Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01a. Memo	From Tom Scully to John Sununu Re: Child Care (2 pp.)	6/12/90	~~P-6~~	

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: 1990 Child Care (2 of 2) [4]

Open on Expiration of PRA
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By SP (NLGB) on 10/28/05

Date Closed:	12/17/2004	**OA/ID Number:**	29143-007
FOIA/SYS Case #:	1998-0004-F[1]	**Appeal Case #:**	
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RESTRICTION CODES

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

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SII

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

June 12, 1990

MEMORANDUM FOR GOVERNOR SUNUNU
DIRECTOR DARMAN

FROM: Tom Scully
Associate Director, HRVL

SUBJECT: Child Care

The Labor Committee Republican conferees are getting antsy again and -- like last year -- are edging toward selling us out in a conference deal. They need to have two simple messages reinforced tomorrow:

- We are in no hurry to see a child care bill, and they should keep their feet firmly on the brake pending the outcome of a budget summit that pays for child care.

- The President will veto a bill if it includes categorical grants of the type in ABC and HR 3; if it includes unacceptable language constraining the use of vouchers for sectarian care; or if it includes any restrictive federally mandated standards.

Overview of Conference Action to Date: Action this year is similar to last year's reconciliation action on child care.

- Labor conferees are moving rapidly to come to agreement: Kennedy, Dodd, Hatch and Hawkins have outlined the basic framework of an agreement, and there is talk of their trying to finish within the next two weeks. (The substance of this agreement is reflected in the attached side-by-side.)

  Other Republicans in the Senate have been involved in some of the negotiations, but Hatch clearly is the driving force. The House Republicans on the Labor Committee to a large extent have been cut out, as have the three Ways and Means representatives who are conferees on the ABC grant in the Senate bill.

- Tax conferees are moving more slowly. There is no agreement on the major tax provisions. Each House has offered the other essentially their own bill -- the ball is now in the Senate's court.

  The conferees have reached a tentative agreement to extend and expand funding for a child care standards program included in the Family Support Act, information on which is included in the attached side-by-side.

Members'1 Agenda for the Meeting: The meeting was requested by Rep. Goodling on behalf of House Labor Committee Republicans to:

- Rein in Hatch so that he cannot say, as he did last year, that his views are acceptable to the Administration.
- Get a clearer view of the Administration's position.
- Get guidance from the Administration on how to respond to Hawkins, who has indicated that if they want to be "players" they should come up with a proposal for resolving differences.
- Express their view that a "go slow" strategy may not be the best way to go because the President may be faced with vetoing a bill close to the election.

We need to send them a clear veto signal (again). Tauke, and others, still do not believe that we will veto the bill. They are leaning toward signing onto a deal with Hawkins.

Information on Key Issues: The attached side-by-side describes and provides information on the current status of, and Administration position on, grant provisions in the House and Senate bills (Attachment 1). Detail on key issues that is not reflected in the side-by-side is provided in Attachment 2.

Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01b. chart	Child Care Grant Provisions (2 pp.)	6/12/90	P/5	

Collection:

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June 12, 1990
(L401-CCGRANT)

Attachment 1

CHILD CARE GRANT PROVISIONS*

HOUSE	SENATE	CURRENT STATUS	ADMINISTRATION POSITION
Overview of Grant Provisions			
Six separate grant provisions estimated to cost $8.8 billion over 5 years. ($2.6 billion is direct spending under Title XX; remaining $6.2 billion is for authorizations.)	"ABC" grant authorizations estimated to cost $8.2 billion over 5 years. ABC grant language specifies various percentages of total grant to be spent on certain mandatory and optional categories of activity. Bill also includes a separate $100 million 1 year authorization for grants to States for child care risk retention pools, estimated to cost $100 million over 5 years.		
Title I (Head Start)			
New grant within Head Start to: • Expand Head Start eligibility to nonpoor children. • Provide child care for poor and nonpoor Head Start children so programs can be full day, full year. Estimated cost is $2.8 billion over 5 years.	No parallel title. [There is a supplemental 90 Head Start authorization, now moot.] States are required to spend set percentage of their ABC grants to extend hours of children's programs, including Head Start. Cost is part of $8.2 billion 5 year estimated cost of ABC grants.	Tentative Kennedy, Dodd, Hatch, Hawkins (KDHH) agreement to fund Title I of House bill. No discussion yet of details.	Title I of House bill has been a veto item. • Separate Head Start reauthorization bill is moving. Has passed House. • New grant distorts Head Start program. • Other child care funds available for Head Start children, e.g., JOBS. Administration will accept child care block grant that permits funding of child care for Head Start children.
Title II (School-Based)			
New grant in Chapter 1 ESEA to fund: • Before and after school child care. • Early childhood education programs. Estimated cost is $1.8 billion over 5 years.	No parallel title. States specifically permitted to use ABC grant funds for before and after school child care. Cost is part of $8.2 billion 5 year estimated cost of ABC grants.	Tentative KDHH agreement to fund Title II of House bill. "Deal" is to allow Hawkins to make changes to Title II, rolling-back last year's reconciliation compromise, in exchange for his pushing for ABC. Substantial differences remain on details of Title II. ° Hawkins wants school systems, to whom funds go, to be presumptive providers of care. ° Hatch wants parents to have more choice.	Title II of House bill has been a veto item. • All funds are provided to State and local education agencies under Chapter 1 rules, precluding sectarian care. ° Any "choice" mechanism conferees might adopt will not allow sectarian care. • Early childhood education program in DoEd would serve many of the same purposes as HHS' Head Start. Would compete with Head Start for funding, staff, facilities, etc. at local level.

*Excludes tax provisions and authorization for a child health demonstration associated with Bentsen Health Insurance Credit. Cost estimates are Administration estimates of outlays.

HOUSE	SENATE	CURRENT STATUS	ADMINISTRATION POSITION
Title III (Title XX)			
Earmarked expansion in Title XX for child care services and "infrastructure," with standards similar to ABC's. Estimated cost is $2.6 billion over 5 years.	"ABC" grants are rough counterpart to House's Title III. Estimated cost is $8.2 billion over 5 years.	Title XX and ABC grants being dealt with in two separate subconferences. KDHH deal is to adopt ABC grants. No discussion of details. Bentsen opposes "junking up" Title XX. Reportedly has agreed with Dodd-Mitchell to stall in conference on Title XX so Labor Committee gets jurisdiction on child care grant. May result in straight, unearmarked increase in Title XX. Finance has offered, and Ways and Means has accepted, a provision to extend a grant in the Family Support Act that provides funds to States to improve their licensing and registration requirements and to monitor care provided to AFDC children. Authorization is $50m a year for FYs 92-95.	May accept child care block grant in Labor or Tax jurisdiction so long as it: ° Requires States to provide certificates (vouchers) to parents to allow them to freely choose sectarian and informal care. ° Does not include Federal standards, Federal requirements for State standard-setting, or Federal "model" standards. ° Does not exceed 20% of total child care spending (tax credits must be 80%+).
Title IV (Quality Improvement)			
New separate grant to States for mandatory and optional "infrastructure" activities. Estimated cost is $1.2 billion over 5 years.	States must spend specified percentages of ABC grants to improve quality and supply of child care. Cost is part of $8.2 billion 5 year estimated cost of ABC grants.	Deal to adopt ABC may mean there will be no separate grant as in House bill, but not yet discussed.	Same as above.
Title V (Business Involvement)			
Separate $25m a year grant to businesses to expand child care. Estimated cost is $103 million over 5 years.	ABC grants can be used for public-private partnerships to expand care, including business-based care. Cost is part of $8.2 billion 5 year estimated cost of ABC grants.	Deal to adopt ABC may mean there will be no separate grant as in House bill, but not yet discussed.	Make allowable activity under block grant.
Title VI (State Standards Improvement Grant)			
Separate competitive grant to States to improve standards. Estimated cost is $310 million over 5 years.	Off the top set-aside of ABC grant authorization for competitive grants for standards improvement. Costs is part of $8.2 billion 5 year estimated costs of ABC grants.	Deal to adopt ABC may mean there will be no separate grant as in House bill, but not yet discussed.	Make allowable activity under block grant.

Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01c. Paper	Substantive Detail on Key Issues (3 pp.)	n.d.	~~P-5~~	

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Attachment 2

Substantive Detail On Key Issues

Much of the debate on child care has centered on grants to States for child care services (the ABC grants in the Senate bill and the new Title XX grants earmarked for child care in the House bill.) The issues discussed below are pertain to provisions in these grants.

"Jeffords Amendment": Language included in both the House and Senate bills provides that, "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." Senator Jeffords indicated on the Senate floor that he wanted this language added to S.5 because of his concerns "in the area of discrimination."

Both the Congressional Research Service (CRS) and the Justice Department indicate that the relevance of this language is to the use of certificates. Their conclusions about its effects, however, differ radically.

CRS has tentatively concluded that this language probably does not pose major problems for implementation of certificate programs. This conclusion is based upon an analysis that does not take other provisions of the bills into account and that appears to rely on a Hatch floor statement that many States have certificate programs in place. (See next issue for a discussion of the definition of certificate programs.)

Justice staff have concluded that the Jeffords Amendment has the potential for becoming a very significant obstacle to the implementation of certificate programs in as many as 38 States. To ensure that a certificate program funded with Federal money can be undertaken in as large a number of States as possible, Justice believes that a provision expressly preempting any State constitutional (or other) spending proscription that might bar States from participating in a certificate program should be included in a final bill. If a nonfederal matching requirement similar to that now in the Senate bill remains, they believe the preemption should apply to the matching provision as well.

Certificate Programs: There has been little, if any, meaningful discussion of what a certificate (voucher) program means. The definition is important because the general consensus is that funding of care that is sectarian in nature only has a chance of passing Constitutional muster if governmental assistance is indirect (as with a voucher), the care is freely chosen by the parent, and the government is genuinely neutral in the selection process.

The National Governors Association (NGA) briefed OPD and OMB on a survey of State child care funding arrangements now used by States. If certificate is defined to mean a mechanism for allowing parents to freely choose any eligible provider, then no State has a Statewide certificate program in place. A significant number of States do have "provider agreements" in place Statewide or at the sub-State level. Under provider agreements, parents can choose from among providers with whom the State has negotiated an agreement to pay for care if the parent (or the State) chooses to place an eligible child with the provider. Provider agreements as they currently appear to be structured do not seem likely to pass muster as a Constitutional means of funding care that is sectarian in nature.

NGA has chosen not to release the survey on which they briefed OPD and OMB. In their public statements about certificates, they appear to be using "certificate" as a synonym for "provider agreement." Dodd apparently believes provider agreements meet the requirement to have a certificate program, and NGA is reinforcing that view. Hatch's floor statement, cited by CRS, suggests that he may also believe provider agreements are the same thing as certificates. He is trying to sell a related concept as a means of providing "parental choice" under the school-based program in House bill.

Administration position statements suggest that the Administration wants parents to be able to select care that is sectarian in nature, not just care that is located in a church or other sectarian facility. If this is the case, then it may be necessary to make that point strongly -- and to insure that the language and legislative history of a final bill reflect a clear understanding of what a certificate program means.

Nondiscrimination Language: Both bills contain identical "nondiscrimination" language that allows sectarian providers to exercise limited preferences in hiring and admissions under certain circumstances. These provisions were deemed necessary by their proponents because of the strong anti-sectarian language and history of ABC. For example, the original ABC language preempted the exemption that sectarian institutions have under Title VII of the Civil Rights Act that governs employment. Similarly, the legislative history indicated that the sponsors of ABC intended nondiscrimination requirements to apply not only to slots funded under ABC but to slots funded by participating sectarian providers. The nondiscrimination language now in the bills moderates, but does not eliminate, the problems that arose out of the original ABC. The Administration has indicated that the nondiscrimination language raises serious potential entanglement issues. The Administration's position has been that silence is preferable to the provisions that are now in both bills.

Standards: It is possible to modify the child care standards language in both bills so that it has little practical effect. This can be done by allowing States the discretion to decide whether or not the standards they are required to set under both bills apply to given classes (e.g. churches) or sizes (e.g. small family day care homes) of providers. Downey, having been criticized on the House floor for the provisions in his bill that require churches to comply with required State-set standards, apparently is moving in that direction on Title XX. There are no similar signs of movement on ABC grants in the Labor Committee's subconference.

The Administration should consider whether language that looks a great deal like the current standards language in both bills but has very little real world effect would be acceptable.

6

THE CHIEF of STAFF has seen

Child Care Proposal for Conference

Title I -- Head Start

o Funds under this title would be distributed in the same manner as the current Head Start program and the match would be retained. The 20% match required for child care funds could not be that which is used to meet regular Head Start program requirements.

o Require Secretary to promulgate regulations for administration of the child care component.

o Retain existing Head Start eligibility level for the child care component.

o Make clear that child care funds would be added to overall pot of funds used in determining 15% set-aside for administration of the programs.

Title II -- School-based care

ch. I

o Before and after school care during school year and school holidays for children below 160% of lower living standard income level (currently $27,808 - $43,024 for a family of four) with a sliding fee established by States for children between poverty and 160% of LLSIL.

o Services may be provided during the summer and for 3 and 4 year olds if funds are available and if all elementary school children are able to be served during the school year.

o Ensure that private school children would be able to participate in the same manner as those served by Chapter 1.

o If all children at or below 160% of the LLSIL, whose families seek services, are served; then children from families above that level may be served on a full fee basis.

o Allow States to distribute funds based on their own method. However, provides some guidance for targeting areas in need.

o Allow Local Education Agencies to administer the program. Provides authority to contract out to other eligible providers.

Title III -- Child care state block grant

o Governor would designate a Lead Agency to administer block grant program. Lead Agency would submit a plan outlining the child care needs of the State and how funds will be used to meet those needs.

- o No Federal, State, or local child care councils or studies required. No federal model standards or requirement of State standards.

- o Allow States to choose from a wide variety of child care activities designed to improve the availability, accessibility, and quality of child care. States may retain 5 percent of funds for administrative purposes.

- o Parents shall have the right to receive a voucher. Parents shall be able to choose among all eligible providers.

- o Continuing eligibility of funding shall be based upon States' annual reporting of how funds are being used to meet State child care needs and on the Secretary's determination that States are using funds in accordance with Federal, State, and local law.

Title IV -- Tax Provisions

- o House EITC provisions must be the centerpiece of the final conference report.

- o The Dependent Care Tax Credit will retain its current form and be capped at $90,000.

- o Title XX provisions are dropped.

- o Social Security Earnings Limitation waived for senior citizens who are child care workers.

QUESTIONS:

1. Can you live with any requirements for States regarding the setting of standards?

2. Do you want to propose alternative funding levels? Should we propose an authorization level for each title?

3. Should we refuse to accept a severability clause, proposed by the Democrats, which would allow the bulk of the bill to stand if any portion was struck down on Constitutional grounds?

4. Should our proposal supersede State law with regard to vouchers being redeemed at sectarian institutions?

5. Should children of non-working parents be allowed to participate in the school-based program?

CRS Report for Congress

Comparison of House- and Senate-Passed Child Care Legislation in the 101st Congress

Anne Stewart
Analyst in Social Legislation
Education and Public Welfare Division

Marie Morris
and
David Ackerman
Legislative Attorneys
American Law Division

May 8, 1990

Congressional Research Service • The Library of Congress

COMPARISON OF HOUSE- AND SENATE-PASSED CHILD CARE LEGISLATION IN THE 101ST CONGRESS

SUMMARY

Both the House and Senate have passed different child care bills (two versions of H.R. 3) during the 101st Congress. Press reports have indicated that President Bush will veto legislation containing either the House- or Senate-passed child care proposals in their current form.

Both the House and Senate proposals would authorize $1.85 billion in grants for child care services as well as for activities to improve the availability and quality of child care. Each proposal would require States to establish and enforce child care standards in specified areas. Each bill also includes similar limitations and prohibitions regarding nondiscrimination and use of funds for sectarian activities. However, the number and types of programs authorized and the amount of funds targeted for services and other child care activities differ between the bills. In addition, eligibility requirements and the extent of discretion that States would have in choosing types of child care activities to fund also differ between the bills.

The House bill would authorize six grant programs under six titles for child care services and related activities. The bill includes programs of child care and early childhood development services targeted specifically to children in Head Start programs, and other preschool children and school-age children. Other programs are authorized for grants to the States for child care services, quality improvements, employer-sponsored child care, and State standards improvement grants.

In contrast, the Senate bill would authorize one large program for child care services and related activities, under which many of the same or similar activities that would be authorized under the House-proposed programs would either be required to be funded or could be funded at a State's discretion. The Senate bill would also authorize two additional programs, one of which--the standards improvement incentive grants program--is similar to the one proposed in the House bill. The other, a State matching grant program for liability risk pools for child care providers, is not proposed by the House.

A major difference between the proposals is that the House bill would establish a new State child care services grant program as an amendment to an existing program, the Social Services Block Grant (Title XX of the Social Security Act), while the Senate bill would create a comparable child care program as a new, separate program. Like the existing Title XX program, the House-proposed State grant program for general child care services would provide States with discretion in determining eligibility and would not require nonfederal matching of Federal funds. The Senate's child care grant proposal would specify family eligibility rules, State matching requirements, and more State and Federal administrative requirements than are in the House bill for child care under Title XX.

In addition, both bills contain different tax amendments that have been characterized as child care assistance. In the House bill, they include provisions to expand benefits under the Earned Income Tax Credit (EITC) program and to peg the credit to family size. The Senate bill does not propose these changes. Both bills include provisions to establish a supplemental tax credit for families with young children, with differences in credit amounts and ages of children eligible to claim for credit. The EITC amendments in the House bill are estimated to result in tax expenditures of $18 billion over a 5-year period. Tax expenditures in the Senate's EITC amendments are estimated to be $2.8 billion over a 5-year period.

Both bills also include different amendments to the Dependent Care Tax Credit program (DCTC). The House bill would reduce the credit for families with incomes above $70,000 and eliminate the credit for families with incomes above $89,000. The Senate bill would make the credit 90 percent refundable. Estimated tax expenditures of DCTC amendments over a 5-year period would be $1.5 billion in the House bill and would be $4.9 billion in the Senate bill.

CONTENTS

COMPARISON OF HOUSE- AND SENATE-PASSED CHILD CARE LEGISLATION IN THE 101ST CONGRESS

INTRODUCTION

The Federal role in addressing concerns about the availability, cost, and quality of child care has been the focus of much debate in recent years. While many agree that the Federal Government should play an increased role in addressing these concerns, there is not a consensus on the nature and extent of child care problems, and on the approach to resolving them. Issues currently under debate include questions about whether and how Federal assistance should be extended to religiously-related day care; the appropriateness of setting minimum standards for publicly subsidized care; and the structure of the program or programs that would be used to provide Federal assistance to the States. (For general background information on child care issues, see CRS Issue Brief *Child Day Care*, IB89011, regularly updated.)

Both the House and Senate have passed different comprehensive child care proposals during the 101st Congress. The Senate bill, S. 5, the Act for Better Child Care Services, was passed during the 1st Session, on June 23, 1989, after several days of heated debate. The bill considered on the Senate floor was an amendment in the nature of a substitute to S. 5 as reported by the Committee on Labor and Human Resources. The amended version (called the Mitchell Amendment) incorporated tax provisions reported from the Senate Finance Committee. Much of the floor debate focused on various amendments affecting the availability of aid to religiously-related day care and on a Republican substitute, proposed by Senator Dole and backed by the Administration, that would have provided child care aid primarily through the tax system rather than through grants to the States. The substitute was rejected by a vote of 56 to 44.

The House passed child care legislation on two occasions. First, on October 5, 1989, the House passed two versions of H.R. 3, the Early Childhood Education and Development Act, one reported by the Education and Labor Committee and the other reported by the Ways and Means Committee. They were passed as part of the FY90 budget reconciliation legislation, H.R. 3299. The provisions of H.R. 3, as reported by both committees, were subsequently dropped from the House reconciliation package. Child care legislation therefore had to be considered on the House floor again before final House-Senate conference action could occur.

After several months of negotiations among House members over differences in the two committee-reported versions of H.R. 3, the House leadership introduced a compromise bill, H.R. 4381 (called the Leadership bill), on March 27, 1990. On March 29, 1990, the House passed H.R. 3, as amended by substituting the language of H.R. 4381. A substitute amendment, by Representatives Stenholm and Shaw and endorsed by the Administration, was rejected by a vote of 195 to 225. On April 24, 1990, the Senate passed H.R. 3, amended by substituting their bill, S. 5, for the text of H.R. 3, readying the bill for conference consideration.

According to statements made by Representative Gingrich during the House floor debate and press reports, President Bush has indicated that he intends to veto legislation containing either the House- or Senate-passed child care proposals in their current form.

The House version of H.R. 3 would authorize a total of $1.85 billion in FY91 for six programs under six titles in the bill. Of this amount $1.3 billion would be authorized for FY91 and such sums as necessary for FY92-FY95, to be split among three of the programs, Title I (47 percent), Title II (33 percent) and Title IV (20 percent). Under *Head Start Child Care Amendments (Title I)*, funds would be available for Head Start programs to expand their part-day, part-year programs to full-day and full-year to meet the needs of working parents. A limited amount of Title I funds would be used to serve children in families with incomes up to 125 percent of the poverty level. (Currently, families eligible for Head Start must have incomes below the poverty level.) Higher income families would pay a fee based on a sliding scale. *School-Sponsored Child Care (Title II)* funds would be for States and school districts to provide before- and after-school child care for school-age children and/or early childhood development programs for 4-year-olds to meet the needs of working parents. Families with incomes above specified levels would pay for care

on a partial or full fee basis, depending on income level. *Quality Improvement Grants (Title IV)* would be for grants to States to fund activities to improve the quality of care, such as training for providers, increased salaries to child care staff, and improving enforcement of State child care regulations. Up to 5 percent of Title IV funds could be used for other activities, such as for grants or loans to providers to assist them in meeting standards.

Under *Title XX Child Care Grants (Title III)*, amendments would be made to the Social Services Block Grant program (Title XX of the Social Security Act) to authorize $450 million in FY91 for a new program of child care grants to the States. States would have to use 90 percent of their allotments for child care services and 10 percent for administration, training and enforcement activities. States would be required to establish voucher programs as a means of providing financial child care assistance to families. Income, child age, or work/training requirements would be left to each State's discretion.

The House bill also includes *tax amendments*. These have been characterized as child care assistance because they are viewed by some as a means to increase families' purchasing power for needed child care. The amendments include an expansion of benefits under the Earned Income Tax Credit (EITC) program, and pegging the credit to family size. In addition, a new supplemental credit for families with children under age 6 would be added. Tax expenditures of the EITC amendments are estimated by the Joint Tax Committee to be $18 billion over a 5-year period. The bill would also amend the Dependent Care Tax Credit (DCTC) program to reduce the credit for families with incomes above $70,000 and eliminate the credit for families with incomes above $89,000. Tax expenditures resulting from the DCTC amendments are estimated to be $1.5 billion.

Under the *Business Involvement Grants program*, $25 million would be authorized for each of FY91-FY95 for the Secretary of the U.S. Department of Health and Human Services (DHHS) to make grants to businesses for child care activities. Under the *Standards Improvement Incentive Grants and Child Development Demonstration Project*, $75 million would be authorized for each of FY91-FY98 for the Secretary of DHHS to make grants on a discretionary basis, to States to help them improve their standards, and to certain day care providers to operate child development demonstrations.

Services funded under School-Sponsored Child Care and Title XX Child Care Grants would have to meet certain standards requirements, including new State-established standards that address areas such as group size limits and child/staff ratios. Provisions in Title IV would require the Secretary of DHHS to establish model child care standards addressing similar areas. In addition, certain prohibitions and limitations are specified regarding use of funds for sectarian purposes and religious nondiscrimination.

The **Senate version of H.R. 3**, would also authorize a total of $1.85 billion in grants in the first year. Of this amount, $1.75 billion would be authorized for one new program, *State Child Care Matching Grants*. (Such sums as necessary would be authorized for out-years.) This would be in contrast to the several programs authorized under the House bill.

Under this one program, many of the same or similar activities authorized under the several programs in the House bill would either be required, or allowed at the State's option. However, amounts of funds specifically targeted for various activities differ, as do eligibility requirements for child care services, and the extent of discretion that a State would have in choosing types of child care activities to fund. In addition, the child care grant program in the Senate bill would be established as a new separate program, in contrast to the general child care services program in the House bill, which would be an amendment to Title XX. The State grant program proposed by the Senate would be an 80 percent Federal matching program, unlike the child care services programs in the House bill (Titles I, II, III, and IV) where nonfederal shares would not be required.

Under the Senate State Child Care Matching Grant program, States would be required to spend *70 percent of their allotments on child care*

services. Unlike the Title XX Child Care Amendments program in the House bill (Title III), eligible children would be defined in the Senate program to be under age 13 from families with incomes at or below 100 percent of the State median income, whose parents are working. (Eligibility is left to the State's discretion in the House.) Like Title III of the House bill, States would have to give parents the option of receiving child care assistance in the form of vouchers.

States would have to spend 10 percent of the 70 percent child care services funds for expanding certain existing part-day, part-year programs to full-day, full-year. These could include part-day Head Start and other pre-school programs. The Senate bill does not authorize specific programs for Head Start expansion and early childhood education programs, as would be established under Titles I and II of the House bill, but this 10 percent requirement could fund some similar programs.

States would be required to spend at least *10 percent of their allotments on activities to improve the quality of child care* in the State. States would be required to fund a greater number of quality improvement activities under the Senate program than in a comparable program in the House bill (Title IV) where States would have more discretion in choosing which quality improvement activity to fund.

States would be *allowed, but not required, to spend up to 12 percent of their allotments on increasing the availability of child care*. They could choose activities from a detailed list of activities, that includes ones that would be required or optional under the House bill, such as before- and after-school care, employer-sponsored child care programs, loans to providers to help them meet standards, and a range of activities that are not listed in the House bill. These other activities include funding for child care for sick children and homeless children.

Services funded under the State Child Care Matching Grants program would have to meet certain standards and enforcement requirements, specified in the bill, and generally similar to those required in the House bill (under Titles III and IV). Like the House bill (Title IV), model standards would be developed by the Secretary of DHHS. In addition, limitations and prohibitions concerning use of funds for sectarian purposes and religious nondiscrimination would be specified, similar to Title III of the House bill.

The Senate bill would authorize two programs in addition to the State Child Care Matching Grants. The bill would authorize 10 percent of the State Child Care Matching Grants appropriation to be for a standards improvement incentive grant program, similar to the one authorized under Title VI of the House bill. In addition, $100 million would be authorized for grants to the States to operate child care liability risk retention groups for child care providers. The House bill would not authorize such a program.

Finally, the Senate bill also includes amendments to the EITC and DCTC program that differ from the House amendments. The Senate bill would establish a supplemental tax credit for families with young children, applicable to families with children under age 4 (instead of under age 6, as proposed in the House bill). Resulting tax expenditures are estimated by the Joint Tax Committee to be $2.8 billion over a 5-year period. The Senate bill does not expand the EITC credit, or peg it to family size, as the House bill does. Also in contrast to the House bill, the Senate bill would make the DCTC 90 percent refundable and allow for advance payments. Tax expenditures from this provision are estimated to be $4.9 billion over a 5-year period. No provisions are included to phaseout the credit for higher income families.

This report provides a side-by-side comparison of the major provisions of H.R. 3, as passed by the House and as passed by the Senate, that are characterized as being related to child care. The bills are compared with *relevant* provisions of current law. Current law descriptions are included only in instances where proposals would amend an existing program related to child care, such as Title XX, Head Start, or DCTC, or when it is considered useful to include background, such as with church-State provisions. Provisions of the Senate bill that are not related to child care are not included.

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		FUNDING	
Authorization		For FY91, the total amount authorized would be $1.85 billion for six programs. Authorization levels (including out-year amounts) for each program would be: (1) $1.3 billion for FY91 and such sums as necessary for each of FY92-FY95, to be split among 3 programs so that for each year, 47% ($611 million in FY91) would be for *Title I--Head Start Child Care Amendments*; 33% ($429 million) would be for *Title II-School-Sponsored Child Care*; and 20% ($260 million) would be for *Title IV--Quality Improvement Grants*; (Sec. 3) (2) $450 million for FY91, $550 million for FY92, $600 million for each of FY93-FY94, and $700 million for subsequent years for *Title III--Title XX Child Care Amendments*; (3) $25 million for each of FY91-FY95 for *Title V--Business Involvement Grants*;	For FY90, the total amount authorized would be $1.85 billion. Of this amount $1.75 billion would be authorized for FY90 and such sums as necessary for FY91-94 for one program, *State Child Care Matching Grants*. (Sec. 104)

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		(4) $75 million for each of FY91-FY98 for *Title VI--Standards Improvement Grants and Child Development Demonstration Project*. 2% of Title VI funds would be for the demonstration project.	10% of the *State Child Care Matching Grants* appropriation for each of FY93-FY94 would be for a standards improvement incentive grants program similar to House bill. This amount could not be less than $35 million or more than $75 million in each year. No program comparable to the Child Development Demonstration Project would be authorized. (Sec. 104)
		No comparable provisions.	For FY90, $100 million would be authorized for a *Child Care Liability Risk Retention Group* program. (Sec. 104)
Allocation Formulas and Matching Requirements	Head Start funds are allocated as follows: 13% of the appropriation is reserved for Indian and migrant programs, services to handicapped children, payments to the territories, training and technical assistance and discretionary payments made by the Secretary of DHHS. Eighty-seven percent of the appropriation is allocated among the States based on the States' 1981 allocation and counts of poor children and AFDC recipients. The program is an 80% Federal matching grant program.	*Title I--Head Start Child Care Amendments*: 8% of the Title I funds available for this program would be reserved for Indian and migrant programs, services to handicapped children, and payments to the territories. The remainder would be allocated to the States according to the population factors in the existing Head Start formula. No match would be required for funds that support child care services under this program. (Sec. 104)	No comparable provisions.

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		Title II--School-Sponsored Child Care: 1% of funds would be reserved for grants to the territories and services for Indian children. Remaining funds would be allocated to the States based on the formula for basic grants under Title I, Chapter 1 ESEA. Under this formula, grants are made to States in proportion to counts of poor children multiplied by a State cost factor. States are to make grants to local education agencies (LEAs) in accordance with county allocations established by the Department of Education. No match would be required. (Sec. 8002)	No comparable provisions.
	Title XX funds are allocated to the States based on population. No match is required.	*Title III--Title XX Child Care Amendments*: Child care funds would be distributed to States and territories using a formula similar to existing Title XX formula. No match would be required. (Sec. 2013)	*State Child Care Matching Grants*: One-half of 1% would be reserved for the territories and 1.5-3% would be reserved for services to Indian children. One-half of the remaining funds would be allocated to the States based on the number of children under age 5 in the State multiplied by the "allotment factor," compared to all States. The other half would be allocated to the States based on the State recipient population of the National School Lunch program

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
			multiplied by the allotment factor, compared to all States. The allotment factor would be the U.S. per capita income divided by the State per capita income and could not be greater than 1.2 or less than .8. If a State does not seek or receive funds, funds would be allocated to eligible localities so that each locality received a share of the State grant based on the number of children in local areas. The program would be a 80% Federal matching program. (Secs. 105, 117, 127)
		Title IV--Quality Improvement Grants: Funds would be allotted to States using a formula substantively the same as under the State Child Care Matching Grants in the Senate bill, summarized above, except that localities would not be eligible for funds and no match would be required. (Sec. 658(c))	No comparable provisions.
		Title V--Business Involvement Grants: The Secretary of DHHS would make grants to eligible businesses--no formula is specified. Grants would be made equitably to businesses in all geographic areas. Businesses would	No comparable provisions.

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		have to agree to spend twice the amount of the grant. (Secs. 501, 503)	
		Title VI--Standards Improvement Incentive Grants and Child Development Demonstration Project: The Secretary of DHHS would award standards improvement grants to States on a competitive basis. A 20% match would be required of the States. The Secretary would award demonstration grants on a discretionary basis to eligible public and private programs. No match would be required. (Sec. 601)	*Standards Improvement Incentive Grants*: Would be similar to House bill. (Sec. 119)
		No comparable provisions.	*Child Care Liability Risk Rentention Groups*: Funds would be allocated to States according to the same formula used in allocating funds under the State Child Care Matching Grant program, described above. (Sec. 124)
Substituting Funds		*Title I--Head Start Child Care Amendments, Title II--School-Sponsored Child Care, Title IV--Quality Improvement Grants*: Funds could be used only to supplement, not supplant Federal, State, and local funds for the support of activities	*State Child Care Matching Grants*: Similar provisions, except that States can use existing expenditures in support of child care to satisfy the matching requirement. Such expenditures could not be used to satisfy the matching requirement of

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		under these programs. (Title IV, Sec. 658 (H)) *Title III--Title XX Child Care Amendments*: Same as for Titles I, II, and IV, except that local funds are not included. (Sec. 2012(b)(2)(B))	any other Federal program. (Sec. 107)

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
CHILD CARE/EARLY CHILDHOOD DEVELOPMENT SERVICES			
Description	Head Start provides comprehensive health, nutrition, education, social and other services to eligible children. Most Head Start programs operate part-day and do not operate during the summer months.	*Title I--Head Start Child Care Amendments*: Funds would be for Head Start programs to provide full-day, full-year developmentally appropriate child care services. (Sec. 106)	No comparable provisions. (However, under the *State Child Care Matching Grants* program, States would be required to spend a portion of their grants to extend to full-day certain existing part-day programs, which could include Head Start programs. (Sec. 107)
		Title II-School-Sponsored Child Care: Funds would be used by LEAs to expand, establish, or operate early childhood development services and/or before- and after-school child care. Before- and after-school child care would be developmentally appropriate and would be provided Monday-Friday for the full-year, excluding legal public holidays. LEAs would be required to provide full-day services to 4-year olds, and such services could be either early childhood development or before and after-school child care, or both. Early childhood development services would have to be appropriate to the child's age and would include services to children with disabilities, coordination of health and nutrition	No comparable provisions. (However, under the *State Child Care Matching Grants* program, States would be required to use a portion of their grants to extend to full-day certain existing part-day programs, which could include State- or locally-funded preschool programs and Chapter 1, ESEA programs. In addition, States would have the option of using a portion of their grants to: establish after school child care programs; make grants to LEAs to establish or maintain extended child care programs; and support demonstration projects in public schools that provide full-day, full-year child care for children age 3 to 5 and before- and after-school care for children age 5 to

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		services that are available from other agencies, and referrals to health and social services. Early childhood development services would be prohibited from administering norm-referenced tests. Both before- and after-school and early childhood development programs would have to include adequate and nutritious meals and if practicable, social services. Services would also have to meet certain requirements which are described below in the Standards and Enforcement section. (Sec. 8003)	12.) (Sec. 107)
	Services furnished under Title XX are directed at 5 broad goals described in law. States are given wide discretion as to the services they can provide and there is very limited information on how they use their Title XX funds. Surveys have found, however, that most States use some Title XX funds on child care, as well as a range of other social services.	*Title III--Title XX Child Care Amendments*: States would be required to use 90% of funds for child care services that meet certain requirements which are described below in the Standards and Enforcement section. (The remaining 10% of funds would be for administration, training, and enforcement.) (Sec. 2012(b))	*State Child Care Matching Grants*: States would be required to use at least 70% of their grants to fund child care services. At least 10% of this amount must be used to extend certain existing part-day child care/early childhood development programs (such as Head Start and other preschool programs) to full-day programs. (The remaining funds would be for activities to improve the quality and availability of child care, and administration.) (Sec. 107)

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
Eligible Families and Fees	At least 90% of children in each Head Start program must be from families with income less than the OMB poverty level. Head Start programs are prohibited from charging fees for participation. Children age 0 to compulsory school age are served, with most children age 3 or 4. (Very young children are served in Head Start Parent and Child Centers.) At least 10% of Head Start slots in each State must be available for handicapped children.	*Title I--Head Start Amendments*: Children eligible and participating in Head Start under current law would be eligible for child care services. Up to 20% of Title I funds could be used to provide both Head Start and full-day, full-year child care services to children from families with incomes up to 125% of the poverty level if all Head Start-eligible families requesting child care services receive these services. Families with incomes above the poverty line would pay a fee based on a sliding scale. (Sec. 106)	No comparable provisions.
	Parents are not required to meet work and training requirements as a condition of eligibility to Head Start.	All parents of children served under these amendments would have to be working or in a job training or education program. (Sec. 106)	
		Title II--School-Sponsored Child Care: Children from families of all income levels would be eligible for before- and after-school and child development services. Services would be free of charge for children with family incomes up to 100% of the poverty level; on a sliding fee scale for children with family incomes above 100% of poverty through 160% of the	No comparable provisions.

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		Lower Living Standard (LLS); and on a full-fee basis for children with family incomes greater than 160% of LLS. For either program, no more than 25% of funds could be used to serve children with family incomes above the poverty level. (Sec. 8003) The early childhood development program would serve 4-year olds (to the extent that Head Start services are not available) and, at LEA option, 3-year olds. The before- and after-school program would serve children attending early childhood development programs, kindergarten or elementary or secondary school classes. (Sec. 8003) To be eligible, children must live in the area served by the LEA and their parents must be working or in a job training or education program. (Sec. 8003)	
	Eligibility for services funded by Title XX is determined by each State.	*Title III--Title XX Child Care Amendments*: As under current Title XX law, States would determine	*State Child Care Matching Grants*: Services would be for children under age 13 with family incomes up to

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		eligibility criteria for child care services.	100% of the State median income whose parents are working, seeking work or in a job training or education program. The work/training requirements would not apply to children who are receiving or needing protective services. (Sec. 103)
		No comparable provisions.	States would have to give priority to serving children of families with "very low income" or children with "special needs." (Sec. 107) In addition, States would have to meet the need for child care services for eligible children, including infants, preschool children, and school age children, giving special attention to meeting the needs for low-income children, migrant children, children with a handicapping condition, foster children, children in need of protective services, children of adolescent parents, and children with limited English language proficiency. (Sec. 106)

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		States would be required to establish a sliding fee scale for determining how much other families would pay for services. Services funded by these amendments would be without charge for families with incomes below the poverty level. (Secs. 2012(e) and (g))	Services would be provided on a sliding fee scale, established by the State. (Sec. 107)

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		OTHER CHILD CARE ACTIVITIES	
Employer Involvement Funds		*Title V--Business Involvement Grants*: The DHHS secretary would be authorized to make grants to employers for the provision of child care services for employees, and when possible, other families in the community. In distributing grants, the Secretary would give priority to businesses with less than 100 full-time employees. Employers receiving grants would have to spend 2 times the grant amount for the services. Providers would have to comply with applicable State and local licensing requirements. (Secs. 501, 503)	No comparable provisions. (However, under the *State Child Care Matching Grants* program States could, at their option, fund employer-sponsored child care programs using funds targeted for improving the availability of child care.) (Sec. 107)
Funds to Improve Quality/Expand Availability		*Title IV--Quality Improvement Grants*: States would be required to use funds under this program to do at least 1 activity from the following list of activities: a) expand resource and referral programs; b) provide training to child care staff; c) improve monitoring and enforcement of State standards; and d) improve salaries of Head Start teachers, teachers under the Title II--School-Sponsored Child Care program, and, to the extent	*State Child Care Matching Grants*: States would be required to use 10% of their grants to do several mandatory activities that are similar to the activities listed in the House bill, plus additional activities, including providing grants to libraries for child care materials and services. (Sec. 107)

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		practicable, other major Federal and State child care programs. The amount of funds to be used for this purpose is not specified, but would be at least 93% of their Title IV grants (i.e., their total minus allowed expenses for improving availability--up to 5%--and administration--up to 2%). (Sec. 658E)	
		Title III--Title XX Child Care Amendments provides that Title IV could not authorize the use of any funds with respect to child care services provided under Title XX. (Sec. 2021)	
		States would be allowed to use up to 5% of their Title IV funds to support 1 or more other specified child care activities, including making loans to providers for renovations, making grants or loans to providers to assist them in meeting standards, and providing assistance to businesses. (Sec. 658E)	States would be allowed to use up to 12% of State Matching Grant program funds for 1 or more activities to improve the availability of child care. A greater number of discretionary activities is specified under the Senate bill. Activities include ones similar to those proposed in the House bill, plus others, including providing temporary care of sick children who are unable to attend child care, providing child care for homeless children, and establishing a revolving loan fund for

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
			family day care providers to make capital improvements. (Sec. 107)
Standards Improvement Incentive Grants		*Title VI--Standard Improvement Incentives Grants*: On Oct. 1, 1990 the Secretary of DHHS would be required to establish a State matching grant program to assist States in improving their standards. Grants would be made to States on a competitive basis, taking into account the quality of the State's existing standards relative to standards in other States that apply for funds; the level of standards that the State wants to adopt and its plans for achieving it; and the fiscal status of the State relative to other States. Grants would be for 2-year periods with no State to receive more than 3 consecutive grants. The program would terminate after 8 years. (Sec. 601)	*State Child Care Matching Grants*: Similar program, except the Secretary would have 3 years from the time of enactment to establish it. (Sec. 119)
Child Development Demonstrations		*Title VI--Child Development Demonstration Project*: The Secretary of DHHS would be authorized to fund up to 10 public agencies and private entities to administer child development models. To receive	No comparable provisions.

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		funding, applicants would, among other things, have to assure that they will recruit, train, monitor, and support between 20 and 35 family child care providers and require them to provide high quality child care services. Grantees would evaluate and report on the model by April 1993. (Sec. 601)	
Child Care Liability Risk Retention Group		No comparable provisions.	*Child Care Liability Risk Retention Group*: States would use funds under this program to establish or operate risk retention groups for child care providers licensed under State or local law. Within 3 years of enactment, providers participating in risk pools would have to meet State standards required under the State Child Care Matching Grants program, as described below in the Standards and Enforcement Section. (Sec. 124)

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		SERVICE DELIVERY AND FUNDING MECHANISMS	
Eligible Child Care/Development Providers	Head Start programs are operated by local public or private nonprofit agencies that meet requirements specified in law.	*Title I--Head Start Child Care Amendments*: Agencies that meet existing requirements under Head Start would be eligible providers.	No comparable provisions.
		Title II--School-Sponsored Child Care: LEAs could provide services directly or through grants to or contracts with other public entities and certain private nonprofit community-based organizations. Priority would be given to funding programs operated in a public school building, if the cost is comparable to the costs of programs operated in other facilities. (Sec. 8003)	No comparable provisions. (However, if States choose to use *State Child Care Matching Grant* funds for grants to school districts, school districts would be allowed to provide services directly or through contracts with or grants to other public entities and certain private nonprofit community-based organizations, similar to those specified in the House bill.) (Sec. 107)
	Title XX does not specify entities eligible for providing child care services. By law, Title XX-funded child care services must meet applicable State and local standards.	*Title III--Title XX Child Care Amendments*: States could provide services directly, through contracts with or grants to providers, by issuing certificates, or by other arrangements. Eligible providers would be those that meet the standards and enforcement provisions specified in the bill and summarized below in the Standards and Enforcement section. (Sec. 2012(a)(4))	*State Child Care Matching Grants*: States could provide services through contracts with or grants to providers, grants to units of general purpose local government, or through issuing certificates. Eligible providers would be center-based providers, group home providers, family child care providers, and certain relatives that meet standards and enforcement requirements summarized below.

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		Title IV--Quality Improvement Grants: Eligible providers are defined under this program only to be those similar to those in Senate bill, except that grandmothers would be the only relative specified. Providers would have to meet standards and enforcement requirements under this program, summarized below. (Sec. 658K)	
		No comparable provisions.	Providers would be required to serve a mix of children, including children with different socioeconomic backgrounds and disabled children, if feasible. They would also have to give priority to serving children with "very low family incomes" and children with "special needs." States would be required to distribute funds to a variety of types of providers in each community and equitably among providers in urban and rural areas. (Secs. 103, 107, 108)
Availability of Child Care Certificates (Vouchers)		*Title III--Title XX Child Care Amendments*: Within 2 years of enactment of this program, participating States would be required to establish a child care certificate	*State Child Care Matching Grants*: Participating States would be required to give parents the option of receiving a child care certificate, usable at eligible child care providers, but only

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		program. Each parent and legal guardian receiving assistance under the program would be given the option of receiving assistance in the form of a certificate, usable at any eligible child care provider. Child care certificate is defined as a certificate issued by a State directly to a parent or legal guardian. Eligible providers would have to meet applicable standards of State and local law. (Sec. 2012(a)(4))	if a resource and referral program was established according to specifications in the bill. (Sec. 108)
Payments for Services		*Title III--Title XX Child Care Amendments*: Reimbursement for child care expenses would be at the market rate, with higher reimbursements for infants and toddlers, children with disabilities, and comprehensive child care programs for children of adolescent mothers. (Sec. 2012(e))	*State Child Care Matching Grants*: Payments to providers would be 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 program or for child care assistance under any other Federal or State program. (Sec. 107)

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		STANDARDS AND ENFORCEMENT	
Federal Model Standards		*Title IV--Quality Improvement Grants*: Within 60 days of enactment, to improve the quality of child care services, the Secretary of DHHS would be required to establish a national advisory committee to develop recommended child care standards addressing certain areas for center-based care, family home care, and group home care. The Secretary would publish the recommended standards in the Federal Register for comment and issue rules establishing the recommended standards. (Sec. 658J) For center-based care, these areas would be group size limits; child-staff ratios; staff qualifications; health, nutrition, and safety requirements; inservice training; and parental involvement. For family home care, these would be maximum number of children served, including the total number of infants; minimum caregiver age; health, nutrition, and safety	*State Child Care Matching Grants*: Similar to House bill, with differences in the composition and appointment method of the advisory committee. (Sec. 118) The recommended standards would differ, in that they would include, in addition to the House categories, specified health and safety requirements for each of the child care settings, as follows: prevention and control of infectious diseases; injury prevention, control and treatment; building and physical premises safety; general health and nutrition; services for children with special needs; and prevention of child

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		requirements; and inservice training. For group homes, this would be the same as for family homes, with the addition of child-staff ratios.	abuse. In addition, the standards could not be "less or more rigorous than the least or most rigorous standard" that exists in any of the States. (Sec. 118)
State Standards Requirements	Head Start programs are currently not required by Federal law to meet State and local child care standards. States vary in their practices of requiring Head Start programs to meet standards.	*Title I--Head Start Child Care Amendments*: No change to current law. (However, requirements that all publicly funded child care meet standards under Title III of the bill would apply to Head Start programs. In addition, requirements under Title IV of the bill that all State licensed and regulated child care providers be subject to enforcement activities, could also apply to Head Start programs, unless not regulated by State law.)	No comparable provisions, except that Head Start programs would be subject to standards and enforcement requirements applicable to publicly funded child care, as would be required under the *State Child Care Matching Grants* program.
		Title II--School-Sponsored Child Care: Programs would be required to comply with "applicable State regulatory standards for health and safety" and "applicable State standards for program quality." (Sec. 8003) In addition, within 3 years of enactment, States would be required to establish standards in specified areas for both early childhood development and before- and after-school care funded	No comparable provisions. (However, if States choose to fund extended day care programs, States would have to assure that such care is developmentally appropriate to meet the needs of school-age children and that parents have the opportunity to participate.) (Sec. 107)

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		under Title II. (Sec. 8004) The early childhood development standards would address group size limits; child-staff ratios; staff qualifications; health, nutrition, and safety requirements; and parent involvement. The before- after-school care standards would address in-service training for staff; health, nutrition, and safety requirements; and parental involvement. *Title III--Title XX Child Care Amendments*: During the 3-year period following enactment of this program, funds would be for child care services that meet "all applicable child care standards and licensing and registration requirements" as established by State and local law. (Sec. 2012(b)(2))	*State Child Care Matching Grants*: The providers of child care services for which assistance is provided under the program would be required to comply with "all licensing or regulatory requirements (including registration requirements) applicable under State and local law," and ensure that "such requirements are imposed and enforced by the State uniformly on all licensed and regulated child care providers within the same category of care, which receive public funds." (Sec. 107)

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		Within 3 years after enactment, participating States would have to set child care standards addressing the same areas covered by the Federal model standards for center care, family care and group care (above). The standards would apply to "all child care funded in the State under this title and all child care services delivered by providers in the State who receive public funds for child care services and are required by the State to be licensed or regulated." (Sec. 2012(c))	Within 3 years after enactment, participating States would have to set child care standards addressing the areas covered by the Federal model standards for center care, family care, and home care (above). The standards would apply to "all such providers who are receiving assistance under this title or under other publicly-assisted child care programs." (Sec. 107)
		States could not reduce the categories of providers licensed or regulated by the State or the level of child care standards, except the standards could be reduced if the State demonstrates the reduction is based on 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. (Sec. 2012(h))	Similar provisions. (Sec. 107)
		States would be ineligible for further funding 3 years after enactment unless they demonstrate that "all child	States would be ineligible for assistance 3 years after enactment unless they demonstrate that all child

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		care providers in the State who receive funds under this title and all other providers in the State who receive public funds for child care services" are licensed or regulated as required by State or local law, comply with the new child care standards established by the State (as required above) and are subject to the Title III enforcement provisions (described below). (Sec. 2011)	care providers required to be licensed or regulated are, and are subject to the enforcement provisions; and, that "all such providers who are receiving assistance under this title or under other publicly assisted child care programs" meet these requirements and meet the new child care standards established by the State (as required above). (Sec. 110)
		Provisions of the Title IV program could not be construed to impose any requirement relating to licensing, training, compliance, enforcement, salaries, recommended standards, or the making of grants or loans, or to authorize the expenditure of any funds, with respect to child care services provided under Title XX, including the child care amendments authorized under Title III of the House bill. (Sec. 2021)	No comparable provisions.
Training Requirements		*Title III--Title XX Child Care Amendments*: Within 2 years of enactment, States would have to require all child care providers (and their caregivers) who receive public	*State Child Care Matching Grants*: Within 3 years of enactment, States would have to require that all employed or self-employed persons who provide licensed or regulated care

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		funds for child care services and are required to be licensed or regulated in the State to take 15 hours of training each year. Training would be tailored to the needs of the States and providers. States would use 10% of their grants for training, enforcement and administration. Proportions for each are not specified. (Sec. 2012(d))	complete a "minimum number of hours" of training each year. (Sec. 113) (States would use 10% of their grants for several quality improvement activities, including training, however proportion for training is not specified.)
State Enforcement Requirements		*Title III--Title XX Child Care Amendments*: Within 3 years of enactment of Title III, States receiving assistance would be required to have in effect 10 specified enforcement policies applicable to care funded under Title XX. (Sec. 2012(i)) *Title IV--Quality Improvement Grants*: Within 3 years of enactment of the bill, States receiving assistance under this program would have to have in effect the same enforcement provisions as required under Title III, but they would be applicable to all licensed or regulated care in the State. (Sec. 658E)	*State Child Care Matching Grants*: Similar provisions, except that the enforcement policies would be applicable to all licensed or regulated care in the State. (Sec. 107)

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
State Standards Study		*Title IV--Quality Improvement Grants*: The State agency administering the Title IV program would be required to review existing State licensing requirements and policies and report within 18 months to the State CEO on the review. The report would include recommendations concerning standards that should apply to school-sponsored child care under Title II. If the State conducted such a review within 3 years prior to participating in this program, the review would not have to be conducted. (Sec. 658E)	*State Child Care Matching Grants*: Similar provisions, except that the review would be conducted by a newly established State Advisory Committee on Child Care, Subcommittee on Licensing; the report would have to be made within 3 years of enactment and would contain additional information, including comments on how the State standards compare with the national model standards. (Sec. 111)
National Standards Study		No comparable provisions.	*State Child Care Matching Grants*: The Secretary of DHHS and the Office of Technology Assessment would be required to study child care standards nationally and report to Congress. The study would have to occur within 4 years of enactment. (Sec. 120)

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Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		CHURCH-STATE AND CIVIL RIGHTS PROVISIONS	
Nondiscrimination on the Bases of Race, Sex, Handicap, and Age	Recipients of Federal financial assistance are generally barred from discriminating on the bases of race, color, and national origin (Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d *et seq.*), handicap (Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794), age (the Age Discrimination Act of 1975, 42 U.S.C. 6101 *et seq.*), and, in the case of education programs or activities, sex (Title IX of the Education Amendments of 1972, 20 U.S.C. 1681 *et seq.*). Title IX exempts educational institutions controlled by religious organizations from its prohibition on sex discrimination if such nondiscrimination "would not be consistent with the religious tenets of such organization[s]." The Head Start program supplements these requirements with both a general prohibition of discrimination on the bases of "race, creed, color, national origin, sex, political affiliation, or beliefs" and specific prohibitions against discrimination on the bases of sex or handicap. *See* 42 U.S.C. 9849.	*Title II--School-Sponsored Child Care*: All programs would be subject to the sex nondiscrimination requirement of Title IX (Sec. 8003(e)(3)), and such programs sponsored by private nonprofit community-based organizations would be subject as well to the nondiscrimination requirements of the Head Start Act The sex nondiscrimination provision of the latter Act would be construed "so as to be consistent with...Title IX." (Sec. 8003(2)(B)) *Title III--Title XX Child Care Amendments*: All assistance, including assistance in the form of certificates, would be subject to the nondiscrimination requirements of Title VI, Title IX, Section 504, and the Age Discrimination Act. (Sec. 2012(3)(A))	*State Child Care Matching Grants*: All assistance, including assistance in the form of child care certificates, would be subject to the general nondiscrimination requirements of Title VI, Title IX, Section 504, and the Age Discrimination Act. (Sec. 122(a))

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
	The Head Start program contains no exemption from its sex nondiscrimination requirement for institutions controlled by religious organizations. Finally, Title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e *et seq.*) generally bars employment discrimination on the bases of race, color, national origin, religion, and sex, regardless of whether or not an employer receives Federal financial assistance. Religious organizations are exempt from Title VII's ban on religious discrimination but not from the other prohibitions.		
Nondiscrimination on the Basis of Religion	Current law contains no *general* prohibition on religious discrimination by recipients of Federal financial assistance. Some individual programs, do prohibit religious discrimination. The Head Start Act, for instance, requires that all grants and contracts provide that "no person with responsibilities in the operation thereof will discriminate with respect to any such program. . .because of. . .creed. . .or beliefs." (42 U.S.C.	*Title I--Head Start Child Care Amendments*: Would retain and apply the existing Head Start religious nondiscrimination provision. *Title II--School-Sponsored Child Care*: Would impose the Head Start nondiscrimination requirement, including that concerning "creed. . .or beliefs," on nonprofit community-based organizations as a condition of eligibility for grants or contracts.	*State Child Care Matching Grants*: Would bar religious discrimination in the provision of child care services funded under this program. Would also bar religious discrimination in admissions and in employment (with respect to employees who work directly with children), except that providers who receive less than 80% of their operating budgets from public funds could give preference in admissions for slots not funded by

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
	9849(a)) But others, including most other child care programs and the Title XX program, do not. In addition, Title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e *et seq.*), as noted above, bars discrimination in employment on the basis of religion but exempts religious organizations from that prohibition.	(Sec. 8003(e)(2)(B)) *Title III--Title XX Child Care Amendments*: Would impose religious nondiscrimination requirements in admissions, services, and employment identical to those contained in the Senate bill. (Sec. 2012(a)(3)(B))	this program to children whose families participate, and preference in employment to individuals who participate, on a regular basis in the activities of the organization that owns or operates such providers. Notwithstanding the foregoing, sectarian day care providers would be permitted to require that all employees adhere to their religious tenets and beliefs and to rules forbidding the use of alcohol or drugs. (Sec. 122)
Limitations on Sectarian Use of Funds	The First Amendment to the Constitution bars Congress from enacting any law "respecting an establishment of religion." Education and health programs, including the Elementary and Secondary Education Act (ESEA), frequently prohibit the use of funds for religious worship or instruction. Existing child care grant programs, including Head Start and Title XX, contain no explicit sectarian use prohibitions.	*Title II--School-Sponsored Child Care*: As an addition to the ESEA, would be subject to the existing restriction in Title X of the ESEA (redesignated as Title IX by the bill) barring "the making of any payment under this chapter for religious worship or instruction." (20 U.S.C. 3384) Also mandates the inclusion of private school children "in accordance with the provisions of Chapter 1 of title I." (Sec. 8003(b)(5)) *Title III--Title XX Child Care Amendments*: Would impose same sectarian use restrictions as are	*State Child Care Matching Grants*: Would bar the use of funds "for any sectarian purpose or activity, including sectarian worship and instruction," but would exempt from that prohibition assistance provided in the form of child care certificates and assistance received by relatives caring for a grandchild, niece, nephew, or sibling. In addition, would provide that "financial assistance provided under this title shall not be expended in a manner inconsistent with the Constitution." (Secs. 121(a) and (b))

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Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		contained in the Senate bill, except that exemption in the Senate bill for funds received by a provider caring for a "grandchild, niece, nephew, or sibling" is here expressed as an exemption for funds received by a provider caring solely for "members of the family of such provider." (Sec. 2012(a)(2))	
Preservation of State Laws Limiting Sectarian Use of Funds		*Title III--Title XX Child Care Amendments*: Same as Senate bill.	*State Child Care Matching Grants*: Provides that "[n]othing 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." (Sec. 122)
Limitations on Facilities Assistance	Education and health facilities construction grant programs generally exclude facilities to be used for sectarian instruction or worship or as a school or department of divinity, and require proportionate repayment if those limitations are violated.	*Title I--Head Start Child Care Amendments, Title II--School-Sponsored Child Care, and Title IV--Quality Improvement Grants*: In addition to the sectarian use limitation noted above for Title II, would require all providers receiving assistance for the renovation or repair of child care facilities under these titles to repay a proportionate amount of the assistance if the facilities cease	*State Child Care Matching Grants*: In addition to the sectarian use limitations noted above, would require all providers receiving assistance for the renovation or repair of child care facilities to repay a proportionate amount of the assistance if the facilities cease to be used for child care services during the useful life of the renovation or repair. Would limit facilities assistance to sectarian

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		to be used for child care services during the useful life of the renovation or repair. Would limit facilities assistance to sectarian providers to renovations or repairs "necessary to bring such facility into compliance with health and safety requirements" imposed by these titles. (Sec. 658H(b))	providers to renovations or repairs "necessary to bring such facility into compliance with health and safety requirements" imposed by this title. (Sec. 108)
Severability		*Title III--Title XX Child Care Amendments*: Would declare provisions of this program to be severable, so that if any part were held to be unconstitutional or otherwise invalid, the rest could continue to be implemented. (Sec. 2012(a)(3)(B)(v))	*State Child Care Matching Grants*: Would declare provisions of this program to be "separable," so that if any part were held to be unconstitutional, the rest of the title would remain valid. (Sec. 128) In addition, would declare provisions of the nondiscrimination section of this title to be severable, so that if any part of that section were declared to be invalid, the rest of the title could still be given effect. (Sec. 122)

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		STATE AND LOCAL ADMINISTRATION	
Application Process and Administering Agencies	Head Start agencies apply to the Secretary of DHHS according to a process specified in regulations.	*Title I--Head Start Child Care amendments*: No change from existing law.	No comparable provisions.
		Title II--School-Sponsored Child Care: To be eligible for Title II funds, States would submit to the Secretary of Education (through their State education agencies) assurances regarding fiscal control, accounting, standards, and 2-year plans to be submitted by participating LEAs. (Sec. 8004)	No comparable provisions.
	Under Title XX, States are not required to submit applications, but prior to spending their allotments they must submit to the Secretary of DHHS annual "pre-expenditure reports" on how they intend to use their funds.	*Title III--Title XX Child Care Amendments*: States would initially be entitled to funds, but after 3 years, funding would be contingent on demonstrating that standards requirements (summarized above in Standards and Enforcement section) are met. Like under current law, States would submit a pre-expenditure report on use of funds under this program. The report would be in addition to the one required under existing law. (Secs. 2011, 2014)	*State Child Care Matching Grants*: States would submit an application to the Secretary of DHHS containing assurances that the State will comply with the requirements of the bill, and a 3-year plan developed by a State administering agency or a State child care board. The bill contains several policies and procedures that must be addressed in the 3-year plan including meeting the standards requirements. The administering agency or board would also coordinate services with those of other Federal, State and local

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
			programs; assess child care needs and develop a plan to meet the needs; hold hearings on child care; and establish local advisory councils to conduct local child care needs assessments, advise the administering agency, and make reports and recommendations. (Secs. 106 and 107)
		No comparable provisions.	States could obtain a planning grant to meet the State plan requirements. The grant amount could be up to 1% of the State's allotment and would be considered to be part of the State's administrative costs under the program. (Sec. 109)
		The State agency with primary responsibility for child care in the State would administer the program. (Sec. 2012(a))	The State Governor would appoint the administering agency. The Governor would also appoint a State advisory committee on child care to assist and advise the administering agency. The advisory committee would have a subcommittee on licensing. (Sec. 111)
		No comparable provisions.	In the case of States that do not participate in the program, the application process would be carried out by the CEO of units of general

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
			purpose local government. (Sec. 127)
		Title IV--Quality Improvement Grants: States would submit an application to the Secretary of DHHS containing assurances that they will comply with the requirements of the bill, and a 5-year plan developed by a State administering agency. The plan would provide that activities specified under the bill are accomplished. (Sec. 658E)	No comparable provisions.
		Title V--Business Involvement Grants: Businesses would submit applications to the Secretary of DHHS containing specified information. (Sec. 503)	No comparable provisions.
		Title VI--Standards Improvement Incentive Grants: States would submit an application to the Secretary of DHHS containing assurances about the State contribution to the program, use of funds, and information about current standards and their expected improvement. (Sec. 601)	*Standards Improvement Incentive Grants*: Similar provisions. (Sec. 119)

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Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		Title VI--Child Development Demonstration Project: Eligible agencies would submit applications containing specified information to the Secretary of DHHS. (Sec. 601)	No comparable provisions.
State Reporting Requirements	Under Title XX, States are required to submit to the Secretary of DHHS 3 types of reports. Prior to spending funds, they must submit pre-expenditure reports on how they intend to use funds, including information on the type of activities to be supported and the categories or characteristics of individuals to be served. Pre-expenditure reports must be made public, and revised throughout the year to reflect changes.	*Title III--Title XX Child Care Amendments*: States would submit a pre-expenditure report on the use of Title III funds, similar to the one required for regular Title XX funds. The report would not have to be revised during the year. (Sec. 2014(a))	*State Child Care Matching Grants*: No comparable provisions. (However, States would have to submit a plan, as described above under Application Process.)
	The second report required is the annual report, which must contain information on how funds were actually spent, including information on the number of persons served broken down by children and adults and the types of services they received; total amount spent for each service, including per child costs and per adult costs; eligibility criteria	States would be required to provide similar reports on the child care activities funded under this program or under the regular Title XX program. The reports would contain information specific to child care, as follows: For each of center-based care, group home care, family care, and relative care, information on the number of children served by income	No comparable provisions. (However, under the State plan requirements, States would establish procedures for collecting certain data on how child care needs of families are being met, including information on the number of children served under the program and under other Federal programs; the type and number of providers in the State; the average cost of care in

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
	used, including fee scales; and methods of delivering services, showing those by public and private agencies.	category, the average cost and market rate of care by geographical area, and the out of pocket cost borne by families for funded services; information related to recipients who receive public benefits; eligibility criteria used; methods of providing services; and State standards, licensing, regulatory, and enforcement requirements in effect. (Sec. 2014(c))	the State; other information considered necessary by the Secretary; the extent to which the availability of care has increased; and how the purposes of the program are being met. There is no requirement that data be collected on an annual basis.) (Sec. 107) In addition, within 3 years of enactment, State Advisory Committees on Child Care would be required to submit reports to the Governor on child care services provided by different types of providers and recommendations made by the Subcommittee on Licensing. The Governor would submit reports to the Secretary of DHHS. (Sec. 111)
	States must also conduct audits on their Title XX funds every 2 years.	Similar audits would be required. (Sec. 2014(d)) *Title IV--Quality Improvement Grants*: Beginning not later than Dec. 31, 1992, States would be required to report to the Secretary of DHHS every 2 years on how Title IV funds are used, including information on why certain activities were funded;	No comparable provisions. Some similar information would be collected under the data collection requirement, described above.

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Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		how the child care needs of families are met; the number of children served under this program and other State and Federal programs; the type and number of child care providers in the State; and the salaries of child care staff in the State. (Sec. 658 D(c)(6))	
Administration Costs	Head Start programs can use up to 15% of funds for administration.	*Title I--Head Start Child Care Amendments*: No change to existing law.	No comparable provisions.
		Title II--School-Sponsored Child Care: States could use up to 3% of funds for administration. (Sec. 8004(b))	No comparable provisions.
	No administrative cap is specified under Title XX.	*Title III--Title XX Child Care Amendments*: States would spend 10% of funds for administration, training and enforcement. No specific breakdown is provided. (Sec. 2012(b))	*State Child Care Matching Grants*: States could spend up to 8% of funds for administration. (Sec. 107)
		Title IV--Quality Improvement Grants: States could spend up to 2% of funds for administration. (Sec. 658E)	No comparable provisions.

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Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		No comparable provisions.	*Child Care Liability Risk Retention Group*: States could spend up to 10% of funds for administration.

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Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		FEDERAL ADMINISTRATION	
Administering Agencies	Head Start and Title XX are administered by DHHS.	All programs except Title II and the tax provisions would be administered by DHHS. Title II would be administered by the Dept. of Education and the tax provisions would be administered by the Internal Revenue Service.	DHHS would administer the *State Child Care Matching Grants* program, the Standards Improvement Incentive Grants, and the Child Care Liability Risk Retention Group program. A new position of Administrator of Child Care would be created within DHHS to coordinate all DHHS child care activities and those of other Federal agencies. The administrator would collect and maintain child care information, evaluate programs, and provide technical assistance to States. The tax benefits would be administered by Internal Revenue Service.

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
		TAX BENEFITS	
Earned Income Tax Credit	*Who benefits:* Families with at least one child under 19 (or under 24 if a full-time student) and at least one employed parent.	*Who benefits:* Same as current law, except that credit would be adjusted for number of children in family, up to three. (Sec. 302)	Same as current law.
	Formula for benefits: 14% of earned income (defined as $5,714 as adjusted for inflation). In 1990, adjustment is 14% of $6,807 of earned income. Maximum credit in 1990 is $953.	*Formula for benefits*: for 1 child: 17% of earned income; for 2 children: 21% of earned income; for 3 children: 25% of earned income; defined and adjusted as under current law. (Sec. 302(b))	Same as current law.
	Phaseout: Credit is reduced by 10% of income over $9,000, as adjusted for inflation. In 1990, phaseout begins at $10,730. Credit is zero at incomes at over $20,264.	*Phaseout*: credit is reduced as follows on income in excess of $9,000, as adjusted for inflation (i.e, $10,730 in 1990). For 1 child: credit is reduced by 12% of excess income; for 2 children:credit is reduced by 15%; for 3 or more: credit is reduced by 18%.	Same as current law.
	Refundability (receipt of benefit even if taxpayer has no tax liability): Yes	*Refundability:* Yes	Same as current law.
	Advance payments: Yes	*Advance payments:* Yes (Sec. 302(c))	Same as current law.

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Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
Supplemental Young Child Credit	No comparable provisions.	*Who benefits*: Families qualifying for regular earned income tax credit with a child under 6. (Sec. 302(b)(2))	*Who benefits*: Families qualifying for regular earned income tax credit with at least one child under 4 years old. (Sec. 214)
	No comparable provisions.	*Formula for benefit*: Would add 6% to EITC credit.	*Formula for benefit*: Would add 7% to the EITC credit (limited to $500) for taxpayers with one qualifying child; would add 10% to EITC (limited to $750) for taxpayers with more than one qualifying child.
		Phaseout: Would increase EITC phaseout rate by 4.25%	*Phaseout*:Supplement for young children credit phases out at a 15% rate (10% for taxpayers with one qualifying child) for income in excess of the lesser of $10,000, as adjusted for inflation, or $12,000.

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Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
Treatment of EITC by Major Welfare Programs	For EITC eligibility, taxpayers must pay more than one-half the cost of keeping up a home for a child. Federal means-tested program benefits (*e.g.*, AFDC and food stamps) are not treated as provided by the taxpayer. Thus if more than half of the taxpayers' income is from AFDC, etc., taxpayers cannot qualify for EITC benefits.	Household expenses paid with AFDC or other Federal means-tested transfer payments would be treated as support provided by the taxpayer for purposes of the EITC. (Sec. 302(j))	Same as current law.
	Under AFDC, EITC refunds and advance payments must be counted as income when received for purposes of deciding AFDC eligibility (gross income cannot exceed the 185% of the state's standard of need test), but EITC is not counted as income for calculating the benefits of eligible persons (the monthly payment test). Under Medicaid, EITC is treated the same as under AFDC. Under SSI, EITC advance payments or refunds must be counted as earned income; generally this means that the SSI benefit is reduced by 50% of the EITC amount, rather than 100%.	EITC advance payments or refunds made to a person applying for or receiving AFDC would be ignored in deciding continued program eligibility or in calculating benefits under any means-tested program financed wholly or in part with Federal funds. EITC advance payments and refunds would be treated as described above for all Federal means-tested benefit programs.	Same as current law.

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Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
	Under the food stamp program, EITC advance payments must be ignored in deciding program eligibility and in calculating benefits, but EITC refunds must be counted as a liquid asset in judging eligibility. Under the veterans' pension program, EITC advance payments and refunds must be counted as income under a general rule counting gross income in the past year.		
Dependent Care Tax Credit	*Who benefits*: Credit benefits employed persons with children under age 13, or employees with a handicapped dependent or spouse.	*Who benefits:* Same as current law.	*Who benefits:* Same as current law.
	Formula for benefits: Tax credit on a sliding scale from 30% of qualified expenses for persons with incomes up to $10,000; declining to 20% for persons with incomes over $28,000.	*Formula for benefits:* Same as current law, but phaseout and income cap would be added. (Sec. 303)	*Formula for benefits:* Same as current law.
	Phaseout: No upper income limit	*Phaseout:* Credit would be reduced by 1% per additional $1000 of income for taxpayers with incomes over $70,000 and eliminated for taxpayers with incomes over $89,000.	*Phaseout*: No upper income limit.

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
	Refundability: No	*Refundability:* No change to current law.	*Refundability:* Would be 90% refundable for tax filers with adjusted gross incomes under $28,000. (Sec. 212)
	Advance payments: None under current law.	*Advance payments:* No change to current law.	*Advance payments:* After 1991. (Sec. 212)
	Limits: No special rules about government subsidized expenses; however, qualified expenses cannot exceed taxpayer's earned income.	*Limits:* No change to current law.	*Limits:* Government subsidized expenses (including income disregards) not eligible for the dependent care tax credit after 1989. (Sec. 212)
Dependent Care Assistance Program	*Who benefits:* Employees whose employers offer a DCAP. Qualifying taxpayers would be the same group as those who might use the dependent care tax credit.	Same as current law.	Same as current law.
	Formula for benefit: Up to $5,000 of benefits may be excluded from income. Benefits are used to provide dependent care services to employee.	*Formula for benefit:* Same as current law, but phaseout and income cap added. (Sec. 303)	

SIDE-BY-SIDE COMPARISON OF CHILD CARE BILLS

Provision	Current Law	H.R. 3 (House passed)	H.R. 3 (Senate passed)
	Phaseout: None	*Phaseout:* Maximum amount of exclusion would be reduced by $250 for each $1000 increase in income for taxpayers with incomes over $70,000 ($35,000 for married individuals filing separately). Taxpayers with incomes over $89,000 would be ineligible for the exclusion.	*Phaseout:* Same as current law.
	Offset: The dependent care tax credit is reduced by the amount of exclusion claimed under a DCAP.	Same as current law.	Same as current law.
Child Care Earnings Exclusion	Persons under age 70 who are drawing social security benefits lose a portion of their benefits if they have earnings which exceed certain amounts, which vary depending on their ages. After age 70, there is no earnings limitation.	Same as current law.	Would permit social security recipients under age 70 who work as child care providers to earn income from child care without being penalized by offset of social security benefits. (Sec. 306)

of the eligible individual if--

``(A) such individual is entitled to a deduction under section 151 for such child (or would be so entitled but for paragraph (2) or (4) of section 152(e)),

``(B) such child has the same principal place of abode as such individual for more than one-half of the taxable year, and

``(C) such child has not attained age 6 as of the close of the calendar year in which or with which the taxable year of the taxpayer ends.

An individual shall not be a qualifying child for purposes of this section for the taxable year if credit is allowed to the taxpayer under section 21 for such year and employment-related expenses with respect to such individual are taken into account in computing the amount of such credit.''

(c) ADVANCE PAYMENT PROVISIONS.--

(1) PAYMENT BASED ON NUMBER OF QUALIFYING CHILDREN.--

(A) Subsection (b) of section 3507 of such Code is amended by striking ``and'' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting ``, and'', and by inserting after paragraph (3) the following new paragraph:

as follows:

``In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	23	16.43
2 or more qualifying children...	25	17.86

``(ii) TRANSITION PERCENTAGES.--

``(I) For taxable years beginning in 1991, the percentages are:

``In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	16.7	11.93
2 or more qualifying children...	17.3	12.36

``(II) For taxable years beginning in 1992, the percentages are:

``In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	17.6	12.57
2 or more qualifying children...	18.4	13.14

``(III) For taxable years beginning in 1993, the percentages are:

``In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	18.5	13.21
2 or more qualifying children...	19.5	13.93

``(D) SUPPLEMENTAL YOUNG CHILD CREDIT.--In the case of a taxpayer with a qualifying child who has not attained age 1 as of the close of the calendar year in which or with which the taxable year of the taxpayer ends--

as follows:

``In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
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``(i) the credit percentage shall be increased by 5 percentage points, and

``(ii) the phaseout percentage shall be increased by 3.57 percentage points.

``(2) HEALTH INSURANCE CREDIT.--

``(A) IN GENERAL.--The term `health insurance credit' means an amount determined in the same manner as the basic earned income credit except that--

``(i) the credit percentage shall be equal to 6 percent, and

``(ii) the phaseout percentage shall be equal to 4.285 percent.

``(B) LIMITATION BASED ON HEALTH INSURANCE COSTS.--The amount of the health insurance credit determined under subparagraph (A) for any taxable year shall not exceed the amounts paid by the taxpayer during the taxable year for insurance coverage--

``(i) which constitutes medical care (within the meaning of section 213(d)(1)(C)), and

``(ii) which includes at least 1 qualifying child.

For purposes of this subparagraph, the rules of section 213(d)(6) shall apply.

``(C) SUBSIDIZED EXPENSES.--A taxpayer may not

(2) If the taxpayer elects to take a child into account under this subparagraph, such child shall not be treated as a qualifying individual under section 21.

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(42)

If the taxpayer elects to take a child into account under this subparagraph, such child shall not be treated as a qualifying individual under section 21.

Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Memo	From Leigh Ann Metzger to John Sununu Re: Child Care: New Wee Tots Credit Concerns (1 pp.)	10/26/90	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: 1990 Child Care (2 of 2) [4]

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By gf (NLGB) on 10/28/05

Date Closed:	12/17/2004	**OA/ID Number:**	29143-007
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:**	
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P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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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]
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AC/ER

THE WHITE HOUSE

WASHINGTON

OCTOBER 26, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: LEIGH ANN METZGER LAM

RE: CHILD CARE
New Wee Tots Credit Concerns

I have been notified by Rector, Bauer and the other troops that any change in the "no douple dip" policy of the wee tots credit would be not only unacceptable, but worse than no wee tots credit at all.

They feel that the essense of the original wee tots credit was to prevent parents from getting both the credit and the DCTC. It was their hope that over time they would diminish the DCTC by forcing families to choose one or the other. If the "no douple dip" element of the wee tots is lost in the negotiations, they would prefer no wee tots credit at all.

While they still have several problems with the child care deal that I'm sure we won't be able to satisfy, we could even loose our high ground if they attack our wee tots provision.

as follows:

``In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	23	16.43
2 or more qualifying children...	25	17.86

``(ii) TRANSITION PERCENTAGES.--

``(I) For taxable years beginning in 1991, the percentages are:

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A tax-exempt public policy research institute

June 11, 1990

Mr. John H. Sununu
Chief of Staff to the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D. C. 20500

Dear John,

As you know, the House and Senate conferees on daycare legislation have begun meeting to produce a compromise bill. In the last two years there has been great progress on the "child care issue." Liberal initiatives have been stalled and debate has been increasingly focused on President Bush's principles of: non-discrimination against traditional families, parental rights of choice, and equal treatment of parents seeking religious daycare. In no small measure, this progress has been a result of the leadership, commitment, and energy which you have personally devoted to this issue. Your efforts are greatly appreciated.

The enormous outpouring of support for the Stenholm bill in March shows that the public embraces President Bush's child care principles. Over 100,000 phone calls deluged Capitol Hill in support of the Stenholm bill and in opposition to the Downey/Hawkins bill. Political momentum is on your side.

But, as you know, victory is still far away. The legislation passed in both the House (H.R.3) and the Senate (S.5), while paying lip service to the President's principles, contradicts these principles in nearly all respects. In their present form both S.5 and H.R.3 discriminate against traditional families, limit parental choice in daycare, and discriminate against parents seeking religious care for their children. H.R.3, which establishes a new federal program to provide daycare for young children in public schools with a flat prohibition on parental choice, is almost as deplorable as the original ABC bill.

The objectionable features of H.R.3 and S.5 are so pervasive, that any attempt to "clean up" those bills in conference will not produce a bill which is acceptable to President Bush or to the conservative groups who have devoted so much effort to this issue for the past two and a half years. I have attached a list of some of the worst features of H.R.3 and S.R.5. Most of these are, no doubt, familiar to you. We believe that all of these features, not just some, would have to be eliminated to produce an acceptable bill. For example, there are many technical issues relating to the definition of vouchers and limitations on their use. All of the provisions relating to vouchers listed in the attached paper would need to be corrected in order to produce a voucher which parents could realistically use in most churches. If only part of these problems are corrected, we would achieve the appearance of victory while yielding the substance to the liberals.

I am encouraged by the President's continuing support for solid conservative child care principles, and by his expressed willingness to veto the existing child care legislation. I am worried, however, that an undirected and piecemeal effort by Republican conferees to improve H.R.3 and S.5 could result in legislation which remained highly undesirable, but was more difficult for the President to successfully veto.

Let me thank you again for the effort and commitment which you have shown on this issue and express the confidence which we all have in your leadership. I believe that with continuing perseverance we can transform the enormous liberal daycare initiative of the past two years into a significant victory for American conservatism.

Sincerely,

Edwin J. Feulner Jr.
President

MAJOR PROBLEMS IN THE DAYCARE LEGISLATION PASSED IN THE HOUSE AND SENATE

The following major provisions of the daycare legislation passed in the House (H.R.3) and the Senate (S.5) violate President Bush's basic childcare principles. Where appropriate, a comparison to the provisions of the Stenholm/Shaw childcare bill, (H.R.4294) which carefully adhered to the President's principles, is provided.

1.) S.5 makes the current dependent care tax credit refundable. This means that both the overall tax credit component as well as the daycare program component of S.5 discriminate against traditional families who care for their own children. It would be best if child care legislation did not discriminate against traditional families at all; at the very least, the tax credit component of any final bill should not discriminate.

2.) Neither S.5 nor H.R.3 contains the "wee tots" tax credit which was included in the Stenholm bill: a tax credit exclusively for mothers who are caring for their own infant children at home. This credit is central to much of the grass roots support for the Stenholm bill and should be included in any final legislation.

3.) Title II of H.R.3 creates a new federal program to provide daycare for children under the age of five in the public schools. This program would prohibit parental choice and would ultimately drive most private sector and religious daycare providers out of business.

4.) Some or all of the funds of Title IV of H.R.3 could be used to fund public school daycare programs which prohibit parental choice. Title IV is effectively a clone of the Title II public school daycare program and should be equally unacceptable.

5.) The Stenholm bill guaranteed that all parents receiving daycare assistance under the Social Service Block Grant Program (Title XX) would have a right to a voucher which would permit them to choose who cared for their child. S.5 and H.R.3 voucherize only the new, earmarked daycare funds under Title XX; the rest of the Title XX funds used for daycare are not voucherized. The President's principle of parental choice should apply to all Title XX funds, not just the new earmarked portion.

6.) While S.5 and H.R.3 ostensibly provide parents receiving new daycare funds under Title XX with the right to receive a voucher, they permit the state bureaucracy to severely restrict where the "voucher" may be used. Currently many states

provide "vouchers" which can only be used in one or two daycare centers selected by the government. This practice could continue under H.R.3 and S.5. In contrast the Stenholm bill guaranteed that parents receiving vouchers had the right to use the voucher with a wide variety of child care providers, including relatives, neighbors, churches and private sector providers. The Stenholm wording is essential to ensure that the President's principle of parental choice is carried out in practice.

7.) The Stenholm bill guaranteed that any parent receiving federal assistance in the form of a voucher could use that voucher to pay for daycare which included religious worship and instruction. Under H.R.3 and S.5, any state government could prohibit federal funds from being used in this manner. Having lost the "religious issue" in the U.S. Congress, liberals would like to force conservatives to refight it from scratch in every state capital. The Stenholm wording is essential in order to ensure that parents who want religious daycare are not discriminated against under the Title XX program.

8.) Thirteen states provide partial or full regulatory exemptions to religious daycare centers. Under H.R.3 and S.5 parents in those states could not use vouchers to pay for religious daycare.

9.) Under both S.5 and H.R.3 a church which received even one voucher could no longer show preference for members of the faith in hiring daycare workers. The same church could not show preference to members of the faith in selecting children for admission to daycare slots for which no government funds were received. These provisions are clearly intended to minimize church participation in the Title XX program.

10.) H.R.3 and S.5 explicitly state that a voucher received by a church constitutes federal financial assistance to the church. The Stenholm bill remained silent on this issue. The S.5 and H.R.3 language would make it much more difficult for conservative churches to accept vouchers.

11.) S.5 and H.R.3 explicitly prohibit any church which receives grants directly from the government from including religious activities in its daycare program. The Stenholm bill conformed with existing Title XX law by remaining silent on this subject.

12.) Under S.5 and H.R.3 a parent could not use a voucher to pay for daycare by a friend or neighbor unless that individual underwent government training and complied with other regulatory provisions.

13.) S.5 and H.R.3 contain a "regulatory ratchet clause" which permits any state to make its daycare regulations stricter at any time, but prohibits a state from making any daycare regulations more lenient without the approval of the Secretary

of H.H.S. This is an unprecedented usurpation of state regulatory authority.

14.) Over half the states have provisions requiring a mother caring for even one child for pay in her own home to be licensed or regulated. For the most part, no effort is made to enforce these requirements. S.5, however, would insist that each state must actively enforce all existing daycare regulations while prohibiting the states from making those regulations more lenient. The intent of this "daycare police" provision is to force many of the present 1.5 million small, informal daycare providers out of business.

15.) Both S.5 and H.R.3 create a National Advisory Committee on Daycare, as well as numerous overlapping daycare committees at the state level. The purpose of these provisions is to create a permanent political infrastructure to lobby for stricter regulation and more funding for daycare.

16.) Both S.5 and H.R.3 impose over one hundred new regulations and mandates on state governments.

The Heritage Foundation
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WASHINGTON, D.C. 20002
TELEPHONE: (202) 546-4400
FAX: (202) 544-2260

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CAMP HILL, PA 17011

44 FREDERICK STREET
HANOVER, PA

October 25, 1990

cc

The Honorable John H. Sununu
The White House
Washington, D.C. 20500

THE CHIEF of STAFF has seen

Dear Governor Sununu:

I understand that people are raising concerns about the child care proposal that was worked out between the White House and Senate, and which now has the support of the House of Representatives.

I believe that the narrow concern being raised, that States do not have to use all their funds under the block grant for direct services, is missing a larger point. For many years, the Republican party has pushed the use of block grants as a means of providing Federal funds to the States. Inherent in this approach is the principle of allowing States the flexibility to use funds, in this case for child care, for the activities that they choose as most important to meet their own needs. I know that, as a former Governor, you support this State based decision making approach.

The child care package that your staff negotiated empowers States to make these choices, without Federal dictates. If a State chooses to provide direct services with the funds, then it must offer the voucher as a form of payment. Frankly, those of us who have been involved in the child care issue for the past two years were pleasantly surprised that we ended up with a pretty clean block grant at less than half the original authorization level. Throw in mandatory vouchers, church involvement, and no Federal standards, and you have a bill that is better than we expected.

I think it would be a major mistake to reopen this part of the compromise. We have much more to lose than to win by placing the basic structure of the bill back on the table.

If you would like to discuss this any further, I would be happy to talk with you at your convenience.

Sincerely,

Bill

Bill Goodling

Family Research Council®
Gary L. Bauer, President

October 26, 1990

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

Dear Governor:

We have just learned that the Democrats did not include the Stenholm "wee tots" tax credit provision in the child care portion of the budget package. Instead, we have been informed that the bill contains a flat-sum add-on to the standard deduction for families with a child under age 1.

In addition, we have been told that this provision does not contain a "no double dip" clause which specifies that taxpayers will be eligible for this credit only if they do not claim the Dependent Care Tax Credit (DCTC) or the Employer-Provided Dependent Care Assistance Plan (DCAPs). If this is true, this provision would be counter-productive.

I have enclosed "no double dip" language from the Holloway-Schulze Bill. This language is similar to that included in the Stenholm bill and the President's bill. Unless this language is inserted into the bill, this standard deduction provision does more harm than good.

Please see to it that this clause is inserted in the bill language. It would be better to have no provision at all than a provision without a "no double dip" clause.

Sincerely,

Gary L. Bauer
President

P.S. I noticed the "tax on children" is still in dispute. How about offering a trade: a cap on the DCTC/DCAPs (like that found in the Stenholm and Downey child care bills) in exchange for lifting the cap on the personal and dependent exemption? Absent such a deal, the only way we see to correct this problem is through a higher top tax rate.

Copy to Roger Porter

Family Research Council®

Gary L. Bauer, President

October 23, 1990

THE CHIEF of STAFF has seen

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

cc

Dear Governor:

We want to alert you to our deep and growing concern about the rapidly deteriorating situation with respect to the child care provisions in the budget reconciliation bill now in House-Senate conference.

Throughout the 101st Congress, we have enjoyed our close working relationship with you in the pursuit of a child care bill that does not discriminate against traditional families and that puts resources into the hands of parents, not bureaucracies, to make decisions crucial to the well-being of their children. While we, like the President, have always preferred that child care benefits be distributed through non-discriminatory tax credits, we have been prepared to accept, as part of a tax-based package, a program of child care grants that would guarantee to parents access to vouchers usable in family and church-based day care settings. At last week's meeting with you at the White House, we were given encouragement to believe that the Administration-Senate Leadership child care package represented just such a program, with 75% of appropriated funds under the Child Care and Development Block Grant Act of 1990 dedicated to a completely voucherized system of child care benefits for families.

We have now had an opportunity to examine the language of the Senate Report that describes this program in detail. The long and short of it is that the grant program it describes is a break-through not for parental choice but for a massive Federal investment in day care infrastructure. Not one parent is assured of seeing a single dime of Federal pass-through support for the child care arrangement of their choice. In fact, we believe that the structure of the new grant program created by H.R. 5835, taken together with existing State and Federal child care authorities, contains positive inducements that will ensure that this money would be rarely, if ever, used for vouchers.

The report language states that the purpose of the block grant is "to increase the availability, affordability, and quality of child care" throughout the nation. While a state "may use 75% of block grant funds for direct assistance to parents for child care services and to increase the supply and to improve the quality of child care," there is no provision specifying any percentage set-

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aside for such direct assistance. The report says only that the States "may use some portion of these funds" for an 11-point list of activities (other unspecified activities are also permitted) to increase the supply of child care services, including: grants and loans to providers; grants and loans to assist providers in meeting state and local standards; assistance for the temporary care of sick children; assistance for comprehensive, full-site, all-day child care demonstration projects in schools for children age 3-5; and so forth. We find no language barring the use of funds for creation of new state child care advisory bodies or regulatory agencies or guidelines.

In brief, the Child Care and Development Block Grant Act of 1990 provides no guarantee of delivery of voucherized child care services. It does, however, create an opening for funding of any and all of the uses of Federal funds envisioned in the original Act for Better Child Care. Moreover, we believe that the availability of these new funds for administrative, regulatory, and infrastructural activities will operate in most States as an inducement to pay for these projects with the new block grant and to provide actual services through such mechanisms as SSBG Title XX, which are subject to no mandates regarding the availability of vouchers or their use in religious day care settings.

Adoption of the Child Care and Development Block Grant Act of 1990 would amount to a massive wager of funds ($925 million in FY 93) in a child care shell game in which parental choice will seldom be the winner. This is, needless to say, completely unacceptable to us. We are convinced that few members of Congress understood, nor perhaps the negotiators themselves, how damaging this report language is to the child care principles the Administration and its supporters have repeatedly articulated. Child care grantsmanship is per se violative of the second leg of the President's quartet of principles: that child care programs should not, as you wrote in May 1989, "discriminate against two parent families in which one parent stays home to care for the children;" to this per se violation is now added a violation of the third leg which requires child care programs to increase parental options.

This bill is clearly designed to provide a competitive advantage to large licensed daycare centers (which now serve less than 10 percent of preschool children). The bill would discriminate not only against mothers who care for theirown children, but also against mothers who use family in-home daycare, who use informal legal-but-unlicensed daycare, and who use religious daycare. Informal, unlicensed, or religious daycare is preferred by the majority of employed mothers, and the proposed legislation makes it next to impossible for these types to receive funding. Driving informal daycare providers out of business will only increase the

cost of licensed daycare and make millions of parents -- and children -- unhappy.

Finally, let us mention our sore disappointment that White House negotiators have reportedly agreed to give $10 million to the National Board for Professional Teaching Standards. This money will ultimately deliver control of teacher certification all across America into the hands of the two largest teachers' unions, who dominate the Board. There is little question but that the Board's recommendations will be hostile to educational choice (including the decision to home school), to merit pay and alternative certification concepts, and to overall parental prerogatives in the rearing of children. The anti-parent agenda of the National Education Association was reaffirmed this past summer in Kansas City (See the enclosed article), and we are vehemently opposed to Federal funding of this agenda at a time when parents are crying out for genuine reform.

Realizing how weighty is the burden you carry as the last days of this Congress unfold, we urge you nonetheless to act as forcefully as you can to reassert the President's principles in child care and education and avert total embarrassment when the public discovers that the current provisions in the budget reconciliation bill are even more anti-mother, anti-religious, and anti-parental choice than the original ABC Dodd-Kildee-Hawkins bill.

Sincerely,

Gary L. Bauer
President
Family Research Council

Phyllis Schlafly
President
Eagle Forum

as follows:

``In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	23	16.43
2 or more qualifying children...	25	17.86

``(ii) TRANSITION PERCENTAGES.--

``(I) For taxable years beginning in 1991, the percentages are:

``In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	16.7	11.93
2 or more qualifying children...	17.3	12.36

``(II) For taxable years beginning in 1992, the percentages are:

``In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	17.6	12.57
2 or more qualifying children...	18.4	13.14

``(III) For taxable years beginning in 1993, the percentages are:

``In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
1 qualifying child.....	18.5	13.21
2 or more qualifying children...	19.5	13.93

``(D) SUPPLEMENTAL YOUNG CHILD CREDIT.--In the case of a taxpayer with a qualifying child who has not attained age 1 as of the close of the calendar year in which or with which the taxable year of the taxpayer ends--

``(i) the credit percentage shall be increased by 5 percentage points, and

``(ii) the phaseout percentage shall be increased by 3.57 percentage points.

``(2) HEALTH INSURANCE CREDIT.--

``(A) IN GENERAL.--The term `health insurance credit' means an amount determined in the same manner as the basic earned income credit except that--

``(i) the credit percentage shall be equal to 6 percent, and

``(ii) the phaseout percentage shall be equal to 4.285 percent.

``(B) LIMITATION BASED ON HEALTH INSURANCE COSTS.--The amount of the health insurance credit determined under subparagraph (A) for any taxable year shall not exceed the amounts paid by the taxpayer during the taxable year for insurance coverage--

``(i) which constitutes medical care (within the meaning of section 213(d)(1)(C)), and

``(ii) which includes at least 1 qualifying child.

For purposes of this subparagraph, the rules of section 213(d)(6) shall apply.

``(C) SUBSIDIZED EXPENSES.--A taxpayer may not

(2)

If the taxpayer elects to take a child into account under this subparagraph, such child shall not be treated as a qualifying individual under section 21.

Child Care
Strengthening Families

- The child care provisions in the reconciliation bill advance the first and most important principle the President established when he proposed his child care legislation: Parents, who are best able to make decisions about their children's care, should have the discretion to make these decisions.

- Over $16 billion will flow directly to parents through expanded tax credits.

  - All these dollars will flow through the Earned Income Tax Credit (EITC), a no additional bureaucracy approach to expanding parental choice.

  - A new "wee tot" credit will provide additional funds for children under one year old.

  - Existing provisions that encourage use of paid care will be scaled back through elimination of the "double dip;" parents eligible for both the EITC and the child and dependent care tax credit (DCTC) will have to choose between the two.

- The new block grant to states for child care for the first time requires states to offer parents a voucher which can be used to pay for child care provided by any provider willing to accept the voucher -- relatives, neighbors, churches, and day care centers.

  - States will receive $731 million in FY 1991; 25 percent must be reserved for latchkey and early childhood programs and activity to improve quality.

  - From the non-reserved funds, states must offer parents the opportunity to have a voucher whenever they use funds to pay for child care services.

- A second grant program, funded at $300 million per year, would help families that would go on welfare without child care assistance.

- Both grant programs are without the extensive regulatory requirements that characterized previous congressional proposals.

  - There are no direct funds to the education establishment, no regulation of family-provided child care, no restrictions on state child care regulation.

Child Care Provisions: Budget Reconciliation Act

Parental Choice and State Flexibility

A) Tax Credits ($13.1b) -- Pro-family, parental-choice child care that enhances working families' option to have one parent stay at home to care for their children.

EITC expansion ($12.4b) -- low income working families with incomes below $21,000 will receive a maximum tax credit of 23% ($1633) for one child and 25% ($1775) for two or more children. (Credit currently is 14% for families of all sizes.).

"Wee tot" credit ($700m) -- an additional EITC credit of 5% for low income families with children under age 1. This new pro-family credit will make it easier for mothers to stay at home with their children during the first critical year of life.

B) Child Care and Development Block Grant of 1990 ($2.5b)

Block Grant -- The Department of Health and Human Services is authorized, under a formula, to give block grants to the States. Authorization is $750m for FY91, $825m for FY92, $925 for FY93 and such sums for FYs 94 and 95.

State Plan -- The States have discretion in spending the funds, but before receiving initial funding, the State must submit a plan (covering 3 yrs.) to the Secretary outlining how the funds will be used. The State has total discretion to design its plan within the following limits:

1) Reserve - 25% of the funds must be reserved for a) enhancing the quality of services, b) serving latchkey children (before and after school care), or c) early childhood development activities. However:

- The States have discretion on how to spend these funds, and they do not have to go directly to the SEA or through the school systems;

- The States may use certificates for services delivered within this reserve, but it is not mandatory that they do so.

2) Certificates - For the remaining 75% of the funds, the State has complete discretion to spend the funds on any child care activities outlined in its plan, except that:

- Any child care services must be provided through a delivery mechanism that includes an unrestricted certificate option **(mandatory vouchers)**.

No Standards

- There are no federal standards;

- States are required to review their existing State standards, if they haven't done so in the last 3 years - but no changes are required;

- States can lower their standards or level of regulation, and must only inform the Secretary in their annual report.