The Phyllis Schlafly Report

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Child Care: A Reform That Is Fair To All

Rep. Clyde Holloway (R-LA) has come up with the solution to the so-called child care "crisis." His Child Care Tax Credit Reform Bill, H.R. 3944 (the companion bill introduced by Sen. Malcolm Wallop (R-WY) is S. 2187), is so vastly superior to the dozen other day care proposals pending in the current Congress that Republicans and Democrats should stampede to become co-sponsors.

The Holloway Child Care Tax Credit Reform Bill amends the current child and dependent care tax credit (which is highly discriminatory) by replacing the child care portion with a credit available for ALL children under mandatory school age.

The *current* child care credit offers taxpayers a credit equal to a specified percentage of the amount of money spent for the care of any child under 15 years of age ONLY IF all parents in the household are employed. (A child with a fulltime mother is **not** eligible for this benefit.) The Holloway Bill extends this credit to ALL families with preschool children, and bases the amount of the credit on the family's adjusted gross income rather than on the amount spent on day care.

The amount of the Holloway Bill's credit varies from $400 per eligible child in lower-income families (with an adjusted gross income of less than $18,000) to $150 per eligible child in higher-income families (with an adjusted gross income of more than $30,000). For families whose child care credit exceeds their tax liability, the credit is refundable up to the amount paid by the family in Social Security taxes.

There are at least a dozen good reasons why the Holloway Bill is far superior to any other pending day care proposal.

1. The Holloway Bill provides income tax benefits to ALL families with preschool children, instead of only to those using commercial day care services. About 12 million families (20 million children) will receive income tax benefits under the Holloway Bill, as opposed to only about 4 million families who receive tax benefits under the current child care credit, or as opposed to an estimated 700,000 children who may receive benefits under other day care bills pending in Congress.

2. The Holloway Bill extends maximum benefits to those families with the greatest financial need, as opposed to the other day care bills and the current child care tax credit which primarily benefit higher-income families.

3. The Holloway Bill assures complete freedom of choice to parents in meeting child care needs. The current child care credit provides tax benefits ONLY if the mother is in the paid labor force and spends money for day care. The other pending day care proposals are arbitrarily restrictive about the types of commercial day care services which are eligible for support;

Dodd-Kildee Bill H.R. 3660, S. 1885	*compared to*	**Holloway Bill** H.R. 3944, S. 2187
estimated 700,000	*number of children benefited?*	20,000,000
estimated $50 to $150	*annual cash benefits per child?*	$150 to $400
bureaucracy and day care centers	*who gets the cash?*	100% to families
required to use: federally licensed centers, totally secular, government-trained staff	*what kind of care?*	100% freedom to choose care by mothers, family, neighbors, church, commercial
only families with employed mothers, mostly higher-income families	*which families get the benefits?*	all families, without discrimination, mostly lower-income families
$3.7 billion for current child care credit + 2.5 billion for Dodd-Kildee $6.2 billion, with growth every year	*what is the annual cost?*	$3.7 billion for current child care credit + .8 billion for Holloway reform $4.5 billion — no future increase

they exclude the types of child care that most families choose, such as family-member care, in-home care, and church-based care.

4. The Holloway Bill does not establish any new federal bureaucracy. It vests no additional power in government agencies, and it creates no new federal spending program. All other day care bills now before Congress would result in an expansion of the size, power and cost of the Federal Government.

5. The Holloway Bill is 100% cost-efficient in making dollars available to families with preschool children. Every dollar made available for child care under this bill goes directly to families. The parent can file a W-5 form with his employer, which will reduce the tax withheld from each paycheck and thereby distribute the cash credit throughout the year. Under all other day care proposals, a large percentage of federal funds will be consumed in administration and overhead costs, so that only a portion of the federal appropriation for day care will ever benefit children. The Holloway Bill will provide $150 to $400 cash per child, whereas the Dodd-Kildee Bill will provide only an estimated $50 to $150 benefit per child, based on an estimated 700,000 children serviced (with the rest of the $2.5 billion appropriation going for administrative and regulatory costs).

6. The Holloway Bill encourages intra-family solutions to child care by treating these arrangements equally with commercial child care arrangements. All other day care proposals discourage families from meeting their own needs by offering financial incentives to choose non-familial, commercial, government-regulated day care centers.

7. The Holloway Bill eliminates discrimination against families on the basis of the employment status of the parents. All other day care proposals require that all parents in the household be employed, thereby discriminating against families with fulltime mothers.

8. The Holloway Bill is the least expensive way for the Federal Government to assist families with child care costs. The current child care tax credit now costs the taxpayers $3.7 billion annually, and is rising rapidly, yet it offers little assistance to lower-income families. The Dodd-Kildee Bill will cost an additional $2.5 billion annually and the cost will rise very rapidly (some estimate to $100 billion annually). The Holloway Bill will cost only $600 million in addition to the current $3.7 billion, and the cost of the Holloway method will not increase because it has no bureaucracy and will include ALL preschool children from day one.

9. The Holloway Bill will not result in discrimination against or government interference with day care programs conducted by churches or church-related organizations, as would some other day care proposals.

10. The Holloway Bill leaves responsibility for licensing commercial day care facilities at the state level, where it belongs.

11. The Holloway Bill will not reduce the variety of commercial day care choices available to families, or increase their cost, as would all other day care proposals. The Holloway Bill will help to expand the range of choices by giving lower-income families the purchasing power to exercise consumer choice.

12. The Holloway Bill is clearly pro-family, according to the criteria set forth in Executive Order 12606 (September 3, 1987). No other current day care proposal meets all seven of the criteria.

a) "Does this action by government strengthen or erode the stability of the family and, particularly, the marital commitment?" While the Holloway Bill has no direct impact on the marital commitment, it does strengthen the stability of families by ending the current tax discrimination against child care by parents and other family members.

b) "Does this action strengthen or erode the authority and rights of parents in the education, nurture, and supervision of their children?" The Holloway Bill substantially strengthens the authority of parents by giving them the right and the means to determine for themselves which child care arrangement they find most desirable.

c) "Does this action help the family perform its functions, or does it substitute governmental activity of those functions?" The Holloway Bill directly and tangibly helps all families to meet their own responsibilities by permitting them to keep more of the money they have earned, rather than taxing everyone more so that the bureaucrats (after paying their own salaries) can allocate benefits to some families on a discriminatory basis.

d) "Does this action by government increase or decrease family earnings? Do the proposed benefits of this action justify the impact on the family budget?" The Holloway Bill directly increases the earnings of families by reducing their tax liability, so that they will be better able to fulfill their natural responsibilities.

e) "Can this activity be carried out by a lower level of government or by the family itself?" The current discriminatory child care credit is a federal-level matter, and must therefore be reformed at the federal level.

f) "What message, intended or otherwise, does this program send to the public concerning the status of the family?" The Holloway Bill sends the message that raising children is a socially worthy activity, and that families (not government) are and ought to be paramount in making decisions about their children's care.

g) "What message does it send to young people concerning the relationship between their behavior, their personal responsibility, and the norms of our society?" The Holloway Bill sends the message of the primacy of parental authority, and the desirability of personal responsibility instead of dependence on governmental regulations and entitlements.

Write your Congressman at House Office Bldg., Washington, D.C., 20515, and ask him to co-sponsor H.R. 3944. Write your Senator at Senate Office Bldg., Washington, D.C., 20510, and ask him to co-sponsor S. 2187.

Who Is Subsidizing Whom?

The median family income of traditional two-parent, single-earner families is $25,803.

The median family income of single mothers who work full time is $21,958.

However, the Dodd-Kildee Day Care Bill (sometimes called the ABC Bill) would require all these low-income families to subsidize commercial day care for **two-income families** (where both the mother and father are employed) up to 115% of the median family income in their own states.

The following list shows this 115% of median family income for four-person families, by state. (Source: Family Support Administration estimate for FY 1988.)

Alabama	32,668	Montana	32,199
Alaska	49,102	Nebraska	35,253
Arizona	36,948	Nevada	37,161
Arkansas	30,193	New Hampshire	41,057
California	41,656	New Jersey	46,920
Colorado	40,496	New Mexico	31,196
Connecticut	46,779	New York	39,650
Delaware	39,346	North Carolina	34,834
Dist. of Columbia	36,920	North Dakota	33,342
Florida	36,069	Ohio	38,500
Georgia	36,693	Oklahoma	33,408
Hawaii	39,831	Oregon	35,352
Idaho	31,490	Pennsylvania	37,105
Illinois	39,530	Rhode Island	39,277
Indiana	36,074	South Carolina	33,830
Iowa	33,839	South Dakota	33,526
Kansas	35,781	Tennessee	32,105
Kentucky	31,403	Texas	37,017
Louisiana	34,397	Utah	34,079
Maine	32,818	Vermont	34,522
Maryland	46,063	Virginia	40,656
Massachusetts	44,941	Washington	37,627
Michigan	38,994	West Virginia	30,096
Minnesota	39,532	Wisconsin	36,808
Missouri	36,126	Wyoming	35,352
Mississippi	29,573	U.S. Average	37,694

Thus, the Dodd-Kildee ABC bill would force low-income traditional families and single-parent families all over the country to subsidize day care for middle income yuppie couples in Connecticut with family incomes up to $46,779. What a rip-off!

The Day Care Follies

Two ideas, both wrong and both popular, are pushing us toward federally supported day care. The first idea is that people today do not have the options their parents had. It is said to be no longer economically feasible for Mommy to stay home with the kids as she routinely did a generation ago. . . .

Government aid is needed, the argument goes, because families today are in a cruel bind. They need Mom's paycheck but also need somebody to take care of the kids. This theme ran all through a recent and mostly excellent MacNeil-Lehrer report on the issue. [Senator Orrin] Hatch appeared on screen at one point stating that his bill was needed because so many women "have to work today."

Are American families today really under more economic pressure to generate two incomes than they were in, say, the Fifties? No way. Women today may be under new social pressures to get out there and work: they are also looking at job opportunities not available to their counterparts 30 years ago. But America's Daddies today are on average more able to support the Mommies than they were in the Fifties. In 1956 the average male head of household with a nonworking wife earned $4,833. Adjusting for 30 years of inflation, that's $22,000. The equivalent figure for 1986 was $25,803. We assume that women who elect to work are mostly making quite rational decisions — but also assume that they have more options than the day care politicians are acknowledging.

The second popular wrong idea is that the demand for day care is somehow not capable of being met by private markets. As rendered on MacNeil-Lehrer, the present problem is that affordable day care is simply nonexistent in many parts of the country. The statement seems puzzling — the more so in that the film footage accompanying this declaration points to upscale yuppyish types plainly able to afford $100 a week, which might be a rough average of costs at privately run day care centers. In fact, most day care in the U.S. these days is substantially cheaper than that, typically depending on informal private arrangements that end up costing perhaps $50 a week.

You get the sense that a lot of young families have gravitated to the idea, admittedly appealing, that their country somehow has an obligation to pick up their bill for child care. There may be a case for subsidies when the working poor are involved, but it is hard to see one that makes sense for the millions of middle-income families that have opted for two-earner status and now think it would be a neat idea for the taxpayers to help with their day care bills.

Excerpt reprinted from Fortune *February 15, 1988.*

Some Numbers of Interest

- Approximately half the mothers of preschool children are not in the labor force. Of mothers whose youngest child is under 3, 47.7% work full- or part-time; of mothers whose youngest child is under 6, 52.1% work full- or part-time.
- Among *employed* mothers with children under 3 years of age, 28.2% pay no cash for child care. An additional 7% pay less than $20 per week. Among employed mothers with children under 5 years of age, the comparable figures are 27.5% who pay nothing and another 8% who pay less than $20 weekly.
- Among employed mothers with children under 5, 38% are employed only part-time.
- Among *full-time* employed mothers with children under 5, 39% rely primarily on a family member for child care. Only 28% rely primarily on day care centers, nursery schools or preschools. Among mothers employed *part-time*, 62.4% rely primarily on a family member for child care, and 16.6% on a day care, nursery or preschool.
- Female-headed households in which the mother is employed have median income of about $21,000. Two-parent households in which only the father is employed have a median income of about $25,000. Two-parent families in which both parents are employed have a median income of about $37,000.

The ABCs of Child Care Politics

The eventual cost of a national child-care subsidy could be staggering. Median parental expenditures for child care are currently about $2,000 a year. The cost of a full subsidy to the roughly 16 million eligible children of working mothers would be about $32 billion.

That's only a minimum price tag, though, because both the ABC [Dodd-Kildee] and [Orrin] Hatch bills would actually drive up child-care costs. To improve the quality of child care the bills require the adoption of licensing standards, which will undoubtedly include lower staff-to-child ratios and other expensive requirements. Edward Zigler, one of the nation's pre-eminent academic experts on pre-school programs, estimates that a government program to provide quality child care would cost between $75 billion and $100 billion a year. That's almost 10% of total federal expenditures.

Given fiscal realities, annual appropriations in the $1 billion to $4 billion range are more likely for the foreseeable future. If these funds are not targeted, they will be spread too thin to help anyone — a $1 billion expenditure works out to only about $60 per year per child. The criterion for evaluating any federal child-care program, therefore, is whether its benefits are directed to those in greatest need.

Both major bills now before Congress fail this test. Their subsidies will go to middle-class rather than low-income families, while driving up the price of child care for all families.

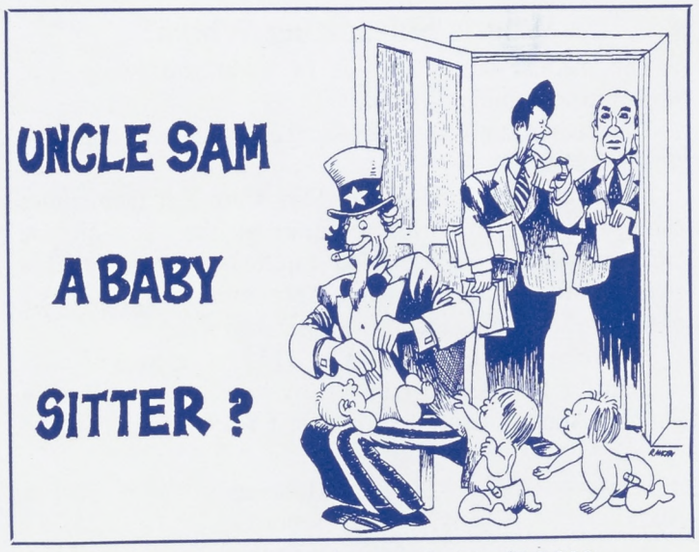
The ABC bill, for example, sets eligibility at 115% of the median income of families of the same size. That would create a national income cap of about $33,908. But the bill sets eligibility by state medians, so that many states are capped at considerably higher amounts. Furthermore, the bill does not guarantee low-income families a minimum percentage of appropriated funds, as do many other federal programs. It merely requires that state plans "give priority for services to children with the lowest family incomes." The Hatch bill provides no income cap. ...

Defenders of both bills rightly point out that they call for a sliding scale of subsidies. But even a relatively steep scale, doubtful given the politics of the situation, would give most funds to higher-income families. That's because these families are more likely to buy child care from day-care centers — the providers to be subsidized the most.

According to the Census Bureau, 31% of college-educated (and thus wealthier) women with children under five use day-care centers, compared with only 15% of women without a high-school diploma. About 55% of this latter group relies on relatives to care for their children, and 62% of women who use relatives pay nothing. Few of these low-income mothers are likely to switch to center-based programs where they will have to pay a subsidized — but still significant — fee.

When they do not use relatives, most mothers pay to have their children cared for in their own home or someone else's. This home-based care will not be subsidized by the bills unless the home meets the newly imposed licensing requirements. ...

This new child-care benefit will be as inappropriately targeted as the current $4 billion Child and Dependent Care Tax Credit, which also is based on what parents spend for child care. In 1983, less than 1% of benefits went to families with adjusted gross incomes below $10,000; only 16% went to



families with adjusted gross incomes below $15,000.

The new subsidy is needed, it is argued, to make quality child-care affordable. But the vast majority of working mothers do not fit the stereotype of the low-income mother working long hours to make ends meet. Two-earner families, for example, had a median income of $38,346 in 1986; "traditional" two-parent, one-earner families, $25,803.

Government policy can and should be more supportive to working mothers. But at times when most social-welfare programs are feeling the budgetary pinch, should a subsidy go to two-earner families that, on average, earn half again as much as traditional, one-earner families? The latter group, which is one-third larger, includes mothers who sacrifice their own careers to care for their children or an elderly or sick relative.

And while divorce, separation and out-of-wedlock births have combined to impoverish nearly four million female-headed families, most single, working mothers are not in such dire straits. We frequently hear that in 1986 female-headed families had a median income of $13,647. That figure, however, includes families on welfare. The median income of single mothers who work full time was $21,958. Twenty-four percent earned more than the median income of traditional, one-earner families. Recognizing these realities, many social analysts reject a generalized federal child-care subsidy in favor of financial assistance for all low-income families. The fairest and most efficient vehicle, most agree, is tax relief...through (1) increasing the personal exemptions to offset the reductions in its value caused by inflation, (2) universalizing the Child and Dependent Care Tax Credit so that it benefits *all* families, including those where the mother stays home to care for their children, or (3) expanding the Earned Income Tax Credit and varying it by the size of the family. ...

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