ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 8672

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DAY CARE IN STATE BUILDINGS

FILE 2

WISCONSIN LEGISLATIVE COUNCIL
REPORT NO. 19 TO THE 1983 LEGISLATURE

LEGISLATION RELATING TO CHILD CARE AND EARLY EDUCATION

1983 ASSEMBLY BILL 434, RELATING TO DAY CARE SERVICES AND FUNDS, GRANTING RULE-MAKING AUTHORITY AND MAKING AN APPROPRIATION

LEGISLATIVE COUNCIL STAFF
MAY 9, 1983

STATE CAPITOL
MADISON, WISCONSIN

RL 83-19

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s. 13.81, Stats.

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WISCONSIN LEGISLATIVE COUNCIL
REPORT NO. 19 TO THE 1983 LEGISLATURE*

LEGISLATION RELATING TO CHILD CARE AND EARLY EDUCATION

CONTENTS

*Prepared by Susan Goodwin, Council Analyst, Legislative Council Staff.

PART I

DESCRIPTION OF ASSEMBLY BILL 434

This Part describes a bill which was recommended by the Special Committee on Child Care and Early Education and introduced by the Legislative Council in the 1983 Legislature:

- Assembly Bill 434, relating to day care services and funds, granting rule-making authority and making an appropriation.

The Special Committee voted, in a mail ballot conducted after the Committee's final meeting on March 17, 1983, to recommend introduction of Assembly Bill 434 on a vote of Ayes, 11; Noes, 0; and Not Voting, 4.

At its April 20, 1983 meeting, the Legislative Council voted to introduce Assembly Bill 434 on a vote of Ayes, 12; Noes, 4; Absent, 3; and Not Voting, 0. The Bill was introduced on May 5, 1983, and referred to the Assembly Committee on Children and Human Development.

This Bill contains several changes in the laws relating to day care services and funding. Each of the changes is described below.

A. EARMARKING OF DAY CARE FUNDS

Under current law, counties receive funding for the provision of day care services through the Community Aids Program. Community Aids are state and federal funds distributed by the Department of Health and Social Services (DHSS) to counties for social services for low-income persons, alternate care for children and services for low-income mentally ill, alcoholic, other drug abusing and developmentally disabled persons.

Social services funded through the Community Aids Program include day care, respite care, supportive home care, housing assistance, transportation, home-delivered or congregate meals, recreation, family planning, information and referral, counseling and legal services. In addition, alternate care for children provided in shelter care facilities, foster homes, group homes and child-caring institutions is funded through the Community Aids Program. Counties have considerable flexibility in determining how much funding to allocate for each type of service. State statutes require counties to provide social services but do not specify the types of services to be provided.

Prior to fiscal year 1981-82, federal and state day care funds were provided to counties in a separate appropriation, instead of through the Community Aids Program. In the 1981-83 biennial budget, day care funds were folded into the Community Aids Program and were not statutorily earmarked for day care. However, in 1982, the DHSS decided to earmark day care funds, allocating the earmarked funds to counties after each county had spent a certain portion of its Community Aids funding on day care services. In 1983, the DHSS earmarked day care funding in the same manner as the previous year, except that the DHSS allowed any county to waive or transfer, at the beginning of the calendar year and with DHSS approval, a portion of its earmarked day care funding for the provision of other social services. During 1983, 16 counties requested and received waivers of a portion of their day care funds, totaling $407,535 for the 16 counties.

In the proposed 1983-85 biennial budget, the Governor has proposed that day care funding be statutorily earmarked as part of the Community Aids appropriation and that counties be allowed to transfer these funds to other social services, with the approval of the DHSS.

Assembly Bill 434 requires that day care funding provided to counties through the Community Aids Program be earmarked and that this funding not be used for any purpose other than the provision of day care services. The Bill also requires that day care funds unexpended in the first year of the biennium be carried over to the second year.

B. CERTIFICATION STANDARDS

Under current law, all day care centers providing care for four or more children for less than 24 hours a day must be licensed by the state as a day care center. Providers caring for three or fewer children are not required to be licensed.

Prior to 1981, federal law required day care providers who received federal day care funding to meet federal certification standards. In 1981, as a result of the federal block grant initiative, the federal government no longer set standards for day care providers who receive federal funds. The states are now required to set these standards.

Currently, the DHSS requires day care providers who wish to receive federal and state day care funding to be certified. Licensed day care providers are automatically considered by the DHSS to be certified but day care providers who care for three or fewer children must meet DHSS certification standards and must be certified by the county. The certification standards currently in effect are contained in Chapter IV, Section 4, of the DHSS Community Social Services Manual.

Assembly Bill 434 requires the DHSS to promulgate its certification standards as administrative rules within three months of passage of this act. Under the Bill, counties are statutorily required to certify day care providers who care for three or fewer children and who receive federal and state day care funding, using DHSS certification standards.

C. REGISTRATION OF DAY CARE PROVIDERS

Assembly Bill 434 requires the DHSS to register all licensed day care centers and to charge a $10 fee every two years for such registration. The Bill requires counties to register all day care providers who are not required to be licensed but who are certified to receive day care funds. Counties are permitted to charge a $10 registration fee every two years. Persons who are not otherwise required to be registered may voluntarily register with the DHSS by paying the $10 fee every two years.

Under the Bill, the DHSS is required to use the information obtained through the registration process to maintain a centralized list of all registered day care providers. The DHSS is also required to provide registered day care providers and counties with an informational brochure on basic child care and licensing and certification requirements for day care providers.

The purpose of the registration system is to develop a centralized list of day care providers in the state and to assist in educating these day care providers on basic principles of providing quality child care and on applicable state laws and regulations. The fee is designed to offset the administrative costs involved with the registration of day care providers and printing and distributing the brochures.

D. DAY CARE PROGRAMS OFFERED BY SCHOOLS

Currently, programs operated by public schools are not required to be licensed by the DHSS under s. 48.65, Stats., which requires that persons who provide care for four or more children under the age of 7 for less than 24 hours a day for compensation must be licensed.

Assembly Bill 434 allows a school board to establish and provide or contract for day care programs for children who live in the school district or who attend district schools and for children of school board employes. The board could charge fees for all or part of the cost of the service and could receive federal or state day care funding. Day care programs operated by the school board would not be eligible for school aids funding.

The Bill does not require day care programs operated by public schools to be licensed but does require that these programs meet the standards for licensure established for day care centers by the DHSS. School districts would be responsible for ensuring that their programs meet DHSS standards.

E. YOUNG MEN'S CHRISTIAN ASSOCIATION LICENSING EXEMPTION

Current law provides an exemption from day care center licensing requirements to the following individuals and organizations: (1) a relative or guardian of a child; (2) a public or parochial school; (3) the Young Men's Christian Association (YMCA); and (4) a person employed to come to the home of the child's parent or guardian.

Assembly Bill 434 removes the exemption from day care licensing for day care programs operated by the YMCA. The licensing exemption for YMCA's is removed on the grounds that there is no exemption for similar nonprofit agencies and that YMCA day care programs should also meet the minimum day care standards established by the state.

F. ZONING FOR FAMILY DAY CARE HOMES

Currently, a number of municipalities in the state have zoning ordinances which prohibit or prevent the operation of family day care homes in residential neighborhoods.

Assembly Bill 434 provides that no county, city, town or village may, through a zoning ordinance, prevent a "family day care home" from being located in a zoned district in which a single-family residence is a permitted use. The Bill defines a "family day care home" as a dwelling licensed as a day care center by the DHSS where care is provided for not more than eight children. The Bill also prohibits a municipality from establishing standards for family day care homes which are different from the state licensing standards.

G. VOLUNTARY SUPPLEMENTATION OF DAY CARE RATES

Under current law [s. 46.03 (18)], the DHSS requires counties to charge uniform countywide fees for certain services provided or purchased by the county, including day care services. Counties must set fees at a level at which the service is generally available in the county. The DHSS currently does not allow voluntary supplementation of these fees by a client receiving the service.

Assembly Bill 434 allows county social services clients receiving day care funding to voluntarily supplement the maximum rate set by the county, if they wish to place their child in a center which charges more than the maximum rate. Under the Bill, counties would continue to be required to set rates which are reasonable and to provide clients with a range of adequate day care services within the maximum rate set by the county.

Voluntary supplementation of day care rates established by counties would allow clients more flexibility in the selection of a day care provider while continuing to assure that a range of services would be available to clients at a cost which is at or below the county rate.

The Bill also requires the DHSS to submit a report to the Legislature by January 1, 1985 on the rates being set by the counties as a result of allowing voluntary supplementation. The purpose of the report is to ensure that counties continue to set rates at a level which provides clients with an adequate selection of day care services.

H. USE OF VOUCHERS FOR DISTRIBUTION OF CHILD CARE FUNDS

Currently, some counties contract with certain day care centers to provide day care services; social services clients in those counties may use only those centers in order to receive federal and state day care funding through the county.

Assembly Bill 434 requires counties, in distributing funds for day care services to county social services clients, to offer each client the option of using a voucher for the purchase of day care services. Under a voucher system, a client receives a voucher to purchase day care services from the provider of his or her choice.

PART II

BACKGROUND OF COMMITTEE STUDY

On January 28, 1982, the Legislative Council established the Special Committee on Child Care and Early Education. The Committee was created pursuant to a letter of request from Representatives Sharon K. Metz and Louise M. Tesmer, dated April 21, 1981.

The Special Committee was directed to study the state's fiscal and regulatory involvement in day care and early education programs, including a review of present and past fiscal commitments to these programs and alternatives thereto and an examination of the need for coordination of the state, federal and local activities regarding these programs. The Committee was directed to report to the Legislative Council by January 17, 1983.

Membership on the Committee was appointed by the Legislative Council on May 27, 1982 and consisted of two Senators, five Representatives and seven public members. The Special Committee held five meetings at the State Capitol in Madison on the following dates:

July 13, 1982	January 24, 1983
August 23, 1982	March 17, 1983
November 30, 1982	

The Special Committee also held two public hearings at the following locations:

September 28, 1982 -- Green Bay
October 14, 1982 -- Eau Claire

The Special Committee recommended two proposals for introduction by the Legislative Council. One proposal, which makes several changes in the laws relating to day care services and funding, was introduced into the 1983 Legislature by the Legislative Council as Assembly Bill 434. The other proposal, which would have provided additional funding for day care services and eliminated the sales tax exemption for non-farm veterinary services, was not introduced by the Legislative Council.

The Special Committee on Child Care and Early Education also took the following informal actions:

(a) Supported legislation proposed by the Department of Transportation (DOT) which would allow the use of vans, rather than school busses, to transport children between child care centers and schools.

(b) Recommended to the DHSS that day care licensing staff in the DHSS receive specific training in child care.

(c) Supported the DHSS proposed administrative rule changes relating to the licensing of group and family day care centers, including:

1. Increasing staff/child ratios for four- and five-year old children in group day care centers;

2. Changing the staff/child ratios for infants under one year of age from 1:3 to 1:4; and

3. Changing the staff/child ratios required for family day care c nters.

SG:kjh:kja;las;wf

APPENDIX

MATERIALS DISTRIBUTED

The Special Committee on Child Care and Early Education received the following materials:

Staff Materials

1. Staff Brief 82-13, Child Care Programs in Wisconsin (July 7, 1982).

2. Information Memorandum 82-28, Early Education Programs (July 12, 1982).

3. Chart, Child Care Funding Sources in Wisconsin (August 11, 1982).

4. Discussion Paper 82-2, Possible Funding Sources for Child Care Services (August 17, 1982).

5. MEMO NO. 1, Milwaukee County Child Care Voucher System (November 10, 1982).

6. MEMO NO. 2, Certification of Child Care Providers (November 23, 1982).

7. MEMO NO. 3, Administrative Rules Relating to the Operation of Day Care Centers in Wisconsin (November 23, 1982).

8. MEMO NO. 4, Allocating Child Care Funds to Counties (November 23, 1982).

9. MEMO. NO. 5, School Bus Transportation of Children Between Child Care Centers and Public or Private Schools (November 29, 1982).

10. MEMO NO. 5A, Possible Committee Recommendations (January 17, 1983).

11. MEMO NO. 6, Dependent Care Exclusions for Federal Income Tax Purposes (February 7, 1983).

12. Letter to Department of Transportation Secretary Lowell Jackson, concerning the use of vans to transport children between child care centers and schools (February 1, 1983).

Other Materials

1. Newspaper articles from the Milwaukee Journal, on the subject of child care (April 1982).

2. Outline of, and materials relating to, proposed child care legislation, Wisconsin Women's Newtork Child Care Task Force (undated).

3. Letter from Dr. James B. Henderson, Superintendent, Ashwaubenon Public Schools, relating to child care services and the appropriate role of state and county governments and employers in providing and subsidizing child care (September 28, 1982).

4. Letter from Gerald Whitehouse, Director of Federal Programs, and Mary Lou Peterson, Headstart Coordinator, Green Bay Area Public Schools, regarding child care issues (September 28, 1982).

5. Memorandum from Nancy Johnson, President, Eau Claire Branch, and Sarah Harder, National Board of Directors, American Association of University Women, County Decision to Deny Child Care Funding to Low-Income Families (May 17, 1982).

6. Memorandum from Eau Claire County Department of Human Services, relating to priorities for the expenditure of child day care funds (undated).

7. Materials from Dane County Board of Public Welfare, regarding voluntary parental supplementation of public funding for child care (undated).

8. Copy of ch. HSS 55, Wis. Adm. Code, relating to day care centers for children.

9. Memorandum from Representative Sharon K. Metz, Unspent Day Care Dollars (January 17, 1983).

10. Amendment of ch. HSS 55, Rules for Day Care Centers for Children, Summary of Changes (Proposed 1/83), Department of Health and Social Services (undated).

11. Letter from Linda Reivitz, Secretary, Department of Health and Social Services, to Senator Carl Otte, and Representative William J.

Rogers, Co-Chairpersons, Joint Committee for Review of Administrative Rules, regarding voluntary parental supplementation of public funding for day care (January 25, 1983).

12. Summary of Early Childhood Problem Identification (Needs Assessment), Final Report, Department of Health and Social Services (September 1980).

13. Memorandum from Representative Sharon K. Metz, Day Care Offered at Public Schools (February 2, 1983).

14. Map, State Regulations for Family Day Care, by Diane Adams, Community Coordinated Child Care (4 C's) (1982).

15. Weikart, David P., The Cost-Effectiveness of High Quality Early Childhood Programs, Center for the Study of Public Policies for Young Children, High/Scope Educational Research Foundation (December 1982).

16. Legislative Fiscal Bureau Memorandum by Judith Collins and Susan Robillard, Child Care Supplement to Aid to Families with Dependent Children (AFDC) Families (March 17, 1983).

17. Memorandum from Representative Sharon K. Metz, Child Care Funding Proposal, WLCS: 80/1 (April 1, 1983).

18. Freis, Ruth, and Miriam Miller, "The Economic Impact of Subsidized Child Care," Day Care and Early Education (Fall 1981).

DEAR LORD
BE GOOD TO ME
THE SEA IS SO
WIDE AND
MY BOAT IS
SO SMALL

CHOICES

For Children, For America
A National Conference

February 29–March 2, 1984
Hyatt Regency Washington
Washington, D.C.

Children's Defense Fund

About CDF

The Children's Defense Fund exists to provide a strong and effective voice for the children of America who cannot vote, lobby, or speak for themselves. We pay particular attention to the needs of poor, minority, and handicapped children. Our goal is to educate the nation about the needs of children and encourage preventive investment in children before they get sick, drop out of school, or get into trouble.

Our staff of child health, education, child welfare, income support, mental health, and child development specialists conduct research and publish information on key issues affecting children; monitor the development and implementation of federal policies for children; provide regular information, technical assistance, and support to a network of state and local advocates; pursue an annual legislative agenda for children in the Congress; and litigate on a few selected issues of major importance to children when other avenues for advocacy do not work. We also educate many thousands of citizens annually about children's needs and responsible public policy options for meeting those needs.

CDF is a national organization with roots in communities across America. Although our main office is in Washington, D.C., we reach out to states and cities across the country to find out and influence what is happening to children, to help others who work for children, to monitor the effects of changes in national and state policies, and to assist those who work to influence what happens to children in their community, their state, and their nation. CDF maintains state offices in Mississippi and Ohio and has developed cooperative projects with groups in many states, and works closely with a range of national and state networks.

CDF is a private organization supported wholly by foundation and corporate grants and individual donations.

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CHILD AND DEPENDENT CARE

STATE AND LOCAL AGENDA

The supply of child care lags so far behind the demand that more than one in six American children 13 years old and under, including many preschoolers, may be going without care. Lack of affordable child care is a major factor in keeping women and children in poverty. The inability to locate affordable child care severely limits women's access to employment and training opportunities. Mothers work because of economic necessity. Two-thirds of women now in the work force are either sole providers for their children or have husbands who earn less than $15,000 a year. Over one-third of single parent working families, most of them headed by women, live below the poverty level. The labor force participation of mothers with children has increased dramatically in the last forty years. Only 19 percent of women with children under age 18 were in the labor force in 1947; in contrast, 60 percent of these women were employed in 1982. As more and more parents of young children work, child care needs will become an even greater problem:

States can put in place programs and policies that expand the supply of child care particularly to low-income working women, maximize the use of existing child care services, and improve the quality of child care for all families.

- o Almost 46 percent of mothers with children under age three are in the labor force.

- o Almost 57 percent of mothers with children ages three to five are in the labor force.

- o By 1990 at least half of all preschool children--11.5 million--will have mothers in the labor force, as will about 60 percent --17.2 million--of all school-age children.

I. Expand Services

- States should allocate targeted state funds to supplement the Title XX Social Services Block Grant for child adult daycare.

- States should implement policies such as sliding fees that ensure continuity of care for children once they enter the system.

- States should ensure that an adequate share of the 30 percent of Jobs Training Partnership Act funds reserved for administrative and support services are targeted to child care in order that women can benefit from training opportunities.

II. Support Parents and Providers

- States should enact legislation supporting resource and referral programs, which help to maximize the use of a community's existing child care resources and improve the quality of services.

- States should allocate funds for training programs for dependent care providers.

- States should allocate funds for child care programs offering night-time care, care for sick children, migrant children, handicapped children, children with limited English language proficiency, and care for other special needs populations.

III. Improve Tax Policies

- States should enact dependent care tax credits or improve their existing credit or deduction so that at a minimum it parallels the federal credit and is refundable.

- States should implement tax policies such as credits for start up costs, not only for on-site programs but also for employer contributions to information and referral programs.

- States should amend tax laws to bring them into line with federal tax provisions that allow child care to be treated as a non-taxable benefit.

IV. Develop Supportive AFDC Policies

- States should give families receiving AFDC a choice between Title XX subsidized care and the child care disregard.

- States should supplement the AFDC child care disregard beyond the $160 a month federal limit and ensure that mothers working in training part time receive adequate support in meeting their child care needs.

- States should ensure that mothers with young children are not made to participate in workfare programs without adequate child care and other supportive services.

V. Look at Schools

- States should support the use of public education funds and facilities for child care services for school-age children.

- States should allocate state funds to support full day kindergarten programs.

VI. Infant Care

- States should establish paid maternity benefits as part of statewide temporary disability insurance.

- States should provide additional reimbursement to to familiy day care providers for infant care.

VII. Other State Policies

- States should serve as model employers by offering dependent care as a benefit or on-site to state employees, creating flexible benefit policies so that families with young children and elderly or disabled dependents can select dependent care as a benefit, instituting employment policies such as flex-time and job sharing, and leave to care for sick dependents. Adequate benefits should be made available to employees choosing other than traditional full-time work arrangements.

- States should establish a Governor's Advisory Committee on Child Care.

VIII. Licensing and Standards

- States should adopt strong licensing requirements for child care facilities and provide adequate funding for the enforcement of standards. Appropriate standards should be developed for infant, school-age, and group in care.

- States should require family day care to be treated as a customary home occurpation in local zoning.

A DAY CARE TAX CREDIT FOR OHIO WORKING FAMILIES: ENDORSEMENT NEEDED

What Is a Day Care Tax Credit?

Since 1954 the federal government has allowed working families to use their day care expenses to reduce their federal income tax. If you pay someone to care for your child or your disabled dependent while you work or look for work, you can claim a tax credit of up to 30% of this amount. A credit reduces the amount of income tax you owe.

In addition to the federal credit 28 states now help working families pay for day care through state tax credits or deductions. Ohio is not one of these states. Working families needed your support for enacting a day care tax credit in Ohio.

Why is an Ohio Day Care Tax Credit Needed?

Over half of Ohio mothers with children work outside the home including over 40% of the mothers of preschoolers. These rates have tripled since 1947 and are continuing to grow.

Most women work because of economic necessity. Nearly half of married working women have husbands who earn less than $15,000 a year. The average single mother with children earned only $9,210 in 1981.

Over one million Ohioans, including many elderly, are disabled. A majority live with their families rather than in nursing homes or other institutions. Many, such as severely retarded prsons, require special care while their families work. One in ten women aged 45 to 65 is taking care of an older relative, usually a disabled parent.

The Day Care Tax Credit: How Will It Help Ohio and It's Working Families?

Increase Ohio's tax base by helping low and moderate income families pay for day care in order to work

"Help reduce the present and future demand for nursing home care" Ohio Long Term Care Council

Help working families to afford safe care and supervision for their children and disabled family members

Does Ohio Have Other Tax Credits?

Yes. The current Ohio income tax form contains eight credits: senior citizen, energy, home improvements, joint filer, retirement income, personal exemption, a resident or non-resident credit, and a credit for the purchase of manufacturing equipment.

How Will Ohio's Day Care Tax Credit Work?

Very simply. The credit can be adopted by adding one line to the Ohio tax form. The Ohio credit can be set up as a percentage of the federal credit. A family first computes the federal credit on their federal income tax return. Then, they multiply the federal credit by 30% to determine their Ohio credit. A family who receives a $250 federal credit would receive a $75 state credit. (See example.)

What Will Ohio's Day Care Tax Credit Cost?

The Ohio Department of Taxation estimates that Ohio's Day Care Tax Credit will cost under nine million dollars a year. This assumes the Ohio credit is 30% of the federal credit and limited to families with adjusted gross incomes of less than $30,000 a year. To put this figure in context, this is half the cost of The Ohio Senior Citizens' credit which is estimated at eighteen million dollars in 1983. The nearly 100,000 families expected to use the credit would receive an average credit of $75 each year.

HOW DAY CARE KEEPS TAXPAYERS WORKING: SOME EXAMPLES OF OHIO FAMILIES

Single Parent with Preschooler

Elaine's husband deserted her and their daughter, age four. Elaine has been offered a job for $3.75 an hour. She wants to work, but doesn't know if she can afford child care. Several of her neighbors have told her "she would be better off on welfare."

A local church day care center charges $40 a week but offers Elaine a reduced rate of $16.65 a week or $833 a year. By using the Federal Day Care Tax Credit, Elaine can reduce her costs to $11.65 a week or $583 a year.

Day Care Expenses	$833.00
30% Federal Day Care Credit	-250.00
Cost After Federal Credit	583.00
Proposed Ohio Credit (30% of Federal)	-75.00
Final Cost to Elaine	$508.00

Disabled Parent

Jim and Linda both work. Together they earn $12,000 a year. They have no children. Jim's father, Larry, is disabled and lives with them because he needs help dressing himself and moving around. Jim and Linda pay $1,200 a year for Larry's day care while they work. They use the Federal Day Care Tax Credit.

Day Care Expenses	$1,200.00
29% Federal Credit	-348.00
Cost After Federal Credit	852.00
Proposed Ohio Credit (30% of Federal)	-104.00
Final Cost	$748.00

If Jim and Linda were able to use an Ohio day care tax credit they would receive back - in tax credits - 37 cents of every dollar they spend on Larry's care. For a family earning

If Ohio adopts a state day care credit, Elaine would get back - in tax credits - 39 cents of every dollar she spends on day care. This will help make it possible for her to work. If Elaine and her daughter went on welfare, the cost to the public would be $6,000 a year.

$12,000, with high day care costs, another $452 in their budget would mean a great deal. If Larry were in a nursing home paid for by Medcaid, it would cost the public many times that amount.

ACTION NEEDED

1. Endorse Ohioans For a Day Care Tax Credit.
2. Inform your members of this campaign. Prepare them to write to and meet with legislators. Detailed information about the legislation will be sent to all endorsing organizations.

ENDORSEMENT: OHIOANS FOR A DAY CARE TAX CREDIT

Ohioans with young children or disabled family members need day care in order to work. Twenty-eight other states have helped make day care affordable with state tax initiatives.

We, the undersigned, support the establishment of an Ohio child and disabled dependent income tax credit. Because the state's resurces are limited, we recommend that priority be placed on helping low and moderate income families. We agree to join OHIOANS FOR DAY CARE TAX CREDIT for the purpose of persuading the Governor and the Ohio General Assembly to approve this help for Ohio's working families.

Return to: OHIOANS FOR A DAY CARE TAX CREDIT
c/o: Children's Defense Fund
790 Stone Avenue
Columbus, Ohio 43205

STATE	CODE CITE	DATE ENACTED	CREDIT DEDUCTION	TIED INTO FEDERAL CODE	EXPLANATION
Alaska	Alas Stat. § 43.20.013(B)	1980	True Credit	Yes	Individuals are allowed a credit equal to sixteen percent (16%) of the Federal Credit (IRC § 44A) for dependent care expenses attributable to payments within the state of Alaska.
Arizona	Ariz. Revised Stat. § 43-1050	1978	True Deduction	No	Individuals are allowed a deduction not to exceed $100 per month for dependent care expenses, including those for care of a child under 16 years of age. The deduction is inapplicable if the household's gross income exceeds $6,000 per year.
Arkansas	Ark. Stat. 84-2088 § 84-2089	1-1-77	True Credit	Yes	Individuals may credit against their Arkansas Personal Income Tax on an amount equal to 10% of the credit allowable for Federal income tax purposes for dependent care expenses. Non-refundable.
California	Cal. Revised & Tax. Code § 17052.6	Enacted 1977 amended 1978, 79	True Credit	No	Individuals are allowable a credit against their "net tax" in the amount of 3 percent of their employment-related expenses for dependents. The credit is reduced to 2 percent if the taxpayer's gross income is over $15,000. Amount of expenses may not exceed $2,000 if there is one qualifying individual and $4,000 employment-related expenses for two or more.

STATE	CODE CITE	DATE ENACTED	CREDIT DEDUCTION	TIED INTO FEDERAL CODE	EXPLANATION
Colorado	Colo. Revised Stat. 39-22-110(m)	1-1-78	True Deduction	Yes	A Colorado taxpayer may deduct a fraction of his/her income under Federal Credit for Dependent Care. The numerator of that fraction is 100 percent and the denominator is the percentage used to compute the Federal Child Care Credit.
District of Columbia	D.C. Code § 47-18033		True Deduction	Yes	Individuals are allowed to deduct dependent care expenses to the same extent that such amount is deductible under § 214 of the IRC of 1954, as amended prior to its 1976 repeal. Dependent is defined as someone who is under age 15 and with respect to whom the taxpayer is entitled to a deduction under § 151 (e) of IRC 1976. Employment-related expenses which may be taken into account may not exceed $200 per month in the case of 1 individual, $300 in the case of two individuals and $400 in the case of three or more individuals.
Georgia	91A Georgia Code § 3609	1978	True Credit	Yes	Individuals are allowed a credit against taxes imposed in an amount equal to 2 percent of employment-related expenses. This amount shall not exceed $2,000 if there is one qualifying individual and $4,000 if there are 2 or more qualifying individuals. Non-refundable.

STATE	CODE CITE	DATE ENACTED	CREDIT DEDUCTION	TIED INTO FEDERAL CODE	EXPLANATION
Hawaii	Haw. Stat. § 235-55.6	Enacted 1977 Amended 1981	True Credit	No	Individuals are allowed a credit against taxes imposed in an amount equal to 10 percent of the employment-related expenses. The amount of employment-related expenses which may be taken into account may not exceed $2,000 if there is one qualifying individual and $4,000 if there are two or more qualifying individuals. Non-refundable.
Idaho	Idaho Code § 63-3022D	1977	True Deduction	Yes	Individuals are allowed as a deduction, the employment-related expenses for dependent care as defined in IRC 44A(c)(2). The amount of employment-related expenses which may be taken into account may not exceed $2,000 if there is one qualifying individual and $4,000 if there are two or more qualifying individuals. Non-refundable.
Iowa	Iowa Code § 422.12	1977 Amended 1980	True Credit	Yes	Individuals are allowed as a credit against taxes imposed, an amount equal to 5 percent employment-related expenses, subject to the limitations provided by IRC § 44A. Non-refundable.
Kansas	Kan. Stat. § 79-32.111A		True Credit	Yes	Individuals may credit a percentage of the Federal Credit for Dependent Care expenses against his/her Kansas Personal Income Tax liability. The percentage is determined on a graduated scale depending upon an individual's Kansas adjusted gross income. The percentages range from 100 percent for taxpayers with an adjusted gross income of not over $5,000; to 0 percent for taxpayers with an adjusted gross income of $14,000.01 and over.

STATE	CODE CITE	DATE ENACTED	CREDIT DEDUCTION	TIED INTO FEDERAL CODE	EXPLANATION
Kentucky	Ky. Revised Stat. § 141.010	1979	True Credit	Yes	A Kentucky taxpayer computes his/her Kentucky income tax on the Federal taxable income actually paid or accrued for the year on income taxed in Kentucky, minus any Federal tax credits actually used by the taxpayer, thus the Federal Credit for Dependent Care services is available against Kentucky tax liability.
Louisiana	47 La. Revised Stat. §§ 296 et. seq.		True Credit	Yes	A Louisiana taxpayer computes his/her personal income tax as a fraction of the Federal income tax liability, thereby incorporating the Federal credit for dependent and child care expenses.
Maine	36 Me. Revised Stat. § 5127(2)	1969	True Credit	Yes	Individuals are allowed as a credit against taxes imposed, an amount equal to 15 percent of the Federal tax credit allowable for child care expenses. In no case will this credit reduce the income tax to less than zero. Non-refundable.
Maryland	81 Md. Code § 280(c)		True Deduction	Yes	A Maryland taxpayer may deduct those dependent care expenses for which a credit is allowable under IRC § 44A. Non-refundable.
Massachu-setts	62 Mass. Gen. Laws § 3B		True Deduction		Individuals are allowed to reduce their adjusted gross income in an amount equal to the child care credit allowable under IRC § 44A computed without regard to Section 44A(b) of the Code multiplied by 5.

STATE	CODE CITE	DATE ENACTED	CREDIT DEDUCTION	TIED INTO FEDERAL CODE	EXPLANATION
Minnesota	Minn. Stat. § 290.067	1977 Amended 1980, 81	True Credit	Yes	An individual may take as a credit against tax due an amount equal to the dependent care credit for which he is eligible under IRC § 44A subject to the following limitations: 1) The credit for expenses incurred for employment-related dependent care may not exceed $400 for one individual and $800 for two or more dependents. 2) The credit is refundable. 3) The total credit is reduced by 5 percent of the amount by which the combined Federal adjusted gross income of the taxpayers exceeds $15,000.
Montana	Revised Code of Mont. § 15-30-121		True Deduction	Yes	In computing net income, there are allowed as deductions, child and dependent care services determined in accordance with the provisions of § 214 of the IRC of 1954 that were in effect for the taxable year that began January 1, 1974. The amount of employment-related expenses which may be taken into account is limited to $600 for one individual and an amount not greater than $900 for 2 or more dependents. Dependent is defined as a person with respect to whom the taxpayer is entitled to an exemption under Sec. 15(e) who has not attained the age of 13 years.
Nebraska	Neb. Revised Stat. § 77-2715		True Credit	Yes	A Nebraska taxpayer computes his/her income tax as a fraction of the Federal Income Tax Liability, therefore, adopting the Federal Dependent Care Credit IRC § 44A.

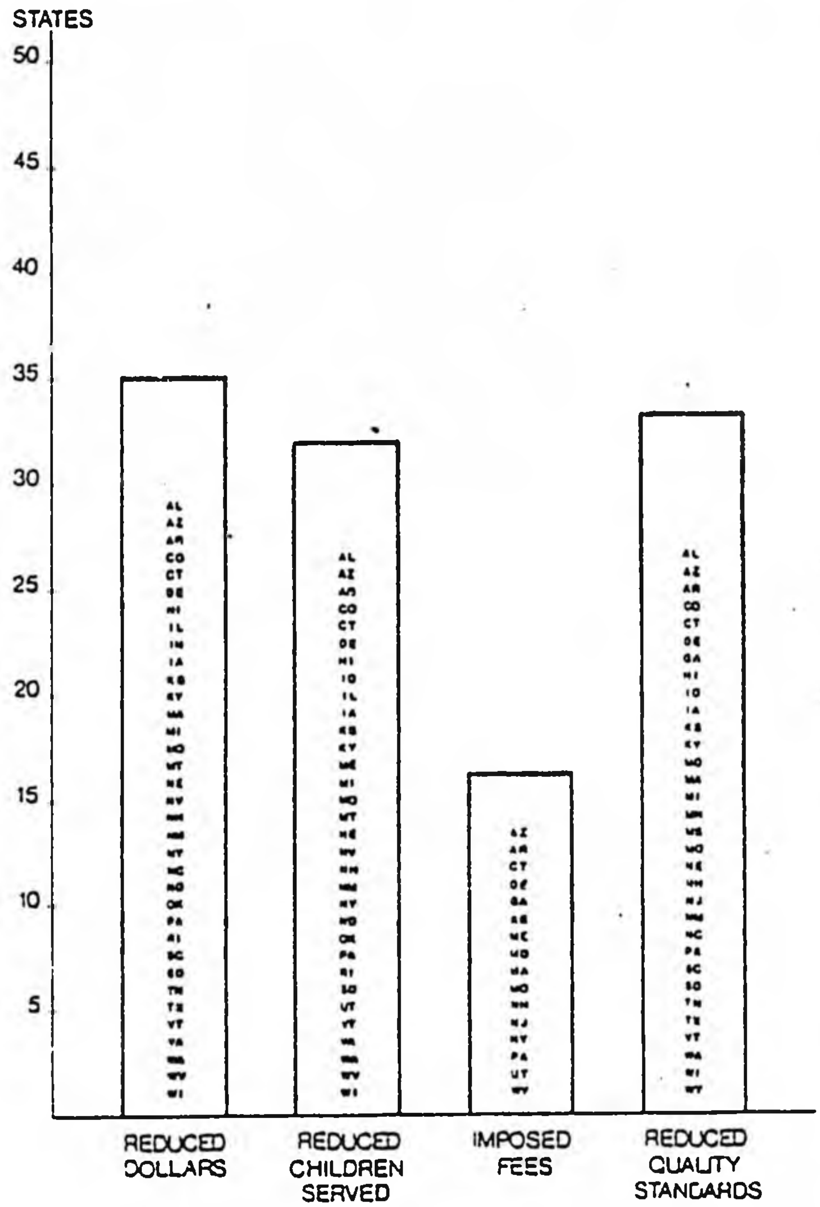
STATE	CODE CITE	DATE ENACTED	CREDIT DEDUCTION	TIED INTO FEDERAL CODE	EXPLANATION
New York	60 NY Consol. Laws Art. 23 § 606	Amended 1977	True Credit	Yes	Individuals are allowed a credit against taxes imposed in an amount equal to 20 percent of the credit allowed such taxpayer pursuant to IRC § 44A. The amount of the credit allowable against New York tax may not exceed the amount of New York tax. Non-refundable.
New Jersey	NJ Revised Stat. § 54:8A-15.1	Enacted 1978 Amended 1981	True Credit	Yes	Individuals are allowed a credit against taxes imposed in an amount equal to 20 percent of the credit allowed such taxpayer pursuant to IRC § 44A. The amount of the credit allowable against New Jersey tax may not exceed the amount of state tax. Non-refundable.
North Carolina	NC Gen. Stat. § 105-147	1981	True Credit	No	Individuals are allowed a credit against taxes imposed in an amount equal to 7 percent of employment-related expenses. The expenses on which the credit is computed shall not exceed $2,000 for one qualifying individual and $4,000 per year total. Non-refundable.
Oklahoma	68 OK Stat. § 2357	1975	True Credit	Yes	Individuals are allowed a credit against taxes imposed in an amount equal to 20 percent of the credit allowed such a taxpayer pursuant to IRC § 44A. The maximum child care credit allowable on the Oklahoma tax return shall be prorated on the ratio that Oklahoma adjusted gross income bears to the Federal adjusted gross income.

STATE	CODE CITE	DATE ENACTED	CREDIT DEDUCTION	TIED INTO FEDERAL CODE	EXPLANATION
Oregon	Ore. Stat. § 316.078		True Credit	Yes	Individuals are allowed a credit against taxes imposed in an amount equal to 40 percent of the credit allowed such a taxpayer pursuant to IRC § 44A. Non-refundable.
South Carolina	SC Code 12-7-700		True Deduction	Yes	Individuals are allowed to deduct up to $400 per month in dependent care expenses, subject to rules like those of IRC § 44A. This deduction is reduced if the taxpayer's adjusted gross income exceeds $18,000. Employment-related expenses incurred during any month shall be reduced by that portion of one-half of the excess of the adjusted gross income of the taxpayer over eighteen thousand dollars which is properly allocated to such month.
Vermont	32 Vt. Stat. § 5822		True Credit	Yes	A Vermont taxpayer computes his/her Vermont personal income tax as a fraction of the individual's Federal income tax liability, thereby incorporating the provisions of the Federal child care credit.
Virginia	Va. Code § 58-151-013	Amended 1981, 82	True Deduction	Yes	Individuals are allowed a deduction equal to the amount of employment-related expenses upon which the Federal credit is based under § 44A of the Internal Revenue Code.
Wisconsin	Wis. Code § 71.02		True Credit	Yes	A Wisconsin taxpayer may receive a credit based on 30 percent of the federal credit beginning with the 1984 tax year.

STATE	CODE CITE	DATE ENACTED	CREDIT DEDUCTION	TIED INTO FEDERAL CODE	EXPLANATION
Addendum--					
New Mexico			Refundable Credit		
CORPORATE TAX CREDITS					
Connecticut	Public Act 81-100	May 1981	True Credit	No	Corporations are allowed a credit against taxes imposed in amount equal to 25 percent of total expenditures paid or incurred for planning, renovation, or acquisition of a child day care facility provided it is a licensed center and is operated without profit.
Florida	Chapt. 80-249 Laws of Fla.	July 1980	True Credit	No	Private businesses are allowed a 50 percent credit on their state income tax for contributions to local community development projects. Day care is considered a community service. Credit is non-refundable.
Michigan	Mich. Com. Laws § 7.558(39a)	1980	True Credit	No	Corporations are allowed as a credit against tax imposed, an amount determined by multiplying the sum of all equivalent hours (each child's total number divided by 2,000) of child care provided by $45.00. The credit shall not be in excess of 10 percent of the tax liability of the taxpayer. The child care center must be a facility licensed by the state's department of social services.

STATE	CODE CITE	DATE ENACTED	CREDIT DEDUCTION	TIED INTO FEDERAL CODE	EXPLANATION
Dependent Care Assistance Plan Related Tax Provisions					
California	Assembly Bill 2595 Ch. 1558	1982		No	Gross income of an employee shall not include amounts paid or incurred by the employer for dependent care assistance provided to the employee. Such program shall be a separate written plan of an employer for the exclusive benefit of his or her employees to provide those employees with dependent care assistance which meets the requirements set out in 2 through 6 of Sec. (d) of the amendment.

CHILD CARE FOR LOW INCOME FAMILIES
CHANGES IN STATE POLICIES, 1981-1983



Summary Chart of State Policy Changes

	reduced expenditures on child care from Title XX/SSBG	reduced number of children receiving child care	reduced elig. for Title XX/SSBG child care: income eligib.	reduced elig. for Title XX/SSBG child care: elig. of parents in training	other policy changes	changed some or all of day care clients to Title IV-A Disregard	1981-1983 increased fees for child care (or imposed) min. fee)	relaxed standards for child care programs	reduced child care staff on state or local level	1981-1983 reduced expenditures on child care training from Title XX/SSBG
Alabama	x	x			x		•[17]	x	x	x
Alaska										
Arizona	x	x	x				x	x	x	x
Arkansas	x	x	x	•[17]	x		x	x		x
California										
Colorado	x	x		x	x	x	•[11]	x	x	•[17]
Connecticut	x	x					x	x	x	
Delaware	x	x		x	x		x	x	x	x
D.C.				x	x				x	
Florida								•[16]		x
Georgia					x		x	x	x	x
Hawaii	x	x	x	•[17]		x		x		
Idaho		x	x	x				x	x	x[4]
Illinois	x	x	x	x					x	x[15]
Indiana	x		x		x					
Iowa	x	x	x		•[6]	x		x	x	
Kansas	x	x	x	x		x	x	x	x	x
Kentucky	x	x	x	x				x	x	
Louisiana				x						x
Maine		x			x		x	•[18]	x	
Maryland							x	x	x	
Massachusetts	x		x		x		x	x	x	x[5]

Summary of State Policy Changes
(continued)

	reduced expenditures on child care from Title XX/SSBG	reduced number of children receiving child care	reduced elig. for Title XX/SSBG child care: income eligib.	reduced elig. for Title XX/SSBG child care: elig. of parents in training	reduced elig. for Title XX/SSBG child care: other policy changes	changed some or all of day care clients to Title IV-A Disregard	1981-1983 increased fees for child care (or imposed) min. fee)	relaxed standards for child care programs	reduced child care staff on state or local level	1981-1983 reduced expenditures on child care training from Title XX/SSBG
Michigan	x	x	x[1]	x		x		x	x	x
Minnesota			x	•[6]	•[6]		•[11]	x		x[6]
Mississippi			x					x	x	x
Missouri	x	x		x	x		x	x	x	
Montana	x	x	x	x		x		x		x
Nebraska	x	x		•[17]				x	x	x
Nevada	x	x	x	x	x				x	
New Hampshire	x	x		•[3]			x	x	x	
New Jersey					x		x	x	x	x
New Mexico	x	x						x		
New York	x	x	x	•[6]	•[6]		x		x	
North Carolina	x		x[1]	x				x	x	x
North Dakota	x	x	x	x		x			x	
Ohio			•[6]	•[6]	•[6]					
Oklahoma	x	x	x							
Oregon										
Pennsylvania	x	x	x				x	x	x	x[7]
Rhode Island	x	x		x		x			x	x
South Carolina	x				x			x	x	x[8]
South Dakota	x	x		x		x		x		
Tennessee	x		x					x		
Texas	x			x	x			x	x	x

Summary of State Policy Changes
(continued)

	reduced expenditures on child care from Title XX/SSBG	reduced number of children receiving child care	reduced elig. for Title XX/SSBG child care: income eligib.	reduced elig. for Title XX/SSBG child care: elig. of parents in training	reduced elig. for Title XX/SSBG child care: other policy changes	changed some or all of day care clients to Title IV-A Disregard	1981-1983 increased fees for child care (or imposed) min. fee)	relaxed stand-ards for child care programs	reduced child care staff on state or local level	1981-1983 reduced expenditures on child care training from Title XX/SSBG
Utah		x	x							
Vermont	x	x	x[2]	x	x	x	x[12]	x	x	x
Virginia	x	x	x	x	x		*[14]	*[17]	x	x[9]
Washington	x	x	x	x	x	x		x	x	x
West Virginia	x	x	x						x	
Wisconsin	x	x		*[6]	*[6]		*[11]	x	x	
Wyoming							x[13]	x	*[10]	x

Footnotes

1 Effectively changed eligibility by not following changes in state's median income.
2 Adjusted income eligible brackets up in 1981 and down in 1982.
3 Planned restrictions, but opposition was too great to implement them.
4 Never spent Title XX money on training, but previously had enough staff and money for informal training.
5 No money spent in 1981 due to overspending in 1980. Would have had training if Title XX funding had not been reduced.
6 At county discretion; minimal.
7 Had major program prior to OBRA; stopped to reassess it and found that they could not start a new program as planned.
8 Increased, then decreased.
9 Uncertain, thinks it has decreased.
10 Anticipating losses next year.
11 Possibly implement minimum fee in some counties.
12 Increased fees, later decreased.
13 Temporary policy; state only paid 80 percent cost of care.
14 County option.
15 Did not know spending level in FY 1981. It has decreased between FY 1982 and FY 1983.
16 Standards are among the lowest to begin with.
17 Plan to in 1984.
18 Considering loosening them slightly.

NOTE: Detailed information concerning states' child care policies ranging from rates, reimbursement methods, training expenditures, to policies for parents in training, fee information and other areas is available in Children and Federal Child Care Cuts: A National Survey of the Impact of Federal Title XX Cuts on State Child Care Systems, 1981-1983 for $6.50 from the Children's Defense Fund.

Total Expenditures on Child Care (Title XX/SSBG) 1981-1983, and Percentage Change

	Total Child Care Expenditures from Title XX/SSBG (state and federal)			Percent Change		Total Percent Change
	1981	1982	1983	1981-1982	1982-1983	1981-1983
Alabama	16,637,000	10,200,000	11,246,000	- 39%	+ 10%	- 32%
Alaska						
Arizona	18,668,100	16,921,500	18,639,800[4]	- 9	+ 10	0
Arkansas	3,727,316	3,563,767	3,486,516	- 4	- 2	- 6
California						
Colorado	14,800,000	16,600,000	9,034,000	+ 12	- 46	- 39
Connecticut	14,972,983	14,000,000[17]	14,000,000[17]	- 6	0	- 6
Delaware	4,671,912	2,988,219	2,258,491	- 36	- 24	- 52
D.C.	11,170,000	12,074,500	13,238,600	+ 6	+ 10	+ 16
Florida	26,119,006	29,792,737	32,638,418[22]	+ 14	+ 10	+ 25
Georgia	20,581,055	20,280,477	22,842,000[5]	- 1	+ 13	+ 11
Hawaii	2,935,409	1,750,683	1,492,294	- 40	- 15	- 49
Idaho	9,249,000[1]	10,765,000[1]	9,251,000[1]	+ 16	- 14	0
Illinois	55,996,100[2]	49,501,000[2]	43,704,100[2]	- 12	- 12	- 22
Indiana	8,493,000	8,403,000	8,400,000	- 1	0	- 1
Iowa	2,201,537	1,505,165	1,578,614	- 32	+ 5	- 28
Kansas	8,842,801	8,627,738	2,512,253[3]	- 2	- 71	- 72
Kentucky	3,750,000	2,842,844	3,000,591	- 24	+ 6	- 20
Louisiana	10,422,414	11,287,326	11,649,585	+ 8	+ 3	+ 12

Total Expenditures on Child Care (Title XX/SSBG) 1981-1983, and Percentage Change (continued)

	Total Child Care Expenditures from Title XX/SSBG (state and federal)			Percent Change		Total Percent Change
	1981	1982	1983	1981-1982	1982-1983	1981-1983
Maine	3,742,940	3,781,290	3,833,236	+ 1	+ 1	+ 2
Maryland	13,000,000	11,850,000	13,500,000	- 9	+ 14	+ 4
Massachusetts	43,000,000	38,000,000	39,000,000	- 12	+ 3	- 9
Michigan	21,649,171	7,587,561[7]	4,000,000	- 65	- 47	- 82
Minnesota	1,726,801[2]	*[20]		-	-	-
Mississippi	6,008,072	6,487,650	6,500,000	+ 8	0	+ 8
Missouri	13,111,044	9,199,862[8]	8,809,839[9]	- 30	- 4	- 33
Montana	214,713	much less	much less	-	-	-
Nebraska	3,813,080[10]	3,492,045	3,439,000	- 8	- 2	- 10
Nevada	921,995[11]	782,557[11]	641,166[11]	- 15	- 18	- 30
New Hampshire	2,500,000	2,200,000	2,621,420	- 12	+ 19	+ 5
New Jersey	36,829,400	40,538,650[5]	40,538,650[5]	+ 10	0	+ 10
New Mexico	2,407,833	1,848,046	2,220,211	- 23	+ 20	- 8
New York	124,700,000	119,600,000	116,100,000	- 4	- 3	- 7
North Carolina	14,924,576[12]	11,521,590[12]	11,747,408[12]	- 23	+ 2	- 21
North Dakota	536,718	*[19]		-	-	-
Ohio						
Oklahoma	15,002,733	12,978,341	14,256,646	- 13	+ 10	- 5
Oregon						

Total Expenditures on Child Care (Title XX/SSBG) 1981-1983, and Percentage Change (continued)

	Total Child Care Expenditures from Title XX/SSBG (state and federal)			Percent Change		Total Percent Change
	1981	1982	1983	1981-1982	1982-1983	1981-1983
Pennsylvania	66,858,000	62,722,000	57,816,000	- 6	- 8	- 14
Rhode Island	3,810,000	2,072,000	1,143,252	- 46	- 45	- 70
South Carolina	11,525,906	10,120,000	11,098,467	- 12	+ 10	- 4
South Dakota	1,159,778	1,459,896	485,994[14]	+ 26	- 67	- 58
Tennessee	14,180,000	17,791,700	14,108,900	+ 25	- 21	0
Texas	36,607,000[15]	29,456,000	31,463,000	- 20	+ 7	- 14
Utah	4,770,100	4,959,500	5,490,000[15]			+ 15
Vermont	1,957,580	1,362,463[21]	1,385,200[21]	- 30	+ 2	- 24
Virginia	7,700,058	4,935,837	-	- 36	-	-
Washington	4,800,000	3,600,000	4,000,000	- 25	+ 11	- 17
West Virginia	7,158,261	6,258,000	5,800,000	- 13	- 7	- 19
Wisconsin	8,270,000[16]	7,720,000[16]	8,030,000	- 7	+ 4	- 3
Wyoming	900,000	1,200,000	1,350,000	+ 33	+ 13	+ 50

Footnotes

1 Number is for children's services, not just child care.
2 Budgeted, not expended.
3 1982 projections, 1983 projections.
4 Planning figure.
5 Two-year plan.
6 Increase due to existence of carry forward funds.
7 Plus $[illegible] spent on Title IV-A, 1981; $[illegible] million spent on Title IV-A, 1982.
8 Changed accounting figures; numbers misleading.
9 Projected.
10 Major decrease pre-OBRA.
11 Money available not necessarily spent.
12 They have had a separate state-funded program since 1980, which is about $[illegible] million. They have made up the cuts from other sources.
13 Reasonably accurate estimate.
14 Reflects transfer to Title IV-A.
15 Direct services.
16 Calendar year.
17 Estimate.
18 FY 1980-1981 includes WIN, $[illegible]; FY 1981-1982 includes WIN, $[illegible]; FY 1982-1983 includes WIN, $[illegible]; Low Income Energy Assistance, $[illegible].
19 Just staff time spent on licensing.
20 Little or no information on the amount spent on child care. Federal and state money is portioned out to counties. Counties do with it what they please.
21 Had budgeted more but publicity about changes in program led clients to believe they were not eligible.
22 Includes $[illegible] transferred from Low Income Energy Assistance Block Grant.

[COMMITTEE PRINT]

DEMOGRAPHIC AND SOCIAL TRENDS: IMPLICATIONS FOR FEDERAL SUPPORT OF DEPENDENT-CARE SERVICES FOR CHILDREN AND THE ELDERLY

SELECT COMMITTEE ON CHILDREN, YOUTH, AND FAMILIES

HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

FIRST SESSION

WITH

ADDITIONAL VIEWS

DECEMBER 1983

Printed for the use of the
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FOREWORD

Shifts in family composition, increased participation of women in the labor force, and increased poverty have greatly affected millions of American families. The report which follows, prepared by the Congressional Budget Office, and reprinted here in its entirety by the Select Committee on Children, Youth, and Families, describes the effect these same forces and anticipated population shifts will have on very young children and very elderly adults. In particular, this report projects the level of care these two groups will require in the coming decades, and analyzes some ways the nation might respond.

The first section of this report documents the significant increases in the demand for care which will occur during this decade for young children and those elderly unable to completely care for themselves. Dependent care services for children include after-school care for students as well as day care for infants and preschoolers. For physically impaired elderly, dependent-care services would include chore and homemaker services, home-delivered meals, and companionship programs, perhaps in conjunction with home health services.

Sections 2 and 3 of the report include a range of policy options designed to meet the increased needs for care described in the first section. For both the young and the elderly, policy alternatives include direct expenditures for services, tax expenditures, or a mixture of both; some would increase federal costs, while others would redirect the current level of resources. The similarity of these options, which currently exist in law, reflects the fact that the two populations, although at opposite ends of the lifespan, share several important characteristics. Both are growing at faster rates than the rate of growth for the total population, both have a variety of unmet needs, and both are already involved in a multi-faceted system of service programs, reimbursements to private caregivers, and tax incentives for family caregivers.

The policy strategies described would have similar effects on families providing care for the two populations. Tax credits for child care or elder-care services would be of most benefit to middle and upper income families, those with substantial tax liabilities. Low income families would benefit more quickly and substantially from direct public expenditures for services.

Their common position as members of families is the most important link between the young and the elderly. It is to their families that each first turns for nurturance and care. In that light, federal support for dependent-care services essentially represents support for each family's efforts to meet its members' needs. The absence of increased public support for such services, in view of accelerated demands, potentially undermines both the coping capacities and the quality of life for many American families. This report documents these potentially disruptive forces and identifies various roles the government can play in supporting the efforts of families to meet the demands.

A summary analysis of the relevant trends set forth in the CBO report is presented below. Except where otherwise specifically noted, all conclusions and implications are drawn directly from the CBO text.

CHILDREN

Demographic changes

Demand for child care services will grow, fueled by a substantial increase in the population of young children, especially those under six years old. Thanks to the maturation of the "baby boom," the population under six will rise by 3.3 million during this decade, from 19.6 million in 1980 to 22.9 million in 1990 (a 17-percent increase). In the previous decade, according to Census data not included in the report, there was a 6.5-percent decline in the under six population.

However, the most important trend affecting the increase in demand for child care services is not population growth, but the anticipated increase in the proportion of children living with only one parent, usually the mother. The population of children under 10 from single-parent households is expected to rise by 48 percent between 1980 and 1990, from 6 million to 8.9 million. This increase of roughly 3 million children means that nearly 1 in 4 children under 10 will live in a single parent household at the end of this decade.

Mothers' work force participation

The CBO report indicates that the trend toward increased labor force participation by single mothers found during the 1970's is expected to continue through this decade. The percentage of single mothers in the labor force with children under six was well over half in 1980 (59 percent), and is projected to rise to 63 percent by 1990.

An even more dramatic increase in the percentage of working mothers with very young children is expected in households where the father is present. The 1990's will be the first decade to begin with a majority of these mothers (55 percent) in the labor force. This represents a percentage increase of over 80 percent in the 20 years since 1970, when fewer than one-third of all married mothers of children under six worked.

To the extent that single mothers enter the labor force or seek job training, the need for affordable child care will be accelerated. Increased need may bring an increased supply of quality child care at a reasonable charge within the marketplace. However, a recent report from the Bureau of the Census,[1] published after the CBO report was prepared, indicates that the current supply of affordable day care for a significant number of mothers is inadequate. The report estimates that 26 percent of mothers of children under 6 not now working (1.7 million women) would seek employment if affordable child care were available.

According to that Census Report, the apparent shortfall in the supply of reasonably priced child-care is particularly acute for single

[1] Martin O'Connell and Carolyn C. Rogers, "Child Care Arrangement of Working Mothers: June 1982," Current Population Reports, Series P–23 (Special Studies), November 1983.

mothers and low-income mothers. Forty-five percent of the single mothers surveyed indicated an unmet need for child care prohibited them from looking for work, and 36 percent of mothers in families with incomes under $15,000 indicated that they would seek employment if affordable care were available.

These recent findings, coupled with data from the CBO report, suggest that future increases in demand for affordable child care without increases in support for these services, will further exacerbate the already inadequate supply of reasonably priced child care.

Children in poverty

The number of low-income children is expected to increase, due largely to the growing number of single-parent households which typically suffer from a greater incidence of poverty. These low-income families also have greater problems finding affordable child care. If poverty rates declined to 1979 (pre-recession) levels, the number of children under six in poverty would increase by 1 million during this decade, from 3.9 million in 1980 to 4.9 million in 1990. This would mean that 27 percent of the total increase in children under 6, and over 50 percent of the increase in children under 6 from single-parent households, will be poor.

Implications

The convergence of these economic and social forces will lead to significantly increased demands for child-care. If the federal role in the provision of child-care services does not keep pace with the increase in demand, both low and moderate income parents will be affected. Both might shift their children to more informal care, lower the quality and quantity of supervision in care, and in some instances, leave children with no adult supervision. Although not all the implications are known, it is likely that such children would suffer in terms of their physical, emotional, and educational needs.

THE ELDERLY

Demographic changes

High pre-World War I fertility and increases in life expectancy since the turn of the century make people 65 and over, and especially the "old elderly," 80 and over, the fastest growing group within our society. Between 1980 and 1990, the 80 and over population, those most often in need of dependent care services, will rise from 5.2 million to 7.5 million. This 45 percent rate of growth is the highest projected increase for any age cohort specified in the report.

Economic shifts

If the proportion of the 80 and over population who are poor remains at roughly 20 percent during the 1980's, the numbers of very elderly poor will increase by nearly 50 percent, from 1 million in 1980 to about 1.5 million in 1990. As the numbers of low-income very elderly grow, so will the demand for a range of dependent care services.

Unmarried elderly women are particularly vulnerable to poverty, primarily because of low social security and pension benefits. Yet a widening gap in life expectancies between men and women and the fact that men tend to marry younger women suggests that many of the old elderly in 1990 will be single women.

Even among those elderly who are not poor, rising health care costs will make payment for dependent-care services difficult. Next year (1984) the average annual out-of-pocket expenditure for noninstitutionalized health care for elderly individuals is expected to be over $1,000, and more for those in poor health. These costs are separate from costs paid by Medicare, the major federal health insurance program for the elderly. In fact, recent data not included in the report indicate average health care costs for elderly persons have now returned to the relative level of 1965, before the enactment of Medicare.[2] These data further show that health expenditures for the elderly not covered by Medicare now average almost 20 percent of their total annual income.

Implications

Taken together, these population shifts and economic pressures portend a sharp increase in the demand for dependent-care services among the growing elderly population. For those receiving no services, but remaining at home, basic daily needs such as diet and personal hygiene might suffer. In other instances, lack of services might hasten institutionalization—lowering some aspects of their quality of life and, in some cases, increasing costs to the federal government (primarily) for nursing home care paid through Medicaid, the health insurance program for low-income individuals.

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The publication of this report represents the continued effort of the Select Committee on Children, Youth and Families to bring forth timely and accurate information on the current conditions and trends affecting U.S. children and their families, as well as alternative policies to address these conditions. We are grateful to the Human Resources and Community Development Division of The Congressional Budget Office for preparing the report at the request of Congressman Barber B. Conable, Jr., ranking minority member of the House Committee on Ways and Means. We would like to thank Paul Cullinan, Daniel Koretz, Martin Levine, Marilyn Moon, and Patricia Ruggles of the CBO staff, as well as Deborah Phillips, who contributed extensively to this project while she was a post-doctoral intern at the CBO.

It is our hope that this report will help focus discussion on some of the critical issues facing families through the life-span, and will serve as a foundation for intergenerational dialogue.

George Miller,
Chairman.
Dan Marriott,
Ranking Minority Member.

[2] U.S. Senate, Special Committee on Aging, 1983. Developments in Aging, 1982, Volume 1. Washington, D.C., U.S. Government Printing Office.

CONTENTS

DEMOGRAPHIC AND SOCIAL TRENDS: IMPLICATIONS FOR FEDERAL SUPPORT OF DEPENDENT-CARE SERVICES FOR CHILDREN AND THE ELDERLY

Staff Analysis

June 15, 1983

Prepared by the Staff of the
Human Resources and Community Development Division
Congressional Budget Office

This analysis was prepared by several members of the staff of the Human Resources and Community Development Division of the Congressional Budget Office, at the request of the Committee on Ways and Means. Questions may be addressed to Nancy M. Gordon, Assistant Director for Human Resources and Community Development, CBO (226-2669).

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SUMMARY

During this decade, a combination of demographic, economic, and social trends will increase the demand for dependent-care services for young children (under age 10) and elderly persons with health problems or functional limitations. This paper analyzes the likely changes in demand, examines their implications for federal policy, and discusses possible federal responses.

Contributing to an overall increase in the demand for nonfamily dependent-care services (such as day care for children and homemaker services for the dependent elderly) will be a rapid growth between 1980 and 1990 in the numbers of young children and elderly individuals--especially, those over age 80. Continued growth in the labor-force participation of women and in the proportion of young children living in single-parent households is expected to exacerbate the impact of these population changes, by leading a greater proportion of families to seek care by individuals or organizations outside the family. Moreover, the number of young children and elderly persons living in poverty will probably increase, perhaps substantially, over the decade. Finally, while changes in the supply of dependent-care services are difficult to project, it is likely that in the absence of federal intervention the supply of care accessible to lower-income families will not keep pace with the increase in demand.

Taken together, these trends suggest that a federal response could be a major determinant of the access that many of the growing number of young children and dependent elderly--especially those with low incomes--will have to nonfamily care. Altering the current federal programs that support dependent-care services, to increase targeting or efficiency while maintaining present funding levels, could accommodate part, but not all, of the increased demand. Expanding federal support could further reduce the problem, but at the cost of increasing the deficit, raising taxes, or requiring offsetting reductions in other federal programs.

FACTORS AFFECTING DEMAND FOR DEPENDENT-CARE SERVICES

Four factors are likely to increase the demand for dependent-care services during the 1980s:

- o Shifts in the age structure of the population;
- o A concomitant increase in the number of elderly with health problems and functional limitations;
- o Changes in family composition; and
- o Trends in employment.

During the 1980s, the number of young children is expected to increase by roughly 4.8 million, of whom almost 3.4 million will be under age six. During the same period, the total elderly population is expected to grow by 6.3 million, with the old-elderly population accounting for roughly 2.3 million of that increase. One consequence of the growth and aging of the elderly population is likely to be a rise in the number of elderly with health problems and functional limitations.

Changes in household composition expected during the remainder of the decade are likely to increase the demand for dependent-care services still further. In the case of young children, most important is the expectation that the proportion living in single-parent (usually, mother-only) households will continue to rise--albeit at a slower rate than during the 1970s—resulting in roughly 3 million more children under age 10 living in single-parent families in 1990 than in 1980. Moreover, about half of this increase will be children under age six. Among the elderly, the most important trend in household composition will be the increased proportion of individuals (mostly women) living alone—or with someone other than a spouse--that the aging of the elderly population will likely bring.

A continued increase in the labor-force participation of women is also likely to have a substantial impact on the demand for non-family dependent care. Continuation of current trends would result in a sizable increase in the number of young children reared by two employed parents or by an employed only parent. The number of children under age six living in such households could increase by about 3.4 million between 1980 and 1990, while the number living with two parents, only one of whom is in the labor force, could actually decline by nearly 1 million (see Summary Table 1). Continued growth in the labor-force participation of women—particularly married women--might also reduce the availability of family members to care for dependent elderly persons. On the other hand, the extent to which newly employed women would otherwise be caring for elderly relatives is unclear.

SUMMARY TABLE 1. NUMBER AND PERCENT OF CHILDREN UNDER AGE SIX, BY NUMBER OF PARENTS IN THE HOUSEHOLD AND LABOR-FORCE STATUS OF MOTHER, 1980 AND PROJECTIONS FOR 1990 (Children in thousands).

	1980	1990	Change Number	Change Percent
Children with Two Parents, Mother Not in Labor Force	8,435	7,594	-841	-10
Children with Mother Only, Not in Labor Force	1,219	1,609	390	32
Children with Two Parents, Mother in Labor Force	6,930	9,394	2,464	36
Children with Mother Only, In Labor Force	1,777	2,786	1,009	57
Other[a]	1,268	1,614	346	27
Total Children	19,629	22,997	3,368	17

SOURCE: Text Tables 2 and 3.

a. This category includes children living with their fathers only as well as those living with neither parent.

FACTORS BEARING ON FEDERAL SUPPORT FOR DEPENDENT-CARE SERVICES

Perhaps the most significant factor bearing on a federal response to the likely increase in demand for dependent-care services is that the number of young children and dependent elderly persons living in poverty will probably increase between 1980 and 1990, perhaps by a large amount.

The number of young children living in poverty will be determined by the overall growth in the population of young children, the increasing proportion of young children living in mother-only households, and general economic conditions. The proportion of children in female-headed households living in poverty is consistently high and varies relatively little with economic cycles: roughly half of all children under 18 in such households, and between 61 and 66 percent of children under 6, fell below the poverty line in each year from 1971 through 1981. On the other hand, the poverty rate among young children in male-headed households has shown more sensitivity to economic conditions. Accordingly, the growth in the population of young children, coupled with the shift of the population of young children toward single-parent households, can be expected to increase the number of young children in poverty; improvement in the economy will tend to decrease it, primarily by lowering the poverty rate among male-headed households.

Barring a stronger economic recovery than anticipated, however, the combined effect of these three factors is likely to be appreciably more young children in poverty. For example, if the poverty rates for both male- and female-headed households in 1990 equalled their 1979 (pre-recession) levels, the number of children under age six living in poverty could increase by about 1 million between 1980 and 1990 (see Summary Table 2).

SUMMARY TABLE 2. NUMBER AND PERCENT OF CHILDREN UNDER AGE SIX IN POVERTY IN 1980 AND PROJECTIONS FOR 1990 BY AGE AND HOUSEHOLD TYPE, ASSUMING 1990 POVERTY RATES EQUAL TO THOSE IN 1979 (Children in thousands; rates in percents)

	1980		1990[a]		1980 to 1990		
	Number in Poverty	Percent in Poverty	Number in Poverty	Percent in Poverty	Total Additional Children	Additional Children in Poverty	Additional Poor as Percent of Total Additional
All Households	3,950	20	4,918	21	3,533	968	27
Female-Headed	1,953	65	2,711	62	1,399	758	54
Male-Headed	1,997	12	2,207	12	2,135	210	10

SOURCE: Current Population Survey, Series P-60 publications and unpublished tabulations; and Tables 1 and 2 of this report.

a. 1990 poverty rates for each household type (male- and female-headed) equal to corresponding 1979 rates, to reflect the most recent pre-recession period. Overall poverty rate in 1990 does not equal 1979 rate because of the increasing proportion of children in female-headed households.

An increase--perhaps sizable--in the number of elderly persons in poverty is also a clear possibility. Although the poverty rate among the elderly is lower today than in 1970, much of the decline occurred early in the 1970s, and the rate increased again in both 1979 and 1980. Whether the rate will stay constant, decline again, or increase further is unknown, but unless it declines rapidly the growth in the elderly population will lead to an increase in the number of elderly persons in poverty. For example, unless the poverty rate among the elderly declines by at least one-fifth by 1990 (to a rate of 12.3 percent), more elderly persons will be living in poverty in 1990 than in 1981. Moreover, factors that now contribute to the high poverty rate among the elderly--such as the large number of unmarried elderly women--will continue to affect the elderly population throughout the decade.

Likely trends in the private supply of services and in support by state and local governments also bear on the importance of a possible federal response to the increased demand for dependent-care services. While future supply is hard to predict, it may not fully keep pace with demand in the absence of federal intervention. In that case, average prices would rise, and families whose incomes did not keep up might shift to lower-quality care. Support by subnational governments is also unlikely to keep pace with demand, given the fiscal problems of many state and local governments and the uneven concentration of dependency-prone populations in some jurisdictions.

ISSUES AND OPTIONS CONCERNING A FEDERAL RESPONSE

Several questions arise in considering any potential federal response to the increasing demand for dependent-care services. One is whether to increase federal support of those services. If the Congress decided to provide additional support, it could choose between direct-expenditure and tax-expenditure approaches to dependent care; each approach has advantages and disadvantages. Finally, there would be a variety of specific options for structuring any new services.

Issues

Although a portion of the increased demand for services might be accommodated by altering present federal programs to make them more efficient or more carefully targeted on those in greatest need, changes of this sort would probably be insufficient to keep pace with the increase in demand. On the other hand, possible increases in the level of federal support would have to be appraised in the light of current fiscal stringency. Any increase in federal support would mean an increase in the deficit unless increases in taxes or reductions in other federal programs were made.

If federal support for dependent-care services did not keep pace with the anticipated increase in demand, however, some low- and moderate-income families would be likely to purchase lower-quality or fewer services. In the case of child care, this could entail a shift to more informal care, to lower-quality and less supervision, and, in some instances, to leaving children unsupervised. Although the implications of such changes are not fully known, it is likely that the physical, emotional, and educational needs

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of the children would be met less well. For dependent elderly persons remaining at home but receiving no services, aspects of care such as hygiene and diet could suffer. A lack of services could also hasten their institutionalization—affecting their quality of life and, in some cases, imposing costs on federal and state governments through Medicaid.

If the Congress decided to increase federal support of dependent-care services, it could do so through tax expenditures, direct expenditures, or some combination of both. Targeting benefits on low-income families is likely to be more practical with direct-expenditure programs than with tax expenditures because of the nature of the tax system. Only about 7 percent of the 4.6 million families making use of the current dependent-care tax credit had incomes below $10,000 in 1981. Making the credit refundable would increase the usefulness of the credit to some low-income families, but the long delay before reimbursement would make even a refundable credit useless for some. Moreover, experience with the earned income tax credit (EITC) indicates that an advance-payment provision does little to alleviate this problem.

On the other hand, tax expenditures have the advantage of offering recipients greater flexibility in choosing the type of care they prefer, with the potential of lessening the influence of the government in those choices. They also can be an effective means of directing aid to middle- and lower-middle-income families. Moreover, tax expenditures might in some instances encourage relatives to contribute to care rather than turn to publicly supported services.

Options for Structuring New Services

If additional support was provided through either tax expenditures or direct expenditures, the Congress would face a number of difficult decisions about how to structure that aid to maximize its effectiveness.

Child Care. One central decision in providing support for child care would be that of targeting by income. Given likely funding limitations and the rapid growth in the number of young poor children, the extent of targeting by income would be a critical determinant of the proportion of such children receiving supported services. A second decision stems from the fact that this decade will see increases in the demand for a variety of types of care, ranging from infant care to after-school care; the Congress could either specify the types of care to be supported or leave such decisions to an executive agency or to subnational governments. Finally, the impact of a federal initiative would hinge in part on its ability to focus some funds on lower-cost forms of care and to stimulate private alternatives.

One possible response would be to alter current programs to increase their cost-effectiveness or their degree of targeting. For example, the Human Services Block Grant (HSBG)--which provides funds to states to finance a broad range of social services--could be altered to reestablish a day-care setaside, channel funds into lower-cost forms of day care, require targeting of services on low-income families, or prescribe diversification of services to include after-school care or infant care. Total support could be expanded through increased funding of current programs, such as Head Start or the HSBG program, or through new programs, such as a dependent-care voucher system. Finally, tax incentives or loans could be used to encourage employment-based day care, and the exclusion of fringe benefits from taxation could be altered to encourage more flexible work hours, thereby lessening dependence on non-family care.

Dependent Care for the Elderly. In the case of the elderly, a central issue would be the fact that the dependent elderly are difficult to identify and our current definitions of dependency are unreliable. Accordingly, a key decision on a federal initiative would be how to limit support to those truly dependent. In addition, to use funds most efficiently, a federal initiative would have to be designed to avoid incentives for the elderly in order to alter their living arrangements to substitute public care for care by relatives. Finally, since the needs of persons living alone, those living near relatives, and those sharing a household with relatives are different, a federal initiative would need to embody considerable flexibility to serve all three groups effectively.

Specific options for the elderly could include either direct expenditures or tax expenditures. Increasing direct expenditures could provide a comprehensive program to help moderately disabled elderly remain in their homes, although such an option would be costly. To reduce such costs, eligibility could be limited to those with the most severe disabilities or to those with low incomes (for example, through the Medicaid

program), or beneficiaries could be required to share in the costs. To further limit the cost of any new program of dependent care, direct provision of services could be financed by reducing other health or social service programs. Such a refocusing might be difficult, however, since much of the social services now provided to the elderly represent some form of dependent care. Finally, tax expenditures could be used to provide incentives for relatives to care for their dependent elderly. While such benefits would allow for great flexibility, they often would not aid those with low incomes and might only introduce a public subsidy for care that would have been provided anyway.

INTRODUCTION

During the 1980s, demographic, economic, and social trends will affect the demand for social services. This analysis focuses on two areas of social services which are particularly likely to be subject to increasing demand: day-care services for young children (under age ten), and dependent-care services for elderly persons with health problems or functional limitations. Day-care services for young children include after-school care for elementary school students as well as day care for infants and preschoolers by individuals outside of the child's nuclear family. Dependent-care services for physically impaired elderly persons would include--but would not be limited to--chore and homemaker services, home-delivered meals, and companionship programs. Some of these services could involve coordination with home health-care services as well.

Meeting the increased demand for these services could pose difficult decisions for the Congress, since much of the increased demand will occur in groups that frequently rely on federally supported services at present--such as very young children in poverty. Some, but not all, of the increase in demand might be met at current funding levels by increasing the efficiency or targeting of current federal support. For the rest, if growth in the deficit is to be avoided, higher expenditures would need to be offset elsewhere in the budget--through reductions in direct-expenditure programs, reductions in tax expenditures, or increases in tax rates.

The remainder of this paper is divided into three parts. The first part discusses factors that underlie likely increases in demand. The second part of the paper discusses implications of these changes in demand, and the third examines some options for an altered federal role.

PART I. FACTORS AFFECTING DEMAND FOR DEPENDENT-CARE SERVICES

Overall demand for dependent-care services will increase in the 1980s because of a variety of demographic, economic, and social factors. Other factors--such as poverty rates--will determine how much of the new demand is channelled toward federally supported services rather than the private market. This part examines each set of factors separately.

FACTORS AFFECTING OVERALL DEMAND

Four concurrent trends will affect the future demand for dependent-care services:

- o Changes in the age structure of the population;
- o A concomitant increase in the number of elderly with health problems and functional limitations;
- o Changes in family composition; and
- o Trends in employment.

Changes in the Age Structure of the Population

During the 1980s, the nation's population will grow by 10 percent and its age structure will shift markedly, resulting in the simultaneous growth of two of the age groups most frequently in need of some form of dependent care: young children and the elderly (see Table 1). In both cases, the most

TABLE 1. AGE STRUCTURE OF THE POPULATION IN 1980 AND PROJECTIONS FOR 1990

Age	Population (thousands)		Percent Distribution		Change 1980 to 1990	
	1980	1990	1980	1990	Number	Percent
All Ages	226,505	249,731	100	100	23,226	10
5 years and under	19,629	22,997	9	9	3,368	17
6-9	13,414	14,802	6	6	1,388	10
10-14	18,241	16,776	8	7	-1,465	-8
15-18	16,712	13,176	7	5	-3,536	-21
19-24	25,762	22,348	11	9	-3,414	-13
25-29	19,518	21,503	9	9	1,985	10
30-39	31,521	42,007	14	17	10,486	33
40-49	22,757	31,814	10	13	9,057	40
50-59	23,323	21,869	10	9	-1,454	-6
60-64	10,086	10,639	5	4	553	5
65-69	8,781	10,006	4	4	1,225	14
70-74	6,797	8,048	3	3	1,251	18
75-79	4,793	6,224	2	.2	1,431	30
80 years and over	5,174	7,521	2	3	2,347	45

SOURCE: U.S. Bureau of the Census, unpublished projections.

NOTE: Figures may not be comparable across columns because of rounding.

rapid growth is expected to be among subgroups requiring the most dependent care: very young children (age 5 and under) and the "old elderly" (80 years old and over).1/ The number of old elderly is expected to increase by 45 percent, or about 2.4 million, over the decade. In proportional terms, the growth of the population of very young children is expected to be smaller--about 17 percent. But because this group was much larger than the old-elderly group in 1980, the numerical increase will be much larger--nearly 3.4 million.2/

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1. The projections shown in Table 1 are based on the Census Bureau's middle-level series, which assumes an average lifetime birthrate of 1.9 births per woman of childbearing age (15-44) and an average life expectancy at birth of 79.6 years in 2050. The projections also assume a net immigration rate of 450,000 per year. The latter is an arguable assumption, given the lack of information on illegal immigration, but using alternative Census projections with radically different immigration estimates would not alter the basic conclusions presented here.

2. The projected growth in the population of very young children is less certain than the anticipated growth of the old-elderly population. Unless there are marked shifts in mortality trends, the growth in the old-elderly population is largely dependent on the known number of people aged 70 and above in 1980. Growth in the population of young children, however, depends in part on more speculative estimates of fertility rates. The growth in the number of children projected here reflects growth in the number of women of child-bearing age as the "baby boom" cohort ages, as well as an anticipated modest increase in the total fertility rate, from 1,827 lifetime births per 1,000 women in 1980 to 1,942 lifetime births per 1,000 women in 1990. Should this assumption about trends in fertility prove substantially wrong--which is possible, given the historical instability of birth rates--the number of very young children in 1990 could be quite different than projected here.

The Child Population. During this decade, the population of children under age 10 is projected to increase by 14 percent--a notable departure from the 1970s, when the number of young children declined by 11 percent. The number of very young children (age 5 and under) is growing particularly rapidly and will probably account for more than two-thirds of this increase. In contrast, the 10- to 18-year age group is likely to decline by about 14 percent. Following 1990, however, as the children born during the 1980s mature, the population under age 6 is expected to shrink again and the growth in the early elementary school age group (ages 6 through 9) will probably slacken, while the 10- to 18-year age group is expected to expand.

The Elderly Population. The number of persons age 65 and over will continue to increase during the 1980s, although at a slightly slower rate than during the decade just ended. Moreover, the average age of the elderly will increase; over a third of the total growth in the elderly population will be the result of the rapid increase in the number of old-elderly persons. Overall, the elderly population is expected to rise from 25.5 million in 1980 to 31.8 million by the end of the decade, or from 11.3 percent to 12.7 percent of the total population. Those age 80 or more comprised 20 percent of the elderly population and 2 percent of the total population in 1980; in 1990 they will comprise 24 percent of the elderly population and 3 percent of the total population.

Increasing Incidence of Functional Limitations Among the Elderly

Estimates of the current proportion of noninstitutionalized elderly with physical limitations vary from about 18 to 43 percent of the population age 65 and over, reflecting in part the difficulty of defining disability. If the definition is inability to perform usual activities or limitation on the amount or kind of activitities possible, about 43 percent of the noninstitutionalized elderly are disabled. More stringent definitions based on inability to conduct major activities such as work or keeping house suggest that the proportion requiring help is closer to one-fifth--or 4.8 million persons.3/ This group contains over 2 million bedfast or homebound persons who are as functionally impaired as those in institutions.4/

As the old-elderly population grows, the incidence of debilitating health problems and functional limitations is likely to increase. For example, while about 5 percent of the elderly are in institutions at any one time, this proportion rises steadily with age. Among those 85 and older, roughly 20 percent are institutionalized.5/ Among the noninstitutionalized elderly, the proportion with physical limitations also rises steadily with age.

3. Health Care Financing Administration, "Long Term Care Background and Future Directions," January 1982.

4. Ethel Shanas, "The Family as a Social Support System in Old Age," The Gerontologist (1979), pp. 169-74.

5. Institute of Medicine, A Policy Statement: The Elderly and Functional Dependency, National Academy of Sciences (June 1977).

On the other hand, it is possible that a typical 80-year-old in the year 1990 will be healthier than now. Expansions in life expectancy may actually decrease the periods of dependency, if onset of chronic illnesses is also postponed.

Changes in Household Composition

Changes in the composition of families of young children and the old elderly will influence the demand for dependent-care services, because they will determine the availability of other family members to provide care.

Changes Affecting Young Children. The most important trend affecting the demand for child-care services is the expectation that the proportion of young children living in single-parent (in most cases, mother-only) households will continue to rise, albeit at a slower rate than during the 1970s. This increase, coupled with the growing number of children under age 10, could result in an increase of roughly 3 million children under 10 in single-parent families between 1980 and 1990.6/ Contributing to this anticipated growth will be continued high rates of divorce and separation among couples with children, and growth in the number of births to unwed mothers.7/ To the extent that the new single parents are employed

6. Projections of the number and proportion of children living in various types of households are necessarily highly uncertain. See Appendix A for a description of the projection method used to obtain the 1990 estimates used here.

7. U.S. Department of Health and Human Services, National Center for Health Statistics, Advance Report, vol. 30, no. 9 (August 29, 1981).

(discussed in more detail below), this portends a rapid increase in the demand for daytime care for children under 6 and after-school care for children 6 through 9.

In recent years, the proportion of children living in single-parent families has been somewhat greater, and has been growing more rapidly, in the 6-through-9 age group than in the under-6 age group. Because the under-6 group as a whole is larger, however, children in single-parent families are actually more numerous in the younger age group (see Table 2). By 1990, the number of children under 6 in single-parent families may reach 4.8 million (21 percent), while the number of children 6 through 9 in such families may reach 4.1 million (28 percent). (The number of children under 10 living with neither parent is also rising, particularly in the under-6 age group. Apart from those living in institutions, however, little is known about the household circumstances of this group of children.)[8]

The extent to which this growing pool of single-parent families turns to organizations or to individuals outside of the family for child-care services will depend to some degree on the presence or absence of teenaged

8. The March 1982 Current Population Survey (CPS), which uses a revised set of questions to ascertain relationships within households, revealed that a sizable number of children who previously were thought to be living with neither parent are in fact living with one parent, usually the mother, who is neither the household head nor the spouse of the head. (That is, the child and mother are a "subfamily" within the household.) This could occur, for example, when an unmarried mother and her child live with the mother's parents. Since the numbers used here are all based on the old CPS questions, some portion of the children in the "other" category most likely should be classified in the "one parent present," usually "mother only" category.

TABLE 2. NUMBER AND PERCENT OF CHILDREN IN HOUSEHOLDS OF DIFFERENT TYPES, IN 1970 AND 1980 AND PROJECTED FOR 1990, BY AGE GROUP (Numbers in thousands)

Family Type	1970 Actual	1970 Percent	1980 Actual	1980 Percent	1990[a] Projected	1990[a] Percent
<u>All Children Through Age 9</u>						
Both Parents Present	32,127	87	25,786	78	27,276	72
One Parent Present	3,958	11	5,975	18	8,860	23
Mother only	3,704	10	5,614	17	8,358	22
Father only	254	1	361	1	502	1
Other	1,046	3	1,273	4	1,663	4
Total	37,131	100	33,035	100	37,799	100
<u>Children Under 6</u>						
Both Parents Present	18,212	87	15,365	79	16,988	74
One Parent Present	2,116	10	3,209	16	4,766	21
Mother only	1,998	10	2,996	15	4,395	19
Father only	118	1	213	1	372	2
Other	669	3	890	5	1,242	5
Total	20,997	100	19,463	100	22,997	100
<u>Children 6 Through 9</u>						
Both Parents Present	13,915	86	10,421	77	10,308	70
One Parent Present	1,842	11	2,766	20	4,103	28
Mother only	1,706	11	2,618	19	3,939	27
Father only	136	1	148	1	164	1
Other	377	2	383	3	391	3
Total	16,134	100	13,572	100	14,802	100

NOTE: Components may not sum to totals because of rounding.

SOURCE: 1970 and 1980 figures are from unpublished Census tabulations based on the decennial censuses. 1990 projections are adapted from estimates of the proportion of children under 18 in each type of household in Paul C. Glick, "Children of Divorce in Demographic Perspective," <u>Journal of Social Issues</u>, vol. 35, no. 4 (1979), pp. 170-82.

a. The projections for 1990 are subject to a considerable margin of error. See Appendix A for an explanation of this point and a description of the projection method.

siblings. Teenagers, while generally unable to provide full-time care for very young children, could in many cases provide after-school care for children in the 6-through-9 age group. It is likely, however, that a declining proportion of young children will have teenaged siblings during the rest of the decade, since a greater proportion of young children in 1990 should be first or second children. This is reflected in the nation's projected age distribution in 1990, shown in Table 1: the population age 10 through 18 is expected to shrink by nearly 5 million between 1980 and 1990.

Trends Affecting the Elderly. As a result of purely demographic changes, the growth of the elderly population will likely be accompanied by an increase in the number and proportion of elderly individuals living either alone or with someone other than a spouse. Most of those living without a spouse, particularly among the old elderly, will be women.

This anticipated growth in the proportion of the elderly living without a spouse results from the increasing average age of the elderly population, the sizable and growing difference in life expectancy between men and women, and the fact that husbands are generally older than their wives. In 1980, 65-year-old men had a life expectancy of 14 years, while women of the same age had a life expectancy of 18 years. By 1990, life expectancy at age 65 is projected to increase to 15 years for men and to 20 years for women. This widening difference in life expectancy, coupled with the increasing average age of the elderly, will produce a growing imbalance

between the numbers of elderly men and elderly women, particularly in the over-80 population. Moreover, the age difference between husbands and wives will further exacerbate that imbalance.

Lack of a spouse need not lead elderly individuals to depend on organizations or individuals outside of the family for care. For example, about 13 percent of noninstitutionalized older persons currently live with other relatives, usually adult children. This type of living arrangement becomes more common as individuals age, with roughly one-fourth of those age 80 and older living with nonspouse relatives, as compared to one-ninth of those age 65 to 79. Children outside the household may also help care for their older parents--about 55 percent of the elderly now have children who live less than half an hour away by car.

Contradictory changes make it difficult to predict what proportion of the elderly can expect aid from children in the future. In the 1980s, persons between 65 and 80 will, on average, have more adult children than in the past, because the baby boom generation will be reaching middle age. On the other hand, persons who survive beyond the age of 80 may outlive their children. And, when the children themselves are elderly, they may lack financial resources or have physical problems that limit the amount of assistance they can provide.

Trends in Employment

Recent trends in labor force participation, should they continue, would have a substantial impact on the demand for child-care services. They might also have an effect on demand for dependent-care for the elderly, but that relationship is less clear.

Maternal Employment. If present trends continue, the number of young children reared by two employed parents or by a single employed parent, rather than by two parents only one of whom works outside the home, will increase during the 1980s. This increase will reflect the combined effects of three trends: the growth in the population of young children; the increasing proportion of young children living in single-parent households; and the increasing rate of labor force participation of women with children.[9] Projections of labor-force participation, however, are dependent on such factors as growth in overall employment and on the availability of child care.

Labor force participation grew rapidly during the 1970s among mothers with children below the age of six, and this growth is projected to continue--albeit at a slower rate--during the 1980s (see Table 3). The labor force participation rate is substantially higher among mothers with no husband present, but it has been growing more rapidly among mothers with husbands present. By 1990, well over half of all mothers of children under age six are projected to be in the labor force--55 percent of those with husbands present, and 63 percent of those with no husband in the household.

9. Mothers rearing children alone are both more likely to be in the labor force and more likely to be employed full-time than are married mothers who live with their husbands, but employment rates for the latter group have also increased markedly since 1970.

TABLE 3. RATES OF LABOR FORCE PARTICIPATION OF MOTHERS, BY AGE OF YOUNGEST CHILD AND HOUSEHOLD TYPE: 1970, 1980, AND PROJECTIONS FOR 1990 (Rates in percentages)

	Actual 1970	Actual 1980	Projected 1990
Households With Children Under Age 6			
Married Mothers, Husband Present	30.3	45.1	55.3
Other Ever-Married Mothers[a]	50.7	59.3	63.4
Households With Children Age 6 Through 17 (none younger)			
Married Mothers, Husband Present	49.2	61.7	70.1
Other Ever-Married Mothers[a]	67.3	74.2	73.8

SOURCES: Rates for 1970 are from Bureau of Labor Statistics, Marital and Family Characteristics of Workers, March 1970, Special Labor Force Report 130, 1971, Table F. Rates for 1980 are from Bureau of Labor Statistics, News, 81-522, November 15, 1982, Table 2. Projections for 1990 are from Ralph Smith, "The Movement of Women into the Labor Force," in Ralph Smith, ed., The Subtle Revolution (The Urban Institute, 1979).

a. Numbers exclude never-married women with children. Data on such women has been available only since 1976, and projections of their labor force participation in 1990 are unavailable. The limited data available, however, indicate that the labor force participation rate of never-married mothers is currently similar to that of married mothers with husbands present. Moreover, the data suggest that their labor force participation may be growing slowly. In 1976, about 42 percent of never-married women with children were in the labor force; this had grown to 44 percent in 1980 and to 45 percent in 1982. In 1976, about 54 percent of never-married women with children age 6-17 were in the labor force; this had grown to 68 percent in 1980 but had fallen to 64 percent in 1982. Bureau of Labor Statistics (BLS), Marital and Family Characteristics of the Labor Force in March 1976, Special Labor Force Report 206, Table 2; BLS, News, 81-522, November 15, 1981, Table 2; and BLS, Division of Employment and Unemployment Analysis, unpublished tabulations of the employment status of women in March 1981 and March 1982.

Among mothers with children between 6 and 17 (but none younger), labor force participation is higher yet.[10] Again, labor force participation is higher among mothers with no husband present but is growing more rapidly among those with husbands in the household (see Table 3). In 1990, nearly three-fourths of mothers of children age 6 through 17 are expected to be in the labor force--70 percent of those with husbands in the household, and 74 percent of those with no husband present.[11]

Such an increase in the labor force participation of mothers, coupled with the growth in the population of children under 6, would sharply increase the number of very young children with both parents--or, in the case of one-parent households, the only parent--in the labor force. The number of children under age 6 with both parents in the household, but with a mother in the labor force would increase by nearly 2.5 million--a 36 percent rise between 1980 and 1990 (see Table 4). The number of very young children in mother-only households with mothers in the labor force would increase by 1 million, or 57 percent.

Employment of Potential Caretakers of the Dependent Elderly. The continuing increase in the labor force participation of women--particularly married women--might also reduce the availability of family members to

10. The 6-through-9 age group discussed earlier is not separated here from the entire 6-through-17 age group because of a lack of relevant data.

11. Note that these projections assume no further growth in the labor-force participation rate of mothers with children aged 6 through 17 and with no husband present. Never-married women with children are excluded from this table. See footnote 'a' to Table 3.

TABLE 4. NUMBER AND PERCENT OF CHILDREN UNDER AGE 6, BY NUMBER OF PARENTS IN THE HOUSEHOLD AND LABOR-FORCE STATUS OF MOTHER, 1980 AND PROJECTIONS FOR 1990 (Numbers in thousands).

	1980	1990	Change Number	Change Percent
Children with Two Parents, Mother Not in Labor Force	8,435	7,594	-841	-10
Children with Mother Only, Not in Labor Force	1,219	1,609	390	32
Children with Two Parents, Mother in Labor Force	6,930	9,394	2,464	36
Children with Mother Only, In Labor Force	1,777	2,786	1,009	57
Other[a]	1,268	1,614	346	27
Total Children	19,629	22,997	3,368	17

SOURCE: Tables 2 and 3.

a. This category includes children living with their fathers only as well as those living with neither parent.

care for dependent elderly individuals. Increases in the proportion of families with two earners results in less time for activities such as providing help to relatives. Moreover, because the role of caring for relatives has traditionally been played by women, increases in their labor force participation are particularly important. On the other hand, the children of dependent old-elderly individuals are in some instances old enough themselves to be out of the labor force.

FACTORS BEARING ON FEDERAL SUPPORT FOR DEPENDENT-CARE SERVICES

The relevance of increased demand for dependent-care services to federal support of those services (through both direct expenditures and tax provisions) will depend on a variety of factors, including:

- o The economic circumstances of young children and the dependent elderly;
- o The extent to which dependent individuals are concentrated in certain jurisdictions; and
- o Changes in the supply of relevant services, in the absence of further federal intervention.

The Economic Circumstances of Young Children and the Dependent Elderly

Changes in the economic circumstances of young children and the dependent elderly will be a critical determinant of the importance of federal support for dependent-care services.

The Economic Circumstances of Young Children. The number of young children living in poverty has increased in recent years and is likely to grow further by 1990. Moreover, the number of young children in single-parent families living in poverty is especially likely to increase.

Projections of the poverty rate among children hinge on two factors: the number of children living in single-parent (generally, mother-only) households, and the condition of the economy. The poverty rate among children in single-parent families has been quite stable over the past decade, with only relatively small fluctuations accompanying economic upturns and downturns. Between 50 and 53 percent of children under 18 in female-headed households, and between 61 and 66 percent of children under 6 in such households, lived in poverty in each year from 1971 through 1981. In contrast, the poverty rate among children in male-headed households varied substantially with the condition of the economy, increasing in the recession years of 1971, 1975, 1980, and especially 1981.

Accordingly, over the rest of this decade, two contrary trends will affect the incidence of poverty among young children. The continued increase in the proportion of children living in mother-only homes, coupled with the growing total number of young children, will act to increase the number of young children living in poverty. On the other hand, improvement in the economy may reduce the proportion (but not necessarily the number) of young children in poverty, primarily by lowering the poverty rate in male-headed households.

Among children under six, the combined effect of these trends is likely to be a sizable increase in the number in poverty--and perhaps a smaller increase in the proportion living in poverty--unless improvement in the economy is substantially more rapid then is now anticipated. For example, if the poverty rate among children under six in each household type in 1990 was equal to the corresponding 1979 (pre-recession) rate, the number of children under six living in poverty would increase by nearly 1 million between 1980 and 1990 (see Table 5). Twenty-seven percent of the total

TABLE 5. NUMBER AND PERCENT OF CHILDREN UNDER AGE 6 IN POVERTY IN 1980 AND PROJECTIONS FOR 1990 BY AGE AND HOUSEHOLD TYPE, UNDER ALTERNATIVE ASSUMPTIONS ABOUT POVERTY RATES (Numbers in thousands; rates in percents)

	1980		1990		1980 to 1990		
	Number in Poverty	Percent in Poverty	Number in Poverty	Percent in Poverty	Total Additional Children	Additional Children in Poverty	Additional Poor as Percent of Total Additional
1990 Poverty Rates Equal to 1979 Rates[a]							
All House-holds	3,950	20	4,918	21	3,533	968	27
Female-headed	1,953	65	2,711	62	1,399	758	54
Male-headed	1,997	12	2,207	12	2,135	210	10
1990 Poverty Rates Equal to 1981 Rates[b]							
All House-holds	3,950	20	5,885	25	3,533	1,935	55
Female-headed	1,953	65	2,896	66	1,399	943	67
Male-headed	1,997	12	2,989	16	2,135	992	46

SOURCE: Current Population Survey, Series P-60 publications and unpublished tabulations; and Tables 1 and 2 of this report.

a. 1990 poverty rates for each household type (male- and female-headed) equal to corresponding 1979 rates, to reflect the most recent prerecession period. Overall poverty rate in 1990 does not equal 1979 rate because of the increasing proportion of children in female-headed households.

b. 1990 poverty rates for each household type (male- and female-headed) equal to corresponding 1981 rates, reflecting some of the impact of the current recession. (The peak rate in this recession is likely to be higher than the 1981 rate; see footnote 12.) Overall poverty rate in 1990 does not equal 1981 rate because of the increasing proportion of children in female-headed households.

growth in the under-six population would be accounted for by the increased number of very young children in poverty. (More than half of the additional very young children living in female-headed households, but only 10 percent of the growth in male-headed households, would be poor). In this case, the overall poverty rate among children under six would increase slightly over the decade, from 20 to 21 percent. (Even though the poverty rate would decrease in each household type, the increase in the proportion of children living in single-parent households would more than offset that decrease.)[12]

In contrast, if poverty rates among children under age six in different types of households in 1990 equalled the corresponding rates in 1981, the growth in the number of very young children living in poverty would be nearly twice as great.[13] The number of children under age 6 living in poverty would increase by nearly 2 million from 1980 to 1990 and would account for 55 percent of the total growth in the under-six population (see Table 5). Fully two-thirds of the number of additional very young children in female-headed households would be poor, and the overall poverty rate among children under age six would climb from 20 percent to 25 percent.

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12. The decline in the poverty rate in male-headed households does not appear in Table 5 because of rounding.

13. This would most likely constitute a modest improvement from the peak poverty rates of the most recent recession, since poverty rates among young children are likely to be significantly higher in 1982 than in 1981. Reductions enacted since 1980 in real benefits under Aid to Families With Dependent Children were not effective for the most part until October 1981 or later. Those benefit reductions accordingly had little impact on the poverty rate among young children in 1981, but can be expected to have an appreciable effect on the 1982 rate.

The household incomes of young children above the poverty line are also relevant to the federal role in supporting child-care services. For example, the household incomes of young children with two working parents vary greatly, and the Congress might choose to target its support on the subset of those families with modest combined incomes. Unfortunately, however, projections of the household incomes of non-poor families with children in 1990 are unavailable.

The Economic Circumstances of the Old Elderly. Although the poverty rate among the elderly has declined substantially since 1970, much of the progress was made early in the decade. Indeed, the poverty rates among the elderly increased in both 1979 and 1980 before again falling slightly in 1981. In 1981, 15.3 percent of the elderly—about 3.9 million persons--had incomes below the poverty threshold—$5,494 for an elderly couple, and $4,359 for an elderly individual (see Table 6). Whether these poverty rates will remain constant, begin to decline again, or increase further is unknown, but even if the rate declined by one-fifth (to a rate of 12.3 percent for all persons 65 and over) by 1990, the absolute number of elderly persons living below the poverty line would be no lower than in 1981.

Although some sources of income will increase in real terms, such as newly awarded Social Security benefits, the number of poor among the elderly population may well increase as the share of women, the very old, and persons living alone rises. These groups currently exhibit the highest incidence of poverty, and persons with two or more of these characteristics

are particularly likely to be poor (see Table 6). For example, almost two-thirds of all elderly black women who lived alone in 1980 were in poverty--four times the rate for all elderly persons. This figure is only slightly lower than the corresponding figure of 68.1 percent in 1974. Moreover, even if the proportion of poor individuals in each category declines, increases in the number of older, single, nonwhite women among the elderly will probably translate into continued high absolute numbers of poor. If the proportion of the age-80-and-above population that is poor remained relatively stable at about 20 percent, there would be about 1.5 million poor in that age group alone compared to 1 million now.

TABLE 6. SELECTED POVERTY RATES WITHIN THE ELDERLY POPULATION, 1981

Individual Characteristics	Percent in Poverty	Number of Persons (thousands)
Person Age 80 and Over	21.1	987
Black Person	36.5	890
Person Living Alone	29.4	2,268
Female	18.7	2,785
Female age 80 and over	25.0	777
Black female	43.5	547
Black female living alone	62.9	342
All Elderly Persons	15.3	3,853

SOURCE: Current Population Survey.

Factors that currently contribute to the large numbers of aged poor will continue to affect the elderly throughout this decade. Unmarried elderly women have low incomes primarily as a result of their histories of low labor force participation and high concentration in low-paying jobs, characteristics that will be shared by women reaching retirement age in the 1980s. These factors lead to limited retirement coverage and low benefits from Social Security and private pensions. Moreover, a large portion of poor elderly women are widows, many of whom experience dramatic income losses upon the death of their husbands. Widows often live alone, thus facing higher per-capita living expenses than those in larger family groups.

The old elderly exhibit a high incidence of poverty primarily because they are less likely to have incomes augmented by earnings and because the non-Social Security portions of their incomes are rarely indexed for rising prices. Moreover, measures of poverty understate the precarious financial position of the old elderly, since health expenses often consume a substantial share of their incomes and, over time, deplete their resources.

In recent years, rising health care costs have meant that an increasing share of resources of the elderly must be devoted to such expenditures despite almost universal enrollment in Medicare. The average expenditure by elderly individuals for noninstitutional health care is expected to be over $1,000 in 1984, and this amount will be higher for those in poor health. Elderly couples with incomes below $10,000 therefore often devote more than one-fifth of their incomes to health expenditures.

The demographic groups among the elderly most likely to be poor and to have large health-care costs are often also those with a greater likelihood of seeking home-based services. For example, the very old are likely to be frail, and those living alone cannot depend on a spouse or other relative in the household to provide care.

Geographic Concentration of Dependent Individuals

Immigration and Internal migration may lead to a continued or increased concentration of dependent individuals in certain states and in certain types of communities. Moreover, in some cases, these concentrations may occur in jurisdictions that would find it difficult to fund services for those individuals.

Immigration Trends. In recent years, immigration has had a sizable impact on both the size and the characteristics of the national population. Alternative Census projections put estimated net immigration--that is, gross immigration, less temporary immigration and less out-migration of permanent residents--at between 450,000 and 750,000 per year over the decade of the 1980s, or between 19 and 29 percent of total population growth. These recent immigrants tend to be younger than the population as a whole--accordingly, many have young children--and they tend to have lower incomes than native-born Americans.

In recent years, immigrants have tended to concentrate in a small number of states and, in some cases, in specific jurisdictions within those states. For example, of the 4.5 million permanent aliens in 1980, over 70 percent resided in six states--California, New York, Texas, Florida, Illinois, and New Jersey—which contain less than 40 percent of the total national population.

Internal Migration. Several aspects of internal migration might also lead to increased concentrations of either dependent young children or dependent old-elderly individuals in certain jurisdictions.

--Concentration of dependent young children. If the pattern of recent years continues, the decade of the 1980s will see only modest changes in the distribution of poor children under age six between central cities, non-central parts of metropolitan areas, and nonmetropolitan areas. Between 1971 and 1981, for example, the proportion of very young poor children living in nonmetropolitan areas declined somewhat (from about 40 to 36 percent), while the proportion living in metropolitan areas increased correspondingly (from 60 to 64 percent). Most of this shift reflected an increase in the proportion of very young poor children living in non-central parts of metropolitan areas (from 23 to 26 percent), rather than in central cities.

For some purposes, however, it is less important to know where the largest number of very young poor children live than to know where the poverty rate among very young children is highest--that is, where those in poverty constitute the greatest share of the total population of very young children. For example, communities in which the poverty rate is highest

may be hardest pressed to provide services to poor children, because of the larger proportion of children needing services and the correspondingly higher proportion of families contributing little to local revenues because of their low incomes.

Between 1971 and 1981, the poverty rate among children under age 6 grew more rapidly in metropolitan areas than elsewhere in the nation. In central cities, the poverty rate increased from 21 to 30 percent, while in non-central parts of metropolitan areas, it rose slightly faster but from a lower initial level--increasing from 10 percent in 1971 to 15 percent in 1981. In contrast, the poverty rate in nonmetropolitan areas increased at a slower rate--rising from 22 to 24 percent--during the same period.

--Concentration of the elderly. Recent migration patterns show that while the elderly are only about a fourth as likely to move as the non-elderly, they too have been relocating to the Sun Belt and the suburbs. Thus, states such as Florida, Arizona, and New Mexico have experienced substantial growth in their elderly populations--although of these states, only Florida has a concentration of the elderly much above the national average. On the other hand, since the elderly are less likely to move, they are also concentrated in areas that substantial numbers of young families have left, such as the farm states of the Midwest and the old industrial states of the Northeast. In addition to this interstate migration, there has also been a slight increase in the proportion of the elderly living outside of central cities.

Changes in the Supply of Dependent-Care Services

Changes in the supply of various types of dependent-care services, in the absence of further federal intervention, will affect both the accessibility and the price of those services. If demand increases to a greater degree than any change in supply, the price of private care can be expected to rise. Families will adjust to higher prices in different ways. Those whose incomes increased even more would effectively have the same or more options as now, while those whose incomes rose more slowly might shift to lower-quality care.[14] Changes in the supply of dependent-care services are difficult to project, however.

Both child care and home-based care are labor-intensive industries drawing heavily on low-paid workers--usually women. Changes in the supply of such workers will therefore be the most important factor for determining changes in the supply of services.

Factors that would be expected to shift the supply upward are the expanding female labor force, and the increasing population of elderly women for whom employment as caretakers may be an appealing option. For child care, some young mothers may also be able to combine remaining at home with employment as informal day-care suppliers. On the other hand, if other job opportunities became increasingly available to women, some women would be expected to move out of marginal employment as

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14. State and local government support is unlikely to contribute to an increased supply of dependent-care services, since many state and local governments are facing severe fiscal constraints.

dependent-care providers, particularly to the extent that alternative jobs paid higher wages. Declining overall unemployment rates could be one factor leading to such an increase in alternative job opportunities for women and to a corresponding decline in the supply of workers in the area of dependent care. If home-based social services were marketed in combination with home health services, more skilled--and better compensated--workers might be employed. Such a movement might make employment in care for the elderly more attractive, thereby enticing more job applicants, but also increasing the cost of services.

Uncertainty in Projecting Reliance on Federally Supported Services

Several factors bearing on federal support for non-family dependent-care services are difficult to predict.

Unexpected changes in fertility rates, for example, could substantially alter the projected number of young children--or the proportion in various income brackets. In addition, patterns of family composition--such as the divorce rate among parents of young children--could differ from those projected. Similarly, unanticipated changes in mortality rates could alter the projected number of dependent elderly individuals. Unanticipated medical advances could decrease the proportion of old elderly individuals with functional limitations; conversely, if access to medical services was sharply curtailed, the number of elderly with functional limitations might increase.

Economic circumstances that are difficult to forecast could also affect the future importance of federal support for dependent-care services. For example, little is known about the future income distribution of young children or the elderly, apart from projections of the proportion living in poverty. Moreover, changes in the unemployment rate, in the type of workers most often unemployed, in the regional distribution of unemployment and income (for example, through continued declines in "smokestack" industries in the Northeast and Midwest), and in the relative wages of male and female workers could all affect the extent to which families will seek federally and other publicly supported services.

PART II. ISSUES IN DETERMINING THE FEDERAL ROLE

In considering any potential federal response to the changing economic and demographic circumstances of children and the elderly, a number of overall issues arise. After a brief description of current federal programs, this section discusses three sets of issues:

- o Whether to change the federal role;
- o Tradeoffs between direct-expenditure and tax-expenditure approaches to dependent care; and
- o Alternatives for structuring new services.

THE EXISTING FEDERAL ROLE

Federal support for dependent care and other social services is currently provided through a variety of means, including both direct expenditures and tax expenditures. These services are provided for children, the elderly, and other groups such as the mentally and physically disabled.

The largest direct social-service expenditure program is the Human Services Block Grant (HSBG)--formerly Title XX of the Social Security Act. The HSBG program provides funds to states to finance assistance for child care, foster care, housekeeping, social activities, transportation, and other social services. The combination of services delivered is at the discretion of the states. In addition, the Head Start program offers educational, medical, nutritional, and social services to preschool children, primarily serving those from low-income families. For the elderly, the Older Americans Act serves as an important source of home-delivered and congregate meals and other social services, and the Medicare and Medicaid programs cover some home-health services that may have social-service components. Social services are also funded through a variety of mostly smaller direct-expenditure programs.

The dependent care tax credit provides a tax credit equal to a specific portion of employment-related dependent-care expenses.[1] For purposes of the credit, eligible expenses are those paid for the care of dependent children under the age of 15 and of other dependents if physically or mentally incapacitated. Expenses eligible for the credit cannot exceed $2,400 for one dependent or $4,800 for two or more dependents. The credit is intended to provide greater assistance to families with low or moderate incomes; the credit equals 30 percent of eligible expenses for families with adjusted gross incomes (AGIs) of $10,000 or less, declines to 20 percent as AGI rises to $28,000, and remains at 20 percent at higher incomes.

The federal government also subsidizes social services indirectly through means-tested income transfer programs--most importantly, through the allowance for day-care expenses in the Aid to Families with Dependent Children (AFDC) program. Under this provision, AFDC recipients with earnings are permitted to deduct child-care expenses up to $160 per month per child from their gross earnings for purposes of determining their benefit amount. This deduction lessens the reduction in benefits that the recipients'

1. The restriction of the credit to "employment-related" expenses limits it to single employed taxpayers and married employed taxpayers with an employed spouse.

earnings would otherwise cause, thus providing a partial subsidy of day-care expenses. The total subsidy of day care provided through this mechanism, however, is substantially smaller than that provided by the dependent-care tax credit or by the larger direct-expenditure programs.

DECIDING WHETHER TO CHANGE THE FEDERAL ROLE

Increased public support for dependent-care services may be sought if high poverty rates in the growing populations of young children and dependent elderly individuals continue, particularly if prices for privately provided dependent care increase. Such support could in theory be provided by subnational governments, but many jurisdictions will face difficult fiscal conditions and disproportionate concentrations of dependent individuals.

This potential increase in demand for federally funded social services arises in a period of considerable budget stringency, however. Financing an increase in the federal role would require either increases in taxes, reductions in other federal programs, or higher federal deficits. (This analysis has thus far focused on sources of increased demands for social services; similarly, an analysis of possible revenue increases or program reductions could focus on identifying direct expenditures or tax expenditures that serve groups that are shrinking in size or whose inflation-adjusted incomes are rising. Such a discussion is, however, beyond the scope of this paper.)

On the other hand, if the federal role in the provision of dependent-care services did not keep pace with the increase in demand, the result would likely be consumption of fewer or lower-quality services by those with low and moderate incomes. In the case of child-care services, changes might include a shift to more informal care, lower quality and quantity of supervision in care, and in some instances, leaving children with no supervision. Although not all the implications are known, it is likely that such children would suffer in terms of their physical, emotional, and educational needs. For the dependent elderly, also, the issues center on their quality of life. For those receiving no services, but remaining at home, daily needs such as diet and personal hygiene might suffer. In other instances, lack of services might hasten institutionalization—lowering some aspects of their quality of life and, in some cases, increasing costs to the federal government through Medicaid.

CHOOSING BETWEEN DIRECT EXPENDITURES AND TAX EXPENDITURES FOR DEPENDENT CARE

Should the Congress choose to increase or redirect aid, it must decide whether to direct it through spending programs or through the tax system. Several tradeoffs would arise in choosing between direct expenditures and tax expenditures, including:

- o The extent to which they can be used to target benefits to low-income groups; and
- o Flexibility in the type of services they can support.

In essence, direct programs are better able to assist those with low incomes, whereas tax expenditures can subsidize a broader range of services and minimize the extent of government intervention.

Targeting benefits toward low-income families is likely to be more practical with direct expenditures than with tax expenditures, largely because of the structure of the personal income tax. According to the most recent estimates, only about 7 percent of the 4.6 million families using the dependent-care tax credit had incomes below $10,000 in 1981, for example, and less than 6 percent of the estimated $1.3 billion in tax credits went to these families. The major reason is that the dependent-care tax credit is not refundable--that is, it cannot exceed the amount of the family's tax liability--and most families with incomes below $10,000 pay little or no income tax.

Although more low-income families would benefit under a refundable credit, many still would not. Because most low-income families do not pay taxes, they are not easily reached through the tax system. This has been the experience of the one refundable tax credit that now exists--the earned income tax credit (EITC) for working parents with dependent children. Many do not know about the credit, do not understand how to use it, or are reluctant to deal with the Internal Revenue Service. The forms needed to use the credit can be confusing, and people who would not otherwise have to file a tax return (since they owe no tax and are due no refund) must do so to obtain the credit. A further possible problem in using the income tax system to assist low-income families is that a family does not receive the credit until tax returns are filed at the end of the year, creating a considerable hardship in some cases. In theory, an advance-payment provision might ameliorate this problem, but in practice such a change would likely have little effect. The EITC does have a provision for advance payments from employers, for example, but very few EITC recipients --about 0.4 percent-- use this feature.

In contrast, direct-expenditure programs can be designed to serve only--or primarily--low-income families, particularly if such targeting is mandated at the federal level. In practice, however, direct-expenditure programs need not be targeted; for example, recent changes in the statute removed federal targeting requirements from the Human Services Block Grant, providing states the option of directing services toward middle- and upper-income individuals as well.

Tax expenditures have the advantage of flexibility. Tax credits or deductions may be used to subsidize a broad range of privately purchased care, while direct provision increases the role of government and limits individual choice. Moreover, favorable tax treatment may encourage relatives to contribute to the care of the dependent elderly relying on publicly provided services.

STRUCTURING FEDERAL PROGRAMS FOR DEPENDENT CARE

If additional federal efforts are undertaken to provide dependent-care assistance--either through existing or new direct-expenditure programs or through various tax expenditures--the Congress will face a number of difficult decisions about how to structure that aid to maximize its effectiveness.

Child Care. In providing support for child care, one central issue is the extent to which aid would be targeted by income. Given likely funding limitations and the rapid growth in the number of very young children in poor households, the extent of income-based targeting would be a critical factor in determining the proportion of very-low-income children receiving supported services. A second issue is how to provide the wide variety of types of care that will be in increased demand over the rest of the decade, ranging from highly labor-intensive--and correspondingly expensive--infant care to after-school care for elementary-school students. The Congress might decide to channel a certain proportion of any funding provided into each of these types of care, or it might leave that decision to an executive agency, to states, or to localities. Third, and perhaps most critical, since any increase in federal funding for child-care services is unlikely to keep pace with the expected rapid increase in demand described above, a federal initiative would have a greater impact the more it was able to focus some funds on lower-cost forms of care and to stimulate private alternatives.

Dependent Care for the Elderly. The issues that arise because of the rapid increase in the dependent elderly population are quite different. Unlike very young children, the dependent elderly cannot be identified on the basis of any simple criterion such as age. Moreover, the current definitions of dependency and need for care among the elderly are somewhat unreliable, because they are generally based on self-reported information. Accordingly, a federal initiative would need to specify how support would be limited to those who were truly dependent in order to avoid a rapid escalation of costs (in an entitlement program) or a misallocation of limited funds (in an appropriated program). Moreover, a sizable proportion of the old elderly live alone, while others maintain their own households near another relative and still others live with relatives or other individuals. The needs of these three groups are different. Finally, federal support of dependent-care services for them might inadvertently create undesired incentives for the elderly to alter their living arrangements to substitute publicly funded care for care by relatives.

PART III. OPTIONS

In light of the demographic and economic trends outlined in this analysis, the Congress may wish to consider options for the provision of social services to young children and the moderately-disabled elderly. Options for each of these two groups are discussed separately in this section.

CHILD-CARE OPTIONS

Numerous options are available to the Congress should it decide to alter the federal role in supporting dependent-care services for young children, including:

- Improving the cost-effectiveness of existing programs;
- Targeting available resources more narrowly on those populations least able to purchase care themselves;
- Expanding federal support;
- Encouraging employer participation in the provision of child care; and
- Encouraging employment changes that might lessen dependence on nonfamily care.

Improving Cost-Effectiveness

In a time of fiscal stringency, federal expenditures could be kept at the same level but directed in a more efficient fashion. For example, the Human Services Block Grant (HSBG) could be modified to direct these funds toward less expensive forms of care than the center-based arrangements that predominated under Title XX and presumably still predominate. This could be accomplished by requiring state agencies to distribute more of their HSBG child-care slots to family day-care homes and less to institutional care.[1] Because government reimbursement rates to day-care homes are approximately 75 percent of the rates paid to centers, more children might be served with a given level of funding if a greater share of HSBG funding was directed toward non-center arrangements.[2] This approach would also provide the same range of child-care choices to families who rely on direct subsidies as are now available to those receiving indirect subsidies through the dependent-care tax credit.

Shifting the types of child care purchased by the HSBG program could, however, increase state administrative costs, thereby possibly offsetting to some degree the increase in child-care slots that such a shift would be intended to produce. Family day-care homes tend to be less visible and less organized than day-care centers, so greater state initiative could be

1. In 1981, 74 percent of the children who received HSBG child care were in child-care centers, which tend to be among the most expensive of existing options. For example, in Alabama, the maximum daily rate for children placed in child-care centers receiving HSBG funds was $11.00, whereas the rate for family day-care homes was $4.00. U.S. Department of Health and Human Services, Report to Congress: Summary Report of the Assessment of Current State Practices in Title XX Funded Day Care Programs (October 1981), Appendix A, Table 4.

2. Report to Congress: Summary Report of the Assessment of Current State Practices in Title XX Funded Day Care Programs.

required to provide these forms of care to HSBG families. Similarly, monitoring of family day-care establishments, to insure that state safety and quality standards were met, could prove difficult and costly. Moreover, program changes that would entail increased federal control over the use of funds would be a reversal of the recent trend toward reduced federal direction in the provision of social services.

A further step in the same direction would be to use HSBG funds to provide low-income parents with child-care vouchers redeemable at both day-care centers and some family day-care establishments. A voucher system could be set up in a variety of different ways, depending on the Congress's intent. For example, families could be charged an income-related fee for their vouchers, so that the lowest-income families paid nothing while other families paid a price that increased with income. Reimbursement differentials for different types of care could also be established, with lower reimbursement limits for lower-cost forms of care; this would recover for the state some of the savings accruing from families choosing lower-cost settings, making it possible to offer vouchers to a larger number of families. A voucher system, however, like direct funding of family day care under the HSBG program, would increase the difficulty of insuring compliance with safety and quality standards. In addition, a new administrative mechanism would be required for dispensing the vouchers themselves and collecting fees.

Increasing Targeting on Those Most in Need

Another response to the current fiscal stringency would be to target available child-care assistance more narrowly on those groups that are least capable of purchasing care in the private market. Both the HSBG program and the dependent-care tax credit could be restructured to achieve this goal.

HSBG. Eligibility criteria for the HSBG program could be imposed to place a relatively stringent income ceiling on participation in child-care programs--50 percent of each state's median income, for example. This change, however, would curtail state discretion over the use of these funds--an approach that runs counter to the direction of recent policy changes. It would also exacerbate child-care problems for relatively low-income families with incomes only modestly above the new cut-off, by eliminating them from HSBG child-care programs in those states that presently set a higher eligibility ceiling.3/

The Dependent-Care Tax Credit. The subsidies provided through the dependent-care tax credit could also be targeted more toward lower-income families without increasing the total federal revenue loss.

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3. Little information is available concerning how states have structured their HSBG child-care programs following the creation of the block grant and recent reductions in funding. Anecdotal evidence, however, suggests that some states have responded by reducing the maximum income criterion for eligibility for HSBG services, thus increasing the extent of targeting by income.

One alternative would be to make the sliding scale incorporated into the credit steeper than it is currently. At present, families with adjusted gross incomes (AGIs) below $10,000 can receive a credit of 30 percent of eligible dependent-care expenses; this percentage declines as income increases, with familes that have AGIs of $28,000 or more receiving a credit equal to 20 percent of eligible expenses. The proportion of eligible expenses returned as a credit could be increased for families with relatively low incomes, and that increase could be offset by lowering the percentage for families with higher incomes or by eliminating the credit altogether for families above a specified income--perhaps, for example, an AGI of $50,000.

The targeting of the credit on those most in need could be increased further by making the credit refundable and by incorporating an advance payment provision. While these changes would help some families of modest means, however, past experience--as noted above--suggests that many families with very low incomes would not avail themselves of such a benefit.

Expanding Federal Support

Expansion of federal support of child care could entail increases in direct expenditures, tax expenditures, or both. While federal support could be increased through the creation of a new program--for example, the voucher system noted above--another possibility would be expar [illegible] on of one or more of the three largest current federal programs: the Ho[illegible] vices

Block Grant (HSBG), Head Start, and the dependent-care tax credit. Any expansion, however, would require higher taxes or greater deficits unless offsetting reductions were made elsewhere in the budget.

HSBG. Expansion of HSBG child-care funding would be straightforward in some respects, since the state agencies that operate the program have substantial experience with day-care programs and since the program (at least in its former, Title XX form) focused on the provison of such services to the population of low-income very young children that is currently growing rapidly.

A number of difficult issues would arise, however, if HSBG funding was increased. Because of the Reconciliation Act of 1981, HSBG no longer includes a set-aside for day-care services; unless such a set-aside was re-established, funneling of additional funding into child-care services could not be guaranteed.[4] Similarly, the 1981 act removed the two targeting provisions of then-Title XX: a fairly generous income ceiling for eligibility and a set-aside for public-assistance recipients. The absence of such provisons could limit the Congress's ability to channel additional child-care funds to the growing population of very young children in poverty. Targeting requirements or set-asides could be re-established, however.

4. Anecdotal evidence suggests that child-care services have borne a disproportionately large share of recent HSBG funding cuts.

If historical precedent was followed, additional child-care funding under HSBG might be directed primarily into center-based care for preschool children--those aged 3 to 5--unless provisons were added to the law to encourage additional diversification of child-care services. Channeling all funding into preschool center care would leave unaddressed the growing needs for infant and after-school care. The Congress could address these needs by requiring that a specified proportion of additional funds be channeled into infant care, after-school care for elementary-school children, or both. If collaborative arrangements with local education agencies were fostered, encouraging after-school care could be a cost-effective alternative, in that social service agencies could reduce overhead by making use of school facilities underused in the after-school hours.

Head Start. Expansion of Head Start might be easily implemented, given that Head Start programs are already well established in a large number of communities. Expansion of Head Start would also have the advantage of targeting the additional funds toward the rapidly growing population of low-income children. Unless the program was fundamentally restructured, however, the additional services would be limited to 3- to 5-year-old children.

If Head Start funding was increased, the Congress could choose between expanding the number of eligible children receiving the current mix of services or providing longer hours of care to the number of children now served. In addition, if longer hours were established, they could be provided at either current or reduced levels of service intensity. The effects of these alternatives--for example, their impact on the employment of mothers, cost per child served, or quality of care--are unclear, however.

Dependent-Care Tax Credit. Unlike current direct expenditures for child care, tax expenditures--that is, the revenue loss--under the dependent-care tax credit will automatically increase if the growing number of eligible families make use of it.

If the Congress decided to increase tax expenditures under this credit beyond the increase that will likely occur in the absence of policy changes, one option would be to increase the maximum expenditures eligible for the credit in the case of infant care--perhaps care during the first year or 18 months of life--because infant care of a given level of quality is substantially more expensive than comparable care for toddlers. Currently, the maximum expenditure eligible for the credit if only one child's care is considered is $2,400 per year--roughly $9.60 per work-day over 50 five-day work weeks. To purchase family day care at a child-to-caretaker ratio that many parents and child-development experts would consider adequate for an infant would cost considerably more than this. For example, the cost of one caretaker caring full-time for two infants would generally be at least $4,100 per year per infant; if three infants shared one caretaker, the cost would generally be at least $2,750 per child.[5] Accordingly, increasing the maximum expense eligible for the credit could improve the access of moderate-income families to infant care of that quality.

Encouraging Greater Employer Involvement in the Provision of Child Care

Business tax incentives are the principal vehicle through which the federal government could encourage employer participation in the provision of child care, although new loan programs could also be adopted. It is important to note, however, that recent surveys indicate that only a small share of employers would be likely to become involved in providing child-care for their employees, even if current incentives were expanded, unless almost all of their increased costs were reimbursed through reduced tax liabilities.[6]

In lieu of the present practice of deducting child-care contributions as business expenses, a tax credit could be designed that would allow employers to claim a specified percentage of incurred child-care expenditures against their tax liability. Such a tax credit would have to be substantial, however, to provide a greater benefit than is already available to firms through the deductibility of child-care costs, and would thereby increase the associated revenue loss. Unlike some state tax provisions, the credit would need to be available for partial as well as full subsidies of employees' child-care expenses, since partial subsidies are the norm in employer-sponsored arrangements. In addition, a broad definition of allowable expenditures that

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5. Assuming 5 days per week, 9 hours per day (to include one hour of commuting time for the working parent), 50 paid weeks per year, compensation at the minimum wage, and employer payment of the employer's share of payroll taxes.

6. U.S. Department of Labor, Women's Bureau, Child Care Centers Sponsored by Employers and Labor Unions in the United States (1980) and Child Care Information Service, Survey of Employer-Sponsored Child Care Programs (1981).