force reflect a consensus of not only his task force, but the GOP Conference. Some feel that this concern is so strong that it prevented him from making the necessary decisions to craft a single GOP alternative during consideration of the legislation last Fall.

<u>TOM TAUKE:</u> The real substantive expert on this issue among House Republicans (his Senate campaign has prevented him from focusing more on the issue). Has a lot of credibility with House Republicans since he was one of the first to seriously get involved in the issue years ago. Feels very strongly that we need to make an accommodation with Downey. Even though he serves on the Education and Labor Committee, he is more associated with the tax credit faction, although not as clearly as Holloway/Schulze are.

<u>STEVE BARTLETT:</u> Philosophically he supports the "purist" approach and sees little need for direct federal outlays other than to attract votes for a winning coalition. Bartlett also believes that benefits can be extended into the middle class, even with the high costs associated with that. Strategically, understands that in order to win, we need to attract the moderates. Has a lot of credibility with the Heritage Foundation faction, which means he could explain an Administration/Downey deal to them in terms they will understand.

CHARLIE STENHOLM: The bridger of the gap between the two factions. Feels very strongly that if we cut a deal with Downey, we have to come out convincingly closer to his bill than to Downey's, otherwise he is perfectly prepared to rewrite his own bill, "fight the good fight," and then gear up for a veto fight. (Note that we may well end up in that position ourselves since talks with Downey may prove futile, and it is possible that we could achieve a 218-vote coalition without Downey.)

NANCY JOHNSON: Clearly associated with the moderates. Feels passionately about the quality of child care centers and translates that into a need for state regulation and standards. Also, Johnson is very happy with the current Downey bill.

BILL GOODLING: Again, clearly more associated with the moderate faction, although in recent months he has become more enamored with the tax credit approach. His acceptance of a conservatively-tilted Administration/Downey deal will be crucial to keeping the rest of the moderates on board. Consulting early will pay off in the long run. He will not be able to play a visible role in working out a deal with Downey, but can play a role behind the scenes. As long as there is consultation, he has a tendency to defer to Tauke.

One issue we need to resolve with him, not (necessarily at this meeting), involves the Head Start component: Goodling wants to extend Head Start eligibility up the income scale to middle class children, a view not shared by the Administration and many of his own colleagues due to its costs. Unless handled delicately, this could be a stumbling block that may result in Goodling not agreeing to a deal.

<u>DICK SCHULZE:</u> Along with Holloway, the leader of the tax credit faction. Was <u>not</u> an active player in the debate last year, but his acceptance of an Administration/Downey deal takes away any of the key players to whom the Heritage Foundation will go to complain about an Administration/Downey deal. (Heritage does not believe we should even talk to Downey, much less try to cut a deal with him.)

<u>CLYDE HOLLOWAY:</u> Sponsor, along with roughly 140 other House Republicans, of the Holloway/Schulze tax credit bill which was a pure child care tax credit. Skeptical about talking with Downey, but willing to go along with the discussions as long as it is clear that Downey is coming in our direction rather than the other way around. Many conservatives inside the GOP Conference and outside (e.g., Heritage Foundation/Phyllis Schlafly) look to him as their champion on this issue.

III. <u>RECOMMENDED APPROACH TO THE MEETING</u>

At the outset of the meeting, we should make it clear that:

- our purpose in bringing them in is to <u>consult</u> with them on the child care issue;
- we want their views on what may happen and what should happen;
- we are concerned about how quickly the issue might move and a Downey/Hawkins marriage;
- we believe a window of opportunity exists during which we have a chance to get legislation which will pass the House <u>and</u> that the President can sign; and
- we would prefer to get such legislation in the first instance rather than having to veto a bill and fight all over again for a bill that meets the four principles set forth by the President last year.

Our posture should be that of "listeners." If history is any teacher, it is highly unlikely that this group will arrive at a consensus on how best to proceed which, if properly managed, works to our advantage in terms of our own flexibility. Hence, we want to hear what everyone says and, absent a consensus, draw the necessary conclusions after we have had time to assimilate their views.

In discussing the status of the legislation with these Members, virtually all of them concluded that we <u>should</u> talk to Downey to determine whether a deal can be struck. Nonetheless, we should not, in our view, make that point explicitly tomorrow. It would be better in terms of preserving maximum bargaining flexibility for us if they, or some of them, suggested we talk to Downey.

cc: Richard Darman
    Roger Porter

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05b. Memo	From Nick Calio to John Sununu Re: Need for Immediate Action on Child Care Legislation (4 pp.)	1/3/90	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Child Care 1990 (1 of 2) [1]

Date Closed:	12/17/2004	**OA/ID Number:**	29142-009
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THE WHITE HOUSE

WASHINGTON

January 3, 1990

MEMORANDUM FOR GOVERNOR JOHN SUNUNU

THROUGH: FRED McCLURE

FROM: NICK CALIO
JACK HOWARD

SUBJECT: NEED FOR IMMEDIATE ACTION ON CHILD CARE LEGISLATION

The child care situation is crying out for initiative. If we seize it, we can put ourselves in control of events, aggressively shape the legislation and, with a victory on our terms, set the tone for the rest of the Second Session. If we let this drift, we will shortly be overrun by events.

I. BACKGROUND

The current situation is full of nuances, but the bottom line is that there are basically two opposing camps: the Gus Hawkins/quasi-ABC forces and the Tom Downey/EITC-Title XX faction. The Administration is positioned closer to the Downey group.

The legislative history of the child care situation is nearly unprecedented. The procedural pyrotechnics used to get the legislation to this point illustrate the fragility of the ABC coalition.

II. POSSIBLE SCENARIOS

Because the trail is so twisted, it is difficult to project with any certainty what will happen next. In our judgement, the two most likely scenarios are:

1) H.R. 3 as reported from Conference is brought to the floor as a separate vehicle. An amendment will be offered which attempts to fix the "religious problem," i.e., how to get federal or state funds to religious child care providers without violating the Constitution.

There are serious questions whether any solution to this problem exists. For instance, during House floor consideration of the Administration-supported Stenholm-Shaw amendment, Majority Leader Gephardt promised key Southern Democrats that he would make sure that the religious problem was fixed in Conference. That pledge is nearly universally regarded as having been enough to swing back a number of Southern Democrats to the Democratic Leadership's column. Those Democrats were the margin of defeat for us.

Despite Gephardt's promise, however, conferees were unable to satisfactorily resolve the issue. Now the Democratic Leadership is promising to fix the problem on the floor, presumably in the form of a Gephardt amendment.

Whether such an amendment can be successfully drafted is doubtful. Hence, a cosmetic fix will probably be offered which will purport to solve the problem. It may well be enough to give wavering Southern Democrats enough cover to continue to support the Democratic Leadership. In that case, we will not have enough votes to defeat H.R. 3 on the floor and some combination of that and S. 5 will reach the President's desk. Pressure to veto such a bill will be intense and, in our opinion, well justified.

2) The other option has the Democrats papering over the Hawkins/ABC and the Downey/EITC rift. As you know, a serious division currently exists between these two camps, a division made deeper and more personal by the now legendary Children's Defense Fund memorandum criticizing Downey and George Miller.

Those wounds continue to fester. But time heals all wounds, or at least those that prevent victory. That, combined with the Democrats sensing an opportunity to roll the President, may result in an uneasy truce declared in the name of party unity. Worse still, we can see some of our more moderate Republicans participating in helping to bridge that gap.

A sub-option would be Representative Charlie Stenholm taking the initiative and working out a deal with Representative Downey. From a substantive standpoint we would get a better product from this alliance than a Hawkins/Downey alliance. However, the Administration would be perceived as standing on the sidelines on a major legislative/policy initiative to which the President is committed. Moreover, we can better frame--and catalyze--the debate by seizing the opportunity ourselves than we can leaving it to Mr. Stenholm.

III. RECOMMENDATIONS

None of the scenarios outlined above is acceptable in our view. Therefore, we propose that we engage now and take charge of events by doing the following:

1) Initiate contact between the White House and Congressman Tom Downey. Preliminary discussions between the Office of Legislative Affairs and Downey and Ways and Means Chairman Rostenkowski's staff (Rostenkowski is a Downey ally) have have already taken place. From everything we can gather, absent some strong Democratic Leadership role, Downey is ready to deal. Our sense is that the earlier we can get to him, the more flexible he will be. If he perceives the Administration to be uninterested or willing to let events drift, his positions will harden and, in search of votes, he will move in the direction of the Hawkins faction. Moreover, it is our understanding that Labor is pressuring Downey to accomodate Hawkins.

However, before we actually bring Downey in to talk, we should quickly consult with key Hill allies such as Reps. Stenholm, Shaw, Tauke, Holloway and Bartlett, as well as the Republican Leadership.

2) As those discussions move forward, our goal should be the "ad hoc" formation of a de facto working group to negotiate the details of an agreement. Since many Members have invested an unusually large amount of time in this issue over a sustained period of time, we would suggest that Members be directly involved in, and in some cases, act as our surrogates during the negotiations.

Somehow we need to fold Senators into this mix without letting them control the agenda. S. 5, already passed by the Senate, has some extremely objectionable features. The agreement we reach with Downey, et. al. should be as close as possible to the one that emerges from Congress.

3) Give announcement of the agreement, or our desire to reach an early agreement, a high profile in the State of the Union Address. This will insure that we get the credit, put flesh on the "kinder/gentler" theme, and indicate that we are willing to work with the Congress on our legislative initiatives. Furthermore, getting a child care bill on our terms may help take sting from those who are concerned about public perceptions in the wake of our past and coming abortion fights.

All this is predicated on the fact that we do not want to force a veto confrontation. We are not confident that we have the votes to sustain a veto in either one of the two scenarios outlined earlier. Critically, even if we do sustain a veto, we are not sure we will have more leverage after a veto than we do now. We would prefer to operate in an environment in which there is significant tension in the Democratic camp, rather than a bitter post-veto atmosphere in which Republicans are more likely to be internally split. Veto struggles tend to unify the Democrats.

Finally, we expect to catch some heavy flak from our right wing about dealing with Downey and Rostenkowski. There are two ways to minimize this:

1) Whatever deal is worked out must be consistent with the President's principles. That is:

   -- parental choice should be maximized;
   -- government action should increase, not decrease, the range of available options;
   -- families in which one parent chooses to work in the home should not be discriminated against; and,
   -- given scarce resources, additional funds should be targeted to those most in need.

   The details are open to discussion but the principles are not. In the final product, it must be clear that we set the parameters of the debate.

2) Insure that their surrogates (i.e., Bartlett) are part of the working group that reaches the deal. Some conservatives are arguing that we may be about to renege on the President's commitment to parental choice by adopting a Title XX block grant.

If we produce a deal that emphasizes the EITC, which by definition embodies parental choice, and keeps the restrictions on Title XX block grant to a minimum, the critics will carp but without foundation. Conservatives are supposed to support block grants and state flexibility.

cc: Roger Porter

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(George Bush Library)

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06. Memo	From Roger Porter to John Sununu Re: Child Care Strategy (2 pp.)	1/22/90	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Child Care 1990 (1 of 2) [1]

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By SP (NLGB) on 10/28/05

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THE CHIEF of STAFF
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THE WHITE HOUSE

WASHINGTON

January 22, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER RBP

SUBJECT: Child Care Strategy

As you begin a series of meetings with Members of Congress on child care, you should be aware of certain strategic issues which will frame the upcoming debate.

1. <u>The President's willingness to veto legislation which is not in accord with his principles is not yet accepted.</u>

At this time Administration claims that the President will veto an unacceptable child care bill are taken as a matter of posturing. There are two reasons for this. First, it is expected that, this being an election year, the President will sign whatever the Congress sends to him. Second, we have not translated the President's principles into a standard of judgement that makes for a bottom line.

2. <u>To enhance the President's veto credibility, we must make clear what programs are unacceptable and what our budgetary limits are.</u>

Clarity has helped us on minimum wage ($4.25), budget reconciliation ($14 billion of real savings), and on the theme of no new taxes. The two implications of the President's principles for an acceptable child care program are:

- <u>No new grant programs</u>. Additional Title XX money is acceptable. New grants invariably involve anti-religious and pro-bureaucratic strings.

- <u>No new strings on existing programs.</u> Standards should not be imposed on the states via Title XX. The Downey bill would require states to meet a set of standards in order to receive Title XX funds.

It is also important to draw a line on acceptable budget limits. In the <u>Building a Better America</u> program, we called for a tax credit of $5.5 billion for the first three full years. The Mickey Edwards substitute in the House (the conservative Republican vehicle) involved equivalent spending of $8.4 billion. The bipartisan Stenholm-Shaw bill involved $10.2 billion. Downey contemplates $13.4 billion for the same period.

- <u>Clearly we will need to be willing to accept a higher figure than $5.5 billion in order to prevail.</u> Last year we ignored fiscal issues for strategic purposes because the Democrats did the same thing. They may feel more constrained this year; the general expectation is that the telephone excise tax will be used to pay for a child care credit. (We have already used the excise tax in our FY91 budget.)

3. <u>A key variable in our strategy is whether we seek to pass acceptable child care legislation or simply block unacceptable legislation.</u>

Last year the Stenholm-Shaw proposal received 195 votes. It is widely perceived that a near-majority exists for this proposal in this session. Last year the vote was held under a majority only by vigorous efforts by the Democrat leadership. The Mickey Edwards Republican substitute received 140 votes last session, 6 short of the vote needed to sustain a veto. These facts suggest two viable options:

- <u>Block.</u> This implies building a 146 vote coalition to oppose any Democrat-based bill. We would let Downey, Hawkins, and the leadership put together as bad a bill as possible. Let it get worse in conference where Dodd and the ABC players are strongest, and then veto. This strategy implies spurning Downey in order to make it impossible for him to resist Hawkins and the Democrat leadership.

- <u>Play.</u> This implies building a coalition based on the Stenholm-Shaw group. Additions can be found among moderate Democrats who were promised that religious day care would be taken care of and by making a full court press on the 16 Republicans who voted against Stenholm-Shaw last session. Opening a dialogue with Downey might be useful in order to enhance the attractiveness of our proposal to moderate Democrats.

THE CHIEF of STAFF
has seen

Day Care Issues
1/90

A. <u>Earned Income Tax Credit</u>
    1. Total cost
    2. Highest income
    3. Count toward welfare benefits
    4. Phaseout dependent care tax credit & flexible spending account

B. <u>Title XX</u>
    1. Total cost
    2. Vouchers
    3. Religious provisions
    4. Standards & other mandates

C. <u>Head Start</u>
    1. Whether to include
    2. Full day
    3. Nonpoor children

D. <u>Other Issues</u>
    1. Dependent Care Tax Credit refundability ✓ probably yes
    2. Bentsen's health credit

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
07. Memo	From Nick Calio to John Sununu Re: Issues Likely to be Raised in the Child Care Meeting w/Reps. Downey and Miller [2 copies] (6 pp.)	n.d.	P/5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Child Care 1990 (1 of 2) [1]

Open on Expiration of PRA
(Document Follows)
By JP (NLGB) on 10/28/05

Date Closed:	12/17/2004	**OA/ID Number:**	29142-009
FOIA/SYS Case #:	1998-0004-F[1]	**Appeal Case #:**	
Re-review Case #:	2005-0426-S	**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

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P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

MEMORANDUM FOR GOVERNOR SUNUNU

THROUGH: FRED MCCLURE Fm

FROM: NICK CALIO
JACK HOWARD NC

SUBJECT: ISSUES LIKELY TO BE RAISED IN THE CHILD CARE MEETING WITH REPS. DOWNEY AND MILLER

These are the parameters of the debate on the issues most likely to be raised by Congressmen Downey and Miller. They are the most prominent ones standing in the way of a deal.

1. SOCIAL SERVICES TITLE XX BLOCK GRANT REGULATIONS

--Downey imposes on states regulations at least as bad as Hawkins' H.R. 3. However, he is willing to drop many of them.

--Stenholm/Shaw keeps regulations to an absolute minimum, to the point where it is claimed that there are no regulations. (There are generic regulations in Stenholm/Shaw, such as those saying states should ensure that child care centers should meet safety and health standards.)

--GOP conservatives feel very strongly that Stenholm/Shaw-style regulations are the toughest they will accept.

--Downey will not accept Stenholm/Shaw (unless possibly as a tradeoff for something else big). A possible compromise might involve encouraging (not mandating) states to develop standards within a certain number of years.

2. RELIGION

--The original version of HR 3 explicitly prohibits any grant funds from going to religious child care centers.

--Downey/Miller silent on the issue. Title XX funds, like Head Start funds, already go to religious child care centers. Neither Downey nor Miller care that funds are already flowing to religiously-affiliated centers.

--Stenholm/Shaw has sense of the Congress language saying that it is permissible for funds to go to religious centers.

--Conservatives will go berserk if there is no affirmative statement allowing funds to go to religiously affiliated child care centers. If this is used as a tradeoff, it had better be for something big. This will have to be handled with extreme delicacy.

3. TITLE II OF H.R. 3

--Title II of both the Hawkins bill and the Downey/Miller bill authorizes early childhood development programs and funds for before and after school child care ($440 million).

--Downey/Miller feel strongly that it should be retained.

--The Administration and the bulk of House Republicans feel strongly that it should be stricken. It creates a new Federal program, with new State and local bureaucracies, duplicates many of the services already provided by Head Start, and is inconsistent with the President's principles. It puts child care choices in the hands of government; discriminates against religious-based child care; discriminates against two-parent working families; would not target scarce resources to lower-income families; and pre-empts State and local prerogatives to set standards, decide how they are applied, and determine how they are enforced.

--Some key House Republicans, such as Bill Goodling, strongly support Title II.

--Stenholm/Shaw encourages, but does not require, States to consider allocating some Title XX Social Services block grant funds to school-based child care.

4. COST (1990-94)

--The total cost of the Hawkins bill as amended by the Downey bill was $22 billion. The EITC portion of the Downey bill is $13.5 billion. (Annual 1994 cost of Downey: $4.7 billion.)

--Stenholm/Shaw costs $17.2 billion. Of that, $12.4 was net EITC cost. (Annual 1994 cost: $4.3 billion.)

--The cost of Edwards/Holloway/Schulze substitute was $14.1 billion. That was a pure EITC tax credit. (Annual 1994 cost: $4.9 billion.)

--The Administration supported both the Stenholm/Shaw package and the Edwards substitute.

--The Dole substitute cost $12.3 billion. Of that, the EITC cost is $10.3 billion. (1994 annual cost: $3.4 billion.)

--Some conservative Republicans (Bartlett/Holloway) would like to extend EITC eligibility as far up the income scale as possible ($25,000 to $30,000). The Administration is trying to keep the upper limit to roughly $21,000. Both Stenholm/Shaw and Downey are in that range.

5. DEPENDENT CARE TAX CREDIT

--Stenholm/Shaw caps the credit for families with incomes between $70,000 and $90,000. 1990-1994 savings: $1.1 billion. They believe strongly that phasing out the DCTC benefits for the wealthiest taxpayers affirms that the Federal Government should prioritize child care assistance on a needs basis.

--Downey has no phase-out.

--Some Republicans, such as Nancy Johnson, feel that capping the DCTC is a political liability. (Although in the past she has introduced legislation capping the DCTC, so it is unclear whether she could ultimately live with a cap.)

--Unless the savings are absolutely necessary, it may be best to drop the whole provision in the interest of simplicity and keep just the EITC.

6. HEAD START

--Head Start will be reauthorized either as a part of or separate from the child care debate.

--One key issue that will be debated is whether Head Start should be available to middle class children. Some Republicans, such as Bill Goodling, believe it should. More conservative Republicans react violently to that, fearing the effects of a greater governmental role in caring for children.

--HR 3 also imposes more regulations and reporting requirements for the increased Head Start services.

--Head Start should more appropriately be handled within the context of its own reauthorization. It may have to be wrapped into the child care debate, however, if other competing alternatives include Head Start.

7. VETO MESSAGE

--Downey needs to be told in no uncertain terms that we will veto H.R. 3 or any other child care bill like it.

--Even though he (and House Republicans) have repeatedly been told this by White House representatives both in writing and in person, some skepticism remains. Despite our insistence, Members think the President will balk at vetoing a child care bill in an election year.

--Downey can use the threat of a veto to enhance his leverage with his left wing.

THE CHIEF of STAFF
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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

October 4, 1989
(House)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 3299 - Budget Reconciliation Act of 1989/ Child Care Provisions

The Administration supports House passage of Rep. Edwards' substitute for the child care provisions in H.R. 3299. As an alternative to the provisions in H.R. 3299, the Administration also could accept the substitute to be offered by Reps. Stenholm and Shaw.

With discretionary authorizations and entitlements estimated by the Congressional Budget Office and the Joint Committee on Taxation to cost in excess of $22.5 billion over 5 years, the current combined reconciliation provisions of H.R. 3 and the Ways and Means mark are an exercise in excess and inconsistent with the President's child care principles:

-- Radical Changes to the Head Start Program. The provisions greatly expand income eligibility for the Head Start program when not all poor children are being served. They also provide financial incentives for Head Start programs to focus on child care rather than on the comprehensive developmental services that are key to Head Start's success.

-- Grant Proliferation. Five new child care grant programs in two Federal departments are established in H.R. 3299. Additional child care funding also is provided through a new subtitle in Title XX (the Social Services Block Grant) that contains extensive mandates on States that are totally inconsistent with the block grant nature of this program. This fragmentation of Federal funding will hinder coordination of child care activities at all levels of government -- as well as in local communities -- and consume scarce resources for bureaucratic and administrative functions that would be better spent on providing care to children.

-- Excessive and Counterproductive Mandates on States. States are required to license and regulate child care providers utilizing federally-specified categories and rules under H.R. 3299. These mandates will drive up the price and decrease the supply of child care, diminishing rather than expanding the range of child care choices available to parents as called for by the President.

-- Poor Targeting. The $9.2 billion dollars in grant funds in H.R. 3299 are not well-targeted to those in need. They either are not targeted to low income families at all or operate under eligibility standards set as high as more than two and a half times the poverty level. This poor targeting violates the President's principle that scarce federal resources must be directed to those most in need.

-- Discrimination Against Two-Parent Families in which One Parent Works at Home to Care for Their Children: Although the provisions would provide assistance to these families through a change in the Earned Income Tax Credit (EITC), the grant programs in H.R. 3299 would discriminate against these families. The Head Start provisions would assist only two-parent families in which both parents are in the labor force. Similarly, the vast majority of all child care grant funds under the bill would benefit these families.

Substitute Proposals

The Administration supports the substitute to be offered by Rep. Edwards, which would provide child care assistance directly to families through changes in the EITC. This tax-based proposal, supported by the Republican leadership, is far more consistent with the President's child care principles and avoids all of the problems inherent in the provisions in H.R. 3299. By focusing all of its assistance on low-income families in which a parent works, the substitute also would directly help working poor families.

The Administration could accept the compromise substitute to be offered by Reps. Stenholm and Shaw. Although the Administration has reservations about the costs and other aspects of this substitute, it is preferable to the child care provisions in H.R. 3299. It is more consistent with the President's child care principles; does not alter the Head Start program so radically; avoids the rampant grant proliferation, bureaucratic excesses and poor targeting inherent in H.R. 3299; and would effectively provide assistance to working poor families.

* * * * * * * *

(Not to be Distributed Outside Executive Office of the President)

This draft position was drafted by HRVL/SS (Barbara Selfridge) and was coordinated by LRD (Weinberg) with LVE (Bernie Martin) and HIM (David Kleinberg, Barry Clendenin, and Peter Nakahata). The Departments of Education (per Randy Hansen, Office of the General Counsel), HHS (per Sondra Wallace, Office of the General Counsel), Labor (per Anita Eisenstadt, Office of the Solicitor), and Treasury (per Greg Sukys, Office of the General Counsel) agree with the position.

We understand that child care legislation is expected to be considered on the House floor as part of reconciliation on October 4, 1989. There are child care provisions in H.R. 3299 reported by the Education and Labor Committee and the Ways and Means Committee. In addition, a Republican substitute (Rep. Edwards of Oklahoma) and a bipartisan substitute (Reps. Stenholm and Shaw) will be offered.

We have not seen the actual language for the Republican and bipartisan substitutes. The descriptions below are based on congressional staff summaries.

Administration Position to Date

On September 27, 1989, a letter jointly signed by the Director and the Secretaries of Education, HHS, Labor, and the Treasury was sent to each Representative stating that they would recommend that the President veto either the Education and Labor Committee's stand alone child care bill, H.R. 3, or Rep. Downey's amendment to H.R. 3. A copy of the Statement of Administration Policy prepared on September 25, 1989 on H.R. 3 was enclosed with the letter.

On June 22, 1989, Secretaries Dole and Sullivan sent a letter to House Education and Labor Committee Chairman Hawkins stating that they would recommend that the President veto H.R. 3.

On June 20, 1989, the Administration sent a Statement of Administration Policy stating that the President's senior advisers would recommend that he veto S. 5, the Act for Better Child Care Services. (S. 5 is the Senate companion to H.R. 3.)

Education and Labor Committee's version would:

-- authorize $1.75 billion for FY 1990 and such sums as may be necessary through FY 1993 for child care and Head Start programs;

-- expand Head Start to provide full day, year-round child care and expand eligibility to higher income families;

-- authorize grants to States to expand or establish school-based before- and after-school child care programs;

-- authorize grants to States for infant and toddler care;

-- authorize grants to States for a wide range of child care coordinating activities, including information and referral programs, training, and renovation loans; and

-- authorize $25 million per year for FYs 1990 through 1993 for HHS to make grants to businesses with fewer than 100 employees to provide child care.

<u>Ways and Means Committee</u> version would provide for an expansion of the Earned Income Tax Credit (EITC) and an increase funding for child care under the Social Services Block Grant (Title XX of the Social Security Act).

In 1989, the EITC is 14 percent of the first $6,500 in earned income for a maximum of $910. For every dollar in income above $10,240 the credit is reduced by 10 cents, until it is completely phased out at $19,340. The credit is refundable and available in advance in workers' paychecks.

The Committee would increase the credit from 14 to 17 percent for families with one child, to 21 percent for families with 2 children and to 25 percent for three or more children. The phase out percentage would be increased from 10 percent to 12 percent for families with one child, 15 percent for two children, and 18 percent for three or more children. Families with a child under age six would receive a "supplemental young child credit" of six percent.

The Committee would increase funding for the Social Services Block Grant from the current cap of $2.7 billion per year to:

-- $2.90 billion for FY 1990, with $200 million earmarked for child care payments to the States;

-- $3.05 billion for FY 1991, with $350 million earmarked for child care payments to the States; and

-- $3.1 billion for FY 1992, with $400 million earmarked for child care payments to the States.

Within three years of enactment, to be eligible for funds States would have to demonstrate to HHS that all child care providers in the States are licensed or regulated under State law and comply with the State's child care standards.

This version would also authorize $75 million for each of FYs 1990 through 1997 for HHS grants to States for improving their child care standards.

<u>Republican Substitute</u> (Rep. Edwards) would:

-- increase the EITC from 14 to 17 percent for all families with one or more children;

-- provide a yound child supplement -- an additional EITC of 10 percent, 13 percent and 15 percent for families with 1, 2, and 3 children, respectively under age 5; (these percentages are applied up to a base income of $10,000 and is phased out between $17,000 and $24,000)

-- prohibit families from receiving both the young child supplement and the Dependent Care Tax Credit (DCTC); and

-- phase out the DCTC between income of $70,000 and $90,000.

Bipartisan Substitute (Reps. Stenholm and Shaw) would:

-- increase the authorization for the Head Start program by $317 million for FY 1990 and by $300 million per year for FY's 1991-1994;

-- amend the Social Services Block Grant to authorize $350 million for FY 1992 and $400 million per year thereafter for grants to States for child care;

-- increase the EITC from 14 to 17 percent for all families;

-- provide a young child supplement. Families with one child under age five are given an additional 10 percent credit on earnings up to $10,000; the credit is then flat (at ($1,000) between earnings of $10,000 and $17,000; the credit phases out to zero between earnings of $17,000 and $24,000. Families with 2 children below age five are given an additional 13 percent credit; families with three or more children are given and additional 15 percent credit. In both cases, the credit is flat between $10,000 and $17,000 and then phases to zero at $24,000.

-- require that EITC be counted as income for purposes of the Aid to Families with Dependent Children program (it is not counted currently); and

-- establish a grant program for small businesses (up to 50 employees) to provide child care with $25 million per year authorized for FYs 1990-1993.

LEGISLATIVE REFERENCE DIVISION DRAFT
9/28/89

STATEMENT OF ADMINISTRATION POLICY

June 20, 1989
(Senate)

S. 5 - Act for Better Child Care Services of 1989, the Mitchell Substitute, and the Dole-Packwood Amendment

The Administration supports child care legislation that is consistent with the following principles established by the President:

- o Assistance should go directly to parents, who are best able to make decisions about their children. Parents, and not the government, should choose the child care they consider best.

- o Federal policy should increase, not decrease, the range of choices available to parents.

- o New Federal support for child care should be targeted to families most in need.

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

S. 5 violates all of the President's principles:

- o S. 5 puts its trust in government, not parents. Assistance does not go directly to parents. It is provided to States, which have the ultimate decision-making power on the care children will receive -- whether the care is provided under contracts, grants, or certificates.

- o S. 5 provides assistance to two parent families only when both parents are employed, perpetuating the current discrimination against those families which sacrifice income so that one parent can work at home to care for their children.

- o S. 5 decreases the range of child care choices available to parents. All care subsidized by S. 5, including care provided by relatives, must be totally non-sectarian in nature and content -- a significant limitation on parental choice. S. 5 also mandates Federal standards that will limit the supply of providers and drive up prices, further diminishing parental choice.

- o S. 5 is not well targeted and would serve only a fraction of families most in need. One million children, at most, would receive subsidies in 1990, and they could be from families with incomes more than four times the poverty level.

In addition, S. 5 sets up a huge bureaucracy with significant administrative overhead costs that will reduce the monies available to parents.

FLAWED ALTERNATIVE (THE "MITCHELL SUBSTITUTE")

The alternative advanced by the Majority Leader -- the "Mitchell substitute" -- is an attempt to ameliorate the highly objectionable features of S. 5. Although it includes a tax credit that is not inconsistent with the President's principles, it is fundamentally flawed because:

- It provides direct assistance through tax credits only to families who pay for child care and health insurance. These conditions constrain parental choice and deny assistance to families who are in as great or greater need than those who receive the credits.

- It does not resolve the Church-State problem. The substitute retains the requirement that care be non-sectarian in nature and content. New language indicates that care subsidized through State-issued certificates is not subject to this requirement if it comports with constitutional law. The Mitchell substitute merely states a truism: that no government monies may be awarded in violation of the Establishment Clause of the First Amendment of the Constitution. The new language does not eliminate the bill's fundamental problem -- that religiously affiliated child care providers participating in a certificate program will be subjected to expensive, intrusive and invasive litigation and government regulation. These problems consequently will deter use of certificates and encourage the use of grants and contracts, which are subject to the non-sectarian requirement.

- It retains the biases in favor of institutional care and against care provided by informal providers, such as friends and neighbors. Only providers who are licensed or regulated, who are determined by the State to be "eligible providers," and who comply with government paperwork requirements can be paid for care under the substitute. The uncertainty about what constitutes acceptable practice when child care subsidies are provided through certificates only compounds this bias.

- The tax credit and grant funds earmarked for child care services benefit only those two parent families in which both parents work outside the home. This perpetuates the discrimination against two parent families in which one parent works at home to care for the children. Because two-earner families have higher incomes than "traditional" families, and because the substitute discriminates against "traditional" families, it is not only unfair; it is also poorly targeted with respect to those in need.

PRESIDENT'S PROPOSAL

The President's tax-based proposal (S. 601) is clearly superior to S. 5 and the Mitchell substitute. It provides all assistance directly to parents, allowing them to decide for themselves how best to meet their children's needs. Assistance is targeted to low-income families, and 100% of the families who meet income and family composition requirements receive assistance. Two parent families in which one parent works at home to care for the children are eligible for the Child Tax Credit, which is not conditioned upon their making expenditures specified by the government.

The President has indicated that he is firm in his devotion to the principles underlying his proposal, but that he is flexible on how best to achieve them. As the Senate acts on child care legislation, the Administration seeks to advance a bill that best reflects the President's principles and prevents the S. 5-Mitchell approach.

DOLE-PACKWOOD SUBSTITUTE

We understand that Senators Dole and Packwood will propose an amendment to perfect the Mitchell substitute that does the following. It emphasizes direct assistance to parents by providing tax credits to low-income families with children. It includes an Earned Income Tax Credit (EITC) supplement for young children, which benefits two parent families in which one parent cares for the children at home. This supplement, which is similar to the President's Child Credit, could be used for, but is not conditioned upon, the purchase of health insurance. The amendment also makes the current Dependent and Child Care Tax Credit refundable, as proposed by the President. It retains the Head Start authorization increase and revenue measures in the Mitchell substitute.

This amendment clearly is far more consistent with the President's principles than S. 5 or the Mitchell substitute. It provides for greater parental choice and better targeting of those in need; it reduces discrimination against mothers who work at home; and it does not discriminate against parents who favor sectarian child care. Accordingly, the Administration favors Senate passage of the Dole-Packwood Amendment.

If S. 5 or the Mitchell child care bill were presented to the President, his senior advisors would recommend that he veto it.

* * * * * * *

72 percent of the preschool children whose mothers are employed are cared for in their own or others' homes, a figure nearly identical to the 71 percent for families with incomes below $30,000. In short, the choice of informal care is a matter of preference, not a matter of family finances.

When families pay for child care, their cost averages $2,350 annually for all of the children in the family. Paid child care typically accounts for only a small fraction of such families' incomes, but it consumes an average of 22 percent of the incomes of poor working families.

Respecting the many ways that American families care for their children, the President has based his child care policy upon parental choice. The budget reproposes the two tax credit initiatives for child care that were advanced last year: (1) a new refundable Child Tax Credit for low-income working families of up to $1,000 for each child younger than age four, and (2) refundability of the current Child and Dependent Care Tax Credit. These initiatives are based on the following four principles, which the President has stated must be reflected in child care legislation:

Parents, who are best able to make decisions about their children's care, should have the discretion to make these decisions.—New Federal support for child care should go directly to parents. They, rather than bureaucracies or providers, should control the disposition of funds and decide what kind of care their children receive.

Federal policy should not discriminate against parents who work at home.—Federal policy now largely ignores the contributions and sacrifices in income made by two-parent families in which one spouse works at home to care for their children. Federal policy must correct this discrimination.

Federal policies should act to increase, not decrease, the range of child care choices available to parents.—There is no such thing as "one size fits all" child care. Some parents want child care provided in an atmosphere of religious values, while others seek the familiarity and informality of care by relatives, friends, and neighbors. Still others may prefer center-based care. Federal policy should expand the range of choices available to parents, not limit them by biasing Federal support toward one kind of care. The Federal Government should not mandate State standards or impose requirements for State standards, which would increase the cost and reduce the supply of care available to parents.

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

The President has indicated that he is firm in his commitment to these principles but flexible in how they are implemented. Accordingly, Administration officials have been, and will continue to be, willing to work with the Congress to pass legislation that helps low-income working families meet their child-care needs, consistent with the President's principles.

Child Nutrition: Targeting Spending Better

In 1990, the Federal Government will spend nearly $7.2 billion for mandatory and discretionary nutrition programs that serve children, including the National School Lunch Program, the School Breakfast Program, the Child Care Food Program, the Summer Food Service Program, the Special Supplemental Food Program for Women, Infants and Children (WIC), the Commodity Supplemental Food Program, and the Special Milk Program. The Food Stamp Program also provides for the nutritional needs of children, who made up about half of the 18.8 million recipients of $11.6 billion in Food Stamp benefits in 1989.

Although many of the beneficiaries of child nutrition programs have very low incomes, program rules provide some Federal subsidy to children with family incomes that are not low. For example, the National School Lunch Program provides 28 cents to participating schools for every lunch served, whatever the income of the children.

Additional Federal subsidies enable schools to provide free meals to children with household incomes below 130 percent of the poverty income guidelines, and subsidies of about 75

Stenholm-Shaw II Child Care Bill Proposals; Comparisons

	(5 years, in BILLIONS)			
	PROPOSAL for SS-II BILL	ORIG. STENHOLM -SHAW	ORIG. W & M	ORIG. E & L
(Descriptions of provisions below are of changes to original Stenholm-Shaw amendment)				
TITLE I -- HEAD START INCREASE Rearrange same funding increase; $600 mil. in 1st year + "such sums".	$ 3.2	$ 3.2	$ 2.6	$ 1.9
TITLE II -- SCHOOL-BASED EARLY DEV'L & "LATCHKEY" PROGRAMS (Emphasize: Duplication (HS, Ti.II), same religion problems as ABC, prohibition on private sector contracting.)	---	---	2.6	1.9
TITLE III --				
TITLE XX (E&L-ABC) Instead of $200-350-400-400-400 mil, fund at $450 mil./year; Senate language requiring families have certificate option; certificates may be used with religions providers; Permit states adequate time & use of funds to set up certificate programs; Senate provision clarifying that religious providers may require employees to adhere to their teachings & tenets, incl. rules against drugs or alcohol.	2.25	1.75	1.75	2.6
EITC Add toddler (under 1) credit for families not claiming DCTC ($200-400); No repeal of EITC/AFDC disregard; Adopt W&M EITC/Welfare disregard.	14.0	13.5	13.5	---
DCTC/FCA $70-90,000 PHASE-OUT	- 1.1	- 1.1	---	---
SOC. SECURITY EARNING TEST EXEMPTION	*	*	---	---
TITLE IV -- COORDINATION & INFRASTRUCTURE	---	---	2.2	1.1
TITLE V -- BUSINESS INVOLVEMENT	.1	.1	.1	.1
TITLE VI -- INCENTIVE GRANTS FOR IMPROVING STANDARDS	---	---	.4	---
COSTS: Direct Spending	$16.25	$15.25	$15.25	---
BA Subj. to Approp.	3.3	3.3	7.9	7.6
TOTAL (Dir.+BA/SEA)	$19.55	$18.55	$23.15	$ 7.6
Offsetting Savings	- 1.1	- 1.1		
NET TOTAL	$18.45	$17.45		

Oct. 5, 1989 Stenholm-Shaw Substitute for HR 3 (Ed & Labor/Ways & Means) Child Care provisions included in HR 3299 (Reconciliation)	**P R O P O S A L** for NEW PROVISIONS of 1990 Bipartisan Child Care Bill (changes/additions to Oct. 5 amendment)
I. EXPANDED HEAD START	
Authorizes $147 million in FY 90 above current law authorization; reauthorizes program through FY 94 to grow at $300 million/year; Clarifies authority of Head Start programs to provide "developmentally appropriate child care"; permits 50% of increased funds to be used for child care;	**AUTHORIZE $600 MILLION IN 1st YEAR,** such sums as necessary thereafter; technically drafted as free-standing program (as in HR 3) to avoid problem of inadvertently re-authorizing entire program (Ed & Labor Cmte. is expected to reauthorize this year), but with basically same substance as Stenholm-Shaw;
5-year outlay cost (above CBO baseline): $3.235 BILLION.	5-year outlay cost (based on CBO's method of projecting "such sums") would about equal Stenholm-Shaw's $3.235 BILLION.
(5-year outlay cost of HR 3 Ed & Labor Title I provisions: $1.833, based on FY 90 authorization of $440 million & such sums as necessary thereafter. HR 3's Head Start expansion is a freestanding, new, Head Start-based day care program, of which up to 50% could be spent on non-poor children.)	
II. EARLY CHILDHOOD DEVELOPMENT & SCHOOL-BASED CHILD CARE	
NO SEPARATE PROVISIONS; Reasons: (1) Title II of HR 3 in effect bars any religious schools or organizations, & explicitly excludes private sector for-profit providers, from participation, thus limiting parental choice & unfairly subsidizing competition against such providers; (2) Title II of HR 3 is duplicative because before- & after-school programs are permitted under Title XX; & (3) Title II of HR 3 is duplicative because Head Start expansion would provide preschool care on a better-targeted basis,	No provision; no change.

Oct. 5, 1989
Stenholm-Shaw Substitute
for HR 3 (Ed & Labor/Ways & Means)
Child Care provisions included
in HR 3299 (Reconciliation)

P R O P O S A L
for NEW PROVISIONS of
1990 Bipartisan Child Care Bill
(changes/additions to
Oct. 5 amendment)

building on a proven, program, & also taking advantage of existing resources. (Also, religious organizations already do partici- participate in Head Start.)

(5-year outlay cost of Ed & Labor HR 3 Title II preschool & before- & after-school programs channeled through public Local Educational Agencies: $1.755 BILLION, based on FY 90 auth. of of $440 million & "such sums" thereafter.)

(NOTE: The Senate-passed S. 5 did **not** contain a program comparable to Title II of HR 3.)

III. TITLE XX BLOCK GRANT EXPANSION

Authorizes new, earmarked funds under Social Security Act Title XX Block Grant for child care: $200 million in 1990, $350 million in 1991, & $400 million in each of 1992, 1993, & 1994, over current Title XX levels;

5-year total outlay cost: $1.55 BILLION (same as Ways & Means provisions);

(Title III grants in Ed & Labor HR 3 5-year outlay cost: $2.526 BILLION, based on FY 90 auth. of $610 million & "such sums" thereafter.)

Funds to be used to address deficiencies in availability & quality, establish liability pools, expand promotion of health & safety, improve quality, meet State & local standards, provide before- & after-school care, provide certificates (vouchers);

Funds can not be used to displace any state or federal funds al-

(1.) FUNDING CHANGE: Authorize new, earmarked Title XX Block Grant funds for child care of $400-450 million each year over current levels;

Total, 5-year, $250-500 million increase above Stenholm-Shaw 5-year total would be paid for by part of $1.1 BILLION revenue savings from DCTC/FCA caps (these savings were not re-allocated in original Stenholm-Shaw amendment).

Oct. 5, 1989
Stenholm-Shaw Substitute
for HR 3 (Ed & Labor/Ways & Means)
Child Care provisions included
in HR 3299 (Reconciliation)

P R O P O S A L
for NEW PROVISIONS of
1990 Bipartisan Child Care Bill
(changes/additions to
Oct. 5 amendment)

---

ready allocated to child care;

States must file plans in advance to qualify & file year-end reports showing how funds were used to meet the above goals;

Entities eligible to receive funds include public & private, for-profit & nonprofit entities.

(No HR 3-type Model Standards issued by a National Advisory Committee.)

(No mandates, other than requirements of essential accountability, such as those described above.
In contrast, HR 3 contains extensive mandates to States regarding, licensing, regulation, standards, training, enforcement, ect.; 1 study found 183 separate mandates in HR 3.)

Sense of Congress that use of certificates by parents for sectarian child care is Constitutional (restatement of current law & recognition of some States' current uses of Title XX funds).

(Title III of Ed & Labor HR 3 bars direct payments to parents &/or certificates; sectarian activity by recipients is expressly prohibited.)

(Ways & Means Title III/Title XX provisions are silent on certificates & religion.)

(2.) CERTIFICATES (VOUCHERS)

Requirement + Incentives:
Adopt Senate-passed amendment requiring that states funneling grant funds directly to day care providers also make certificates available to parents that parents may choose to use toward obtaining sectarian care;

Allow funds to be used for costs of setting up certificate system; alow sufficient lead time for adopting & implementing such a system.

(3.) RELIGIOUS TENETS:
Similar to Senate-passed amendment clarifying that sectarian organizations may require their employees to adhere to their religious teachings & tenets, including rules forbidding use of drugs

Oct. 5, 1989 Stenholm-Shaw Substitute for HR 3 (Ed & Labor/Ways & Means) Child Care provisions included in HR 3299 (Reconciliation)	**PROPOSAL** for NEW PROVISIONS of 1990 Bipartisan Child Care Bill (changes/additions to Oct. 5 amendment)
	or alcohol.

IV. COORDINATING ACTIVITIES

No provisions.	No provision; no change.
(5-year outlay cost of Title IV of Ed & Labor HR 3 provisions: $1.083 BILLION, based on FY 90 auth. of $260 million & "such sums" thereafter. Besides addressing (through mandates & regulations) "infrastructure" & enforcement, HR 3 mandates that States create 38,000 local child development councils to prepare "needs & resource assessments".)	

V. BUSINESS INVOLVEMENT

Matching grants for small businesses (& consortia of small businesses) to encourage involvment in meeting employee child care needs; authorizes $25 million per year; 5-year outlay cost: $100 million.	No change.
(Same cost as Ed & Labor HR 3, which made all sizes of businesses eligible.)	

VI. INCENTIVE GRANTS:

No provision.	No provision; no change.
(5-year cost of Ways & Means HR 3 Title VI grants for States to use to improve their standards & regulations towards national models: $310 million, based on FY 90 auth. of $75 million & "such sums" thereafter; similar to S. 5.)	

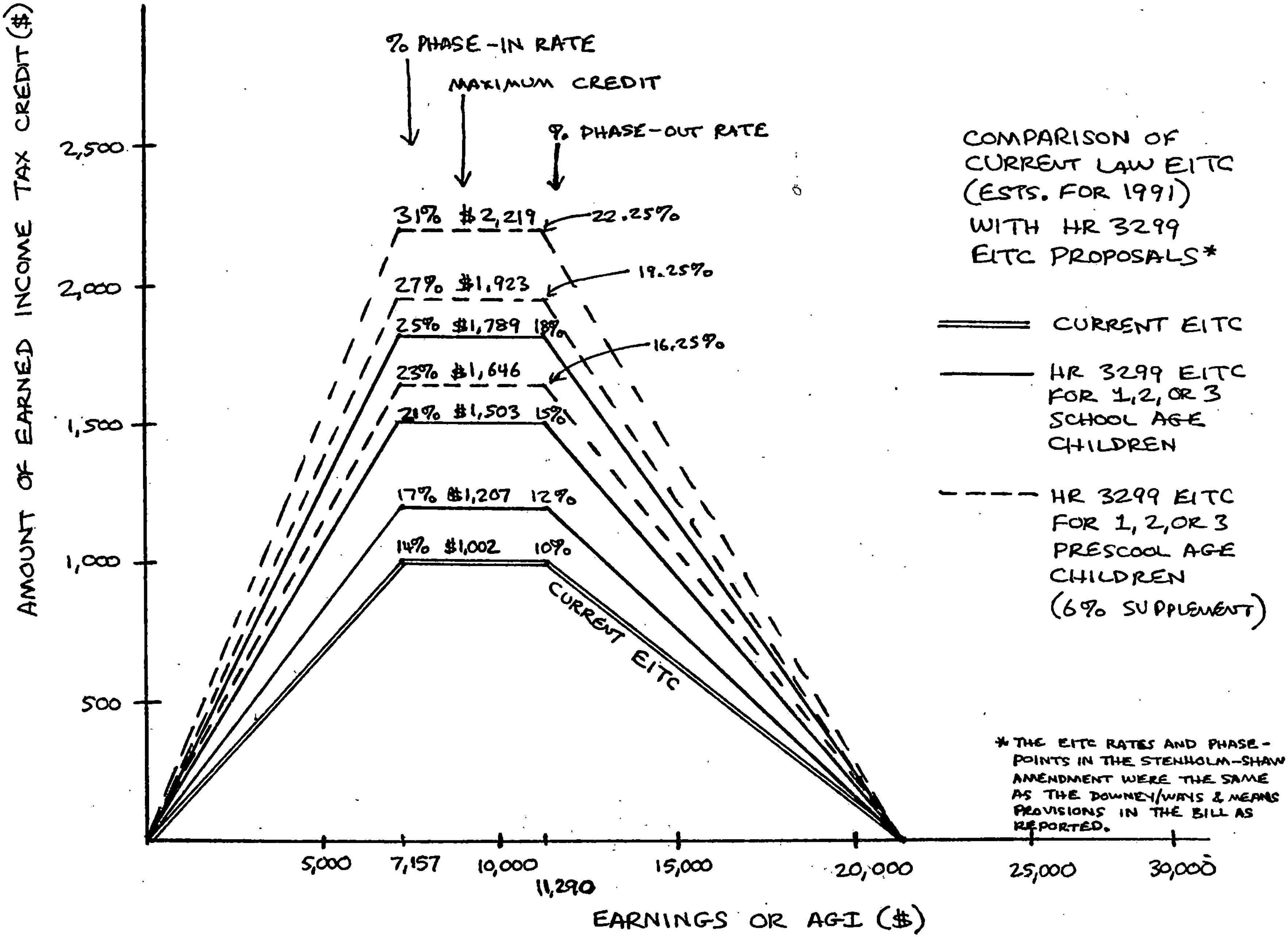
VII. EARNED INCOME TAX CREDIT EXPANSION

Rates & phase-points same as	**(1.) SUPPLEMENTAL SUPER-**

Oct. 5, 1989 Stenholm-Shaw Substitute for HR 3 (Ed & Labor/Ways & Means) Child Care provisions included in HR 3299 (Reconciliation)	**PROPOSAL** for NEW PROVISIONS of 1990 Bipartisan Child Care Bill (changes/additions to Oct. 5 amendment)
Ways & Means provisions (see graph):	**TODDLER TAX CREDIT:** In addition to Ways & Means EITC increases, provide a refundable tax credit of up to $400 for each child under age one, available to families not using the DCTC. Besides helping stay-at-home parents, this credit would provide greater flexibility to parents who qualify for, but prefer not to claim, the DCTC; use multiple providers in more informal arrangements (e.g., several family members), etc. Paid for by part of $1.1 BILLION revenue savings from DCTC/FCA caps. (Currently, to claim DCTC, a taxpayer must: identify the provider to the IRS (including SSN); be able to document expenses; maintain records; & in a 2-parent household, both must work; the DCTC is 30% of expenses, up to $2,400 in expenses ($720 maximum credit) for each of up to 2 children.)
Count welfare as parent-provided support for purposes of EITC eligibility (same as Ways & Means); (allows more working welfare families to qualify for EITC);	
Repeal disregard of EITC income in determining AFDC eligibility (disregard has been in effect since 10/1/89) (repealing disregard would again treat EITC like other cash income & reduce AFDC);	**(2.) DELETE STENHOLM-SHAW REPEAL OF EITC/AFDC DISREGARD:** Would treat EITC more like child care benefit than cash income; EITC income would not change AFDC eligibility (preserve current law).
(No provision like Ways & Means, extending EITC disregard to determining eligibility for other	**(3.) ADOPT WAYS & MEANS EITC/ WELFARE DISREGARD:** Consistent with current law

Oct. 5, 1989 Stenholm-Shaw Substitute for HR 3 (Ed & Labor/Ways & Means) Child Care provisions included in HR 3299 (Reconciliation)	**PROPOSAL** for NEW PROVISIONS of 1990 Bipartisan Child Care Bill (changes/additions to Oct. 5 amendment)
welfare benefits, similar to AFDC provision in effect 10/1/89. Status quo counts EITC income against welfare eligibility.)	treatment of EITC relative to AFDC eligibility.
VIII. OTHER TAX PROVISIONS	
Cap eligibility for Dependent Care Tax Credit at $90,000 income; begin phase-down at $70,000;	No change.
Cap eligibility for Flexible Spending Account (FCA) Child Care (a.k.a. Dependent Care Assistance Program, or DCAPS) at $90,000 income; begin phase-down at $70,000;	
Offsetting revenues generated by DCTC/FCA(DCAPs) changes: $1.1 BILLION, 1991-94;	
Exclude income earned providing child care from Social Security earnings test.	No change.

February 28, 1990



% PHASE-IN RATE
MAXIMUM CREDIT
% PHASE-OUT RATE
COMPARISON OF CURRENT LAW EITC (ESTS. FOR 1991) WITH HR 3299 EITC PROPOSALS*
31% $2,219 22.25%
27% $1,923 19.25%
25% $1,789 18%
23% $1,646 16.25%
21% $1,503 15%
17% $1,207 12%
14% $1,002 10%
CURRENT EITC
CURRENT EITC
HR 3299 EITC FOR 1,2, OR 3 SCHOOL AGE CHILDREN
HR 3299 EITC FOR 1, 2, OR 3 PRESCOOL AGE CHILDREN (6% SUPPLEMENT)
AMOUNT OF EARNED INCOME TAX CREDIT ($)
2,500
2,000
1,500
1,000
500
5,000
7,157
10,000
11,290
15,000
20,000
25,000
30,000
EARNINGS OR AGI ($)
* THE EITC RATES AND PHASE-POINTS IN THE STENHOLM-SHAW AMENDMENT WERE THE SAME AS THE DOWNEY/WAYS & MEANS PROVISIONS IN THE BILL AS REPORTED.

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
08. List	Members of Congress Positions on Child Care Legislation [2 copies] (6 pp.)	n.d.	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Child Care 1990 (1 of 2) [1]

Open on Expiration of PRA
(Document Follows)
By JP (NLGB) on 10/28/05

Date Closed:	12/17/2004	**OA/ID Number:**	29142-009
FOIA/SYS Case #:	1998-0004-F[1]	**Appeal Case #:**	
Re-review Case #:	2005-0426-S	**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

RESTRICTION CODES

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

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

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

PRM. Removed as a personal record misfile.

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

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

9:50 am

DEMOCRATIC PROSPECTS

Democrats Voting "YES" on Stenholm/Shaw I (36)

Barnard
Bennett
Bevill
Browder
Byron
Darden
Derrick
English
Erdreich
Flippo
Hall, R.
Harris
Hatcher
Hubbard
Huckaby
Hughes
Hutto
Lancaster
Leath
Lloyd
McCurdy
Montgomery
Parker
Patterson
Payne, L.F.
Penny
Ray
Rowland
Sarpalius
Skelton
Slattery
Stallings
Stenholm
Tauzin
Thomas, L.
Watkins

Democrats Voting "PRESENT" (1)

Kaptur

Democrats "NOT VOTING" (5)

~~Florio~~*
~~Garcia~~*
Scheuer
Traxler
Yatron

Additional Democratic Targets (43)

1 for
5 against

3 Andrews
3 Bates
3 Bosco
2 Bustamante
3 Campbell, B.
2 Carper
3 Chapman
Clarke
1 Clement
3 Coleman
Condit
2 Cooper
1 Costello
Donnelly
2-3 Dyson
2 Guarini
3 Geren
1 Gordon
2 Hamilton
1 Hayes, J.
3 Jones, B.
2 LaFalce
1 Lancaster
3 Laughlin
2 Lipinski
2 Mazzoli
3 Mollohan
3 Natcher
3 Neal
2 Nowak
2 Obey
4 Olin
3 Ortiz
3 Pickett
3 Roe
2 Rose
3 Russo
2 Sisisky
2 Slaughter
3 Smith, N.
2 Tallon
2 Tanner
2 Valentine
2 Wilson

---

*No longer Members

1. Possible GOP Losses Due to High Cost:

Archer
Armey
Ballenger
Barton
Bliley
Bunning
Burton
Combest
Cox
Craig
Crane
Dannemeyer
DeLay
Dickinson
Dornan
Douglas
Dreier
Edwards
Fields
Frenzel
Hiler
Holloway
Hopkins
Hunter
Ireland
Kyl
Lewis, J.
Livingston
McCandless
McCollum
McEwen
McMillan
Marlenee
Meyers, Jan
Packard
Rohrabacher
Sensenbrenner
Shuster
Smith, D.
Slaughter
Solomon
Stump
Walker

2. Possible GOP Losses Due to Mandatory Vouchers/Strong Religion

Don Nickles - Schneider

JH Bentley
GA Boehlert
JH Campbell*
GA Coleman
NC Conte
JH Davis
JH Fish
FN Gilman
FN Goodling*
GA Green*
JH Horton
NC Johnson*
~~Kasich~~
GA Leach
JP McDade
NC McGrath
FN Machtley
GA Martin, L.
NC Miller, J.*
JH Morella
NC Ridge*
GA Rowland* Rinaldo
JH Roukema
FN Saiki
GA Schneider
GA Shays
NC Smith, P.
NC Snowe

*Voted for Stenholm/Shaw I. All the others voted against Stenholm/Shaw.

DEMOCRATIC PROSPECTS

Democrats Voting "YES" on Stenholm/Shaw I (36)

Barnard
Bennett
Bevill
Browder
Byron
Darden
Derrick
English
Erdreich
Flippo
Hall, R.
Harris

Hatcher
Hubbard
Huckaby
Hughes
Hutto
Lancaster
Leath
Lloyd
McCurdy
Montgomery
Parker
Patterson

Payne, L.F.
Penny
Ray
Rowland
Sarpalius
Skelton
Slattery
Stallings
Stenholm
Tauzin
Thomas, L.
Watkins

Democrats Voting "PRESENT" (1)

Kaptur

Democrats "NOT VOTING" (5)

~~Florio*~~
~~Garcia*~~
Scheuer
Traxler
Yatron

Additional Democratic Targets (38)

Andrews
Bates
Bosco
Bustamante
Campbell, B.
Carper
Chapman
Clarke
Clement
Condit
Cooper
Costello
~~Darden~~
Dyson

Guarini
Geren
Gordon
Hayes, J.
Jones, B.
LaFalce
Lancaster
Laughlin
Mazzoli
~~McCurdy~~
Mollohan
Neal
Nowak
Obey

Olin
Ortiz
Pickett
Rose
Sisisky
Slaughter
Tallon
Tanner
Valentine
Wilson

*No longer Members

1. Possible GOP Losses Due to High Cost:

Archer
Armey
Ballenger
Barton
Bliley
Bunning
Burton
Combest
Cox
Craig
Crane
Dannemeyer
DeLay
Dickinson
Dornan
Douglas
Dreier
Edwards
Fields
Frenzel
Hiler
Holloway
Hopkins
Hunter
Ireland
Kyl
Lewis, J.
Livingston
McCandless
McCollum
McEwen
McMillan
Marlenee
Meyers, Jan
Packard
Rohrabacher
Sensenbrenner
Shuster
Smith, D.
Slaughter
Solomon
Stump
Walker

2. Possible GOP Losses Due to Mandatory Vouchers/Strong Religion

Bentley
Boehlert *
Campbell*
Coleman
Conte *
Davis *
Fish
Gilman *
Goodling*
Green*
Horton *
Johnson*
Kasich
Leach *
McDade *
McGrath
Machtley *
Martin, L.
Miller, J.*
Morella *
Ridge * *
Rowland *
Roukema *
Saiki *
Schneider *
Shays *
Smith, P.
Snowe *

Rinaldo

*Voted for Stenholm/Shaw I. All the others voted against Stenholm/Shaw.

Side-by-Side Comparison of
Stenholm-Shaw and Probable Democrat Child Care Bills
March 21, 1990

Provision	5-Year Cost ($bil) Stenholm-Shaw	Democrat
Major Provisions and Estimated Costs		
Head Start	$3.2	2*
New school-based grant program	-	2*
Title XX day care grants	2.2	2.9
Earned Income Tax Credit	15.0	18.4
Day care infrastructure development	-	1.5*
Business incentive grant	.1	.1
Reduce Dependent Care Tax Credit ($70-90,000)	(1.2)	(1.2)
Total(direct spending, net)	**$16.0**	**21***
Total(including authorizations, net)	**$19.3**	**27***
Parent-Choice and Religious Provisions		
Mandatory vouchers	yes	? (unlikely)
Vouchers can be used in facilities providing religious activities	yes	?
Religious providers can require employees to adhere to their religious tenets and teachings	yes	? (unlikely)

*Estimate based on best available information.

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
09. Note	Handwritten notes on childcare legislation (1 pp.)	n.d.	~~P5~~	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Child Care 1990 (1 of 2) [1]

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P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**MR Disposition Date:**	

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

(b)(1) National security classified information [(b)(1) of the FOIA]
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PLAY A ROLE / LITTLE BETTER

STANDARDS : PERMISSIVE.

NOT AS FAR AS

RELIGIOUS : SENATE LANG. ON TITLE III ONLY RESTATE TITLE XX

TITLE II SAY WE DON'T LIKE -

MANDATE.

Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
10. Paper	Analysis of Stenholm-Shaw II (5 pp.)	3/16/90	P/5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Child Care 1990 (1 of 2) [1]

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Date Closed: 12/17/2004	**OA/ID Number:** 29142-009
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March 16, 1990

STENHOLM-SHAW II: ANALYSIS*

Total Costs: FYs 91-95 (detail on outlays and revenue effects attached)

- Gross expenditures approximate W&M 2/22 proposal, adjusted to slip effective date one year and reauthorize expiring programs.

- Expenditures net of offsets total $18.9 billion.

Title I: Head Start

- New grant within Head Start, 50 percent of which can be used for child care. (The remainder is for regular Head Start. No eligibility expansion.)

- Specifically designed not to reauthorize Head Start so that there can be a subsequent reauthorization bill this year.

- BA is $600 million in FY91 and such sums in FYs 91-95 v. first year funding of $438 in H.R.3 and W&M 2/22 and $500 million in 3/14 draft counter offer.

- Authorization for appropriations under new grant in each of FYs 91-95 is contingent upon regular Head Start appropriations being increased by at least the increase in the CPI over the previous year.

- Also contains authorization for a 20 year longitudinal study of Head Start, with a separate authorization of $2 million a year in FYs 1992-2011.

Title II: School Based

- No separate provision.

- Before and after-school care specifically mentioned as allowable under Title XX expansion. Schools specifically mentioned as eligible providers.

*Reflects intent, not necessarily bill language.

EITC

o Same as Downey provisions plus a new supplemental EITC infant credit (children under age 1), for infants whose parents do not claim the DCTC for the infants.

o Infant credit is four percent per child in TYs 92-93 and six percent thereafter.

o $500 million five year cost estimate is from Stenholm's staff and reportedly is much lower than JCT is likely the estimate.

o Downey (and Treasury) will criticize the infant credit for adding complexity to the tax code. (Treasury also is concerned about ability to monitor compliance.)

Title XX Expansion

o $450 million a year expansion earmarked for child care.

o Mandatory certificates, with States given one year to implement.

-- NGA indicates that this is likely to be the only Federal mandate in any bill considered on the floor and that it will be a major issue. (They do not consider mandates for State-set standards to be mandates.)

-- NGA also indicates that no State has a voucher system in place State-wide, and that establishing systems would be costly and time consuming (more than one year).

o Additional religious language is included.

-- "Parental right of choice -- any parent who receives a child care certificate under this bill may use such certificate with any child care provider, including those providers which have religious activities, if such provider is freely chosen by the parent from among the available alternatives." (No prior model.)

-- "Rights of religious providers" to require employees to adhere to the religious tenets of their organization (similar to successful Coats floor amendment to S.5).

Title IV: Infrastructure and Coordination

o No separate provision.

o Infrastructure and coordination activities allowed under Title XX.

Title V: Business Involvement

o H.R.3's business grant, limited to small businesses or consortia of small businesses (50 or fewer employees).

o $25 million a year for FYs 91-95.

Title VI: State Standards Incentive Improvement Grants

o No separate provision.

o Standards improvement activities allowed under the Title XX, and annual reports required on activities undertaken by State to improve standards.

Other Provisions

o Phase-out of DCTC/DCAPs between $70,000 and $90,000 of AGI (not indexed).

o Disregard of child care earnings from Social Security earnings test.

STENHOLM-SHAW II -- OUTLAYS AND REVENUE EFFECTS ESTIMATED USING CBO ASSUMPTIONS

	1991	1992	1993	1994	1995	1991-95
Title I						
Head Start a/	270	571	630	651	674	2,796
Head Start Study	*	*	*	*	*	*
Title II						
School Based	0	0	0	0	0	0
Title III						
EITC: Downey Provisions b/	--	400	4,300	4,700	5,000	14,400
EITC: Supplement <1 yr. c/						500
Title XX	428	450	450	450	450	2,228
Title IV						
Infrastructure Grants	0	0	0	0	0	0
Title V						
Small Business Grants	5	27	26	25	25	108
Subtotal						20,042
Offset: d/						
DCAP & Sec.129 Phase-Out	--	*	-300	-300	-400	-1,100
Total						18,942

NOTE: 1989 JCT estimates and OMB projections of 1989 CBO estimates were used, except as noted below. (Detail may not add to total because of rounding.)

a/ 1989 spendout rates for Title I of H.R.3 were used. CBO indicates the rates probably will be higher when updated.

b/ 3/12/90 JCT estimates.

c/ No year-by-year estimate available. Total is from Stenholm-Shaw materials and particularly significantly understated.

d/ 1989 JCT estimates slipped a year. An updated estimate would probably show slightly higher revenue gains.

* Revenue gain or loss of less than $50 million.

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09:26

03/19/90

3/14 COUNTER OFFER -- OUTLAYS AND REVENUE EFFECTS ESTIMATED USING CBO ASSUMPTIONS

	1991	1992	1993	1994	1995	1991-95
Title I						
Head Start a/	225	468	500	500	500	2,193
Head Start Study	*	*	*	*	*	*
Title II						
School Based	0	0	0	0	0	0
Title III						
EITC b/	--	400	4,400	4,700	4,900	14,400
Title XX	428	450	450	450	450	2,228
Title IV						
Infrastructure Grants	0	0	0	0	0	0
Title V						
Small Business Grants	5	27	26	25	25	108
Child Care Earnings Excluded in Social Security Earnings Test	*	*	*	*	*	*
Subtotal	660	1,346	5,378	5,677	5,877	18,939
Offset: c/						
DCAP & Sec.129 Phase-Out	--	*	-300	-300	-400	-1,100
Total	0.7	1.2	5.1	5.4	5.5	17.8

NOTE: 1989 JCT estimates and OMB projections of 1989 CBO estimates were used, except as noted below. (Detail may not add to total because of rounding.)

a/ 1989 spendout rates for Title I of H.R.3 were used. CBO indicates the rates probably will be higher when updated.

b/ 3/12/90 JCT estimates.

c/ 1989 JCT estimates slipped a year. An updated estimate would probably show slightly higher revenue gains.

* Revenue gain or loss of less than $50 million.

news from the NATIONAL RESEARCH COUNCIL

The National Research Council was organized by the National Academy of Sciences in 1916 in order to provide for a broader participation by American scientists and engineers in the work of the Academy. The Academy was chartered by the U.S. Congress in 1863 as a private organization with a responsibility for examining questions of science and technology at the request of the Federal Government. The National Academy of Engineering was organized in 1964 under the original NAS charter. The National Research Council now serves as the agent of both Academies in the conduct of studies and investigations in the public interest.

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Date: March 13, 1990
Contact: Mary Jane Gallagher, (202) 659-1606
or Gail Porter, (202) 334-2138

EMBARGOED: NOT FOR RELEASE BEFORE 12 NOON EST, WEDNESDAY, MAR. 14

EXPERT PANEL DECRIES LACK OF AFFORDABLE, QUALITY CHILD CARE

WASHINGTON -- Based on a detailed review of the available research on the subject, an expert panel of the National Research Council has recommended* major changes to improve the quality, affordability, and accessibility of child care in the United States.

In particular, it called for substantial increases in public funding for subsidies to support low-income families' use of quality child care, expansion of Head Start and other compensatory preschool programs, and strengthening of the infrastructure of the child-care system through expanded resource and referral services and other programs. The panel also proposed that national standards be developed to improve the quality of child care and, because of the importance of establishing strong relationships between parents and children in the early months of life, that employers provide parents of infants with the option of unpaid, job-protected leave.

At a news conference here today, panel members stressed the importance of quality care in promoting the healthy physical and psychological development of children. Acknowledging that "no single strategy can address the needs of all children and all parents," the panel called on federal, state, and local governments

(MORE)

*The panel's report, *Who Cares for America's Children? Child Care Policy for the 1990s*, will be available in late April from the National Academy Press at the mailing address in the letterhead; telephone (202) 334-3313 or 1-800-624-6242. The publications sales office is located at 2001 Wisconsin Ave., N.W., Harris Building, room 384. Reporters only may obtain pre-publication copies from the Office of News and Public Information, also at the letterhead address.

to take steps to better protect the health and development of the large numbers of children who currently receive poor-quality care.

As a starting point, it urged that governments spend an additional $5 billion to $10 billion annually to develop a more coherent child care system that preserves parental choice and serves all families, especially those with low incomes. Such a system also will require "sustained, coordinated commitment by policy makers, service providers, employers, and parents," it said. Currently, approximately $16 billion is spent annually on child care in the United States by governments, parents, and other private sources.

"Child care must be viewed as an investment in the health and development of children in America, the well-being of all American families, and the future productivity of the American work force," said panel chair John L. Palmer, dean of Maxwell School of Citizenship and Public Affairs at Syracuse University.

The two-year study by the 19-member Research Council panel was requested and funded by the U.S. Department of Health and Human Services, the Ford Foundation, and the Foundation for Child Development. The Research Council is the principal operating agency of the National Academies of Sciences and Engineering.

IMPROVING ACCESS AND AFFORDABILITY

The current "fragmented array of consumer, provider, and infrastructure policies and programs" serve some but far from all of the families who need out-of-home child care. In 1972, according to the report, 80 percent of federal child-care dollars were targeted at low-income families through provider subsidies. By the late 1980s, low-income families benefited from less than 30 percent of federal assistance for child care, primarily through the Social Services Block Grant Program and Head Start.

The panel recommended that federal programs be targeted to better meet the child-care needs of poor families. Specifically, it urged expanding subsidies to low-income families to enhance their choices and ability to pay for the services and arrangements that best meet their needs and expanding Head Start and other compensatory preschool programs to allow participation by all income-eligible 3- and 4-year-olds who are at risk of early school failure.

In addition, to benefit families of all incomes, the panel recommended providing subsidies to states and communities to expand referral services, improve caregiver training and wages, expand vendor-voucher programs, and improve planning and coordination.

Even with an impressive record of success, Head Start currently serves less than 20 percent of the income-eligible population and, as a part-time program, it is not responsive to the schedules and child-care needs of working parents, states the panel's report. It calls for integrating Head Start programs with full-time child care to allow greater participation by children whose parents work.

"The urgent needs of low-income populations means that our immediate efforts must concentrate on quality child care for the most disadvantaged children," said Palmer. "We hope that in the near term, however, sufficient public resources can be committed to advance care to <u>all</u> families in need."

<u>PARENT-CHILD RELATIONSHIPS IN INFANCY</u>

Research cited by the panel shows that the establishment of strong relationships between parents and children in the early months of life has significant implications for children's later development. Moreover, the panel commented that the arrival of a baby often causes particularly high levels of stress and disruptions for working families, which may affect the quality of parent/child relationships. In addition, it found that quality out-of-home infant care is more expensive than care for older children and more difficult to find.

Therefore, as a complement to its other proposals, the panel recommended that the federal government "mandate that employers ensure unpaid, job-protected leave, with continued health benefits, for up to one year for all parents who prefer to remain at home following the [birth or adoption] of a new baby."

(MORE)

In their transmittal letter to Secretary of Health and Human Services Louis Sullivan, Frank Press, chairman of the Research Council, and Robert McC. Adams, chairman of the Research Council's Commission on Behavioral and Social Sciences and Education, supported the statement in Palmer's preface to the report that decisions about parental leave and other major public and private child-care policies "must reflect differing value orientations as much as the weight of scientific evidence and analysis." Press and Adams also noted that parental leave needs to be considered in the context of "the very real burdens to individual firms, to the nature of hiring decisions, and to the economy at large that uniform federal mandating of such leave would entail and how they would be allocated."

Parental leave policies have been implemented in many European countries as a means of preserving parental choice and ensuring quality care for young children. Under current conditions in the United States, the panel said, "some parents are forced to make choices they should not have to make."

NATIONAL STANDARDS TO IMPROVE QUALITY

"With the elimination of the Federal Interagency Day Care Requirements in 1982, the states became the sole authority for establishing quality and safety standards or regulations and enforcing them," the panel said. However, it found that state regulations "vary dramatically," with few reflecting existing knowledge about the dimensions of quality that are essential to protect children's health and safety and to stimulate children's social and cognitive development.

In addition to measures such as raising the wages of child-care workers and expanding vendor-voucher programs, the panel said that national standards -- while not a guarantee of good care -- are a "necessary condition" for achieving quality care. To develop the standards, the federal government should establish "a national-level task force" to bring together representatives of the states, the relevant professional organizations, service providers, and appropriate federal agencies." The new standards could then be used by individual states as guides for improving

(MORE)

their current child-care regulations.

The panel said current research results make it possible to specify "reasonable ranges" for standards on staff/child ratios, group sizes, caregiver qualifications, and physical space and facilities. For example, children between the ages of 0-2 should have a staff/child ratio no larger than 1 to 4, while 4- and 5-year-olds should have a ratio no greater than 1 to 10. Acceptable ranges for group sizes vary from a maximum of 6 to 8 children during the first year of life to a maximum of 16 to 20 children for 4- and 5-year-olds.

Some of the panel's major recommendations as noted above would require actions by federal, state, and local policymakers to enact new legislation or direct the agencies under their jurisdiction to undertake new initiatives. Others would require the continuation or intensification of public- and private-sector efforts already under way.

According to the report, current demographic surveys suggest that, by the year 2000, approximately 80 percent of school-age children and 70 percent of preschoolers will have mothers who are working or looking for work outside their homes.

Other members of the Panel on Child Care Policy included: J. Lawrence Aber, department of psychology, Barnard College, New York City; Robert Beck, Bank of America, San Francisco; Barbara Bowman, Erikson Institute, Chicago; Andrew Cherlin, department of sociology, Johns Hopkins University, Baltimore; Judith F. Dunn, department of individual and family studies, Pennsylvania State University, University Park; Robert Levine, Graduate School of Education, Harvard University, Cambridge, Mass.; Eleanor E. Maccoby, department of psychology, Stanford University, Stanford, Calif.; Ruth Massinga, Casey Family Foundation, Seattle; Rebecca A. Maynard, Mathematica Policy Research Inc., Princeton, N.J.; Richard Nelson, School of International and Public Affairs, Columbia University, New York City; Harriet Presser, department of sociology, University of Maryland, College Park; June S. Sale, University of California at Los Angeles Child Care Services; Anne R. Sanford, Chapel Hill Training Outreach Project, Chapel Hill, N.C.; Jack P. Shonkoff, department of pediatrics, University of Massachusetts Medical School, Worcester; Eugene Smolensky, Graduate School of Public Policy, University of California, Berkeley; Albert J. Solnit, Child Study Center, Yale University, New Haven, Conn.; Margaret B. Spencer, division of educational studies, Emory Unversity, Atlanta; and John J. Sweeney, Service Employees International Union, AFL-CIO and CLC, Washington, D.C.

Cheryl D. Hayes, John L. Palmer, and Martha J. Zaslow edited the panel's report. Laurie R. Garduque is acting study director of the panel's parent committee.

mjp/gp: F,I,J,S # # #