

2. SUPPORTING WORKING FAMILIES

My friends, for centuries, over two now, the American Dream has represented a compact that those who work hard and play by the rules should be able to build better lives for themselves and for their children. In this time, and even more into the future, child care that is too expensive, unsafe or unavailable will be a very stubborn obstacle to realizing that dream. So let us commit ourselves to clearing the obstacle, to helping parents fulfill their most sacred duty, to keeping the American Dream alive for them and most important, for their children.

President Clinton
October 1997

The President has worked hard to improve the lives of working families, financially and otherwise.

The new Child Credit, coupled with a major expansion of the Earned Income Tax Credit (EITC) in 1993, provides significant tax relief for working families that are trying to raise their children and make ends meet. The Child Credit will help 26 million families a year, while the EITC expansion is already helping 15 million. Together, the Child Credit and the EITC will provide nearly \$250 billion in tax relief from 1999 to 2003. In addition, the minimum wage increase that the President successfully sought gives a big financial boost to full-time, full-year minimum wage workers, raising the pay of each by \$1,800 a year.

Other new policies enable parents to meet their families' health needs without risking their jobs, to change jobs without risking their health insurance, and to find health insurance for their children when they could not otherwise afford it. The Family and Medical Leave Act allows workers to take up to 12 weeks of unpaid leave to care for a newborn or adopted child, or to attend to their own health needs or those of a seriously ill family member. The Health Insurance Portability and Accountability Act protects an estimated 25 million Americans a year, allowing them to switch jobs without losing their health insurance. The self-employed and those with pre-existing conditions also will have an easier time finding and

keeping their health insurance. The new Children's Health Insurance Program (CHIP), enacted as part of the 1997 Balanced Budget Act (BBA), will enable millions of low-income working families to more easily find health insurance for their children.

Nevertheless, one major area remains in which working families need more help—child care. For one thing, parents need more help when it comes to purchasing child care. For another, when they go to work, they should know that their children are in safe, healthy environments. By helping parents manage the twin demands of work and family, the President's Child Care Initiative, with its array of new benefits, is the logical next part of his agenda for working families.

In addition, the President proposes to address the problems faced by a particular group of working families—legal immigrants. The budget would restore Food Stamps to 730,000 legal immigrants, and let States provide health insurance under Medicaid and CHIP to the children of legal immigrants. As the President said at the time, the provisions of the 1996 welfare reform law that stripped legal immigrants of basic safety net protections were not only harsh and unnecessary, they also had nothing to do with the fundamental goal of welfare reform—to move people from welfare to work while protecting children.

Expanding Child Care

In 27 million families, both parents work or a single parent works. But, many of them who want safe, quality child care cannot find it or cannot afford it. As part of welfare reform, the Administration worked with Congress to increase spending on major child care programs by \$4 billion over six years. With important new initiatives to make safe, quality child care more available and more affordable, the budget proposes \$5.3 billion in tax incentives and \$16.1 billion in new spending authority over five years—\$2.7 billion in total assistance in 1999 alone (see Table 2-1).

The Child Care Initiative is designed to address the most important needs of working families: more affordable child care for middle- and low-income families; more safe sites for children after school and before parents come home; much greater enforcement of minimum health and safety standards for child care providers; better-trained child care providers; new help for families to use the latest research findings on early childhood development; and a strong research program on which to build for still better services.

More Affordable Child Care: The President proposes to make child care more

affordable by expanding the Child and Dependent Care Tax Credit for middle-income families with child care costs, providing tax credits with which businesses can expand their child care resources, and increasing funds with which the Child Care and Development Block Grant can help more poor and near-poor children.

Child and Dependent Care Tax Credit: The Child and Dependent Care Tax Credit helps about six million families cover their child care costs each year. The budget proposes to expand the credit so that it offers more help for three million families with incomes below \$59,000, providing nearly \$5 billion in aid over the next five years.

Tax Credits for Private Employers: To make child care services more widely available, the budget proposes \$500 million in tax credits over five years for private employers that expand or operate child care facilities, train child care workers, contract with a child care facility to provide child care services to employees, or provide child care resource and referral services to employees.

Child Care and Development Block Grant: Federal child care funding has risen by nearly 70 percent under this Administration, providing child care services for over a million

Table 2-1. \$21 BILLION OVER FIVE YEARS IN NEW RESOURCES FOR CHILD CARE

(In millions of dollars)

	Estimate					Total 1999-2003
	1999	2000	2001	2002	2003	
Spending:						
Discretionary Budget Authority:						
21st Century Community Learning Centers Increase	160	160	160	160	160	800
Provider Scholarship Fund	50	50	50	50	50	250
Standards Enforcement	100	100	100	100	100	500
Research	30	30	30	30	30	150
Apprenticeship	5	5	5	15
Head Start Increase	305	642	827	1,020	1,020	3,814
State Support Systems	5	5	5	5	5	25
Mandatory Budget Authority:						
Early Learning Fund	600	600	600	600	600	3,000
Receipts from Tobacco Legislation:						
Child Care and Development Fund Supplement	1,155	1,280	1,400	1,600	2,065	7,500
Tax Expenditures:						
Expansion of Child and Dependent Care Tax Credit	256	1,192	1,078	1,125	1,163	4,814
Tax Credits for Private Employers	38	77	108	124	131	478
Total	2,704	4,141	4,363	4,814	5,324	21,346

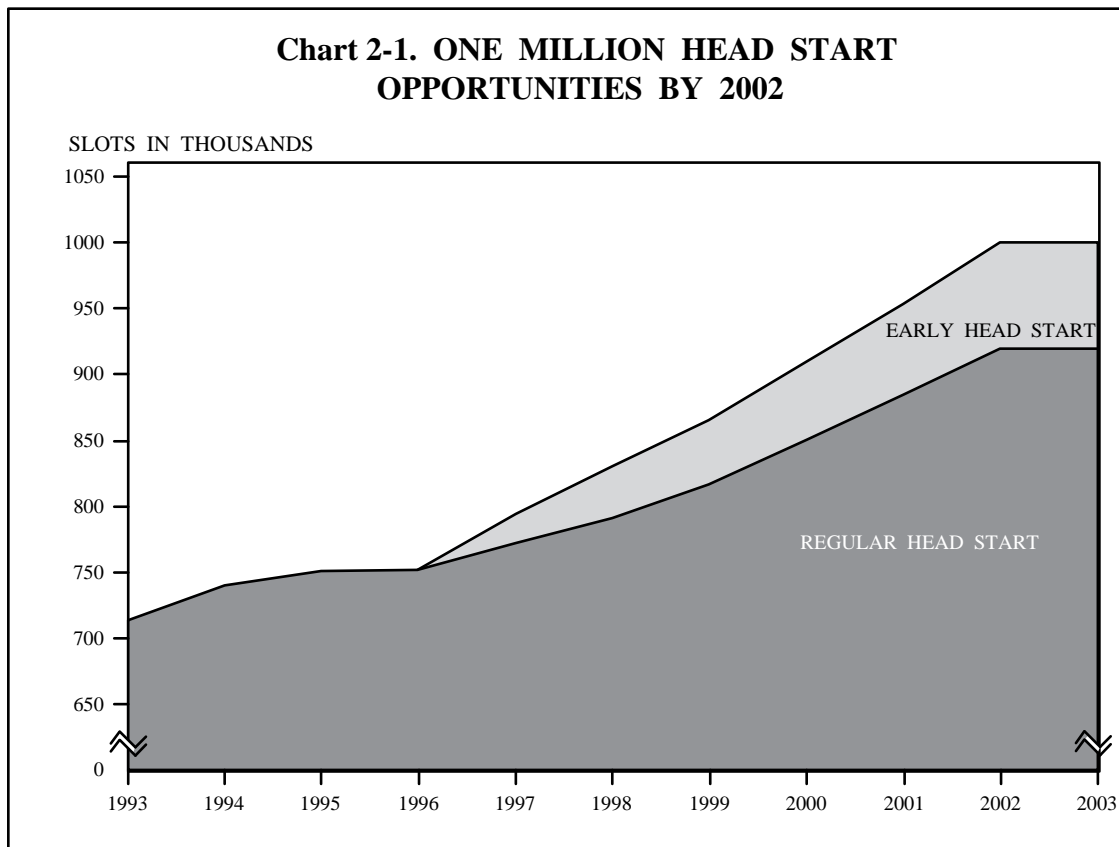
children from low-income working families or whose parents are moving from welfare to work. The budget would increase funds for the Child Care and Development Block Grant by \$1.2 billion in new authority, to a total of \$4.3 billion in 1999, and by \$7.5 billion over the next five years, enabling the program to provide child care subsidies for 600,000 more poor and near-poor children in 1999. These new funds, combined with the child care funds provided in welfare reform, will enable the program to serve another million children over five years.

New Emphasis on Early Learning: The budget provides funds for various activities to improve the safety and well-being of young children, including a new Early Learning Fund that grew out of the White House Conference on Early Childhood Development and Learning and the highly successful Head Start program.

Early Learning Fund: The Early Learning Fund responds to the new scientific research presented at the White House Conference on Early Child Development and Learning

in April 1997, indicating that a child's experiences in the first three years of life profoundly affect his or her brain development. The budget proposes \$3 billion in spending authority over five years for the Fund, which would provide grants to communities for activities that improve early childhood education and the quality and safety of child care for children under five years old. For example, the money could go for parent education in child development, for helping child care providers become accredited, for home visits, and for reducing child-to-staff ratios in child care, as well as for innovative efforts to meet the developmental needs of children.

Head Start: Head Start, among the President's highest priorities, supports working families by helping parents get involved in their children's lives and providing services to the entire family. Since 1993, the President has worked with Congress to increase annual Head Start funding by 57 percent. In 1998, Head Start will serve 830,000 low-income



children, including up to 40,000 children under age three in the Early Head Start component that the President launched in 1995. The budget proposes to add 20,000 to 26,000 regular Head Start slots and 10,000 Early Head Start slots in 1999, making further progress toward the President's goal of enrolling a million children in Head Start by 2002. The budget also would expand Head Start funding by \$3.8 billion over five years, providing \$4.7 billion in 1999 and doubling the number of slots in Early Head Start by 2002 (see Chart 2-1).

School-Age Care: The President worked with Congress to expand 21st Century Community Learning Centers, enabling 400 schools in 1998 to open their doors before the school day begins or keep them open after the school day ends. The budget proposes a further expansion, and a requirement for matching funds, so that about 4,000 school-community partnerships across the country can implement before- and after-school programs. Instead of returning to empty houses, or playing on unsafe streets, up to 500,000 more children would be able to participate in safe, drug-free programs that combine learning, enrichment, and recreational activities. The budget proposes \$800 million in new funds over five years, for a total of \$1 billion.

Safety and Quality: The budget proposes to increase funds to help States enforce child care quality standards, and the President calls again for Congress to pass legislation to improve the safety of children by making it easier for States to conduct background checks on child care workers.

Standards Enforcement: Research and experience in the military child care program show that diligent enforcement of standards dramatically improves quality. The budget proposes \$500 million over five years to help States enforce State and local child care health, safety, and quality standards. States would be able to help license and accredit child care providers and centers, increase unannounced inspections of child care centers and family day care homes, and develop local report cards that rank child care providers.

National Crime Prevention and Privacy Compact: The President has sent important legislation to Congress to improve the quality of child care and protect children's safety. This legislation—the National Crime Prevention and Privacy Compact—would make background checks on child care providers more efficient and accurate by eliminating State barriers to sharing criminal histories for non-criminal purposes.

More and Better Training for Child Care Staff: The budget proposes \$250 million over five years for a new Child Care Provider Scholarship Fund, which the President announced at the White House Conference on Child Care. Along with State and local matching funds, the Scholarship Fund would provide over \$300 million in scholarships over the next five years for up to 250,000 child care providers—improving the quality of child care for over half a million children. This proposal would boost the pay of providers who receive training and reduce the problem of high turnover by requiring that they stay in the field for at least a year. In addition, the budget would expand an apprenticeship program to finance the training of child care providers.

The Fund builds on the President's historic achievements over the last five years to promote lifelong learning, which include securing the largest increase in Pell Grant college scholarships in over 20 years, creating Hope and Lifetime Learning Tax Credits, expanding College Work-Study, creating the Direct Lending program that lets students repay their loans as a share of their income, and launching AmeriCorps to enable young people to earn money for college while serving their country. Every individual who needs financial support for postsecondary education can get it through these programs.

Families of Children with Disabilities: The budget proposes \$5 million to help the families of children with disabilities. This new program would provide grants for States to expand and modify their State-wide support systems to help these families address such problems as inadequate child care options, missed job training and job opportunities, the loss of medical assistance, and teen pregnancy.

Research on Childhood Development and Child Care: Research on child care, and its dissemination, is critical for policy makers to make decisions about child care and for parents to know where to find quality child care and what to look for. The budget proposes \$150 million over five years for a new Research and Evaluation Fund, which would provide consumer education, parent hotlines, and research activities to expand our knowledge of good policies and practices, including the types of child care settings, parent activities, and provider training that most benefit the early development of children. This fund would also support a National Center on Child Care Statistics as well as demonstration projects to test approaches to help new parents who choose to stay home with their newborns or newly adopted children.

Restoring Equity in Benefits for Legal Immigrants

The President believes that legal immigrants should have the same opportunity, and bear the same responsibility, as other members of society. Upon signing the 1996 welfare law, he pledged to work toward reversing the harsh, unnecessary cuts in benefits to legal immigrants that had nothing to do with the goal of moving people from welfare to work. As part of last year's BBA, the President worked with Congress to restore Medicaid and Supplemental Security Income (SSI) to hundreds of thousands of disabled and elderly legal immigrants.

Due to the 1996 law, however, many legal immigrants still cannot get Food Stamps and access to health care, including such vulnerable groups as families with children, people with disabilities, the elderly, and refugees and asylees. The budget provides \$2.7 billion over five years to restore Food Stamps to vulnerable groups and to let States provide health care to the children of legal immigrants.

Food Stamps: For legal immigrant families with children, the budget would restore benefits without regard to when they entered the United States. For the elderly or people with disabilities, the budget would restore benefits to those who entered before Congress enacted the benefit cuts—similar to how the President and Congress restored Medicaid and SSI to

legal immigrants last year. For refugees and asylees, the budget would lengthen their exemption to the Food Stamp ban from five to seven years. The Nation admits refugees and asylees for humanitarian reasons, and many may need more time to naturalize than the law allows. The budget also would exempt from the ban Hmong refugees from Laos who immigrated to the United States after the Vietnam conflict and certain Native Americans living along the Canadian and Mexican borders.

Health Care: The budget would let States provide health coverage to legal immigrant children under Medicaid and CHIP. Currently, States can provide health coverage to immigrant children who entered the country before the welfare law was enacted. But, immigrant children who entered after the law was enacted cannot get benefits for five years. Under this proposal, States could provide health coverage to those children through Medicaid or through their current CHIP allotment.

Continuing Support for Working Families

The Child Care Initiative and the proposals to restore benefits to legal immigrants build on a strong base of support for working families, which the President has worked with Congress to achieve over the past five years. That support includes a broad array of tax incentives to encourage and support work as well as legislation to, among other things, enable workers to care for a newborn and fulfill other family responsibilities; raise the minimum wage; enable workers to retain their health insurance; and provide health insurance to up to five million uninsured children. (For the broader discussion of the health care expansions, see Chapter 3, "Strengthening Health Care.")

Support Through the Tax System: Over the last five years, the Administration has worked with Congress to expand the number and size of tax incentives to encourage work and support working families (see Table 2-2).

- **EITC:** As an important part of moving people from welfare to work, the Federal Government can help ensure that those who work can support their children. The EITC, a tax credit that Congress created over 20 years ago, helps to meet this goal

by supplementing the earnings of working families. In his 1993 economic program, the President proposed, and Congress enacted, legislation to substantially expand the credit, helping 15 million low-income working families. The EITC will provide \$150 billion of tax benefits over the next five years.

- *Child Credit:* The Child Credit, which the President proposed and Congress enacted as part of the 1997 Taxpayer Relief Act, helps working parents raise their children by providing \$500 per child for all children under age 17. The credit, which will provide \$98 billion in tax benefits over the next five years, will help 26 million families with over 40 million children.
- *Exclusion of Employer Contributions for Child Care Expenses:* The law lets parents exclude up to \$5,000 of employer-provided child care expenses from their taxable income and Social Security earnings. The exclusion will provide over \$5 billion in benefits over five years.
- *Tax Incentives for Work:* The budget proposes to extend through April 30, 2000 the

Welfare-to-Work Tax Credit, which the President and Congress created as part of the Taxpayer Relief Act of 1997. It focuses on those who most need help—long-term welfare recipients—by letting employers claim a tax credit on the first \$10,000 a year of wages that they pay, for up to two years, for workers they hire who were long-term welfare recipients. The credit is 35 percent on the first year’s wages, rising to 50 percent on the second year’s wages. In addition, the budget would extend through April 30, 2000 the Work Opportunity Tax Credit, which provides a credit of 40 percent on the first \$6,000 of wages paid to members of eight more target groups.

Better Benefits in the Workplace: The President has led successful efforts to ensure a living wage for all American workers while expanding their ability to care for their families and protect their health care benefits.

- *Family and Medical Leave:* In early 1993, the President proposed, and Congress enacted, the Family and Medical Leave Act, which allows workers to take up to 12 weeks of unpaid leave to care for a new-

Table 2-2. \$270 BILLION OVER FIVE YEARS IN SUPPORT FOR FAMILIES WITH CHILDREN ¹

(In millions of dollars)

	1997 Actual	Estimate						Total 1999-2003
		1998	1999	2000	2001	2002	2003	
Tax Expenditures								
Existing Law:								
Earned Income Tax Credit ²	27,218	27,867	28,481	29,184	29,984	30,810	31,673	150,132
Child Tax Credit ³		3,592	19,714	19,926	19,679	19,471	19,170	97,960
Child and Dependent Care Tax Credit	2,515	2,510	2,510	2,505	2,500	2,500	2,495	12,510
Exclusion of Employer Contributions for Child Care Expenses ³	860	910	950	995	1,040	1,085	1,135	5,205
Proposed Legislation:								
Expand Child and Dependent Care Tax Credit			256	1,192	1,078	1,125	1,163	4,814
Eliminate Household Maintenance Test for Dependent Care Tax Credit			10	67	71	74	78	300
Administrative Improvements and Sim- plification ⁴			-118	-177	-181	-185	-189	-850
Total	30,593	34,879	51,803	53,692	54,171	54,880	55,525	270,071

¹ Does not include interaction effects between provisions.

² Includes effects on individual income taxes only.

³ Includes tax expenditures and effect on outlays.

⁴ Includes simplification of EITC foster child definition, clarification of the tiebreaker rule under the EITC, and clarification and expansion of math-error procedures.

born or adopted child, attend to their own serious health needs, or care for a seriously ill parent, child, or spouse—making it less likely that employees will have to choose between work and family.

- *Minimum Wage:* By 1996, the value of the minimum wage had neared a 40-year low. That year, however, the President worked with Congress to raise the minimum wage from \$4.25 to \$5.15 an hour in two steps, over two years. The first step, a 50-cent increase, took effect in October 1996; the second, a 40-cent increase, took effect 11 months later, on September 1, 1997. The 90-cent raise means \$1,800 a year in higher earnings for full-time, full-year minimum wage workers. Millions of other low-wage workers making somewhat more than the new minimum also will benefit if employers raise their paychecks in step

with the minimum wage increase—as they have done in the past.

- *Health Insurance Portability and Accountability Act:* Working with Congress, the President in 1996 pushed through landmark legislation, known as HIPAA, which provides important health insurance protections for an estimated 25 million Americans who move from one job to another each year, as well as those who are self-employed or who have pre-existing medical conditions. HIPAA reformed the private insurance market to ensure that workers have portable health benefits and insurers are less able to deny coverage due to pre-existing conditions. Combined with the Taxpayer Relief Act, HIPAA also made it easier and cheaper for self-employed persons to get health insurance.