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OA/ID Number: 29143
Folder ID Number: 29143-001

Folder Title:
Child Care 1990 (1 of 2) [3]

Stack:	Row:	Section:	Shelf:	Position:
G	15	24	7	2

Child Care - Labor Conference Issues

1) Is the Head Start expansion of Title I a veto issue?

- it expands eligibility to 125% of poverty;

- provides "wrap around" full day child care, and includes summer child care
  (12% of $9.25b 5 year total - $1.1b)

2) Is title II school-based care acceptable as a separate title?

- school-based care was an acceptable use under Stenholm-Shaw Title XX block grant;

- a separate title was listed as a significant violation of parental choice in SAP threatening veto of H.R. 3;

- in negotiations with Downey a separate title was briefly on the table as acceptable;

- the separate title could be a problem because it provides money to the states in a distribution formula based on Chapter I -- which can't go directly to sectarian providers
  (25% of $9.25b -- $2.3b)

a) If Title I is dropped, is Title II more acceptable?

3) Is a clean Labor Committee block grant an acceptable alternative to a clean Title XX grant?

- the conference agreement should have acceptable voucher and non-discrimination language; but

- it will still mandate a regulatory plan (standards) within 3 years;

- it will mandate state training requirements within 3 years
  (60% of $9.25b -- $5.5b)

4) Should we try to fix the Labor Conference provisions before they finish this week?

REVIEW AS WHOLE.
PREFERRED OPTIONS
WANT TO HELP → SIGNABLE BILL —

6/14/90

OUTSTANDING CHILD CARE CONFERENCE ISSUES

Distribution of Funds Among All Titles

TITLE II -- SCHOOL-BASED

1. Contracting Out
2. Targeting Funds for Early Childhood Development Programs

TITLE III, IV -- DIRECT SERVICES/QUALITY

1. State Child Care Board as Lead Agency
2. State Advisory Committee and Subcommittee on Licensing
3. Local Advisory Councils
4. Sliding Fee Scale (services at no cost for families below poverty)
5. Distribution of Funds Within Title III (quality, availability and administration)
6. Local Pass-Through

TITLE V -- BUSINESS INCENTIVES

1. Business Incentives as Separate Title

External Affairs Canada | Affaires extérieures Canada

MGTC/DIARY/CIRC/FILE
MGTC/JOURNAL/CIRC/DOSSIER

Accession/Référence

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MESSAGE

Align first character of Security Classification under this arrow
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SECURITY / SÉCURITÉ: UNCLASSIFIED FACSIMILE

FM/DE: FM WSHDC AGRIC0545 13JUN90

TO/À: TO MS. JACKIE KENNEDY

OFFICE OF GOVERNOR J. SUNUNU FAX NO. 456-2397

INFO

DISTR

REF

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ohm

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PROPOSED STAFF AGREEMENTS ON H.R. 3

ISSUE	HOUSE POSITION	SENATE POSITION	PROPOSED RESOLUTION
TITLE I			
Expansion of Head Start SENIOR OFFICIALS VETO ?	47% of funds earmarked for this purpose	No comparable provision. However, State required to use at least 10% of its funds to provide extension of part-day programs (includes Head Start, Chapter I, education for handicapped and schools and nonprofit child care providers including CBOs.	? 1st CHOICE. Permissive use under Title 20 — ?. 2 #3 CLEAN LABOR COMM. . . . 3 HEAD START OR CH. II IN TERMS OF AN "ALLOWABLE USE OF . . ." STENHOLM SHAW . . .
TITLE II			
Early Childhood Education and School-Related Care VETO ?	33% of funds earmarked for early childhood development and before- and after-school care	Optional activity under 12% (supply) making grants to States to enable States to provide grants to school districts to establish or maintain extended day child care	
DIRECT SERVICES			
Short Title	None	Act For Better Child Care	Child Care Block Grant
Eligible Age of Child		Less than age 13 Parents must be working or seeking work or in education or training	Less than age 13 Parents must be working or in education or training
Family Income		100% of State median income	75% of State median income
Eligible Providers		Includes grandparents and aunts and uncles and siblings over age 18	Senate recede on "siblings"

ISSUE	HOUSE POSITION	SENATE POSITION	PROPOSED RESOLUTION
State Administration		8% of funds	5% of funds
State Match		20% nonfederal match can be in cash or in-kind	Senate recede
Planning Grants		During first year State can get planning grant up to 1% of its allotment	Senate recede
Planning Requirements		Submit 3-year plan	3-year plan followed by 2-year plan
Training Requirements		After 3 years, States require providers of licensed and regulated center-based family and group home to complete State-specified number of hours training each year	Accept Senate provision
Market Rate of Care		PAYMENTS–The plan shall provide that for child care services for which assistance is provided under this title, an eligible child care provider shall have a right to payment at the same rate charged by providers in the State or substate area for comparable services to children of comparable ages and special needs whose parents are not eligible for certificates under this title or for child care assistance under any other Federal or State program.	House recede with amendment. The plan shall provide that for child care services for which assistance is provided under this title, an eligible child care provider shall have a right to payment at the same rate charged by providers in the State or substate area for comparable services to children of comparable ages and special needs whose parents are not eligible for assistance under this title or for child care assistance under any other federal or State program. Such payment will reflect the additional cost to a provider of special services or a provider serving special populations of children, including–

ISSUE	HOUSE POSITION	SENATE POSITION	PROPOSED RESOLUTION
			(A) programs providing comprehensive child care services and family support services to adolescent parents, (B) the care of eligible children who have a disability; and (C) eligible children who are less than 3 years of age.
TITLE IV			
Reporting Requirements	Requires States to submit reports to Secretary on use of funds under child care quality improvements title	No provision	Senate recede to include annual reporting requirements by States to Secretary on the quality funds and availability funds
Incentive Grants		Not later than 3 years after enactment, Secretary establishes child care standards improvement incentive grant program to assist States in improving standards. Authorizes 10% of funds off top for FY93 and FY94. Ceases to exist after 8 years.	House recede with amendment which reserves $50 million for FY94 and FY95
Sliding Fee Scale		No provision on taking into account handicapping condition of a family member	Senate recede
President's Award for Progressive Management Policy	No provision	Established under regulations by DOL to honor public and private sector employers	House recede with amendment to include Presidential award in Business Incentive title. Prohibits use of any funds under this Act for awards activity.

LANGUAGE ON VOUCHERS AND SECTARIAN CHILD CARE

S.5 (DODD)

Domenici Floor Amendment on Mandatory Certificates (Vouchers)

Language:

"Provide parents with choice.--...each State that receives assistance under this Act shall provide each parent of an eligible child who receives, or whose eligible child is cared for by a child care provider that receives assistance under this Act with the option of:

(A) enrolling such child with an eligible child care provider that receives assistance through grants or contracts... or

(B) receiving a child care certificate."

Comment:

- One possible Administration option would change "shall" in the first sentence to "may" and add at the end of (B) "regardless of affiliation."

- Downey has indicated to Shaw that he could accept permissive voucher language, which this option would be. (Not clear that Miller and others would concur.)

Non-Sectarian Provision as Modified by Ford-Durenberger Language on Use of Certificates and Jeffords Floor Amendment on Effect on State Law

Language:

"(a) Sectarian Purposes and Activities--No financial assistance provided under this title shall be expended for any sectarian purpose or activity, including sectarian worship and instruction, except that this subsection shall not apply to funds received by any eligible provider resulting from the distribution of a child care certificate to a parent....Financial assistance provided under this title shall not be expended in a manner inconsistent with the Constitution.

(b) Subsection (a) shall not apply to funds received by [relatives allowed to be paid providers under the program]

(c) Effect on State Law.-- Nothing in this title shall be construed to supersede or modify any provision of a State constitution or State law that prohibits the expenditure of public funds in or by sectarian institutions."

Comment:

- Administration SAP opposing S.5 says that this provision merely states a truism.

o There was broad agreement during debate on Durenberger-Ford that the use of certificates for sectarian care would be tested in court.

o CRS repeatedly has indicated that properly designed programs of indirect assistance, such as vouchers, are constitutional because the provider is chosen by the parent, not the government.

STENHOLM-SHAW

Language:

"(3) Use of Funds With Providers With Sectarian Activities as Part of Child Care Program.-- It is the sense of the Congress that, as is the case under current law, and unless prohibited by State law or regulation, any parent who receives funds under this section in the form of vouchers may use such vouchers with any eligible child care provider that has sectarian activities as part of a program of child care if such provider is chosen by the parent, and that if parents have freely chosen sectarian child care from among the available alternatives, such parents may use vouchers for such purpose without violating the constitutional prohibition on establishment of religion."

Comment:

o Language has no legal force,

o House conservatives were satisfied with it.

HAWKINS (H.R.3)

Language:

"No child care provider receiving financial assistance under this subchapter shall engage in any sectarian activity, including sectarian worship and instruction, in the program for which such assistance is received."

NONDISCRIMINATION LANGUAGE PERTAINING TO RELIGION

S. 5 (DODD)

Language (Including Coats' "moral tenets" floor amendment, shown below in bold letters)

"(b) Religious Discrimination
(1) In General.-- Nothing in this section shall be construed o modify or affect the provisions of any other Federal law or regulation that relates to discrimination in employment on the basis of religion, [Coats] **except a sectarian organization may require that employees adhere to the religious tenets and teaching of such organization, and further, such organization may require that employees adhere to rules forbidding the use of drugs or alcohol.**

(2) Discrimination Against Child.--
(A) In General.-- A child care provider that receives assistance under this title shall not discriminate against any child on the basis of religion in providing child care services.

(B) Non-Funded Child Care Slots.-- Nothing in this section shall prohibit a child care provider from selecting children for child care slots that are not funded directly with assistance provided under this title because such children or their family members participate on a regular basis in other activities of the organization that owns or operates such provider.

(3) Employment in General.--
(A) Prohibition.-- A child care provider that receives assistance under this title shall not discriminate in employment on the basis of the religion of the prospective employee if such employee's primary responsibility is or will be working directly with children in the provision of child care services.

(B) Qualified Applicants.-- If two or more prospective employees are qualified for any position with a child care provider receiving assistance under this title, nothing in this section shall prohibit such child care provider from employing a prospective employee who is already participating on a regular basis in other activities of the organization that owns or operates such provider.

(C) Present Employees.-- This paragraph shall not apply to employees of child care providers receiving assistance under this title if such employees are employed with the provider on the date of enactment of this title.

(4) Employment and Admission Practices.-- Notwithstanding paragraphs (2) and (3), if assistance provided under this title, and any other Federal or State program, amounts to 80 percent or

more of the operating budget of a child care provider that receives such assistance, the Secretary shall not permit such provider to receive any further assistance under this title unless the grant or contract relating to the financial assistance, or the employment and admissions policies of the provider, specifically provides that no person with responsibilities in the operation of the child care program, project, or activity of the provider will discriminate against any individual in employment, if such employee's primary responsibility is or child care, or admissions because of the religion of such individual."

Comment:

- Heritage and evangelical groups want language similar to Coats' in a compromise bill and would also extend the language to include past use of drugs or alcohol.

STENHOLM-SHAW

Language (Incorporates Head Start language in Title XX by reference):

"The Secretary shall not provide financial assistance for any program, project, or activity under this subchapter unless the grant or contact with respect thereto specifically provides that no person with responsibilities in the operation thereof will discriminate with respect to any such program, project, or activity because of race, creed, color, national origin, sex political affiliation, or beliefs."

Comment:

- It is not clear that inclusion of this language was carefully thought through.

HAWKINS

Language. Same Head Start language as Stenholm-Shaw. (See above.)

Ways & Means 2/22 Proposal--CBO Estimates of B/EA

	'90	'91	'92	'93	'94	'95	'91-'95	'90-'94
Title 1								
Head Start	.4	.5	.5	.5	--*	--*	1.5	1.9
Title 2								
School Based	.4	.5	.5	.5	--*	--*	1.5	1.9
Title 3								
EITC	--	.4	.4	4.4	4.7	4.9	18.5	13.5
Title XX	.2	.4	.4	.4	.4	.4	2.0	17.5
Title 4								
Infrastructure Grants	.3	.3	.3	--*	--*	--*	.6	.9
	1.3	2.2	5.8	5.4	5.1	5.3	24.1	19.95

* CBO assumes no funding because authorizations expire.

Real world costs under CBO estimates would be at least $2.9b higher - or $27.0b from '91-'95.

"Real '91-'95 costs"
- in BA/EA *if* effective dates delayed 1 yr.

Ways & Means Proposal (CBO Scoring/OMB assumptions)

	'91	'92	'93	'94	'95	'91-'95
Title 1						
Head Start	.4	.5	.5	.5	.5*	2.4
Title 2						
School Based	.4	.5	.5	.5	.5*	2.4
Title 3						
EITC	--	.4	4.1	4.4	4.7	13.5
Title XX	.2	.4	.4	.4	.4	1.8
Title 4						
Infrastructure Grants	.3	.3	.3	.3*	.3*	1.5
	1.3	2.1	5.8	6.1	6.4	21.7

* CBO assumes -0- in these years because authorization expires.

OMB staff inserted expected costs to reflect continued authorization.

- total: rounded to nearest .1 billion; all '95 figures are OMB projections of CBO scoring

EXPLANATORY NOTES TO OPTION MENUS 1 & 2:

o The options have been designed to meet a five year budget constraint of between $10.5 and $12.5 billion. These target numbers are derived from Senator Dole's amendment, as endorsed by the Administration. The Dole amendment contained about $10.5 billion in proposed expansions to tax credits, financed by the extension of the telephone excise tax. The Dole amendment also proposed a new discretionary grant program to the states, with a five-year authorization level of $2 billion. Actual expenditures would be subject to annual appropriations review and could be less than $2 billion.

o In addition to the amounts shown for tax credit expansions, the options would contain an increase in Title XX entitlement monies to the states, earmarked for child care. The Title XX earmark is assumed to cost $1.05 billion over the budget period, starting at $200 million in 1991 and increasing to $300 million by 1993. There would be no federal standards requirement attached to the earmarked funds.

o Accounting for the Title XX funds, there would be between $9.5 billion and $11.5 billion available for child care tax credit expansions.

o A low-cost plan can be found by combining the first option on menu one with the second option on menu two. This plan would cost about $9.4 billion, evenly divided between the family size adjustment and the young child credit. Compared to current law, families with young children would receive an additional maximum amount ranging in size from between $570 and $1,000.

o For purposes of administrative simplicity, a young child credit which does not vary with number of children under the age of six would be preferable.

o The alternative options, when combined and meeting the budget constraint, would result in slightly smaller marginal tax rates than those which are derived from the Ways and Means proposal.

o The last option on menu 2 demonstrates one way in which all the available funds could be spent on families with young children. This option is similar to the Administration's original proposal with two key differences: (1) Families would be entitled to a maximum credit of $1,000 (instead of $1,000 per child). (2) The age and income cut-offs are higher than under the original Administration plan. In some cases, it would result in slightly higher marginal tax rates than under the House plan.

Office of Tax Analysis
October 22, 1989

OPTION MENU 1:

PROVIDE EITC ADJUSTMENT FOR FAMILY SIZE

($ BILLIONS)

	1990	1991	1992	1993	1994	5-YEAR TOTAL
WAYS AND MEANS PROPOSAL: 17% – ONE CHILD 21% – TWO CHILDREN 25% – THREE OR MORE CHILDREN		-0.3	-2.9	-2.9	-3.0	-9.2
	JCT	-0.3	-2.9	-3.1	-3.3	-9.6
ALTERNATIVE ONE: 15% – ONE CHILD 18% – TWO CHILDREN 21% – THREE OR MORE CHILDREN		-0.2	-1.5	-1.6	-1.6	-4.8
ALTERNATIVE TWO: 15% – ONE CHILD 19% – TWO CHILDREN 23% – THREE OR MORE CHILDREN		-0.2	-1.9	-1.9	-1.9	-5.9
ALTERNATIVE THREE: 16% – ONE CHILD 20% – TWO CHILDREN 24% – THREE OR MORE CHILDREN		-0.2	-2.4	-2.4	-2.4	-7.4

DEPARTMENT OF THE TREASURY
OFFICE OF TAX ANALYSIS

OCTOBER 22, 1989

DESCRIPTIONS TO ACCOMPANY OPTION MENU 1:

ALTERNATIVE PROPOSALS TO ADD FAMILY SIZE ADJUSTMENT TO EITC

Current Law: The earned income tax credit provides a refundable tax credit to taxpayers who maintain a household for one or more children. In 1989, the credit is equal to 14 percent of the first $6,500 of earned income. The credit is phased out at a rate of 10 percent of the amount of adjusted gross income (or, if greater, the earned income) that, in 1989, exceeds $10,240. The $6,500 and $10,240 amounts are adjusted annually for inflation, so that the maximum credit amount and the maximum amount of income eligible for the credit increases with inflation. Taxpayers may choose to receive the credit in advance, as a supplement to their paycheck.

In order to be eligible for the EITC, the taxpayer must, in general, be entitled to claim the child as a dependent, and thus must provide over half of the support of the child. Benefits under the Aid to Families with Dependent Children (AFDC) program are not considered support provided by the taxpayer. The amount of the earned income tax credit is treated as income for determining eligibility for some means-tested programs (e.g., housing assistance programs).

Ways and Means: Under the Ways and Means proposal, the amount of the earned income tax credit would be increased, and an adjustment for family size would also be added. The proposal would be effective for taxable years beginning after December 31, 1990. Using projected 1991 income breakpoints, the credit and phaseout percentages would be increased according to the number of eligible children in the taxpayer's household as follows:

Number of Children	Credit Percentage	Phaseout Percentage	Projected Maximum Credit
1	17 percent	12 percent	$1,209
2	21 percent	15 percent	$1,493
3	25 percent	18 percent	$1,778

Under the proposal, the credit would phase out entirely when income exceeds approximately $21,200.

The proposal would treat the amount of benefits provided under Federal means-tested transfer payment programs (such as AFDC) as support provided by the taxpayer for purposes of determining eligibility for the earned income tax credit. The proposal would also provide that the amount of the earned income tax credit is not treated as income in determining eligibility for all Federal, State, and local means-tested public assistance programs.

Alternatives: As in the Ways and Means proposal, alternative options 1 through 3 adjust the EITC for family size. The EITC base rate is also increased, though by a smaller amount than under the Ways and Means proposal. The alternative options would also maintain the current law income breakpoints, with the expanded EITC available to families with income under $21,200. The options assume current law treatment of EITC for determining eligibility for means-tested public assistance programs and would not change the definition of support for purposes of claiming eligibility for the EITC.

Using the present law income breakpoints, the credit and phaseout percentages would be increased according to the number of eligible children in the taxpayer's household as follows:

ALTERNATIVE 1:

Number of Children	Credit Percentage	Phaseout Percentage	Projected Maximum Credit
1	15 percent	10.5 percent	$1,067
2	18 percent	12.5 percent	$1,280
3	21 percent	15 percent	$1,493

ALTERNATIVE 2:

Number of Children	Credit Percentage	Phaseout Percentage	Projected Maximum Credit
1	15 percent	10.5 percent	$1,067
2	19 percent	13 percent	$1,350
3	23 percent	16 percent	$1,635

ALTERNATIVE 3:

Number of Children	Credit Percentage	Phaseout Percentage	Projected Maximum Credit
1	16 percent	11 percent	$1,138
2	20 percent	14 percent	$1,422
3	24 percent	17 percent	$1,707

Office of Tax Analysis
October 22, 1989

OPTION MENU 2:

YOUNG CHILD SUPPLEMENT

($ BILLIONS)

	1990	1991	1992	1993	1994	5-YEAR TOTAL
WAYS AND MEANS PROPOSAL:		-0.1	-1.3	-1.3	-1.4	-4.0
6% – IF ONE OR MORE CHILDREN UNDER AGE 6	JCT	-0.1	-1.2	-1.3	-1.4	-3.9
ALTERNATIVE ONE:						
6% – ONE CHILD UNDER AGE 6		-0.1	-1.5	-1.5	-1.6	-4.6
9% – TWO OR MORE CHILDREN UNDER AGE 6						
ALTERNATIVE TWO:		-0.1	-1.5	-1.5	-1.6	-4.7
7% – IF ONE OR MORE CHILDREN UNDER AGE 6						
ALTERNATIVE THREE:		-0.2	-1.7	-1.7	-1.8	-5.3
7% – ONE CHILD UNDER AGE 6						
10% – TWO OR MORE CHILDREN UNDER AGE 6						
ALTERNATIVE FOUR:						
14% – IF ONE OR MORE CHILDREN UNDER AGE 6		-0.3	-2.9	-3.0	-3.1	-9.3

DEPARTMENT OF THE TREASURY
OFFICE OF TAX ANALYSIS

OCTOBER 22, 1989

DESCRIPTIONS TO ACCOMPANY OPTION MENU 2:

ALTERNATIVE PROPOSALS TO ADD YOUNG CHILD SUPPLEMENT TO EITC

Current Law: The earned income tax credit is described in the materials accompanying option menu 1. Under current law, the EITC does not contain a supplemental credit for families with young children.

Ways and Means: If a taxpayer is eligible for the EITC and has children under the age of six, the proposal would provide a supplemental credit. The proposal would be effective for taxable years beginning after December 31, 1990. The supplemental young child credit would be calculated as 6 percent of the first $6,500 of earned income (as adjusted for inflation). Thus, the maximum young child credit is projected to be $427 in 1991. The credit would be phased out at a rate of 4.25 percent of adjusted gross income (or earned income, if greater) in excess of $10,240 (as adjusted for inflation).

Alternative 1: The supplemental young child credit would vary with the number of children under the age of six.

Number of children under 6	Credit Percentage	Phaseout Percentage	Projected Maximum Credit
1	6 percent	4.25 percent	$427
2	9 percent	6.25 percent	$640

Alternative 2: The supplemental young child credit percentage rate would be equal to 7 percent but would not vary with the number of children under age six.

Number of children under 6	Credit Percentage	Phaseout Percentage	Projected Maximum Credit
1 or more	7 percent	5 percent	$500

Alternative 3: The supplemental young child credit would vary with the number of children under the age of six.

Number of children under 6	Credit Percentage	Phaseout Percentage	Projected Maximum Credit
1	7 percent	5 percent	$500
2	10 percent	7 percent	$710

Alternative 4: The supplemental young child credit percentage rate would be equal to 14 percent but would not vary with the number of children under age six.

Number of children under 6	Credit Percentage	Phaseout Percentage	Projected Maximum Credit
1 or more	14 percent	10 percent	$1,000

Office of Tax Analysis
October 22, 1989

EXEMPTION FROM STATE CHILD-CARE REGULATION, 1986

	Church-Run	College or University	Hospital	"Drop-In" Centers	Family Day Care Homes: Unsubsidized	Family Day Care Homes: Minimum No. of Children for Regulation
Alabama	o	o		o		
Alaska						4
Arizona					o	
Arkansas						6
California			o			
Colorado				o		
Connecticut				o		
Delaware			o			
Dist. of Columbia						
Florida	o					
Georgia	o					3
Hawaii						3
Idaho					o	
Illinois	o	o		o		4
Indiana	o			o		5
Iowa					Voluntary Regulation	
Kansas						
Kentucky						4
Louisiana					No Regulation	
Maine				o		3

	Church-Run	College or University	Hospital	"Drop-In" Centers	Family Day Care Homes: Unsubsidized	Family Day Care Homes: Minimum No. of Children for Regulation
Maryland	o					
Massachusetts						
Michigan						
Minnesota						
Mississippi	o					6
Missouri	o					5
Montana						
Nebraska						4
Nevada						5
New Hampshire		o		o		3
New Jersey	o				Voluntary Regulation	Voluntary Regulation
New Mexico						5
New York						3
North Carolina	o					
North Dakota	o			o		6
Ohio					o	
Oklahoma			o			
Oregon					o	
Pennsylvania						4
Rhode Island						4
South Carolina	o					7*
South Dakota					o*	
Tennessee					o	5
Texas				o		
Utah		o				4

	Church-Run	College or University	Hospital	"Drop-In" Centers	Family Day Care Homes: Unsubsidized	Family Day Care Homes: Minimum No. of Children for Regulation
Vermont						
Virginia	o		o			6
Washington			o	o		
West Virginia						7
Wisconsin					o	
Wyoming						3
No. of States with Specific Exemption	13	4	5	10	7	24

Source: Survey by Work/Family Directions, Tables 1b and 2.

*If fewer than 7 children, regulation is only if provider is subsidized.

THRESHOLD NUMBER OF CHILDREN FOR STATE REGULATION OF FAMILY DAY CARE HOMES, 1986

	Threshold Number of Children	Number of States
	3	6
	4	7
	5	5
	6	4
	7	2
Total		24

NATIONAL GOVERNORS' ASSOCIATION

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Governor of Iowa
Chairman

Booth Gardner
Governor of Washington
Vice Chairman

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October 26, 1989

NATIONAL GOVERNORS' ASSOCIATION

POSITIONS FOR CONFERENCE ON CHILD CARE LEGISLATION

1. **TRAINING**

<u>H.R.3/Ways and Means</u>: Title III, Section 658F(b) mandates that, within two years of enactment, states require all licensed and regulated child care providers that receive public financial assistance to complete annually at least 15 hours of training. The Ways and Means bill, Section 2012(d), contains the mandate but calls for an average of 15 hours to be completed annually.

<u>S.5</u>: Section 113(a) requires that states establish a minimum annual training requirement for all licensed and regulated workers and within 3 years ensure that all licensed and regulated child care providers complete the requirement each year.

<u>NGA POSITION</u>: Accept the Senate language which allows states the flexibility to design training requirements that reflect each states' economic resources and allows states to build upon their current training requirements. (for more details, refer to appendix A on training)

2. **INSPECTIONS**

<u>H.R.3/Ways and Means</u>: Title IV, Section 659E(c)(4)(C) mandates that states inspect annually 25% of all licensed and regulated family day care providers.

<u>S.5</u>: Section 107(c)(12)(C)(ii) requires states to make periodic, unannounced inspections of all licensed or regulated family and group home child care providers.

<u>NGA POSITION</u>: Accept the Senate language that requires states to make periodic inspections of family and group home child care providers. States need to increase or implement inspections of these providers at a pace that reflects their overall resources for child care.

3. LOCAL COUNCILS

H.R.3/Ways and Means: Title IV, Section 659F mandates that local governments establish local child development councils to perform an assessment of child care resources and needs in the local area and the effectiveness of current programs in meeting these needs. The bill specifies the membership of these councils and mandates that the state provide funds to the councils to undertake the needs assessments.

S.5: Section 106(c)(8) and 106(d) require that the lead agency establish several local councils that collectively represent the entire geographical area in the state. The lead agency shall provide funds or administrative support as the State determines necessary.

NGA POSITION: NGA opposes the local council requirement in H.R. 3 because it could result in hundreds of local councils in each state which could absorb substantial state funds that are needed for more critical child care needs. States should have the discretion to designate local or regional councils and provide them with funds and administrative support services, as they determine necessary.

A state may designate as a local child care council, an existing local human service advisory group, whose membership is generally representative of the child care community. This will assist in averting the costly and unnecessary creation of new bureaucratic structures since the current language in both the House and Senate bills fails to utilize existing local and regional advisory committees.

4. MANDATED QUALITY ACTIVITIES

H.R.3/Ways and Means: Title IV, 659E(c) mandates a number of activities to be undertaken over specific periods of time, such as funding resource and referral agencies, increasing salaries of child care workers, training of child care workers and inspection of providers. Additionally the bill prescribes the manner, in intricate detail, in which these activities are to be accomplished such as proportional distribution of training and salary funds among different types of child care workers. .

S.5: Section 107(c)(5) requires states to undertake a number of activities in each fiscal year to improve the quality of child care. These activities include funding resource and referral programs, improving licensing and regulations, training child care workers, increasing worker salaries and funding local libraries for special children's programs. A special rule suggests that priority be given to certain of these activities.

NGA POSITION: Activities listed to improve quality and supply should be made eligible rather than mandatory activities. This will enable states to target their limited resources on their most critical child care needs and implement these activities in the most cost-effective and creative way. Currently, under both the House and Senate bills, states are only permitted to use a limited amount of their grant allocation on these activities. Therefore, the funds will be spread so thinly among the mandated activities that states will not be able to make any significant improvements in any one area.

5. DATA COLLECTION

H.R.3: Title IV, 659E(c)(5) contains extensive and costly state data collection requirements including specific demographic characteristics of children in child care and onerous requirements for data on child care workers' salaries.

Ways and Means: Section 2014(c)(2)(A)(B) contains data collection requirements, including the average family income status of individuals being served and if recipients receive other forms of public assistance.

S.5: Section 107(c)(13), requires states to collect data in areas similar to those specified in H.R. 3 but does not include the requirement for data on child care workers' salaries.

NGA POSITION: Streamline data collection provisions to include the following:

how the child care needs of families in the State are being fulfilled, including information on--

the number of children being assisted with funds provided under this subchapter, and other State and Federal child care programs;

the type and number of licensed and regulated child care programs, child care providers, and caregivers located in the State; and

the average cost of child care services; and

the extent to which the availability of licensed and regulated child care has been increased.

Clarify that the data would be collected every four years (same cycle as state plan in House bill) and allow survey sampling to be used in the collection of the data.

6. ADMINISTRATIVE FUNDS

H.R.3: Title III, Section 658C(c)(2)(E) limits state administrative dollars to 2% of a state's Title III allocation.

Ways and Means: Section 2012(b)(1)(B) permits states to use up to 20% of the Title XX child care setaside for administration, training of child care workers and standards enforcement.

S.5: Section 107(c)(1)(F) permits states to use up to 8% of their allotment for administration.

NGA POSITION: Set the administrative allowance at 10%. A 10% administrative allowance is necessary to enable states to do program planning and contract management effectively.

7. STANDARDS IMPROVEMENT INCENTIVE GRANT PROGRAM

H.R.3: Does not include a standards improvement incentive grant program.

Ways and Means: Title VI, establishes and authorizes funds for a child care standards improvement incentive grant program. It would begin in October 1, 1989.

S.5: Section 119, establishes and authorizes a setaside of funds from the grant program's total appropriation to fund a child care standards improvement incentive grant program. It would begin three years after the date of the bill's enactment.

NGA Position: Include a standards improvement incentive grant program. This program will assist states in improving the quality of their child care programs. Include the Senate language on the funding setaside.

8. REIMBURSEMENTS

H.R.3: Title III, 658C(c)(5) requires that the state provide reimbursements at not less than the fair market rate for such services in the geographical area in the state and that the rate reflect the additional cost to a provider of special services or a provider serving special populations of children with a higher rate of reimbursement (including children of adolescent parents, children with disabilities and children below age 3).

Ways and Means: Section 2012(e) requires that states reimburse child care expenses at market rates, with higher reimbursements for comprehensive programs for children of adolescent parents, children with disabilities and infants and toddlers.

S.5: Section 107(a)(8) requires that states reimburse providers at the same rate charged by providers in the state or substate area of comparable services for children of comparable ages and special needs who are not eligible for assistance under the Act or any other Federal or State program.

NGA POSITION: Allow states to set reimbursements at levels up to the market rate within a state or substate region. States may set higher rates for comprehensive services for children of adolescent parents, children with disabilities and infants and toddlers.

States need the flexibility to set rates consistent with the new requirements under the Family Support Act and other existing programs. Without this flexibility, a new reimbursement requirement will add yet another tier and make it extremely difficult for states to integrate and coordinate their child care programs.

9. **CERTIFICATES**

H.R.3: Title III, Section 658D allows states to provide child care services by contracts or grants. It does not allow states to use certificates.

Ways and Means: No provision.

S.5: Section 108(a)(2) and (4) allows states to provide child care services by contracts, grants and certificates. Certificates may only be used by a state if a resource and referral program that meets the bill's requirements is available to help parents locate child care services. States must provide parents with the option of using a child care provider that receives a grant or contract or receiving a child care certificate.

NGA POSITION: States should be allowed to provide child care services by contracts or grants to providers and by distributing certificates to parents. Exclude the mandate that states provide every eligible parent with the option of certificates as few states have statewide certificate programs in place.

Note: The NGA does not have a position on the provisions related to religious based child care.

10. **STATE STANDARDS REDUCTION**

H.R.3: Title III, Section 658C(c)(2)(D) prohibits states from reducing the categories of child care providers licensed or regulated by the State after the date of the bill's enactment. States are also prohibited from reducing the level of child care standards even if the standards exceed the model standards established under the Act, unless the state demonstrates to the Secretary's satisfaction that the reduction is based on a positive developmental practice.

Ways and Means: Section 2012(b), as in H.R. 3, prohibits states from reducing the categories of child care providers. States may not reduce the level of child care standards unless the state demonstrates to the Secretary's satisfaction that the reduction is based on a positive developmental practice or is necessary to increase access to and availability of child care providers, and will not jeopardize the health and safety of children.

S.5: Section 107(c)(D) prohibits states from reducing the categories of child care providers licensed or regulated after the date of the bill's enactment and prohibits the state from reducing the level of standards applicable to child care services unless the State, with the concurrence of the State advisory committee, demonstrates to the Secretary's satisfaction that the reduction is necessary to increase access to and availability of eligible child care providers and will not jeopardize the health and safety of children.

NGA POSITION: Adopt the Ways and Means language. Add provision to allow states to reduce the categories of care if they can obtain the Secretary's approval based on the same criteria for reducing state standards.

NGA Staff Contact: Wendy Chris Adler, (202) 624-7819

APPENDIX A

NATIONAL GOVERNORS' ASSOCIATION
POSITION ON
TRAINING MANDATE IN HOUSE CHILD CARE BILLS

While the Governors support and encourage the development of training programs, they do not support a training mandate as included in the Hawkins and Downey/Miller child care proposals.

The Hawkins bill mandates, as a condition of funding, that all licensed and regulated child care workers who receive public funds complete 15 hours of training annually.

The Downey/Miller bill mandates, as a condition of funding, that all licensed and regulated child care workers who receive public funds complete an average of 15 hours of training.

States must ensure compliance with these training mandates in order to continue to receive funding under the provisions of either proposal.

- The training mandate does not allow states to build upon their existing training systems.

  The 15 hour training requirement is imposed uniformly and without exception. Those states that already have training requirements set different requirements according to the staff position of the worker (ie. center director versus teacher assistant) and whether the individual is working in a center or family day care home.

- The training mandate may force states to train workers that have already received training.

  The training mandate does not allow a child care worker's credentials such as one who has already received advanced training, such as a college degree in childhood development, to count towards the training requirement. This restriction will not lead to the most cost-effective use of scarce resources.

An increasing number of states have been instituting training requirements but they have done so in a manner that meets the goal of improving quality but without being too onerous that they discourage centers and family day care homes from being licensed.

The Governors recognize the importance of training as a factor in determining quality child care and are instituting practices that reflect this. Rather than establish a federal mandate, the Governors believe it is more appropriate to give each state the opportunity to set a training requirement that meets the individual circumstances and needs of each state.

The training mandate is just one of the Governors' concerns with the Downey/Miller and Hawkins' versions of H.R. 3. For more information, contact Wendy Adler, National Governors' Association, (202)624-7819.

The National Conference of State Legislatures share the Governors' concerns.

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Memo	From Frederick McClure to Nick Calio Re: Child Care "Voucher" Issue (4 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) [3]

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

Date Closed:	12/17/2004	**OA/ID Number:**	29143-001
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]
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(b)(9) Release would disclose geological or geophysical information

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: NICK CALIO NEC
JACK HOWARD JH

THROUGH: FRED MCCLURE Fm

SUBJECT: CHILD CARE "VOUCHER" ISSUE

These are the parameters of the debate surrounding the religious issue in the use of federal funds in providing child care.

HAWKINS: Explicitly Prohibited

H.R. 3 prohibits federal funds from going to religiously affiliated child care providers. The argument is that it is a violation of the Constitutional wall between church and state. This prohibition has been the principal reason why the ABC bill stalled for the last several years.

If H.R. 3 is brought to the floor as a separate vehicle, it is likely that an amendment will be offered which purports to fix the religious problem. The exact language of such an amendment is unclear; however, it will probably be modeled after a Ford-Durenberger amendment passed by the Senate which permits ABC-funded certificates to be used for child care that includes religious instruction or worship. This language flies in the face of so many Supreme Court decisions that it would likely be struck down. It is extremely unlikely that any language could be crafted that would meet the Constitutional test.

DOWNEY-MILLER: No Mention

The Downey/Miller bill is silent on the religious issue. They argue that by sending the money through the Title XX Social Services block grant you avoid the issue because federal funds already flow to religious institutions.

STENHOLM-SHAW: "Sense of the Congress"

Stenholm-Shaw includes "Sense of the Congress" language stating that:

> "...as is the case with current law, and unless prohibited by State law or regulation, any parent who receives funds under this section in the form of vouchers may use such vouchers with any eligible child care provider that has sectarian activities as part of a program of child care if such provider is chosen by the parent, and that if parents have freely chosen sectarian child care from among the available alternatives, such parents may use vouchers for

> <u>such purpose without violating the constitutional prohibition on establishment of religion."</u>

Sense of Congress language has no legal force; it is strictly a statement of principle. Even so, conservatives were satisfied with the Stenholm/Shaw formulation.

<u>DOMENICI: Mandatory Vouchers</u>

During Senate consideration, an amendment offered by Senator Domenici provided that parents receiving ABC funds or certificates were entitled to a choice in the type of care that their children received. The exact wording of the language is:

> "...each State that receives assistance...shall provide each parent of an eligible child who receives, or whose eligible child is cared for by a child care provider that receives assistance under this Act with the option of--
>
> (A) enrolling such child with an eligible child care provider that receives assistance through grants or contracts...or;
>
> (B) receiving a child care certificate..."

The Domenici language is a <u>mandate</u> on the States. Although the Republican conservatives would support such a mandate, we believe that Representative Downey could not, even if we willing to do so, sell it to the liberals in the Democratic Caucus.

A fallback would be to make the Domenici language optional by changing "shall" to "may." From the conservatives standpoint, that would still be stronger than the silence option (Downey) and the Sense of the Congress option (Stenholm).

Optional language would also be consistent with our position against imposing standards on states.

It is significant that everyone assumed that Downey would insist on his position of maintaining silence on the religious issue. However, after Thursday's meeting with you, Representative Shaw went straight to Downey's office and pitched the optional approach. To the surprise of everyone, Downey said he could support that approach. In addition to allowing an Administration/Downey package to include permissive language letting states use vouchers, he would also support a rule making in order an amendment which would mandate that vouchers be used. (He would not support the amendment itself, however.)

Whether Representative George Miller and Downey's other allies will concur with his concession is still open to serious question.

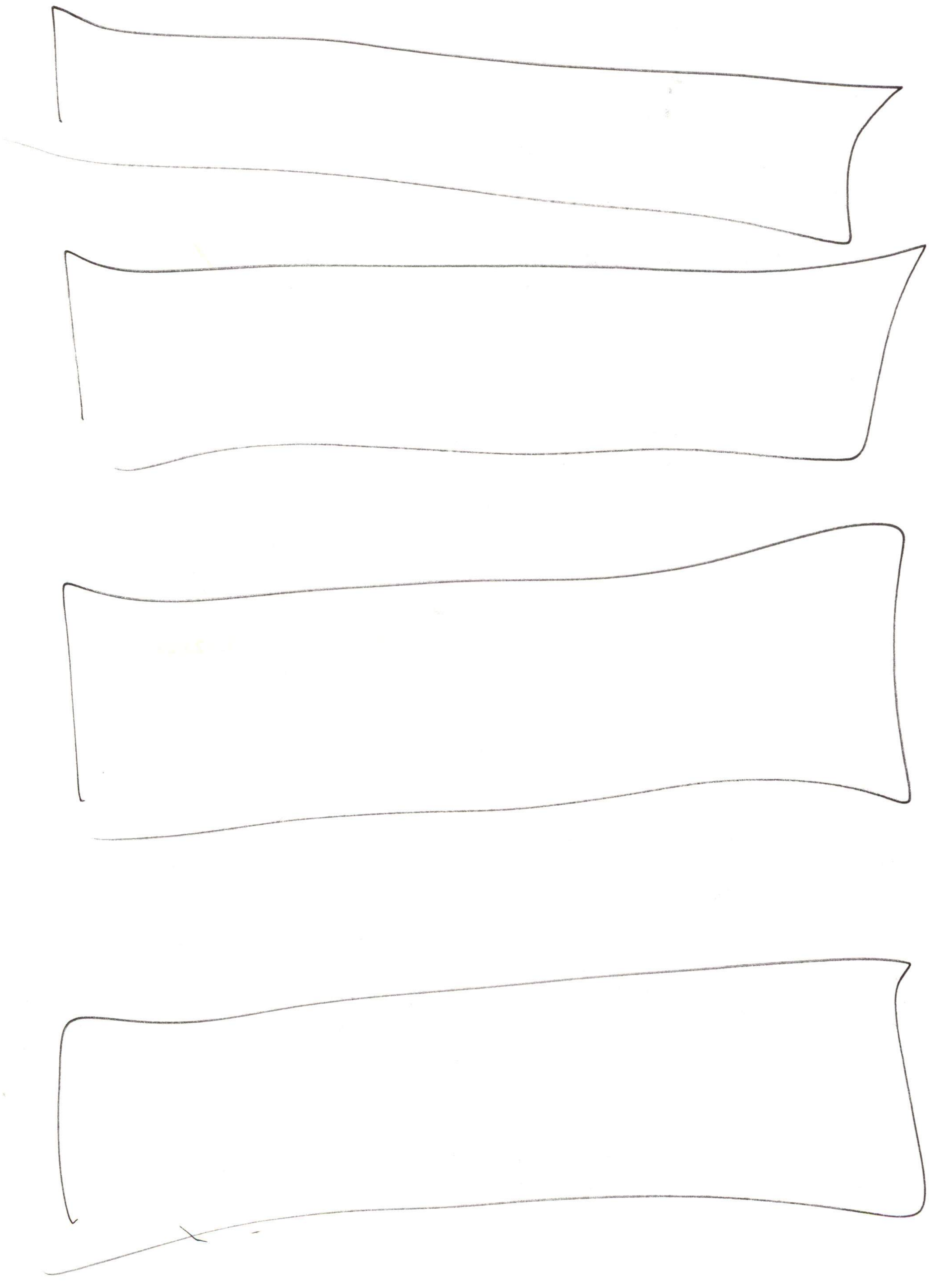
OTHER RELIGIOUS PROBLEMS

There are other religious problems sprinkled throughout other aspects of the bill, such as the Head Start component and Title II and IV of H.R. 3. All the problems revolve around whether federal funds can go to sectarian child care providers.

However, if we deal with those components independent of the child care bill, which seems to be the position that is emerging, those problems can be handled on a separate track. As long as the Title XX block grant allows funds to go to religious institutions, the religious problems in other sections of H.R. 3 will not be a concern that needs to be addressed now.

CONCLUSION

In our view, getting a concession from Downey to support permissive voucher or certificate language is a major victory. Conservatives should be satisfied. Even if they are not, they should be happy with a separate vote to strengthen that language. They all voted for the Stenholm/Shaw substitute which only had non-binding Sense of the Congress language. Anything stronger than that is a coup.



Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. List	Child Care Proposal and Alternatives (3 pp.)	2/22/90	~~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) [3]

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By Jf (NLGB) on 10/28/05

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Approved & Reviewed for Circulation by Chmn Ford / Downey

(WAYS & MEANS MAJORITY)

2/22/90

CHILD CARE PROPOSAL

(5 years, in millions)

	PROPOSAL	ORIG. W & M	ORIG. E & L
Title I -- Head Start			
No changes in Ed & Labor proposal.	1.9	2.6	1.9
Title II -- School-Based Child Care			
No changes in Ed & Labor proposal.	1.9	2.6	1.9
Title III -- Title XX and EITC			
Ways and Means Title XX proposal with modified standards, fewer Federal requirements and silence on church-State.	1.75	1.75	2.6
EITC as proposed by Ways and Means.	13.5	13.5	--
Title IV -- Coordination and Infrastructure			
Authorize incentive grants to States for training, enforcement, encouraging State tax incentives that promote business-sponsored child care, and other activities at State option. Fewer requirements, more State flexibility than H.R. 3. Delete committees and advisory councils. Dollars reduced to $.9 billion for three years.	.9	2.2	1.1
Title V -- Business Involvement			
Delete separate authority but include as part of Title IV.	--	.1	.1
Title VI -- Incentive Grants for Improving Standards			
Delete separate authority but permit as part of Title IV.	--	.4	--
Total (BA/EA)	19.95	23.2	7.6
Direct Spending	15.25	15.25	--

Shaw - love to add lunatic, if not add custer

Identical EITC
In Title XX - modify stds / drop some
Bulk of stds / reqs appear in Title IV

Adv. Com's, etc - W&M proposes something very different of W&M & E&L. Replace w/ incentive grants; wouldn't have to take. Added would have to go in 3 areas at least, training, enforcement.

Deleted because items like these would be on laundry list in Title IV

Versus original $23.

- Are they missing any hot buttons

Child Care Alternative 3/1/90

(PREPARED BY REP. STAFF/SHAW)

(5 years, in $ billions)

	ALTERNATIVE	PROPOSAL	ORIG. W & M	ORIG. E & L
Title I — **Head Start** (HAWKINS)				
Strike	0	1.9	2.6	1.9
Title II — **School-Based Child Care**				
Strike (but see Title III below)	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.	1.75 13.5	1.75 13.5	1.75 13.5	2.6 -
Proposal: Add three provisions: 1. Stenholm/Shaw or similar language stating sense of Congress that vouchers may be used to purchase religious care; this language would be part of the bill brought to the floor; 2. Assurances that an amendment would be made in order requiring states to offer vouchers to parents. 3. Add langauge encouraging states to use Title XX money for before- and after-school care. Full Basis				
Title IV — **Coordination and Infrastructure**				
Strike	0	.9	2.2	1.1
Proposal. Add this grant to Title XX as a separate grant with a designated sum of money; use the general approach outlined in proposal of 2/22/90.	Encourages use of resource Enforcement Training Optional			
Titles V & VI — **Business and Incentive Grants**				
Agree to strike and include portions elsewhere.	-	-	.5	.1
New Title IV — **Tax Provisions**				
Proposal. Reduce Dependent Care Tax Credit and Section 129 between $70,000 and $90,000; cap at $90,000.	(1.1)	-	-	-
Clarification of linkage between telephone excise tax extension and child care.				
Total (BAS/EA)	14.15	19.95	23.2	7.6
Direct Spending	14.15	15.25	15.25	-

Child Care Alternatives

Downey Offer	Possible counter
Title I - Head Start	
Keep Ed&Labor provisions for full day, year round programs.	Administration bill or simple reauthorization at President's request.
Title II - School-Based Child Care	
(1) Delete OR (2) Before/after school only; cut funds in half from last offer, down to $1 billion; allow parents to use equivalent assistance in non-school facilities.	Explictly state school-based care is an allowable purpose under Title XX.
Title III - Title XX and EITC	
"Some" scaling back from the standards Downey proposed last year for Title XX grants; $1.75 billion additional over five years.	<u>No</u> standards language that imposes a requirement on the states.
EITC same as Downey's proposal last year; $13.5 billion over five years.	No change.
Title IV - Coordination and Infrastructure	
Add $300 million to Title XX for each of three years to be available to states for increased enforcement.	Additional funds, as long as within overall fiscal envelope, to be used in accordance with state-devised child care improvement plans.

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03. Memo	From Hanns Kuttner to John Sununu Child Care Questions (3 pp.)	2/9/90	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) [3]

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

Date Closed: 12/17/2004	**OA/ID Number:** 29143-001
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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February 9, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: LARRY LINDSEY
HANNS KUTTNER

SUBJECT: Child Care Questions

At yesterday's meeting with Republican Congressmen in your office, a number of questions emerged about current child care policies. This memorandum addresses those questions.

1. <u>All states have some form of regulation for child care centers.</u>

The scope and stringency of these regulations varies greatly across the states. Using the requirements in the Downey bill as a model, we found that 11 states have regulations which are clearly consistent with his requirements: Alabama, Alaska, Arkansas, Illinois, Maine, Montana, Nebraska, Nevada, North Carolina, Oklahoma, and Wisconsin.

Five states do not come close to meeting the Downey model of regulation: Hawaii, Idaho, Mississippi, South Carolina, and Vermont. The remaining states fall into the "partial compliance" category. Our survey also indicated that New Hampshire was roughly in the middle in the scope and stringency of its child care regulations.

2. <u>The "Double Dipping" problem affects a relatively small percentage of all families receiving the EITC and the DCTC.</u>

In 1985 and 1986, the last year for which we have detailed data, about 620,000 families claimed both the Earned Income Tax Credit (EITC) and the Dependent Care Tax Credit (DCTC). This figure represents about 7 percent of the roughly 9 million recipients of the Child Care Credit and about 13 percent of the 4.7 million recipients of the Earned Income Tax Credit. It is important to note that <u>double dipping exists under current tax law.</u> An expansion of the EITC in the manner now being considered will not increase the number of double dippers.

In 1986, the combined credit from both the EITC and the DCTC going to "double dippers" amounted to $350 million in these years. This compares with $1.8 billion of Earned Income Tax Credit and $3.4 billion of Dependent Care Tax Credit going to all taxpayers. Thus the "double dipper" portion of the combined credit is less than 7 percent. The EITC was increased beginning in 1987, so total dollars involved have increased since.

3. <u>If there is a grant, unfettered parental choice is the safest route.</u>

The Domenici amendment in the Senate bill leaves the choice of the facility to the parent:

> "Each state that receives assistance under this Act shall provide each parent of an eligible child who receives, or whose eligible child is cared for by a child care provider that receives, assistance under this Act with the option of
>
> (A) enrolling such child with an eligible child care provider that receives assistance through grants or contracts...or
>
> (B) receiving a child care certificate as provided in paragraph (1)(C)

This is sufficiently arms length to pass constitutional muster. It also guarantees the parent the choice of care in a state approved and aided facility or receiving a voucher which she can use anywhere.

The next safest route is silence. The current federal day care program, Title XX, is silent on the religious issue, thus leaving the issue to how the several states choose to administer their program. While not guaranteeing participation by religious facilities, this language neither precludes it nor invites a court test at the federal level. We are currently conducting a survey of the 50 states to see how many use vouchers and how many of those let church based facilities participate.

A more risky alternative is affirmative language in a federal statute such as explicit language allowing use of vouchers in facilities which provide religious instruction. This has two risks. The first is the implication that without this language (which is new to federal law) such use is not permitted unless explicitly stated. The second risk is an open invitation to court challenge. The U.S. Catholic Conference has grave doubts about the prudence of this last course of action, not wanting to risk spillover into education issues.

4. <u>We estimate that a child care bill consistent with the cost parameters you provided could give a maximum credit of about $500 to a young child (under 6) and $250 to an early school age child (6-12).</u>

We took as a target a 5 year program costing $15.1 billion with $400 million per year ($2 billion over the life of the program) funding a grant program. This left us with an average of $2.6 billion per year for an EITC. We apportioned this at $2.3 billion for 1991, $2.4 for 1992, $2.6 for 1993, $2.8 for

1994 and $3.0 for 1995. This cost escalation will allow the credit parameters -- maximum credit and income over which the credit is received -- to rise with personal income.

In 1991, the present Earned Income Tax Credit provides a tax reduction or payment equal to 14 percent of the first $7030 of earned income. This provides a maximum credit of $984. The credit is reduced by $1 for every $10 of income between $11,090 and $20,900.

The proposed addition to the EITC would be 7 percent of the first $7030 of income for young children and 3.5 percent of the first $7030 of income for children aged 6 to 12. The phase out ranges would be increased by 50 cents per $10 of income for young children and 25 cents per $10 of income for school-aged children in order to stay in conformity with the present EITC.

5. Raising the income thresholds for this young child supplement increases the budgetary cost by about $0.5 billion for every $2000 rise in the threshold.

For example, the present threshold for the EITC is $20,900, with a phaseout range beginning roughly $10,000 lower, at $11,090. The additional 7 percent and 3.5 percent credits for young and school aged children cost $2.34 billion. Raising these parameters to $13,000 (for the beginning of the phaseout) and $23,000 (for the maximum income covered by the credit) would increase the cost of the additional credits to $2.85 billion. Note that this does not include the cost of expanding the basic EITC, which would be cut off at the existing income thresholds. (Raising the EITC thresholds would raise the cost of the program to $1.3 billion.)

The table presents the cost of the additional 7 percent and 3.5 percent supplements at different phaseout ranges:

Phaseout	Budgetary Cost
$11,000 - $21,000	$2.34 billion
$13,000 - $23,000	$2.85 billion
$15,000 - $25,000	$3.37 billion
$17,000 - $27,000	$3.89 billion
$19,000 - $29,000	$4.42 billion
$21,000 - $31,000	$4.93 billion
$23,000 - $33,000	$5.44 billion
$25,000 - $35,000	$5.95 billion

(Note: These estimates are calculated by OPD and do not represent official Treasury estimates.)

If you have any further questions, please do not hesitate to ask.