

Report for Congress

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Child Care Issues in the 107th Congress

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Summary

Many bills relating to child care have been introduced since 1996, but most have failed to be enacted into law. The notable exceptions were appropriations acts that included increases in discretionary funding for child care and some related programs. In 2001, with the arrival of a new Administration, new proposals and initiatives were introduced as part of the FY2002 Budget, and the FY2002 appropriations process addressed the issue of funding levels for some of those proposals.

The FY2002 bill making appropriations for the Departments of Labor, Health and Human Services and Education (H.R. 3061/P.L. 107-116), included \$2.1 billion in discretionary funding for the CCDBG (\$100 million less than President Bush's FY2002 budget request) and did not include the Administration's proposed \$400 million set-aside for a new after-school certificate program within the CCDBG.

The Administration has released its budget request for FY2003, which proposes to maintain level funding for the CCDF and several other related programs, while increasing Head Start program funding and eliminating the Early Learning Fund.

The CCDBG currently provides child care subsidies to low-income families with children under age 13. It is the primary source of federal child care assistance for low-income families, and is funded through both mandatory and discretionary funds, referred to in total as the Child Care and Development Fund (CCDF). Authorization for both funding streams is due to expire at the end of FY2002. A few reauthorization bills pertaining to welfare legislation (which includes mandatory child care funding) and the CCDBG Act (which authorizes discretionary funding and sets program rules) have been introduced, and in the House, a bill has been passed (H.R. 4737). The Senate has acted at the committee level, with the Finance Committee passing its version of a welfare reauthorization bill on June 26, 2002 (legislative language is not available at this time).

There are also additional federal grant programs that fund child care-related programs and activities, as well as tax provisions that assist parents of varying incomes with child care expenses. Proposed bills and Clinton Administration initiatives of the past several years reflected attempts to approach the overarching issues of child care availability, affordability, and quality with proposed changes to the block grant and/or tax code. Although most of those earlier bills and initiatives failed to reach law, several similar bills have been introduced in the 107th Congress, including an omnibus tax bill, which was signed into law, and contained changes to the Dependent Care Tax Credit.

Child care has become an area of increased focus as Congress has begun reauthorization debates, and the overall issue of early childhood development has received increased attention, as a result of Congressional hearings, as well as a White House Summit on Early Childhood Cognitive Development. The Administration has built upon the summit, with the President announcing on April 2, 2002 the Administration's new "Good Start, Grow Smart" early childhood initiative.

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Child Care Issues in the 107th Congress

Recent Developments

On June 26, 2002, the Senate Finance Committee deliberated, amended, and approved the Chairman's Mark document reflecting its welfare reform reauthorization measure: the Work, Opportunity, and Responsibility for Kids (WORK) Act. Legislative bill language is not yet available, however the Chairman's Mark document contains provisions that would provide mandatory child care funding for the Child Care and Development Block Grant at \$3.717 billion in each of FY2003-FY2005; and \$3.967 billion in each of FY2006 and FY2007 (\$1 billion and \$1.25 billion above the FY2002 funding level, respectively, for a \$5.5 billion total increase over 5 years). The increases up to the \$3.717 billion level in each of the five fiscal years would be applied to the "guaranteed" portion of mandatory funding (requiring no match and allocated to states according to the same proportion of guaranteed funds received in FY2002). The increase beyond that (i.e. the additional \$250 million in each of FY2006 and FY2007) would require a state match and would be allocated based on states' relative share of children under age 13. All increases above the FY2002 mandatory funding level could not supplant state funding for child care. Of the new funding that requires no match, \$10 million would be reserved for Puerto Rico in each of FY2003-2007. (Currently, Puerto Rico is not entitled to any of the mandatory CCDBG funding.)

In addition, states would be required to certify in their state TANF plans that procedures are in effect to ensure that any child care provider delivering child care services funded by TANF complies with the health and safety requirements applicable to the Child Care and Development Block Grant.

*Also included in the Chairman's Mark, as amended and passed (13-8), is a provision that would permanently restore states' authority to transfer up to 10 percent of their annual TANF allotments to the Social Services Block Grant. Furthermore, funding for FY2005 would be authorized at a level of \$1.952 billion. A week earlier, on June 19, the Senate Finance Committee passed the Charity Aid Recovery and Empowerment Act (a substitute for H.R. 7), which would authorize SSBG funding increases for FY2003 and FY2004. (For more information on legislation relating to welfare and child care reauthorization, see Legislative Activity in the 107th Congress, *infra*.)*

On June 24, 2002, Senator Edwards introduced the Nurturing Special Kids Act of 2002 (S. 2671), which would amend the CCDBG Act to provide for child care quality improvements for children with disabilities or other special needs.

Federal Child Care Programs and Tax Provisions

Several federal programs support child care or related services, primarily for low-income working families. In addition, the tax code includes provisions specifically targeted to assist families with child care expenses. Descriptions of those programs and tax provisions follow, as does **Table 1**, which shows funding (or estimated revenue loss or obligations where applicable) for the programs and tax provisions.

Child Care and Development Block Grant (CCDBG). The primary federal grant program is the CCDBG, which was created in 1990, reauthorized and substantially expanded in 1996, as part of welfare reform, and is expected to be reauthorized during the second session of the 107th Congress (2002).¹ The CCDBG is administered by HHS, and provides block grants to states, according to a formula, which are used to subsidize the child care expenses of families with children under age 13, if the parents are working or in school and family income is less than 85% of the state median. (In practice, many states establish income eligibility levels that are lower than this federal threshold.²) Child care services are provided on a sliding fee scale basis, and parents may choose to receive assistance through vouchers or certificates, which can be used with a provider of the parents' choice, including sectarian providers and relatives.

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

The CCDBG is funded through both discretionary and capped entitlement grants (referred to in combination as the Child Care and Development Fund, or CCDF), and state maintenance-of-effort and matching requirements apply to part of the entitlement funds.³ States must use at least 4% of their total funds to improve the quality and availability of child care, and according to statute, must target 70% of entitlement funds on welfare recipients working toward self-sufficiency or families at risk of welfare dependency. However, because all families falling below the 85% of state median income requirement can be categorized as "at risk," the 70% targeting of the welfare and at-risk population does not necessarily mean welfare families must be served. In theory, all funds may be used for low-income, non-welfare, working families. However, state plans indicate that many states guarantee child care to

¹ For more information, see CRS Report RL30785, *The Child Care and Development Block Grant: Background and Funding*.

² For more information on states' CCDF plans, see CRS Report RL30919, *Child Care: State Programs Under the Child Care and Development Fund*.

³ For more detailed information on the CCDF financing structure and spending trends, see CRS Report RL31274 *Child Care: Funding and Spending under Federal Block Grants*.

welfare families. No more than 5% of state allotments may be used for state administrative costs.

In FY2002, a total of \$4.817 billion was appropriated for the CCDBG (see **Table 2**). Entitlement funds of \$2.717 billion were appropriated in advance by the welfare reform law, and \$2.1 billion in discretionary funds were appropriated by the FY2002 appropriations bill. (Unlike prior years, there was no advance discretionary funding for the CCDBG in FY2002, or for FY2003.)

Temporary Assistance for Needy Families (TANF). TANF provides fixed block grants (\$16.5 billion annually through FY2002) for state-designed programs of time-limited and work-conditioned aid to families with children. Child care is one of many services for which states may use TANF funding. In FY2000, states spent \$2.3 billion of TANF funding on child care within the TANF program. In addition, states may transfer up to 30% of their TANF allotments to the CCDBG (CCDF), to be spent according to the rules of that program (as opposed to TANF rules). The FY2000 transfer from TANF to the CCDBG totaled \$2 billion. Over the course of FY1997-FY2000, for all states combined, a cumulative amount of almost 9% of TANF funds has been transferred to the CCDBG.⁴

Child and Adult Care Food Program (CACFP). The CACFP provides federal funds (in some cases commodities) for meals and snacks served in licensed child care centers, family and group day care homes, and Head Start centers. Child care providers that are exempt from state licensing requirements must comply with alternative state or federal standards. Children under 12, migrant children under 15, and children with disabilities of any age may participate, although most are preschoolers. Eligible providers are usually public and private nonprofit organizations. The CACFP is an open-ended entitlement, administered by the Department of Agriculture. In FY2002, estimated obligations are \$1.9 billion.⁵

Social Services Block Grant (SSBG). Title XX of the Social Security Act authorizes Social Services Block Grants, which may be used for social services at the states' discretion. There are no federal income eligibility requirements, targeting provisions, service mandates, or matching requirements. An HHS analysis of state expenditures in FY1999 indicates that 13% of SSBG funds were used for child care in that year (compared to just under 10% of FY1998 SSBG funds). Title XX is a capped entitlement, and state allocations are based on relative population size. Legislation enacted in 1998 (P.L. 105-178) reduced the entitlement ceiling for the SSBG from \$2.38 billion to \$1.7 billion in FY2001. However, Congress appropriated \$1.725 billion for FY2001, despite the ceiling. On March 8, 2001, two companion bills (H.R. 956 - Representative Nancy Johnson and S. 501 - Senator Graham) were introduced, which would restore the FY2002 authorized funding level to its earlier level of \$2.38 billion, however these bills received no action, and the FY2002 appropriations bill (H.R. 3061), signed into law (P.L. 107-116), provides

⁴ For more information on use of TANF funding for child care, see CRS Report RL31274, *Child Care: Funding and Spending under Federal Block Grants*.

⁵ See CRS Report 98-25, *Child Nutrition Programs: Background and Funding*.

\$1.7 billion in FY2002 SSBG funding.⁶ On April 4, 2001, Representative Nancy Johnson introduced H.R. 1470, which would permanently set the authorized funding level at \$2.38 billion; it has received no action. More recently, on June 19, 2002, the Senate Finance Committee passed the Charity Aid Recovery and Empowerment Act (a substitute for H.R. 7), which would increase funding for the SSBG by a total of \$1.3 billion above the FY2002 level over FY2003-FY2004.

Head Start. Head Start provides comprehensive early childhood education and development services to low-income preschool children, typically (but not always) on a part-time basis. Head Start funds are provided directly by HHS to local grantees, which must comply with detailed federal performance standards. In FY2002, \$6.538 billion is appropriated for Head Start, of which \$5.138 billion is available in FY2002 and \$1.4 billion is available in FY2003. The advance funding component of the appropriation was new for the Head Start program, starting in FY2000.⁷ The Administration estimates that in 2002, Head Start will serve 916,000 children. Of that total, approximately 55,000 children under age 3 are estimated to participate in the Early Head Start component of the program.

21st Century Community Learning Centers (21st CCLC). The Elementary and Secondary Education Act (ESEA), as amended in 1994, authorized grants to rural and inner-city public elementary or secondary schools for 21st Century Community Learning Center programs. These competitive grants funded programs which provide support for early childhood through after-school, weekend, and summer activities. Although authorization for the 21st CCLC programs expired at the end of FY2000, the program was funded at \$846 million in FY2001.

On January 8, 2002, the President signed into law the Elementary and Secondary Education Act reauthorization bill (H.R. 1). That legislation reauthorizes the 21st Century Community Learning Centers program at \$1.25 billion for FY2002, rising in stages to \$2.5 billion by FY2007. (The FY2002 appropriation does not reach the authorized level, but does increase funding to \$1 billion.) The reauthorized program, in contrast to its predecessor, is structured as a formula grant to states. Grants will be awarded to states in proportion to their share of Title I Part A grants for the preceding fiscal year. Eligible local entities (including LEAs, community-based organizations, and other public or private entities) will be awarded grants competitively. The authorized uses of funds under the program will be limited to after school-hours activities for students and their families, in contrast to the broader array of authorized uses of funds permitted under the original 21st CCLC program.

Even Start. The Department of Education administers the Even Start program, which provides grants for family literacy projects that include early childhood education for children through age 7. Appropriations for FY2002 are \$250 million.

Individuals with Disabilities Education Act (IDEA) programs. The Individuals with Disabilities Education Act (IDEA) authorizes an early intervention program for infants and toddlers with disabilities and their families (funded in

⁶ See CRS Report 94-953, *Social Services Block Grant (Title XX of the Social Security Act)*.

⁷ For more information, see CRS Report RL30952, *Head Start: Background and Funding*.

FY2002 at \$417 million), and preschool grants for children with disabilities (funded in FY2002 at \$390 million).

Early Childhood Educator Professional Development. The Department of Education provides competitive grants to partnerships to improve the knowledge and skills of early childhood educators who work in communities that have high concentrations of children living in poverty. In FY2002, \$15 million were appropriated for these grants.

Loan forgiveness for child care providers. Authorized under the Higher Education Act amendments of 1998, the loan forgiveness for child care providers program aims to retain and encourage more highly trained individuals to enter into the early child care profession. “Early child care” covers activities and services provided for the education and care of children from birth through age 5. Under this program, borrowers who have earned a degree in early childhood education, and work for 2 full years as a child care provider in a low-income community, may have a portion of their loan obligation forgiven. FY2001 marked the first year that this program was funded, at \$1 million – the same amount appropriated for FY2002.

Child Care Access Means Parents in School (CAMPIS). Authorized under the Higher Education Act amendments of 1998, and first funded for FY1999 at \$5 million, the CAMPIS program is designed to support the participation of low-income parents in post-secondary education through campus-based child care services. Discretionary grants of up to 4 years in duration are awarded competitively to institutions of higher education, to either supplement existing child care services, or to start a new program. Funding for FY2002 is \$25 million.

Early Learning Fund. This program, authorized by the FY2001 Consolidated Appropriations Act (P.L. 106-554) provides grants to communities to enhance school readiness for children under 5; specifically by funding efforts to improve the cognitive, physical, social, and emotional development of these children. Although authorized at \$600 million, FY2002 funding for the program was set at \$25 million, and the President’s FY2003 budget would eliminate the program.

Dependent Care Tax Credit (DCTC). The DCTC is a non-refundable tax credit for employment-related expenses incurred for the care of a dependent child under 13 or a disabled dependent or spouse, under Section 21 of the tax code. On June 7, 2001 the omnibus tax bill was signed into law (P.L. 107-16), making some changes to the DCTC, which will become effective starting in 2003. However, until 2003, the maximum credit is 30% of expenses up to \$2,400 for one child (for a credit of \$720), and up to \$4,800 for two or more children (for a credit of \$1,440). The credit rate is gradually reduced as income goes up for taxpayers with incomes above \$10,000, until the credit rate reaches 20% for taxpayers with incomes above \$28,000. The current estimated revenue loss for FY2002 is \$2.5 billion, as determined by the Joint Committee on Taxation (JCT).

Changes to DCTC in 2003. Beginning in tax year 2003, the Economic Growth and Economic and Tax Reconciliation Act of 2001 (P.L. 107-16) will increase the maximum credit rate to 35% of expenses up to \$3,000 for one child (for a credit of \$1,050), and up to \$6,000 for two or more children (for a credit of \$2,100).

The 35% rate will apply to taxpayers with adjusted gross incomes of \$15,000 or less. The rate will decrease by 1% for each additional \$2,000 increment (or portion thereof) until the rate reaches 20% for taxpayers with incomes over \$43,000.

Dependent Care Assistance Program (DCAP). Under Section 129 of the tax code, payments made by a taxpayer's employer for dependent care assistance may be excluded from the employee's income and, therefore, not be subject to federal income tax or employment taxes. The maximum exclusion is \$5,000. Section 125 of the tax code allows employers to include dependent care assistance, along with other fringe benefits, in nontaxable flexible benefit or "cafeteria" plans. The current estimated revenue loss associated with this income exclusion is \$600 million in FY2002.

**Table 1. Funding for Federal Child Care and Related Programs
FY1998-FY2002**
(\$ in millions)

Program	Fiscal year				
	1998	1999	2000	2001	2002
CCDBG (discretionary portion) ^a	\$1,002	\$1,000	\$1,183	\$2,000	\$2,100
CCDBG (entitlement portion)	2,067	2,167	2,367	2,567	2,717
TANF ^b	^b	^b	^b	^b	^b
Child and Adult Care Food	1,562 ^c	1,599 ^c	1,690 ^c	1,766 ^c	1,878 ^c
Social Services Block Grants ^d	2,299 ^d	1,909 ^d	1,775 ^d	1,725 ^d	1,700
Head Start	4,347	4,658	5,267 ^e	6,200 ^f	6,538 ^g
21 st Century Community Learning Centers	40	200	454	846	1,000
Even Start	124	135	150	250	250
IDEA Infants and Families	350	370	375	384	417
IDEA Preschool Grants	374	374	390	390	390
Early Learning Fund (Early Learning Opportunities Act)	-	-	-	20	25
Early Childhood Educator Professional Development	-	-	-	10	15
Loan forgiveness for child care providers	-	-	-	1	1
Child care Access Means Parents in School (CAMPIS)	-	5	5	25	25
Dependent Care Tax Credit	^h	2,455 ^h	2,200 ^h	2,500 ^h	2,500 ^h
Dependent Care Assistance	^h	400 ^h	400 ^h	500 ^h	600 ^h

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

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

^b TANF funds (\$16.5 billion annually) may be used for child care, but are not specifically appropriated as such. The most recent data (FY1999) indicate that \$1.1 billion of TANF expenditures were for child care. In FY1997-1999, states transferred a cumulative 8% of TANF funds (\$3.6 billion) from TANF to CCDBG

^c Estimated obligations, Department of Agriculture.

^d Total SSBG amount shown. In FY1999, states spent an estimated 13% on child care.

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

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

^g Of the \$6.538 billion, \$5.138 billion is available for FY2002, and \$1.4 billion will become available in FY2003.

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

Labor/HHS/Education FY2002 Appropriations

On January 10, 2002, H.R. 3061 (Committee Report H.Rept. 107-342), the bill approved by Congress, making FY2002 appropriations for the Departments of Labor, Health and Human Services (HHS), and Education was signed into law (P.L. 107-116). The law includes \$2.1 billion for the Child Care and Development Block Grant (CCDBG). This reflects a \$100 million decrease from the level of funding provided for the CCDBG in FY2001. (The FY2002 bill also does not include the Administration's proposed \$400 million set-aside for a new after-school certificate program within the CCDBG.) The \$2.1 billion does include the following set-asides: \$19 million for school-age care and resource and referral; \$1 million for the Child Care Aware toll-free hotline; \$100 million for infant and toddler care; \$173 million for quality initiatives; and \$10 million for research.

The bill provides \$1.7 billion for the Social Services Block Grant (SSBG), which states may choose to use for child care, and also maintains states' authority to transfer up to 10% of their Temporary Assistance for Needy Families (TANF) allotments to the SSBG. Also included in H.R. 3061 are \$6.538 billion for Head Start, of which \$1.4 billion does not become available until FY2003. The 21st Century Community Learning Centers (reauthorized by legislation (H.R. 1) signed into law on January 8, 2002) received an FY2002 appropriation of \$1 billion.

The FY2002 bill maintained the same level of funding (as in FY2001) for the following programs: Even Start (\$250 million), IDEA preschool grants (\$390 million), loan forgiveness for child care providers (\$1 million), Child Care Access Means Parents in School (\$25 million).

Other child care-related programs whose funding increased in FY2002 include: IDEA grants for Infants and Families (\$417 million), the Early Learning Opportunities Act, sometimes referred to as "Early Learning Fund" (\$25 million), and the Early Childhood Educator Professional Development program (\$15 million).

(For background on the funding levels proposed in the House and Senate versions that preceded the appropriations bill ultimately signed into law, see **Table 2.**)

Table 2. FY2002 Appropriations: Administration, House, and Senate proposed funding levels versus Final Funding Levels
(\$ in millions)

Program	President's request	House passed version	Senate passed version	Final
CCDBG	\$2,200	\$2,200	\$2,000	\$2,100
Head Start (total)	6,325	6,476	6,600	6,538
SSBG	1,700	1,700	1,700	1,700
21 st CCLC	846	1,000	1,000	1,000
Even Start	250	260	200	250
IDEA grants - preschool	390	390	390	390
IDEA grants - infants and families	384	430	384	417
Loan forgiveness for child care	1	1	1	1
Child Care Access Means Parents in School (CAMPIS)	25	25	25	25
Early Learning Opportunities Act	0	0	25	25
Early Childhood Educator Professional Development	not specified	not specified	15	15

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

FY2002 Treasury-General Government Appropriations

On November 12, 2001 the President signed the FY2002 appropriations bill for the Department of Treasury, the Postal Service, and General Government into law (H.R. 2590/P.L. 107-67). On October 31, 2001 and November 1, 2001, the House and Senate had respectively agreed to the conference report on H.R. 2590 (H.Rept. 107-293). Included in the law are provisions to maintain the federal pilot project for federal day care centers, the purpose of which is to improve the affordability of child care for lower income personnel in Executive agencies.

Bush Administration's FY2003 Budget Proposals

President Bush released his Administration's proposed budget for FY2003 on February 4, 2002. The following is a summary of child care-related funding and initiatives proposed in the budget documents. **Table 3** shows the proposed FY2003 funding levels, and how the proposed funding amounts compare to the levels appropriated for FY2002.

CCDBG: Level Funding. The proposed budget would maintain the discretionary funding level for the CCDBG at \$2.1 billion and the mandatory (or "entitlement") funding amount at \$2.717 billion, for a total of \$4.817 billion. Also

included in the budget request were proposals to maintain the set-asides of \$19 million for child care resource and referral and school-aged child care activities (\$1 million for the Child Care Aware toll free hotline); \$273 million for quality activities (of which \$100 million would be specifically for improving the quality of infant and toddler care); and \$10 million for use by the Secretary of HHS for child care research, demonstration, and evaluation activities.

Social Services Block Grant (SSBG): Level Funding. The Administration's FY2003 budget proposes to continue funding the SSBG at its authorized level of \$1.7 billion. The ability of states to transfer up to 10% of their TANF state allotments is not addressed. The FY2002 appropriations law (P.L. 107-116) maintained the 10% transfer, superseding earlier legislation which would have decreased the transfer limit to 4.25%.⁸

Head Start: Increase Funding, with Added Emphasis on Education. The Bush Administration proposes to continue the trend of increasing funding to the Head Start Program, along with plans to make education the program's top priority. The budget requests \$6.667 billion for Head Start, a \$130 million increase above the FY2002 appropriation. Of the total amount proposed, \$1.4 billion would be advance appropriated for FY2004.

The President maintains plans to reform Head Start by making education the program's primary focus. In the FY2002 budget, the Administration proposed to require Head Start to adopt a "proven core curriculum that makes school readiness—pre-reading and numeracy—its top priority." In the FY2003 budget documents, the Administration highlights an HHS-Department of Education (ED) task force which has formed in order to assess ways to improve Head Start and lay the ground work for the proposed transfer of the program to ED. The transfer is intended to reinforce the program's emphasis on school readiness, and is planned as part of the program's reauthorization. The budget also maintains funding (\$75 million) for the Early Reading First program within ED for research-based reading programs in existing pre-school programs, including Head Start Programs.

21st Century Community Learning Centers: Level Funding. The budget proposes to maintain funding for 21st Century Learning Centers at the FY2002 level of \$1 billion. The 21CCLC program provides formula grants to states, which in turn award subgrants to communities. Funds are used to provide academic enrichment opportunities and related services to students (many of whom attend high-poverty schools) during non-school hours (including weekends and summers).⁹

Even Start: Decrease Funding. The Administration requests \$200 million for the Even Start program— a \$50 million decrease from the FY2002 appropriation level. The budget justifications for the Department of Education indicates that the decrease in Even Start reflects the Administration's proposal to shift funds to

⁸ For more information on the SSBG, see CRS Report 94-953, *Social Services Block Grant (Title XX of the Social Security Act)*.

⁹ For more information, see CRS Report RL30306, *21st Century Community Learning Centers: An Overview of the Program and Analysis of Reauthorization Issues*.

increase Reading First State Grants (to \$1 billion). (Note: the budget requests level funding for the *Early Reading First* program, at \$75 million.)

IDEA Grants for Infants and Families: Increase Funding. The Administration's FY2003 budget requests \$437 million for IDEA infants and families grants. This reflects an increase of \$20 million above the amount appropriated in FY2002: \$417 million. The Administration stated that the goal of the IDEA grant program for infants and families (referred to in earlier years as infants and toddlers) is to provide a comprehensive system of early intervention services that will enhance family and child outcomes.

IDEA Preschool Grants: Level Funding. The FY2003 budget requests \$390 million for IDEA preschool grants, which is the same amount as was appropriated for the program in FY2002.

Table 3 shows proposed funding for the aforementioned programs, as well as smaller child care-related programs.

Table 3. Bush Administration's FY2003 Budget Request for Child Care and Related Programs

Program	FY2003 President's requested funding	Difference (+/-) between President's FY2003 request and FY2002 appropriation
CCDBG discretionary	\$2,100 million	same level
CCDBG mandatory	\$2,717 million	same level
SSBG (Title XX)	\$1,700 million	same level
Head Start	\$6,667 million	+ \$130 million
21 st Century Learning Centers	\$1,000 million	same level
Even Start	\$200 million	- \$50 million
IDEA Infants and Families	\$437 million	+ \$20 million
IDEA Preschool Grants	\$390 million	same level
Early Learning Fund	0	- \$25 million
Early Reading First	\$75 million	same level
Early Childhood Educator Professional Development	\$15 million	same level
Childcare Access Means Parents in School (CAMPIS)	\$15 million	- \$10 million
Loan forgiveness for child care providers	\$1 million	same level

Source: Table prepared by CRS based on the President's FY2003 Budget Request.

Legislative Activity in the 107th Congress

There are many examples of legislation covering a range of early child care and education issues that have been introduced this Congress. Several bills aim to address issues of child care affordability with modifications to the tax code (i.e., the DCTC and DCAP), and as mentioned earlier in this report, some changes have already been passed as part of the omnibus tax bill (P.L. 107-16). Other proposals aim to improve child care quality, either by enhancing resources available to child care programs, or by promoting better compliance with health and safety standards. Issues relating to availability of and access to care are addressed through legislation providing for construction of child care facilities, and greater access to child care services for federal employees. In addition, as in previous Congresses, omnibus child care bills that address multiple child care issues (among other areas) have once again been introduced. Finally, the most recent bills addressing child care have come in the context of reauthorizing major welfare (TANF) and child care programs (CCDBG).

Reauthorization Legislation. Several bills have been introduced in recent months that pertain specifically to TANF and CCDBG reauthorization. (Both of these block grants play a major role in providing child care to low-income families.) Also, the Administration in February released a welfare reform reauthorization document, *Working Toward Independence*, which proposes level funding for child care (both the discretionary and mandatory portions) for FY2003. Reauthorization bills introduced to date are listed below. (Note that the Chairman's Mark as amended and approved by the Senate Finance Committee on June 26, 2002 is described in the *Recent Developments* section of this report, but has yet to be reflected in legislative language with a bill number.)

H.R. 4737, by Representative Pryce (introduced May 9, 2002 as H.R. 4700, passed the House May 16, 2002 as H.R. 4737). The Personal Responsibility, Work, and Family Promotion Act of 2002 encompasses many of the provisions proposed in H.R. 4090 and H.R. 4092 (the welfare and child care reauthorization bills reported out of the Ways and Means and Education and Workforce Committees respectively – see below). However, it makes changes with respect to proposed child care funding. Like H.R.4700, which was the “merged” bill as originally introduced by Rep. Pryce, H.R. 4737 would increase child care funding and authorization levels above those included in H.R. 4090 and H.R.4092. Under H.R. 4737, mandatory child care funding would be set at \$2.917 billion in each of FY2003-FY2007 (for an increase of \$1 billion over 5 years above current funding). The authorization level for discretionary funding would increase by \$200 million annually for 5 years, reaching the level of \$3.1 billion in FY2007.

Like H.R. 4092, H.R. 4737 would increase the quality set-aside from 4% to 6%, and would amend state child care plan requirements to encourage states to improve the quality of child care available to families, and to promote school readiness by encouraging the exposure of children in care to nurturing environments and developmentally-appropriate activities. Likewise, the bill would allow states to establish CCDBG income eligibility limits at any level (prioritized by need), eliminating current law's federal limit of 85% of state median income. The only additional child care provision not included in H.R. 4092 would require that

aggregated statistics on child care supply, demand and quality be included in biennial reports to Congress.

H.R. 4092, by Representative McKeon (introduced April 10, 2002; reported from Education and Workforce Committee May 2, 2002). The Working Toward Independence Act of 2002 (not to be confused with the Administration's welfare reform document "Working Toward Independence") as originally introduced proposed to authorize the discretionary portion of CCDF funding at the current level of \$2.1 billion annually for FY2003-FY2007. However, in the Education and Workforce full committee mark-up, an amendment offered by Representative Castle was accepted (25-21), which would increase the authorization level to \$2.3 billion in FY2003, and such sums as may be necessary for FY2004-FY2007. It also would increase the quality set-aside from 4% to 6%. The bill also would amend state child care plan requirements to encourage states to improve the quality of child care available to families, and to promote school readiness by encouraging the exposure of children in care to nurturing environments and developmentally-appropriate activities. In addition, the bill would allow states to establish CCDBG income eligibility limits at any level (prioritized by need), eliminating current law's federal limit of 85% of state median income.

H.R. 4090, by Representative Herger (introduced April 9, 2002; reported from Ways and Means Committee May 2, 2002). The Personal Responsibility, Work, and Family Promotion Act of 2002, a welfare reauthorization bill reported out of the Ways and Means Committee, includes level funding for the mandatory portion of CCDF funding (\$2.7 billion) through FY2007. The bill would increase the percentage of the TANF block grant that states may transfer to the CCDF from 30% to 50% (or from 20% to 40% if a state transfers its maximum of 10% to the Social Services Block Grant). During the mark-up, Representative Stark offered an amendment to increase mandatory funding for the CCDF by \$11.25 billion over 5 years, which did not pass. Chairman Thomas indicated plans to recommend an additional \$2 billion (above the current funding level) for the CCDF when the bill reaches the House floor, however additional funding has since been proposed in H.R. 4700 (see above), the reauthorization bill introduced on May 9, 2002, which "merged" many of the provisions from H.R. 4090 and H.R. 4092.

S. 2524, by Senator Bayh (introduced May 15, 2002). The Work and Family Act of 2002 is a welfare reauthorization bill that would increase mandatory child care funding by \$8 billion over 5 years, according to the following increments: \$3.717 billion for FY2003, \$4.117 billion for FY2004, \$4.417 billion for FY2005, \$4.617 billion for FY2006, and \$4.717 billion for FY2007. The bill would also increase the entitlement ceiling for the Social Services Block Grant (SSBG), starting at \$1.9 billion in FY2003, and rising to \$2.8 billion in FY2007. In addition, the bill would maintain states' authority to transfer up to 10% of their annual TANF allotments to the SSBG.

S. 2117, by Senator Dodd (introduced April 11, 2002). The Access to High Quality Child Care Act (or "The 2002 ACCESS Act") aims to bolster the child development aspect of the CCDF program with new set-asides for promoting quality and school readiness. It also would modify aspects of TANF law to ensure child care provided with TANF funds meets the same standards as CCDF-funded care. The bill

does not designate a dollar figure for the mandatory funding portion of the CCDF, and would authorize the discretionary component of the CCDF at such sums as necessary for FY2003-FY2007. The quality set-aside, 4% under current law, would be increased to 5%, and additional set-asides aimed at improving the quality of the child care provider workforce and increasing the rates at which providers are reimbursed would be contingent on (or triggered by) additional mandatory funding. Among other things, under this bill states would have to certify that they require up to two unannounced visits a year to providers receiving CCDF funds. Research, data collection, and technical assistance would also extend beyond that required under current law.

S. 2070, by Senator Bingaman (introduced March 22, 2002). The Children First Act of 2002 would increase mandatory funding for the CCDF to \$3.967 billion in FY2003 (rising to \$5.967 billion in FY2007) and raise the CCDF set-aside for quality from 4% to 12%. In addition, under S. 2070, states would be allowed to use Temporary Assistance for Needy Families (TANF) funds from prior years to provide child care, and TANF-funded child care would be required to meet the same health and safety requirements and data reporting rules as those applicable to CCDF-funded child care.

S. 2052, by Senator Rockefeller (introduced March 21, 2002). The Personal Responsibility and Work Opportunity Reconciliation Act Amendments of 2002 would increase the mandatory portion of the CCDF from the current level of \$2.7 billion to \$3.7 billion for each of FY2003-FY2007.

H.R. 3625, by Representative Cardin (introduced January 24, 2002). The Next Step in Reforming Welfare Act would increase the mandatory portion of CCDF funding by \$11.25 billion over 5 years (FY2003-2007). Mandatory funding appropriated for FY2003 would be \$3.967 billion. The bill would also raise the CCDF quality set-aside from 4% to 12%.

H.R. 3524, by Representative George Miller (introduced December 19, 2001). The Child Development and Family Employment Act of 2002 would amend and reauthorize the CCDBG Act. Provisions contained in the bill include (but are not limited to): increasing the authorized CCDF mandatory funding levels (\$4.217 billion in FY2003, rising to \$8.617 billion in FY2007) and discretionary funding levels (\$4 billion in FY2003, rising to \$8 billion in FY2007); increasing the set-aside for quality activities from 4% to 16%; expanding requirements with regard to pre-service training for CCDBG providers; authorizing a new program to provide funding for states to recruit and retain staff in child care; establishing a national data system to develop statistics on the supply, demand, and quality of child care; and creating a new grant program for states that increase their reimbursement rates for CCDBG child care providers.

Comprehensive Child Care Legislation. The largest and most comprehensive of child care bills introduced this Congress is **the Leave No Child Behind Act of 2001** (S. 940 and H.R. 1990), introduced by Senator Dodd and Representative George Miller, with the support of the Children's Defense Fund, among other children's advocacy groups. The Leave No Child Behind Act (1,168 pages) features child care-related proposals to increase funding for the CCDBG and

Head Start; to allocate 5% of total CCDBG funds in FY2003 to improve and expand infant child care; to expand the set-aside for Early Head Start; to require states to pay child care providers at least 100th percentile of the market rate for care; to create a program to improve wages and skills of child care staff; to increase the CCDBG quality set-aside from 4% to 12%; and to require all providers receiving CCDBG, or who work in programs receiving CCDBG funding to have training in early childhood development. Readers should not confuse S. 940/H.R. 1990 with the No Child Left Behind Act of 2001 (H.R. 1), also introduced this Congress. The No Child Left Behind Act of 2001 (H.R. 1), introduced by Representative Boehner, focuses on amending the Elementary and Secondary Education Act; however it does include child care-related provisions including reauthorization language for the 21st CCLC program. H.R. 1 was signed into law (P.L. 107-110) on January 10, 2002.

Another broad-reaching bill, which aims to foster a more unified system of early care and education is S. 2566 (Kennedy), the Early Care and Education Act. This bill would authorize \$1 billion for FY2003 (and such sums as necessary for FY2004-FY2007) to be used to provide incentive grants to states for developing or enhancing systems of early child care and education. In addition, it would provide bonus grants (starting in the third fiscal year) to reward states that have shown measurable progress in areas including competency of early childhood providers, retention of providers, and school readiness of children.

Following are other child care and child care-related bills that have been introduced this Congress:

Child Care Bills with Tax Provisions. H.R. 206 (Sweeney) would increase the DCTC. H.R. 252 (Gilman) would establish a DCAP program for federal employees. H.R. 253 (Gilman) would amend the tax code, establishing an employer tax credit for child care expenses. S. 9 (Daschle) is a large tax bill which includes proposals to increase and make refundable the DCTC, provide a minimum credit for stay-at-home parents, and create an employer-provided child care credit. S. 99 (Kohl) would also provide a tax credit to employers who provide child care assistance for dependents of their employees. S. 384 (Snowe) would amend the tax code to make the DCTC refundable.

Bills Relating to Quality of Care, Curricula, and Health and Safety. H.R. 116 (Holt) would establish a program to promote child literacy by making books available through early learning and other child care programs. H.R. 251 (Gilman) aims to promote child care quality and safety in federal child care facilities. H.R. 367 (Nadler) proposes to promote the health and safety of children by requiring the posting of Consumer Product Safety Commission child care center safety standards in child care centers. H.R. 2034 (Roybal-Allard) would authorize the Department of Housing and Urban Development to make grants to evaluate and reduce lead-based paint hazards at licensed child daycare facilities. S. 1000 (Reed) and H.R. 2097 (Bishop) are companion bills that would provide incentive grants to states to improve the quality of child care through increased payment rates to providers. H.R. 2787 (Meek) would amend the CCDBG Act, requiring states to use 5% of their CCDBG funding to increase the availability and quality of care for children with disabilities. H.R. 4164 (H. Wilson) would increase the CCDF quality set-aside from 4% to 8%, and would require that at least 50% of the quality set-aside

funds be used to pay costs incurred by eligible child care providers to obtain accreditation. S. 2671 (Edwards) would amend the CCDBG Act to provide for child care quality improvements for children with disabilities or other special needs.

Bills Relating to Child Care Providers. S. 814 (Dodd) and H.R. 1650 (George Miller) are companion bills that propose to establish a child care provider retention and development grant program, and a child care provider scholarship program. The bill is being referred to as the Focus on Committed and Underpaid Staff for Children’s Sake (FOCUS) Act. Also proposing to establish a child care provider scholarship program is H.R. 1390 (DeFazio). H.R. 1743 (Blagojevich)/S. 123 (Feinstein) would amend the Higher Education Act of 1965 to extend to Head Start teachers loan forgiveness for certain types of student loans. H.R.4539 (H. Wilson) would amend the Child Care and Development Block Grant (CCDBG) Act to require that states reimburse child care providers at the state’s average market rate, as determined by annual market rate surveys.

Child Care (and Pre-Kindergarten) Availability and Access Legislation. H.R. 286 (McCarthy) would provide for the construction and renovation of child care facilities. H.R. 555 (Morella) proposes to provide greater access to child care services for federal employees. S. 371 (Reed) would establish and expand “child opportunity zone” family centers in public elementary schools and secondary schools. H.R. 1476 (Kind) would establish or expand pre-kindergarten early learning programs. H.R. 3912 (Kucinich) and H.R. 1649 (Andrews) would both provide grants to states to establish, expand, or enhance pre-kindergarten programs for children ages 3-5. The FY2002 Treasury, Postal Service and General Government Appropriations bill (H.R. 2590), currently in conference, contains provisions to maintain the federal pilot project for federal day care centers, the purpose of which is to improve the affordability of child care for lower income personnel in Executive agencies. S. 1286 (Carnahan) would provide a permanent authorization for that federal program. S. 1217 (Dodd), the Child Care Facilities Financing Act, would authorize \$50 million annually for FY2002-FY2006 to assist non-profits in providing financial and technical help buying, building and improving child care facilities. S. 1004 (Jeffords), the Child Care Construction and Renovation Act, would allow CCDBG funds to go for center construction, create a \$30 million fund for mortgage insurance for rehabilitated or new child care facilities, and would authorize \$10 million annually in FY2002-FY2006 for technical assistance grants and grants to providers to improve and expand child care centers and homes.

Multi-Purpose Child Care Legislation. Companion bills H.R. 265 and S. 18 (DeLauro and Daschle) would address multiple child care issues. The bills would increase authorized funding for the CCDBG and Head Start; increase and modify the DCTC, allowing a minimum credit for stay-at-home parents and advance payment of the credit; and allow a business credit for employer-provided child care. H.R. 1201 (Schiff) would allow an unspecified amount of Head Start money for reading-readiness grants within the program. The bill would also authorize specified amounts (\$9.2 billion in FY2002 and over \$11 billion in FY2003) for Head Start, and would increase eligibility to 150% of poverty guidelines for grantees who have attempted to serve all poverty cases. H.R. 1118 (Mink) would establish comprehensive early childhood education programs, staff development programs, and model federal government early childhood education programs.

Hearings. On May 16, 2002, the Senate Finance Committee held a hearing on “Issues in TANF Reauthorization: Building Stronger Families,” which included testimony from Senator Dodd on the issue of how to improve and expand the nation’s child care system, specifically addressing S. 2117, the Access to High Quality Child Care Act he cosponsored with bipartisan support.¹⁰

On April 9, 2002, the House Education and Workforce Committee held a hearing, “Working Toward Independence: The Administration’s Plan to Build upon the Successes of Welfare Reform” which featured testimony pertaining to child care funding in the context of welfare reform.

On March 19, 2002, the Senate Health, Education, Labor and Pensions Subcommittee on Children and Families and the Senate Finance Subcommittee on Social Security and Family Policy held a joint hearing, “Child Care: Supporting Working Families.”¹¹

On March 15, 2002, the Health, Education, Labor and Pensions Committee held a hearing, “Child Care: Helping Parents Work and Improving the Well-being of Children.”¹²

On February 27, 2002, the House Education and Workforce Committee’s Subcommittee on 21st Century Competitiveness held a hearing, “Assessing the Child Care and Development Block Grant.” Topics addressed by witnesses included the adequacy of program funding and quality.¹³

On February 12, 2002, the Senate Health, Education, Labor and Pensions Committee held a hearing on “Early Education: From Science to Practice.” Witnesses included academics specializing in child development (including Edward Zigler, one of Head Start’s “founders”), as well as a panel of practitioners, representing early childhood-related programs and foundations.¹⁴

On January 24, 2002 First Lady Laura Bush testified before the Senate Health, Education, Labor and Pensions Committee as the sole witness for the committee’s hearing “Early Learning: Investing In Our Children, Investing In Our Future.”

On July 31, 2001, the House Subcommittee on Education Reform held a hearing on early childhood education. Witnesses included representatives from the Head Start and early childhood academic communities, as well as recently confirmed Under Secretary Eugene Hickok from the Department of Education, and Department

¹⁰ [<http://finance.senate.gov/sitepages/hearing051602.htm>]

¹¹ [<http://finance.senate.gov/sitepages/subhearing031902.htm>]

¹² [<http://labor.senate.gov/Hearings-2002/mar2002/031502wit/031502wit.htm>]

¹³ Testimony from the hearing is available on the Education and Workforce Committee’s website: [<http://edworkforce.house.gov/hearings/107th/21st/childcare22702/wl22702.htm>].

¹⁴ Testimony from the hearing is available on the HELP Committee’s website: [<http://labor.senate.gov/Hearings-2002/feb2002/021202awit/021202awit.htm>].

of Health and Human Services Assistant Secretary for Children and Families Wade Horn.

On March 27, 2001, the Senate Health, Education, Labor and Pensions (HELP) Committee held a hearing on international early education and child care to examine how the United States compares.

White House Summit on Early Childhood. On July 26, 2001 First Lady Laura Bush, HHS Secretary Tommy Thompson, and U.S. Secretary of Education Rod Paige co-hosted a two-day White House Summit on Early Childhood Cognitive Development. The summit featured research and recommendations from early childhood learning specialists and was described by Secretary Paige as the first step in a long-range and widespread effort to promote research-based cognitive development activities for preschool-age children. During the summit, Secretary Paige announced plans to create a new federal task force of senior education and health and human services department officials. This group will be charged with the task of putting research and recommendations presented during the summit to work in government programs for children.

Administration's Early Childhood Initiative. On April 2, 2002, the President announced the Administration's **Good Start, Grow Smart** early childhood initiative, which builds on themes developed at the First Lady's Summit on Early Childhood Cognitive Development held in July 2001.¹⁵ The initiative proposes to develop a new accountability system for the Head Start program, through which standards of learning in early literacy, language, and numeracy would be assessed. It also calls for a national training program for Head Start teachers. Furthermore, the initiative proposes that states develop criteria for the delivery of quality early childhood programs outside the boundaries of the Head Start program. The additional federal funding proposed as part of the initiative totals \$45 million to establish a research collaborative between the National Institute of Child Health and Human Development and the Department of Education to identify effective pre-reading and language curricula and teaching strategies.

¹⁵ [<http://www.whitehouse.gov/infocus/earlychildhood/toc.html>]