

White House Principles for Child Care Reform: Increasing Access to Affordable, High Quality Child Care in America

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Today, more Americans are working than ever before. Virtually every demographic is achieving historic low unemployment rates. As the Trump Administration's policies continue to fuel economic growth, we have seen millions of Americans come off the sidelines and rejoin the workforce. In fact, job openings have exceeded the number of job seekers for well over a year. Maintaining that growth will require strengthening policies to support working families, including increasing access to affordable, high quality child care.

This Administration is focused on making sure the U.S. is the best place in the world to conduct business, work, and raise a family. Since January 2017, there has been significant progress in implementing the President's working families agenda, including doubling the child tax credit from \$1,000 to \$2,000 per child and expanding refundability, establishing bipartisan consideration of national paid family leave, and signing into law the largest ever increase in funding for the Child Care and Development Block Grant (CCDBG), representing a major new investment in child care affordability. The President's budget requests have prioritized child care and paid parental leave to support working families. But there is more work to do.

How families balance work and raising children is a deeply personal choice. Every parent should have the freedom to make the best decisions for his or her family. This Administration is prepared to chart a new course that promotes strong families and celebrates their individual needs; one that honors, respects, and empowers both working and stay-at-home parents and caregivers. For parents who choose to, or must, work for compensation, obtaining child care is often a prerequisite for entering and advancing in the workforce.

Over the past 44 years, the labor force participation of women with children under 18 has grown from 47 percent in 1975 to nearly 72 percent in 2019. [1] Women are now the sole or primary breadwinners in 40 percent of American households with children under age 18, and approximately two-thirds of mothers with children under age 6 are employed. [2] Meanwhile, the average cost of center-based child care ranges from over \$11,000 for infants, approximately \$10,000 for toddlers and more than \$9,000 for 4-year olds. In 30 states and the District of Columbia, the average cost of center-based child care

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for an infant is more than in-state college tuition and fees at a public university. [3]

Evidence on the effects of child care costs on labor supply suggest that some parents, particularly women, would enter the workforce or increase their work hours if the cost of child care was lower. One study found that a 10 percent increase in child care costs is associated with a 7.4 percent decline in women's labor force participation. [4] Policies that reduce the cost of child care can help bring more Americans off the sidelines and into the workforce, increasing opportunities for families and ensuring that our country's strong economic growth is inclusive and sustained in the future.

The impact of high child care costs extends beyond families to communities and businesses. Employee absences and turnover resulting from lack of child care can cost employers and impact overall economic development by reducing productivity and constricting the labor market. Several states have estimated the impacts on their economy in lost revenue and economic activity, finding losses between \$1-\$2 billion annually due to child care-related absenteeism and turnover. [5] Meaningful child care reform that improves access to child care would have positive results for families, communities, and employers.

There is also a growing concern about the importance of ensuring child care settings are places of learning that promote and enhance healthy child and youth development and well-being. High quality child care is a rare investment that pays off now, by enabling parents to work, and later, by supporting children's development and success in school and life. Research has shown that high quality early learning environments are important for the cognitive, language, and social development of young children, and that investments have the potential to generate economic returns in the long-run. [6] Child care licensing and regulatory systems put in place a foundation to ensure the basic health and safety of child care settings. In addition, many states have implemented quality rating and improvement systems to provide parents with transparent information on the quality of child care, and include additional tiered requirements to help providers strive toward higher quality.

The Administration's reform principles are designed to improve access to affordable, high quality child care and support working families by taking steps

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to increase investment, build the supply of child care, cultivate the child care workforce, and improve options for families across a range of high quality settings.

Principles for Child Care Reform

- **Put Parents First.** Parents play the leading role in choosing the care that is best suited to their child’s needs, their own values, culture, work schedules, and budget. Policymakers should directly engage parents in the design of policies and strategies for improved access to consumer education, resources, and support, including by providing the right level of information through a variety of venues—such as community-based hubs and agencies, consumer education websites, and child care resource and referral services. This includes promoting shared engagement and local partnerships and highlighting best practices and collaborations. Child care providers live in and support communities – which include children, as well as parents who work there and businesses that employ them. Improving access to child care will necessarily involve the input and feedback of stakeholders from all sectors and requires us to put parents at the center of our efforts.
- **Reauthorize and Reform the Child Care and Development Block Grant (CCDBG) Act.** The CCDBG Act authorization will expire in FY 2021. The Administration believes this is an opportune time to revisit the authorizing statute to make reforms that reflect lessons learned from implementation of the 2014 reauthorization and to better support access to high quality child care for low-income families. These include:
- **Address the Child Care Cliff.** The child care cliff is a widely recognized problem. Too often, the child care subsidy system penalizes parents for moving up the economic ladder when taking a raise or working more hours. Federal and state-level policies should ensure that working parents benefit from their hard work, so that they are not penalized with a reduction, or loss of child care benefits that erodes the value of their increased earnings. The U.S. Department of Health and Human Services recently published a series of briefs on marginal tax rates (i.e., benefit cliffs) across several public assistance programs and found that those families just above the poverty line receiving child care subsidies had the highest marginal tax rate among public assistance programs– noting that “a \$5,000 annual earnings increase is associated with a median marginal tax rate of

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73 percent, leaving families with a net increase of only \$1,350.” [7] States should strengthen policies to address the sudden loss of child care assistance due to a wage increase or acceptance of a higher paying job. This may include:

- Gradually adjusting co-payments using a sliding fee scale as family income increases to help families transition from child care assistance without experiencing a sudden, drastic loss of benefits. For example, some states have established benefit phase-outs in which subsidies are reduced by one dollar for every three additional dollars earned—so that work always pays.
- Coordinating with other public assistance programs where possible, and keeping in mind other sources of support, such as tax credits, to stagger eligibility thresholds and phase-outs, so that families will not lose multiple benefits at the same time.
- **Improve Flexibility to Address Local Circumstances and Special Populations.** States, Territories and Tribes play a key role in developing policies to support affordability of child care, and to make sure child care is a safe, high-quality early learning environment for young children. While states have made significant progress in incorporating provisions of the 2014 reauthorization into their programs, there are Federal requirements that have presented challenges to meeting the unique needs of families. Allowing more flexibility in specific areas would allow states to better tailor their child care policies to provide the most effective services for their families.
- **Strengthen Health and Safety and Increase Child Care Availability through Improved Implementation of Background Checks.** The introduction of the background check requirements in the 2014 reauthorization was driven by a desire to ensure that our Nation’s children are being cared for in safe environments. While the intent of the new requirements remains laudable, full implementation has proven to be a challenge due to specific language in the law that does not comport with the realities of state criminal justice and child abuse and neglect systems. Lessons learned from states have demonstrated a need to strengthen the infrastructure for conducting background checks and address state implementation hurdles across multiple programs and between states. Concepts for consideration include:
 - Allowing increased state flexibility to implement alternative but equally effective approaches where there is demonstrated overlap or duplication between the background checks’ multiple components, or where necessary for alignment with

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other state programs, such as background checks for early childhood teachers in state pre-kindergarten programs.

- Addressing delays in hiring new child care staff due to background check requirements, including the current requirement to obtain the results of a fingerprint check before staff can begin working provisionally under supervision.
- Improving quality of fingerprinting to avoid delays; expanding automation to increase efficiencies and facilitate interstate background checks; and promoting portability of results and other solutions that avoid unnecessary repeated checks.
- **Build the Supply of Child Care Providers and Increase Choices for Families.** Since 2005, the overall number of licensed child care providers in the U.S. has decreased by 30 percent. This drop is almost entirely attributable to a decline in home-based licensed family child care providers, which decreased by half from nearly 200,000 providers in 2005 to less than 100,000 in 2017. [8] The loss of these family child care providers is the equivalent of approximately 540,000 “slots” for children. Family child care is an important option for working families to have, particularly those with infants where care is expensive, if available at all. In addition, family child care is often a better option for parents who work non-traditional hours outside of 9:00 am to 5:00 pm on weekdays, when child care centers are typically open. Many parents choose family child care because it better fits their cultures, backgrounds, and values. Families with lower incomes, families needing care for infants and toddlers, and families who are Hispanic or African American are more likely to use home-based family child care than center-based care. We should provide funding aimed at building the supply of child care for underserved populations and in rural areas to improve the number and types of child care settings and arrangements, including faith-based and family child care providers. This includes supporting the development of family child care providers as a small business and entrepreneurship opportunity.
- **Explore new incentives for businesses looking to offer child care benefits to their employees.** Many businesses are recognizing that policies such as paid parental leave, child care, and other family-friendly workplace policies are important ways to recruit and keep a talented workforce, especially for parents looking to balance their dual responsibilities of caregiving and supporting their family. This could include offering access to back-up child care, child care referral services, or flexible spending arrangements to offset the costs of child care. By banding together by geography or industry, small and medium-sized businesses can more cost effectively offer child care as a benefit by leveraging employer

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groups and associations. All businesses can benefit from a better understanding of the child care needs of their employees. Beyond current tax credits, technical assistance around employer sponsored child care models and best practices, as well as general information about employee-parent child care needs and return on investment from family-friendly policies, could be more widely distributed.

- **Promote Innovation and Modernize the Child Care Business Model.** We need to pioneer better business models that enable child care providers both to thrive as small businesses and meet the needs of American families. We should seek to make best use of providers' experience, expertise, and passion, and improve the availability of child care across the full spectrum of child care arrangements — such as through the use of shared services alliances, child care center hubs, or family child care networks. For example, shared services alliances can be used to help providers share costs and deliver services in a more streamlined way by pooling resources and hiring centralized staff for operations and business support. This should include developing innovative financing models and public-private partnerships (including philanthropy and the private sector) that utilize multiple funding sources to meet the needs of working families.
- **Increase the Availability of High Quality Child Care Across Settings.** High-quality child care is a multi-dimensional concept and may vary based on setting, such as center-based care or family child care homes. Many states have implemented quality rating and improvement systems that provide parents with information on the quality of care available in their communities and help child care providers strive for high quality. However, these systems often give a single “rating” to a child care setting, generally focused on center-based care. Quality requirements that fail to address dimensions of quality that are unique to the setting, such as faith-based, family or home-based providers, and/or that fail to reflect the preferences and needs of parents and children, can drive providers out of the market and reduce options for working families. Respecting the role that parents play in choosing the care that is best suited to their child's needs, their own values, language, culture, and work schedules is critical. One-size fits all directives on what constitutes high quality child care can be counterproductive if there are few child care providers left in the market from which to choose. Child care policy and quality ratings systems should be designed to be inclusive of all provider types, including home-based family child care, to enable the full array of safe, nurturing child care options and settings.

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- **Ensure Common Sense, Aligned Regulations for Child Care Providers.** Licensing, regulatory, and monitoring frameworks are the basis for ensuring that child care settings are healthy and safe for children. However, policies to regulate the health and safety of child care are created separately at the Federal, state, and local levels. This can result in an overlay of contradictory policies and procedures and the imposition of unnecessary and burdensome requirements, as well as multiple visits from regulatory officials and program monitors at many levels of government. Some regulatory practices, such as local zoning laws, inadvertently drive up price and reduce availability but do not necessarily create a more safe or nurturing environment for children. The Federal government, as well as states and localities, should ensure that regulatory frameworks, requirements, and monitoring practices are not duplicative, and/or unintentionally drive up the cost of providing care, reduce availability, or push different types of providers, such as faith-based or home-based family child care providers, out of the market.
- **Address the Child Care Workforce Shortage.** An important component of high quality child care, particularly for young children, is ensuring a nurturing, responsive relationship with caregivers. [9] A college degree alone is, at best, an uncertain proxy for quality child care. Requiring child care staff in a child care setting (center or home-based) to have a college or other degree can increase costs, unnecessarily burden already low-paid providers with unnecessary student loan debt, and drive others out of the profession. Policies should encourage skills-based hiring to ensure that providers bring the competencies and skills needed to provide quality care, irrespective of academic degrees. Making it easier for educators and caregivers to gain the skills and competencies they need to provide high quality care that promotes healthy development and learning can encourage more providers to enter and stay in the workforce. Removing barriers and creating multiple pathways to enter and advance in the field is critical, as is ensuring that compensation aligns with market demands.
- *Promote Child Care Apprenticeships.* Compensation for child care providers, especially for those workers who care for infants and toddlers, is generally very low, but policymakers at the federal and state level have increased credentialing and degree requirements over time. Apprenticeship models provide a viable credentialing option for the early childhood education workforce. At least eight states currently offer early childhood registered apprenticeships. We should establish child care apprenticeship models, highlight industry best practices for professional development that do not require providers to incur student loan

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debt, and explore competitive grants to expand apprenticeship access in child care. The President's budget has prioritized expansion of apprenticeships in other sectors, which is a model that could be applied to child care and early education. For example, the U.S. Department of Labor's Employment and Training Administration is working to replicate Texas' Early Childhood apprenticeship program in other states.

- **Develop Recommendations for Creating a Rational Financing Framework for Child Care in America.** Financing for child care and early education in the United States involves multiple programs and funding streams, with different eligibility requirements, governance structures, and quality standards. This creates challenges to families and communities in navigating these differences, and can lead to overlap, gaps in services and wasteful spending figuring out how to make programs work better together. Multiple funding streams with similar goals often intersect in a way that makes the child care problem worse, not better. For example, many states have invested in expanding pre-kindergarten care to 3 and 4-year olds. This is a well-intended investment but can be problematic for child care providers who often rely on care provided to 3 and 4-year olds to subsidize the high cost of providing infant care to make their business model viable. Ideally, public investments would complement each other and the private market, not undermine it. An independent working group would make recommendations to Congress for more efficient use of the nearly \$40 billion [10] in child care and early education funding that American taxpayers provide each year, including exploration of a Federal and state financing structure that reduces overlap and fragmentation and effectively supports affordability of child care and early education in America. So long as Federal and state funding continues to be fragmented across multiple divergent delivery systems, the gap in funding to ensure more children and families can access high quality and affordable care will persist. Public support for child care and early learning has grown, at both the Federal and state level, and as future investments are contemplated, more attention should be paid to our current system and whether it is the right foundation upon which to build.

[1] "Current Population Survey Annual Social and Economic Supplement; Council of Economic Advisers calculations.

[2] "Breadwinning Mothers Continue to be the U.S. Norm," Center for American Progress, May 2019.

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[3] “The US and the High Price of Child Care: An Examination of a Broken System,” Child Care Aware of America, 2019 Report.

[4] “How to Improve Economic Opportunity for Women,” Aparna Mathur and Abby McCloskey, American Enterprise Institute, June 2014.

[5] “The Mounting Costs of Child Care,” Washington State Child Care Collaborative Taskforce, September 2019; “Opportunities Lost: How Child Care Challenges Affect Georgia’s Workforce and Economy,” Metro Atlanta Chamber of Commerce, October 2018; “Lost Opportunities: The Impact of Inadequate Child Care on Indiana’s Workforce and Economy,” Indiana University Public Policy Institute, June 2018.

[6] “Invest in Early Childhood Development: Reduce Deficits, Strengthen the Economy,” James Heckman, University of Chicago, 2012.

[7] “Effective Marginal Tax rates for Households with Child Care Subsidies: What Happens Following an Earnings Increase?” Office of the Assistant Secretary for Planning & Evaluation, U.S. Department of Health and Human Services, March 2019.

[8] “Addressing the Decreasing Number of Family Child Care Providers in the United States,” National Center on Early Childhood Quality Assurance, September 2019.

[9] “Including Relationship-Based Care Practices in Infant-Toddler Care: Implications for Practice and Policy,” Network of Infant/Toddler Researchers, May 2016.

[10] “Improving Access to Affordable High Quality Child Care: Request for Information,” Administration for Children and Families, U.S. Department of Health and Human Services, 84 FR 52507.