AFFORDABLE, HIGH-QUALITY CHILD CARE FOR ALL

by
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ABSTRACT

The first years of a child's life are a vital period of rapid cognitive, social and emotional development. For working families, high quality early child care is a necessity that provides young children with support that prepares them for school and for life. However, affordable, high-quality child care is out of reach for low-income families. Additionally, child care providers earn low wages and are often not incentivized to develop their training credentials to increase quality assistance. The United States House of Representatives and Senate have an opportunity to consider legislation that would increase access and affordability to high-quality child care providers, while also driving a quality-based U.S. child care market. There is national support for improving the cost and accessibility of high-quality child care for low-income families. This paper highlights the benefits of proposing a High-Quality Child Care Tax Credit targeted to working families and eligible child care providers. With political support, the proposal would incentivize more affordable child care for working families and invest in the development of our future U.S. workforce.

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Date: April 10, 2016
To: Senator Murray
From: Elizabeth Frosch Taylor, HELP Professional Staff
Subject: Rising Costs of Quality Child Care

Action Forcing Event

High prices create barriers to accessing affordable, quality child care for low-income families.[1] In October 2015, the Economic Policy Institute (EPI) released an issue brief that measured child care costs in the U.S. across several benchmarks, including the cost of college tuition, the U.S. Department of Health and Human Services' (HHS) 10 percent affordability threshold, and median family incomes; the findings revealed that quality child care is out of reach for working families.[2] The high costs are especially daunting for minimum wage or low-wage workers for whom child care constitutes a large portion of their salary.[3] On the heels of your Senate resolution (S. Res. 292) and the reauthorization of the Child Care and Development Block Grant (CCDBG), there is heightened momentum to examine the affordability of quality child care for low-income families.

Statement of the Problem

The cost of quality child care in the U.S. is very high compared to other developed countries.[4] As a result, working families struggle to afford quality child care services. With limited options available for affordable, quality infant or toddler care, parents often take unpaid time off to stay home with their young children or are forced

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[1] Sarah Minton and Christin Durham, "Low-Income Families and the Cost of Child Care," *Urban Institute*, last modified December 23, 2013.
[2] Elise Gould and Tanvell Cooke, "High Quality Child Care is Out of Reach for Working Families," *Economic Policy Institute*, last modified October 6, 2015.
[3] Ibid.
[4] OECD Family database, "PF3.1: Public spending on childcare and early education," *Organization for Economic Co-operation and Development*, last modified January 12, 2014.

out of the workforce due to the costs care.[5]

Early childhood is a vital period of rapid development and learning. A child's brain develops and grows to about 90 percent of adult size by age five.[6] This time is a critical period for young children to acquire verbal and reasoning skills as well as basic lessons in social interaction with others. While parents are important teachers in a child's life, well-trained and skilled child care providers serve a consequential role in nurturing, supporting and cultivating a child's physical and emotional health. Yet, quality child care assistance is quickly becoming unaffordable to those who need it most. According to the Organization for Economic Co-operation and Development (OECD), the U.S. has the third-highest child care costs for families as measured by percentage of family income, compared with other OECD countries; while still spending comparatively less money than other countries when it comes to helping families afford child care. The financial burdens associated with high-quality child care hit working families, who are operating under tight budgets, the hardest.

Children's needs are unpredictable, which is why it is important that parents have a consistent and reliable network of care that supports workforce participation. However, when parents are unable to find affordable care that meets the needs of their work schedule, employers are negatively impacted. According to Child Care Aware of America, U.S. businesses lose approximately $4.4 billion annually due to employee absenteeism as the result of child care breakdowns.[7] These effects are especially felt among low-income families, who often face irregular employment or postsecondary

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[5] Ajay Chaudry, Juan Pedroza, and Heather Sandstrom, "How Employment Constraints Affect Low-Income Working Parents' Child Care Decisions," *Urban Institute*, last modified February 2012.
[6] "FAQ's on the Brain," *Zero To Three: National Center for Infants, Toddlers and Families*, last modified 2014.
[7] "Parents and the High Cost of Child Care," *Child Care Aware of America*, last modified 2015.

schedules that require more flexible care settings. The lack of affordable, high-quality child care also has long-term repercussions on the future U.S. economy. Nobel laureate and economist James Heckman argued in a letter to the Joint Select Committee on Deficit Reduction in 2011: "Budget deficits are created in large part by deficits in the skills of our workforce... Early childhood development deserves more resources, not less."[8]

History

Federal financing for child care has developed through a series of investment programs. The day nursery movement started in the late nineteenth century as a means to permit maternal employment protect children from the harm they might suffer if left unsupervised and to assimilate immigrant children into American culture.[9] Day nursery programs provided custodial care to low-income children and served as the precursor to what is known as child care today. By the early twentieth century, the nursery school movement advanced with a focus on contributing to children's physical, social and emotional development.[10] This form of care was an early version of modern early childhood education programs and served mostly middle- and upper-middle-class families through a parent fee system. In 1933, the Works Progress Administration (WPA) established the emergency nursery school program in response to unemployment and significant economic uncertainty during the Great Depression. However, as the U.S. emerged from the Depression, many WPA centers, as well as the emergency nursery programs they housed, closed down.

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[8] Professor James J. Heckman, "Letter to the Joint Select Committee on Deficit Reduction," *The Heckman Equation*, last modified September 21, 2011.
[9] Abby Cohen, "A Brief History of Federal Financing for Child Care in the United States," *The Future of Children*, last modified 1996. Web.
[10] Ibid.

Federal investments in child care further developed as women joined the labor force in World War II. In 1940, Congress passed the Lanham Act, which authorized federal grants and/or loans to public or private agencies for the maintenance and operation of public works, including child care, in communities with defense industries.[11] Under the law, all families (regardless of income) were eligible for child care for up to six days a week, including summers and holidays.[12] While federal funding faded with the end of the war and the closure of many child care centers, the Lanham Act served as the main vehicle for nearly all federal investments in child care during the war years. As recently as 2015, the White House pointed to the success of Lanham Act as a symbol of affordable, quality child care programming.[13]

During the 1960s, data the and passage of President Johnson's War on Poverty, provided new opportunities for federal investment in early childhood services for low-income families. As part of the War on Poverty, the Head Start Program was established in 1965 as a comprehensive childhood development program serving low-income children and families.[14] Currently, Head Start and Early Head Start are administered by the Office of Head Start within the Administration for Children and Families at HHS. Head Start was last reauthorized by the Improving Head Start for School Readiness Act of 2007 (P.L. 110-134), which authorized the program through the end of Fiscal Year (FY) 2012.[15] Head Start is currently due to be reauthorized.

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[11] Abby J. Cohen, "A Brief History of Federal Financing for Child Care in the United States," *The Future of Children*, last modified 1996.
[12] Betsey Stevenson, "The White House. An "Experiment" in Universal Child Care in the United States: Lessons from the Lanham Act, *The White House*, last modified January 22, 2015.
[13] Ibid.
[14] Abby J. Cohen, "A Brief History of Federal Financing for Child Care in the United States," *The Future of Children*, last modified 1996.
[15] Karen Lynch and Gail McCallion, "Early Childhood Care and Education Programs: Background and Funding," *Congressional Research Service*, last modified June 23, 2015.

Public and congressional support for increasing federal investments in child care increased in the Comprehensive Child Development Act of 1971, which declared comprehensive child development programs a right to all children regardless of economic, social, and family background.[16] However, President Nixon vetoed the legislation. In the ensuing years, Congress made cuts to funding earmarked for child care through Title XX of the Social Services Amendments of 1974 and later through the Social Services Block Grant Act, which replaced Title XX. From 1977 to 1994, Title XX funding (for use in all areas) declined in real terms by 58 percent (from $6.6 billion to $2.8 billion in 1994 dollars).[17]

In 1988, President Reagan laid out his welfare proposal in the Family Support Act (FSA), which reformed Aid to Families with Dependent Children (AFDC) and required that welfare recipients, including most mothers with young children, participate in education, training, or work programs.[18] The FSA guaranteed child care for working mothers and marked the first time that public subsidies were linked to the private child care market. However, the FSA did not ensure the quality of child care offerings through any regulatory standards. By 1990, the CCDBG was signed into law. Unlike the FSA child care programs, CCDBG was a block grant to states (not individual entitlements) and was not designed to assist welfare families.[19] CCDBG is the primary source of federal funding dedicated to child care subsidies for low-income working families and operates under two funding streams: discretionary funding, which was reauthorized through 2020

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[16] Ibid.
[17] "Overview of entitlement programs: 1994 green book," *U.S. House of Representatives, Ways and Means Committee*," Washington, DC: U.S. Government Printing Office, last modified 1994.
[18] Abby J. Cohen, "A Brief History of Federal Financing for Child Care in the United States," *The Future of Children*, last modified 1996.
[19] "Federal Child Care Initiatives and Potential Impact on States," *Child Care Aware of America*, last modified December 2012.

under the CCDBG Act of 2014 (P.L. 113-186); and mandatory funding, as authorized by Section 418 of the Social Security Act.[20] CCDBG funding is jointly administered by HHS and is commonly referred to as the Child Care and Development Fund (CCDF).[21] President Obama signed the CCDBG Act (S. 1086) into law in November 2014 after a bipartisan reauthorization process in both the House and the Senate with Senators Mikulski, Burr, Alexander and Harkin sponsoring the Senate legislation. You voted for the legislation in March 2014.

The Maternal, Infant, and Early Childhood Home Visiting (MIECHV) program supports voluntary, home visiting services for families with young children who reside in communities that have concentrations of poor child health and other risk indicators.[22] MIECHV is based on the Education Begins at Home Act (S. 244), legislation that you introduced with former Senators Bond and Clinton in 2009. MIECHV was authorized in 2010 as part of the Patient Protection and Affordable Care Act (ACA; P.L. 111-148) under Title V of the Social Security Act. The majority of funding for MIECHV is used to implement home visiting program models with demonstrated evidence of effectiveness. The program functions alongside the federal Early Childhood Comprehensive Systems (ECCS), which establishes evidence-based home visiting as a core strategy within early childhood streams.[23] You fought to pass a funding extension for MIECHV as part of the 2014 "Doc Fix," which was not enacted into law. In April 2015, you voted for the Medicare Access and CHIP Reauthorization Act of 2015, which was signed into law and

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[20] Karen Lynch and Gail McCallion, "Early Childhood Care and Education Programs: Background and Funding," *Congressional Research Service*, last modified June 23, 2015.
[21] Ibid.
[22] Ibid.
[23] Deborah Roderick Stark, Barbara Gebhard and Elizabeth DiLauro, "The Maternal, Infant, and Early Childhood Home Visiting Program: Smart Investments Build Strong Systems for Young Children," *Zero To Three: National Center for Infants, Toddlers and Families*, last modified 2014.

included a two-year extension of MIECHV through FY2017 at current funding levels.[24]

Most recently, you led the push for greater investments in early child care programs by reintroducing the bipartisan Strong Start for America's Children Act of 2015 (S.1380), which you introduced with Representatives Scott and Hanna in May 2015. Among other things, your bill would address the needs of low-income working families by: allowing schools, Head Start, and child care settings to apply for funding to offer pre-kindergarten; establishing expectations for the provision of full-day services and comprehensive health services; and providing for additional partnerships between Early Head Start and child care programs to ensure that more vulnerable infants, toddlers, and their families have access to the comprehensive early education and family support services.[25] The Strong Start for America's Children Act currently has 24 cosponsors in the Senate. At this time, no hearings have been scheduled to consider the bill in the Senate Health, Education, Labor and Pensions (HELP) Committee. A previous version of the legislation, the Strong Start for America's Children Act of 2014 (S. 2452), introduced by former Senator Harkin, passed the Senate HELP Committee in 2014. However, the legislation did not advance to the floor for consideration by the full Senate.

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[24] "Maternal Infant and Early Childhood Home Visiting," *Health Resources and Services Administration*, accessed February 22, 2016.
[25] Stephanie Schmit, "House and Senate Reintroduce the Strong Start for America's Children Act," *CLASP*, last modified May 19, 2015.

Background

Although the U.S. economy is rebounding from the Great Recession and employment levels are recovering, low-income families continue to feel the ripple effects of several years of deep unemployment and low-wages. Additionally, low-income families face increased competition for 21st century jobs that pay family-sustaining wages. These pressures make the high price of child care especially daunting. The burdensome price tag for child care is more pronounced in the U.S. than in many other development countries where early childhood care and education is heavily subsidized. Stewart Friedman, practice professor of management at Wharton has conducted extensive research on the impact of child care in the U.S., and claims that "when we compare what we do as a nation to what other developed countries do in terms of child care, it's embarrassing and it's tragic."[26]

In December 2015, Child Care Aware of America released an annual report that examined trends in the cost of child care nationwide. Child Care Aware surveyed the Child Care Resource and Referral (CCR&R) State Network offices and local CCR&Rs to retrieve 2015 cost data related to the average price of child care for infants, four-year-old children, and school-age children in legally operating child care centers and family child care homes. The research indicated that child care is one of the most significant expenses in a family budget, often exceeding the cost of housing, college tuition, transportation or food.[27]

The 2015 Child Care Aware report also found that quality child care is particularly unaffordable for low-income families living at or below the poverty line. As

[26] "Why Child Care Is the Economy's 'Invisible' Driver," Knowledge at Wharton, last modified September 17, 2014.
[27] "Parents and the High Cost of Child Care," *Child Care Aware of America*, last modified 2015.

a measure of standard of living, HHS' poverty guideline in 2015 was only $24,250 for a family of four.[28] In 2014, a family of three in Massachusetts living at the poverty level would have had to pay nearly 85 percent of their income for full-time center-based care for an infant.[29] High costs impose a significant burden on working families who already struggle to afford daily living expenses such as food, housing and transportation (see Table 1).

TABLE 1

Average weekly child care expenditures of families with children younger than age 5 and employed mothers who make payments

	Average weekly child care costs	Average monthly family income	Percentage of family's monthly income spent on child care	Mother's average monthly income	Percentage of mother's monthly income spent on child care
All families with children younger than age 5	$181	$8,783	9%	$3,477	23%
All families below the poverty level	$103	$1,239	36%	$1,044	43%
All families at or above poverty level	$188	$9,488	9%	$3,705	22%
100–199 percent of poverty level	$129	$2,751	20%	$1,667	33%
200-plus percent of poverty level	$203	$11,157	8%	$4,209	21%

Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States," *Center for American Progress*, last modified September 2015.

Olivia Golden, former Assistant Secretary for Children and Families at HHS and now acting Executive Director of the Center for Law and Social Policy (CLASP), testified before the U.S. House of Representatives Committee on Education and the Workforce in 2014 on the value of investing in child care for low-income families.

[28] The Annie E. Casey Foundation. 2015 KIDS COUNT Data Book. July 2015. Assessed February 27, 2016. Web.

[29] "Parents and the High Cost of Child Care," *Child Care Aware of America*, last modified 2015.

Golden's testimony highlighted the benefits of child care assistance for low-income families:

"For [these] low-income working parents, child care assistance helps them get and keep a job, increases earnings, and strengthens their economic health and security. Compared to families without subsidies, studies have demonstrated fewer job disruptions due to child care problems and better job retention for families with subsidies, less return to welfare, a greater likelihood of working, and higher earnings. Researchers have also found that child care assistance helps low-wage working families stretch their paychecks further, buying food and clothing, and paying down debt. All good things for children."[30]

According to Golden, access to child care assistance programs like CCDBG helps low-income parents maintain employment and provides quality and consistent child care options for young children, which ultimately shapes their healthy development and growth.[31] Moreover, federal assistance programs enable low-income families access to quality child care programs that would otherwise be less attainable due to cost. Neena Chaudhry, senior counsel and director of education at the National Women's Law Center (NWLC), points out that this is an issue that spans gender, racial and economic categories.

"Access to child care ultimately affects students' ability to complete their education, which has major long-term effects, especially for women of color. We already know that down the line, the wage gap for women still exists and persists, and is even greater for women of color. So, it's critical that women in general—and particularly women of

[30] U.S. House Education and Workforce Committee. "The Foundation for Success: Strengthening the Child Care and Development Block Grant Program." 2014. Assessed February 28, 2016. Web.
[31] Ibid.

color—are able to get the degrees that they need and advance and get into the fields that they want to."[32]

Currently, the U.S. subsidizes the cost of child care for low-income families through CCDBG and the Child and Dependent Care Tax Credit (CDCTC), a nonrefundable tax credit that targets families who earn between $100,000 and $200,000 per year.[33] However, these child care subsidizes fall short of serving all low-income families who qualify for assistance. The 2014 CCDBG reauthorization set in motion critical advances that ensure safe, reliable and affordable child care for low-income families. However, the law calls on states to raise health, quality and safety standards for CCDBG-funded child care programs without diverting resources from other essential areas, such as such as maintaining families' access to child care assistance.[34] This presents an undue challenge to states. Unlike previous reauthorizations, the 2014 law did not provide significant increases in federal funding for state implementation, which could force states to make tradeoffs, such as limiting access to child care assistance in order to meet regulations.[35] According to CLASP, since 2006 alone, an estimated 315,000 children have lost child care assistance through CCDBG. As the CCDBG implementation process unfolds, Congress should acknowledge the declining rates of children and families being served by CCDBG as well as increasing demands for assistance.

Since 2001, the CDCTC has been capped at $3,000 for one child and $6,000 for two children; under current law, families can take a tax credit of up to $1,050 for one

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[32] Leah Askarinam, "Strollers on Campus," *The Atlantic,* last modified March 21, 2016.
[33] Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States," *Center for American Progress*, last modified September 2015.
[34] Hannah Matthews, Karen Schulman, Julie Vogtman, Christine Johnson-Staub, and Helen Blank, "Implementing the Child Care and Development Block Grant Reauthorization: A Guide to States," *National Women's Law Center and CLASP*, last modified 2015.
[35] Ibid.

child and $2,100 for two children.[36] Unfortunately, with rising child care costs, the CDCTC, as currently structured, does not sufficiently meet the demands for affordable assistance. As you may recall, you reintroduced legislation in March 2015 to expand the CDCTC to benefit more low-income families. Your legislation, the Helping Working Families Afford Child Care Act (S. 661), would make the CDCTC refundable and increase the allowable expense limit to $8,000 for one child and $16,000 for two children—today, most families receive only a $600 credit, but under your proposed reforms, the credit would increase to $2,800 for most low- and middle-income families.[37] At this time, your legislation has ten cosponsors, and it was referred to the Senate Finance Committee. President Obama also encouraged the expansion of the CDCTC in his FY2016 and FY2017 budgets. His proposal would triple the CDCTC for families with children under five, increasing it to $3,000 per child and allowing families to claim a 50 percent credit for up to $6,000 of expenses per child under five.[38] However, under the President's proposal, the CDCTC would remain a nonrefundable credit so low-income families with little or no federal income tax liability would not benefit.

As the price of child care continues to surge for working families, political sentiment on the issue is evolving. In recent years, Republicans have displayed greater interest in supporting policies that assist working parents. In 2014, Senators McConnell and Paul supported tax breaks for families with children.[39] Additionally, the 2014 bipartisan reauthorization of CCDBG also demonstrates that child care issues can span

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[36] "Quick Facts: Child and Dependent Care Tax Credit (CDCTC)," *The Hatcher Group*, assessed February 28, 2016.
[37] "Murray on Tax Day: Our Tax Code Should Prioritize Middle Class Families, Not the Wealthiest Americans and Biggest Corporations," Senator Patty Murray, last modified April 15, 2015.
[38] "The President's Budget for Fiscal Year 2017," *The White House*, last modified 2016.
[39] Zachary A. Goldfarb and Juliet Eilperin, "Child-care issues move to political forefront as both parties position for midterms," *The Washington Post*, last modified June 23, 2014.

political lines, and resonate with Members of Congress, especially as they look ahead to the 2016 elections.

National childhood advocacy groups continue to urge elected officials to publicly endorse increasing federal and state investments in child care assistance for low-income families. NWLC and CLASP have provided research and analysis for states implementing the 2014 CCDBG reauthorization with a focus on the professional support the program provides for low-income parents. The unions have also played an influential role in marshaling support for child care issues, particularly among Democrats. AFSCME and SEIU, who represent home child care providers and child care center teachers and staff, have called for increased wages and improved working conditions for child care providers.[40] With the unions' support in October 2015, you introduced Senate Resolution 292 to highlight the need for increasing availability of high-quality child care for working parents. Upon introduction, the resolution had 24 Democratic cosponsors.[41] As exhibited by the partisan support for your resolution, legislative efforts to increase the quality and affordability of child care continue to be driven by a largely Democratic base.

In September 2015, the Center for American Progress (CAP) released a policy proposal, A New Vision for Child Care in the United States, which aims to expand access to high-quality child care assistance for working families. The proposal would offer a High-Quality Child Care Tax Credit that targets low-income and middle-class families earning up to 400 percent of the federal poverty level (approximately $97,000 in annual income for a family of four) and is projected to serve more than 6 million children under

[40] "Members of Congress, child care providers, and parents stand together by the U.S. Capitol," *SEIU*, assessed April 9, 2016.
[41] "Thomas. S.Res.292 — 114th Congress (2015-2016)," *Library of Congress*, last modified 2015.

age five, increasing the current service level by more than fourfold.[42] The combined value of the credit and family contribution would be worth up to $14,000 per child under age three and also provide up to $5,000 for preschoolers accessing extended-day and summer child care for families up to 200 percent of the federal poverty level.[43] While there is interest in CAP's plan, to date, no Member of Congress has sponsored legislation that mirrors the proposal.

Policy Proposal

CAP's proposal presents an opportunity to improve the current child care subsidy system by offering high-quality assistance to low-and middle-income families. The plan would target highly qualified child care providers to ensure that the children and families most in need receive affordable, quality child care options.

Policy Authorization

The High-Quality Child Care Tax Credit proposal could be carried at the federal level as standalone legislation that you introduce in the Senate this Congress. By proposing legislation, you would offer a carrot incentive for families to purchase affordable, high-quality child care. CAP predicts the proposal would cost approximately $40 billion annually.[44] As currently written, the proposal does not have a pay-for; however, CAP recommends that offsets could be found by restructuring the tax system and closing "wasteful loopholes."[45] While CAP does not specify what tax loopholes they would close to pay for the proposal, you may consider closing the trust fund loophole,

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[42] Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States," *Center for American Progress*, last modified September 2015.
[43] Sunny Frothingham, Katie Hamm and Jessica Troe, "How a High-Quality Child Care Tax Credit Would Benefit Millennial Families," *Center for American Progress*, last modified September 29, 2015.
[44] Matthew Yglesias, "Tax credits to pay for child care is the next frontier for the nanny state," *Vox*, last modified September 8, 2015.
[45] Danielle Paquette, "This could be the new big idea about childcare from Democrats," *The Washington Post*, last modified September 2, 2015.

which would impose a capital gains tax on the "step up" of appreciated assets at death. The Joint Tax Committee estimated that the step up will cost the Treasury $175 billion from 2014 through 2018, which makes it one of the most expensive individual tax breaks in the Internal Revenue Code.[46] You may also consider raising the capital gains and dividend rate to 28 percent for couples earning $500,000 or more. President Obama proposed returning the rate back to the Reagan era (28 percent) in his 2016 budget; implementing this measure is estimated to increase revenue to about $208 billion over 10 years.[47]

The legislation would amend the Internal Revenue Code of 1986 to make a High-Quality Child Care Tax Credit available beginning in the next taxable year following enactment. The Senate Finance Committee and the House Ways and Means Committee have jurisdiction to review and amend the proposal given its tax provisions. The Joint Committee on Taxation would also provide analysis on the overall cost of the proposal.

Policy Implementation

The legislation would be implemented by the U.S. Treasury, which oversees the enforcement of Federal finance and tax laws.[48] As a bureau of the Treasury, the Internal Revenue Service (IRS) collects revenues, processes returns and administers tax compliance.[49] Similar to other federal tax credits, the High-Quality Child Care Tax Credit would be dispersed to qualifying child care providers from tax revenue collected by the IRS.

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[46] Janet Novack, "Obama Attack On 'Trust Fund Loophole' Could Increase Tax Advantage Of Trusts," *Forbes*, last modified January 20, 2015.
[47] Pamela Villarreal, "Obama's Proposed Capital Gains Tax Hike," *National Center for Policy Analysis*, last modified March 5, 2015.
[48] "Duties & Functions of the U.S. Department of the Treasury," *U.S. Department of the Treasury*, last modified April 22, 2016.
[49] "The Agency, its Mission and Statutory Authority," *Internal Revenue Service*, last modified October 26, 2015.

The proposal would tie financial assistance to quality by offering U.S. families a sliding scale tax credit that would subsidize the purchase of quality child care. The monthly tax credit would be paid directly to eligible high-quality child care providers of the parent's choice over the course of the year.[50] As proposed, the tax credit would be payable to a child care provider of the family's choice so long as the provider meets quality standards determined by state Quality Rating and Improvement Systems (QRIS), a state-based tool that assesses child care providers with metrics like adult-to-child ratios and basic safety practices.[51] States would have an opportunity to develop their own standards and tiers for measuring quality providers, subject to federal guidelines. After a phase-in period, families that want to use the tax credit would select providers in the top tier or top two tiers to ensure affordability and access to quality providers.

According to CAP's report, the tax credit is calibrated to reflect the actual cost of child care and provides parents with a choice of child care providers who offer quality services. The combined value of the tax credit and family contribution totals $14,000 for children under age three and $5,000 for extended-day and summer child care for preschoolers.[52] These figures are based on CAP's analysis of estimates from HHS of the cost of high-quality child care, including lower adult-to-student ratios, credentialed staff, a research-based curriculum and wage increases for staff.[53] The proposal also indexes the high-quality child care tax credit to the Consumer Price Index for All Urban Consumers, which accounts for inflation. The tax credit would be advanced to families on a monthly

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[50] Sunny Frothingham, Katie Hamm and Jessica Troe, "How a High-Quality Child Care Tax Credit Would Benefit Millennial Families," *Center for American Progress*, last modified September 29, 2015.
[51] Jonathan Cohn, "Quality Child Care Is Rare And Expensive, But A New Proposal Could Help Change That," *The Huffington Post*, last modified September 15, 2015.
[52]Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States," *Center for American Progress*, last modified September 2015.
[53] Ibid.

basis and paid directly to child care providers that qualify for federal funding by meeting the state's minimum quality standards. In order to qualify for the tax credit, parents would have to earn income. According to CAP's proposal, families of four earning $97,000, or 400 percent of the poverty line, would be eligible for a $2,360 tax credit. Whereas, for the poorest families of four, the tax credit would be worth $13,340 a year, requiring a family contribution of $660, or 2 percent of income.[54]

High-quality Child Care Tax Credit amounts at different family income levels for children younger than age 3

Income as a percentage of FPL	Upper bound income for family of four	High-quality Child Care Tax Credit*	Family payment as a percentage of income	Family contribution**
Up to 133 percent	$32,253	$13,340	2%	$660
133–150 percent	$36,375	$11,840	6%	$2,160
150–200 percent	$48,500	$10,080	8%	$3,920
200–250 percent	$60,625	$7,900	10%	$6,100
250–300 percent	$72,750	$5,240	12%	$8,760
300–400 percent	$97,000	$2,360	12%	$11,640

*Tax credit for family at the upper bound of each poverty level.

**Family contribution based on family of four at upper bound of each poverty level.

Source: Poverty levels based on Office of the Assistant Secretary for Planning and Evaluation, 2015 Poverty Guidelines (U.S. Department of Health and Human Services, 2015), available at http://aspe.hhs.gov/poverty/15poverty.cfm.

Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States," *Center for American Progress*, last modified September 2015.

Policy Analysis

The proposal is an innovative approach to increasing both the availability and the affordability of high-quality child care assistance for working families. As structured, the plan targets tax credits toward parents and children most in need of quality child care options. Like any policy proposal, however, there are both benefits and limitations to establishing a quality-driven child care market, including the cost of implementing the

[54] Ibid.

system nationwide. Additionally, it is difficult to ignore that the cost burden of child care is largely associated with the level of quality assistance, including provider compensation and training. It is simply harder for low-income parents to afford highly rated providers. Therefore, quality is a significant factor in determining the cost and availability of child care.

There are several strengths to the structure and goals of the proposal. First, the proposal would achieve the core policy goal of providing low-income families increased access to high-quality, affordable child care. The sliding scale delivery system ensures that the greatest amount of child care tax credits are directed to the families who need more financial assistance. According to CAP's report, the sliding scale would help determine the family's share of the costs, ranging from two percent of total income for families living near the poverty line to 12 percent for families earning above 250 percent of the poverty line.[55] CAP estimates that, if implemented, the proposal would serve more than six million children under age five, increasing the current service level by more than fourfold.[56]

The proposal would ensure that low-income families face fewer barriers to accessing quality, affordable child care due to location or economic status. By providing more working parents an opportunity to enroll their children in quality child care, the proposal provides lasting economic benefits to the country. For many low-income and low-skilled parents seeking education, training, and workforce opportunities, the gap in

[55] Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States," *Center for American Progress*, last modified September 2015.
[56] Ibid.

finding quality child care assistance is a barrier to accepting higher-paying jobs.[57] The proposal provides families with greater options than choosing between going to work or obtaining child care that may be unsafe or unreliable.[58] Additionally, because high-quality, affordable child care is often not available for many working families today, some parents leave the workforce, which risks their families' short- and long-term economic security.[59] The plan also incentivizes parents' demand for higher-quality child care options and could drive the child care market to improve and create choice for low-income families, who historically have been unable to afford high-quality child care assistance. Further, since the tax subsidy is aimed at highly-rated child care providers, it would encourage the supply of highly-rated providers in new regions, especially rural communities where there are limited numbers of quality child care providers.[60]

The proposal includes an existing state-driven delivery structure. In order to identify child care providers who may qualify for the tax credit, the IRS would rely on QRIS, a state-based tool that exists to assess, improve and communicate the level of quality in child care and early education.[61] QRIS was first developed in Oklahoma in 1998 as a systematic approach to benchmarking quality in early childhood programs.[62] The tool is currently utilized in 44 states and many are planning to adopt the system to establish common standards of quality and identify and incentivize state-level

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[57] "The Child Care Development Fund and Workforce Development for Low-Income Parents," *Urban Institute*, last modified June 2015.
[58] Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States," *Center for American Progress*, last modified September 2015.
[59] Ibid.
[60] Matthew Yglesias, "Tax credits to pay for child care is the next frontier for the nanny state," *Vox*, last modified September 8, 2015.
[61] Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States," *Center for American Progress*, last modified September 2015.
[62] National Association for the Education of Young Children. 2010. Assessed March 22, 2016. Web.

collaboration of child care services.[63] QRIS provides the IRS with a standard for federal implementation across states and ensures they are identifying and monitoring quality providers. As proposed, CAP's plan would allow only providers in the top level of a three-tier system or the top two levels of a four- or five-tier system to receive the tax credit, and states would need to provide the federal government with a list of eligible providers that meet the quality threshold. [64] The proposal also provides a phase-in period, which allows states with less mature QRIS tools to build out more robust systems. The proposal's reliance on QRIS is both necessary and advantageous, as it identifies qualified providers and potentially encourages more providers to attain quality standards in order to receive a tax credit.

The lack of affordable, quality child care providers in the U.S. is partially attributable to exceptionally low wages across the professional sector. The average child care worker earns $21,000 per year, which is nearly $3,000 below the poverty line for a family of four.[65] According to the Bureau of Labor Statistics (BLS), among the occupations that share rankings with child care workers are food preparation workers, parking lot attendants, bartenders, hotel desk clerks, and laundry and dry-cleaning

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[63] Gary Resnick, Meghan Broadstone, Heidi Rosenberg, Sarah Kim, "A National Snapshot of State-Level Collaboration for Early Care and Education," *Education Development Center, Inc.*, last modified September 28, 2015.
[64] Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States," *Center for American Progress*, last modified September 2015.
[65] Marcy Whitebook, Deborah Phillips and Carollee Howes, "Worthy Work, STILL Unlivable Wages: The Early Childhood Workforce 25 Years after the National Child Care Staffing Study," *Center for the Study of Child Care Employment*, last modified 2014.

workers.[66] In 1997 and 2013, child care workers were in the second and third percentile of the BLS rankings of occupations by mean annual salary.[67]

The proposal seeks to address the issue of chronic low-wages for child care providers by supporting an average annual full-time salary of $34,000 or an hourly wage of about $16 per hour, including a benefits package. As structured, CAP's plan would require that states incorporate wages into their QRIS, with input from a broad range of stakeholders, including child care workers.[68] The proposal's annual wage structure for child care providers ensures greater stability and accountability in the sector and meets the broader goal to increase the supply of highly qualified child care providers, who serve low-income families. By increasing compensation levels across the child care industry, the tax credit would also incentivize child care providers to receive higher credentials and training, which would increase the number of quality of child care services available to low-income families.

Rather than defraying the cost of having children, the proposal recognizes the idea that social expenditure should be a complement to work rather than a substitute for it.[69] This model shifts the national strategy around child care to be in closer alignment with other OECD countries.[70] The Committee for Economic Development (CED) posits that leading and emerging global economies are currently doing more than the U.S. to expand access to higher-quality child care and early education through public investment and

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[66] "Occupational Employment Statistics Survey," *Bureau of Labor Statistics*, last modified 2013.
[67] Marcy Whitebook, Deborah Phillips and Carollee Howes, "Worthy Work, STILL Unlivable Wages: The Early Childhood Workforce 25 Years after the National Child Care Staffing Study," *Center for the Study of Child Care Employment*, last modified 2014.
[68] Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States," *Center for American Progress*, last modified September 2015.
[69] Matthew Yglesias, "Tax credits to pay for child care is the next frontier for the nanny state," *Vox*, last modified September 8, 2015.
[70] OECD Family database, "PF3.1: Public spending on childcare and early education," *Organization for Economic Co-operation and Development*, last modified January 12, 2014.

policy.[71] Recognizing that early childhood is a critical period for cognitive and social development, the CED encourages the business sector to invest in high-quality early childhood programs that serve children from birth to five, beginning with those having the greatest need.[72] The CED also acknowledges the value of high-quality child care for low-income families and promotes an innovative financing strategy for increasing investments in early childhood. Among their recommendations is a refundable tax credit targeted at high-quality individual professionals in the early learning field.[73] CED's recommendation to support high-quality child care providers matches the proposal's goals to increase the quality of child care assistance for all low-income families.

Cost is a significant hurdle in the introduction and implementation of the proposal. CAP estimates the total annual cost at approximately $40 billion per year.[74] While this estimate is high, choosing to offset the proposal by closing tax loopholes on wealthy individuals would send a strong message to your constituents and Senate colleagues that the legislation is an investment in America's working families. President Obama supported your suggested offsets (closing the trust fund loophole and raising the capital gains and dividend rate to 28 percent) as part of his fiscal policy agenda in 2015. According to the White House, hundreds of billions of dollars escape capital gains taxation each year because of the "step-up" basis loophole that lets the wealthy pass appreciated assets to their heirs tax-free.[75] Additionally, increasing the total capital gains and dividends rate for high-income households would specifically target the top one

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[71] "Unfinished Business: Continued Investment in Child Care and Early Education is Critical to Business and America's Future," *The Committee for Economic Development*, last modified June 26, 2012.
[72] Ibid.
[73] Ibid.
[74] Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States," *Center for American Progress*, last modified September 2015.
[75] "FACT SHEET: A Simpler, Fairer Tax Code That Responsibly Invests in Middle Class Families," *The White House*, last modified 2015.

percent of earners.[76] Closing tax loopholes on the wealthy would prove your commitment to helping low-income families; however, it is unlikely that any Republicans would support the offsets in order to pay for a child care tax credit.

Additionally, the proposal adds another tax credit to an already convoluted U.S. tax code, which Members in both the House and Senate have attempted to reform in recent years. In January 2015, Senate Finance Committee Chairman Hatch and Ranking Member Wyden launched five bipartisan Senate Finance Committee working groups to explore key policies surrounding comprehensive tax reform for individual and corporate income tax systems.[77] Several smaller proposals were also introduced in the 114th Congress with the goal of simplifying the tax code and making it more fair and efficient.[78] To date, no measures have passed, and it is unlikely in the presidential election year that comprehensive tax reform will advance in either the House or Senate. This timing will complicate the advancement of your proposal. With limited tax legislation moving this Congress, it will be challenging to identify a vehicle for passage in the Senate. Still, by introducing the proposal before the end of the year, you would lay a marker for reintroduction when the 115th Congress convenes in 2017. Depending upon the political make-up of the chambers, the proposal may have a better chance of passage in the new Congress.

As the implementing agency, the IRS may pose challenges to efficient enactment. In recent years, the IRS has faced increased scrutiny related to the overpayment rate in the refundable part of the Child Tax Credit (CTC). The Treasury Department's Inspector

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[76] Ibid.
[77] "Hatch, Wyden Launch Bipartisan Finance Committee Tax Reform Working Groups," *U.S. Senate Committee on Finance*, last modified 2015.
[78] Molly F. Sherlock and Mark P. Keightley, "Tax Reform in the 114th Congress: An Overview of Proposals," *Congressional Research Service*, last modified March 18, 2016.

General released a report in December 2014 that documented that the IRS paid out at least $5.9 billion in improper payments of the additional CTC in FY2013, or about 25 percent to 30 percent of total payments.[79] Republicans, like Senator Hatch, have attacked the IRS for failing to detect erroneous or fraudulent claims and administer the refundable tax credits in a fair manner.[80] However, the Center on Budget and Policy Priorities found that the IRS' errors, related to the CTC and the Earned Income Tax Credit, are partly due to the series of congressional funding cuts to the IRS since 2010.[81] With less funding to enforce and ensure compliance of U.S. tax rules, the IRS is operating with fewer resources to explore a substantial amount of questionable claims. The IRS has a fundamental role in serving American taxpayers. Congress' desire to slash the IRS's budget should not prohibit the disbursement of tax credits to qualified child care providers, who serve low-income communities where quality child care and early learning programs are rare or very difficult to access.

In order for the High-Quality Child Care Tax Credit to be carried out successfully and without error, federal and state administrative systems need to closely coordinate on implementation. The IRS is the federal entity charged with distributing the child care tax credit, and states are responsible for measuring and monitoring qualified child care providers through the state-based QRIS tool. Currently, most states use QRIS, and they typically rate child care providers in three, four or five tiers.[82] CAP recommends that the tax credit only be made available to providers in the top level of a three-tier system or the

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[79] Kim Dixon, "IG: Billions lost to potential child tax credit fraud," Politico, last modified December 9, 2014.
[80] Bob Greenstein, "IRS Funding Cuts Likely Mean More Tax-Credit Errors," *The Huffington Post*, last modified December 11, 2014.
[81] Ibid.
[82] "View State Profiles," QRIS Compendium, last modified 2016.

top two levels of a four- or five-tier system. They also anticipate that the Federal Government will need to establish parameters for measuring the top tier of child care providers, which may require that states validate their QRIS tools.[83] It may also require that HHS or the Department of Education (ED) develop accreditation or standards for the top tier of QRIS providers, which would entail greater oversight and engagement on the part of the agencies.

To ensure that states are not gaming the system and complying with the law, the legislation could include a section that requires the IRS, and the entity charged with monitoring state QRIS tools (HHS or ED), to submit a report to the relevant committees of Congress no later than one year after enactment on the results of the tax credit. The report would examine the number of child care providers that may have shifted into the top two tiers of QRIS ratings and also account for how many low-income families received the tax credit and their location nationwide.

A high level of oversight would be necessary in order to build administrative systems that coordinate and distribute the tax credit accurately and without error. Administrative capacity at both the federal and state levels is a concern. Still, this aspect of the proposal is necessary in order to prove that the High-Quality Child Care Tax Credit is effective. While federal agencies may resist the administrative demands that come with state coordination, it is critical that management systems are in place to monitor and track compliance. Additionally, the unforeseen costs associated with developing federal evaluation systems as well as the improvement of state QRIS tools would be significant and may garner political and constituent opposition.

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[83] Katie Hamm and Carmel Martin, "A New Vision for Child Care in the United States," *Center for American Progress*, last modified September 2015.

Political Analysis

The lack of quality, affordable child care is a concern for voters. In January 2016, Public Policy Polling (PPP) conducted a poll commissioned with CAP's WithinReach campaign that surveyed likely Democratic and Republican Iowa caucus goers. The survey results indicate a majority of likely Iowa caucus goers believe child care is too expensive for working families, and 63 percent would support direct tax credits that help them access affordable child care.[84] The poll also found that likely caucus goers would support a presidential candidate who prioritizes policies for working families.[85] The results reveal that constituents are in favor of public policies that meet the needs of working families, and they perceive child care to be a necessity that is out of reach for many low- and middle-income families today.

Hard-working families feel the economic and personal consequences that stem from the lack of a national policy on child care, and their concerns are resonating in Washington, predominantly through progressive channels. In addition to the legislation that you have led and supported this Congress, several proposals were introduced to expand child care assistance and encourage high quality child care providers. Most recently, Senator Casey and Representatives Joe Crowley (D-NY) and Lois Frankel (D-FL) introduced legislation (S. 2539/H.R. 4524), which aims to guarantee by FY2026 access to child care for every parent that earns up to 200 percent of the federal poverty level and has an infant and/or a toddler by increasing mandatory funding for the CCDF.[86] In 2015, Senators Boxer and Gillibrand introduced the Right Start Child Care and

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[84] Allison Preiss, "Public Policy Polling: Iowa Survey Results," *The Center for American Progress*, last modified January 26, 2016.
[85] Ibid.
[86] Gabriel Vasquez, "Child C.A.R.E. Act Offers Low-Cost, High-Quality Options for Working Families," *First Focus*, last modified February 10, 2016.

Education Act (S. 446), which would make the Dependent and Child Care Tax Credit fully refundable, allowing low-income families with no tax liability to receive the full benefit of the credit.[87] To date, no Senate Republicans have cosponsored the proposals. Republicans are weary of increasing spending, and their lack of support for similar child care proposals illustrates the partisan tone toward these issues in Congress.[88]

Given the political dynamic, it is highly unlikely that your legislation would attract any Republican cosponsors, chiefly because of the estimated cost and proposed offsets. In recent years, Senate Republicans have strongly opposed any legislation that would close one-off corporate tax loopholes, unless it is part of fundamental tax reform.[89] Additionally, if you choose to introduce the proposal this Congress, the timeframe to garner support is limited due to the election cycle. However, the 2016 election could put the Senate back in Democratic control, in which case, your legislation may have a higher likelihood of passage in the 115th Congress, or at the very least, being marked up next year in committee.

While there has been little congressional movement to increase child care assistance since CCDBG passed in 2014, pressure to transform U.S. child care policy has come from the White House. Since taking office, President Obama has called for increased federal and state investments in high quality early learning and child care. Through the American Recovery and Reinvestment Act, President Obama invested $2.1 billion in Head Start and Early Head Start, and he prioritized efforts to raise and reform Head Start standards to focus on school readiness results and promote accountability,

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[87] "Making Child Care Affordable and Available," *The Office of Kirsten Gillibrand*, assessed April 4, 2016.
[88] Danielle Paquette, "This could be the new big idea about childcare from Democrats, *The Washington Post*, last modified September 2, 2015.
[89] Jordain Carney, "Senators block amendment on closing tax loopholes," *The Hill*, last modified March 26, 2015.

including the launch of a more competitive process designed to ensure that only the most capable and highest quality programs receive Head Start grants.[90] In the 2013 State of the Union, President Obama announced his early learning initiative, which laid out a federal-state partnership to provide all low- and moderate-income four-year-old children with high-quality preschool; urged higher congressional investments in MIECHV; and called for significant investments in a new Early Head Start-Child Care partnership program to expand the availability of Early Head Start and child care providers that can meet the highest standards of quality for infants and toddlers.[91]

More recently, President Obama laid out an $80 billion proposal intended to help more families afford child care as part of his 2015 State of the Union. His plan would expand access to CCDF for low- and moderate-income families by increasing the funding available to states to develop sound plans for how they will build the supply of quality care for infants and toddlers; triple the maximum CDCTC for families with children under five, increasing it to $3,000 per child; and invest $100 million in new competitive grants to states to develop, implement and evaluate models of providing child care to address the unmet needs for families who face unique challenges to securing child care.[92] The President's vigorous efforts to expand access to high-quality child care for low-income families has shifted these issues into the national spotlight and underscored the need to reform the current child care system, which falls short of serving families most in need of assistance. The administration's support would provide momentum for your proposal among Democrats. However, any correlation to the President's agenda is likely

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[90] "Early Learning," *The White House*, accessed April 3, 2016.
[91] "President Obama's Early Learning Initiative," *U.S. Department of Health and Human Services: Early Childhood Development*, accessed April 3, 2016.
[92] "FACT SHEET: Helping All Working Families with Young Children Afford Child Care," *The White House*, January 21, 2015.

a detriment to gaining traction with Republicans, especially as we approach the election in November.

With increasing recognition of the need for high-quality, affordable child care, several advocacy groups have built awareness campaigns to inform the public and encourage presidential candidates to prioritize the issue as part of their national agenda. As you know, the Make it Work Campaign is urging 2016 presidential candidates to support policy efforts that would increase affordable, high quality child care offerings. Alongside Gloria Steinem, economist Bill Rodgers and Sonya Underwood, you helped launch the campaign's most recent policy proposal that would ensure affordable high quality child care and after school programs do not exceed 10 percent of parents' pay through flexible subsidies that would cover a $15 per hour wage for care providers.[93] CAP also unveiled a national campaign to encourage Presidential candidates, national and state leaders, advocates and the public to emphasize the value of high-quality child care and preschool for working families. According to the website, the Within Reach campaign will create momentum and elevate the call to make child care and preschool a major priority in the 2016 election through public education, strategic messaging, and advocacy resources for national and state-based partners.[94]

The campaign's efforts to draw national attention to the matter appear to be resonating only Democrats on the campaign trail. In November 2015, then-presidential candidate, Senator Marco Rubio, announced in a Republican national debate that child

[93] "Make It Work Agenda Launch," *Make It Work*, last modified 2016.
[94] "About #WithinReach, Make It Work Agenda Launch," *The Center for American Progress*, last modified 2016.

care costs more than college tuition in 35 states.[95] While running for President, Senator Rubio's tax plan included a new child tax credit up to $2,500 per child, available to single parents making up to $200,000 and married parents making up to $400,000 total.[96] While Senator Rubio's plan to support working families is a step in the right direction, very few Republican presidential candidates have proposals that would increase affordability or access to child care for low-income families. Donald Trump is on record in November 2015 stating that he does not understand why so few U.S. companies provide affordable, in-house child care for their employees and arguing that he does so at some of his companies.[97] Unfortunately, at this point in the election, he has not taken action or released any proposals indicating a stance on federal programming or assistance for child care.[98]

Your proposal would likely garner support from former Secretary of State Hillary Clinton, who has been a vocal proponent of increasing federal investments in high-quality child care for working families. As a presidential candidate, Secretary Clinton has publicly pledged to double investments in Early Head Start and the Early Head Start-Child Care partnerships.[99] Senator Sanders has called for a revolution in child care, arguing that the U.S. system should be more affordable and of higher quality.[100] Democratic presidential candidates are also making the connection between the dual burden of college costs and child care. With slightly more than a quarter of

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[95] Haley Sweetland Edwards, "Why Child Care May Get More Attention in 2016," *Time*, last modified November 17, 2015.
[96] "Marco Rubio's Meager Offerings for Working Parents Are Still the Best in the GOP Field," *Slate*, last modified November 11, 2015.
[97] Jenna Johnson, "Donald Trump says companies can 'very easily' offer child care to employees," *The Washington Post*, November 19, 2015.
[98] "Digital Dialogue: Donald Trump," *Every Child Matters*, last modified 2016.
[99] "Fact Sheet: Hillary Clinton Calls For Universal Preschool for America's Children," *Hillary for America*, last modified 2016.
[100] "Bernie Sanders on Children," *Feel the Bern*, last modified 2016.

undergraduates in the U.S. raising children while pursuing higher education, the financial challenge of paying for both school and children impacts low-income parents, who are pursuing high education, especially hard.[101] Secretary Clinton has proposed that colleges receive special grants if they pour more resources into campus child care, and Senator Sanders has called for free tuition for undergraduates.[102]

Democratic support for increasing national investments in child care is evident; however, gaining support from Republicans in an election year will be an uphill battle. Introducing the legislation this Congress, with or without Republican support, would be politically advantageous for several reasons. First, you are sending a clear message to constituents that quality, affordable child care is a national priority and that low-income families in Washington, and all parts of the U.S., need and deserve high-quality child care assistance. Secondly, by introducing the proposal before Congress goes out for the year, you are laying the groundwork for reintroduction in the 115th Congress, when the Senate may flip back to Democratic control and propel your legislation down a path to enactment. Lastly, in this presidential election year, you are providing a political benchmark for candidates who are developing thoughtful and substantive ideas on child care support and assistance for working families.

Recommendation

The shortage of affordable, quality child care for working families in the U.S. is a national problem that calls for a national solution. The harsh reality is that access to affordable, high-quality child care is out of reach for low-income families, and increasingly difficult to attain for middle-income families. EPI released a report in April

[101] Danielle Paquette, "Democratic candidates eye day-care aid as a way to ease college burdens," *The Washington Post*, last modified August 11, 2015.
[102] Ibid.

2016 that demonstrates that the current patchwork of American policy aimed at assisting families in finding high-quality, affordable child care is deeply flawed.[103] Nonrefundable tax credits, insufficient subsidies and child care programs with unimaginable wait lists are not meeting the needs of hard-working families, especially those who are living paycheck to paycheck. Our failing child care system has consequences on our workforce today and in the years to come.[104] Now is the time to propose a solution that targets those families most in need of child care assistance. I recommend that you introduce legislation this Congress that would offer low-income families access to a High-Quality Child Care Tax Credit.

Enactment of such legislation would improve the U.S. child care system and better support hard working parents who contribute to our workforce. Beyond the immediate benefits that spur from higher quality child care for working families, the tax credit also lays the foundation for a child care system that is quality-driven for generations to come. That means more children receive higher quality care more often, and noting the data that shows how important a child's first years are in cognitive and social development, the proposal could have positive outcomes on U.S. economic performance in the future.

The plan is also structured to rely on states for tracking and monitoring child care providers, which ensures that quality is at the core of the delivery system. While coordination between federal agencies and states is complex and will require more specific rules, QRIS is currently operating in the majority of states and serves as

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[103] Josh Bivens, Emma García, Elise Gould, Elaine Weiss and Valerie Wilson, "It's time for an ambitious national investment in America's children," *Economic Policy Institute*, last modified April 6, 2016
[104] Zachary A. Goldfarb and Juliet Eilperin, "Child-care issues move to political forefront as both parties position for midterms," *The Washington Post*, last modified June 23, 2014.

transparent system for evaluating child care providers on a variety of indicators. By relying on QRIS, the legislation would drive competition in the child care market. Without mandating qualifications, the legislation encourages child care providers to obtain higher levels of training in order to rise in their state's QRIS and qualify for the tax credit. This could in turn increase the supply of high-quality, affordable providers and empower parents by giving them more options for child care assistance.

As the 2016 election nears, it is politically advantageous to focus your attention on policies that benefit working class families, including low-income children. In recent years, it has become increasingly evident that Americans are disgruntled and frustrated by Congress' lack of progress in finding solutions that benefit low-and middle-income families. While the reauthorization of CCDBG was a bipartisan victory for families nationwide, more needs to be done to ensure children most in need receive the care they deserve. Your leadership on issues pertaining to children and families positions you well to sponsor legislation that would focus renewed attention on the U.S. child care system. Though it is highly unlikely that the legislation would pass in the Republican-controlled Senate this year, introducing the proposal now allows you to draw attention to these matters as you campaign for the November election and advances your record on fighting for families most in need. Moreover, if a Democrat wins the 2016 Presidential election, there may be more opportunities to tackle the legislation as part of a new Administration's agenda. However improbable that the Senate flips to Democrats this November, Senator Wyden would take over as Chairman of the Finance Committee and could revisit tax reform, creating an opportunity to incorporate sections of your legislation in the comprehensive bill.

Access to quality, affordable child care should be readily available for all families, not just those at the top of the income bracket. The current U.S. child care system falls woefully short in reaching low-income families who are seeking quality child care. By sponsoring this proposal, you are ensuring that both families and child care providers reap the benefits of the tax credit through a higher quality system, which supports the U.S. workforce and provides a brighter future for children nationwide.

Curriculum Vitae

Elizabeth Frosch Taylor hails from Winona, Minnesota and currently lives in Washington, D.C. with her husband. She holds a degree in social work from St. Olaf College in Northfield, Minnesota. Elizabeth started her career as a communications associate for St. Paul Mayor Chris Coleman before moving to Washington D.C. to serve as a legislative assistant in the office of U.S. Senator Amy Klobuchar, where she managed the education and social policy portfolio. As the associate director of early childhood policy at Save the Children Action Network, she helped launch a new domestic education campaign that focuses on investing in children from birth to age five. Elizabeth currently serves as chief of staff at 50CAN: The 50-State Campaign for Achievement Now, a nonprofit education advocacy organization.