UNIVERSITY OF MINNESOTA

Office of the President
202 Morrill Hall
100 Church Street S.E.
Minneapolis, Minnesota 55455

November 26, 1985

TO: Margery S. Durham, Chair; Professor, Department of English
John S. Adams, Professor, Department of Geography
Michael L. Baizerman, Professor, Center for Youth Development and Research
Thomas C. Ewald, CLA Student
Vanne O. Hayes, Assistant Dean, Law School
Raleigh E. Kaminsky, Chair, Civil Service Committee
Ronald Kubik, Student
Shirley G. Moore, Professor, Institute for Child Development
Stephanie Z. Oskie, Senior Secretary, University Foundation
Paul C. Rosenblatt, Professor, Family Social Science
Sue Smith-Cunnien, Graduate Student
Anne T. Truax, Director, Women's Center

FROM: Kenneth H. Keller, President Kenneth Keller
Deon Stuthman, Professor, Agronomy and Plant Genetics and Chair, Senate Consultative Committee Deon S Stuthman

SUBJECT: Special Committee to Develop Child Care Policy Recommendations for the Twin Cities Campus

Acting jointly, we, the University President and the University Senate Consultative Committee, are asking you to serve on a special committee to develop new child care policy recommendations for the Twin Cities Campus. We are pleased that Professor Margery Durham has agreed to chair this group and will be contacting you regarding your first meeting.

We ask you to evaluate the University's involvement with child care over the past twelve years, to determine the current need for child care services, and to recommend a policy and course of action for the Twin Cities Campus.

Although there are University-affiliated day care centers on or adjacent to campus, other university and corporate employers offer a variety of service including:

- Space for campus child care centers;
- Financial assistance for employees and low-income students to purchase child care;
- Informational/referral/counseling services to help parents find child care that will best meet their needs;
- Start-up grants to help establish new programs;
- Family daycare home networks which coordinate service provided by small, off-campus daycare homes;

- Coordination and administrative support for campus programs, which can include child care staff training, referral, purchasing, and planning child care research and training activities with participating departments;
- Direct subsidy of child care center operating expenses, to keep fees affordable and the quality of care high. Subsidies have been provided at various institutions through academic departments, personnel services, and student services. (At the University of Minnesota, nearly $100,000 per year in support of the educational and research activities of the University Child Care Center enables it to charge users on a sliding scale.)

Should the Special Committee recommend an increased role for the University in child care, we urge you to call in the appropriate public officials who are knowledgeable about licensing requirements. Any costs associated with meeting those requirements should also be computed.

Whatever actions the Special Committee recommends, we ask that it take carefully into account two major considerations: (1) Quality: To whatever extent and in whatever ways the University provides support for child care, we must offer high quality service and meet all state licensing requirements; and (2) Cost: The cost of any expansion of University-related child care, both in terms of space and of finances, should be calculated and a specific budget plan drawn up. If the committee should recommend an increase in the University's financial contribution, it should also recommend the source for those funds.

It is our hope that the Administration and the Senate can consider and act on your recommendations during Spring Quarter, 1986. To assist you in this important assignment, two people will provide part-time staff support: Jim Elicker, a CURA research assistant, will continue his work of gathering data on the services provided by other institutions and is prepared to design a needs assessment study; and the Board of Regents' office will provide secretarial help. Deon Stuthman would be glad to join your first meeting to discuss the charge and answer any questions you have at this initial stage.

We thank you for undertaking this significant service to the University community.

DS/KHK:kb

cc: Vice President Frank B. Wilderson, Student Affairs
Dean William Gardner, College of Education

UNIVERSITY OF MINNESOTA
TWIN CITIES

Department of English
Lind Hall
207 Church Street S.E.
Minneapolis, Minnesota 55455
(612) 373-2595

June 6, 1986

Acting Vice President Rama Murthy
Academic Affairs
213 Morrill Hall

Dear Vice President Murthy:

Enclosed is a copy of my recent memo to the Twin Cities Campus Child Care Committee. Among other things, it outlines the steps we are taking in order to design a child care budget for the 1987 biennial legislative request. If you are aware of any omissions or difficulties, I hope you will let me know. I have also enclosed other relevant documents for your information. The resolution recently passed by the Iowa General Assembly may be of particular interest.

When I spoke with Clint Hewitt today, he told me about the difficulties in estimating renovation costs for parts of buildings to be used in child care. After this conversation, I am not sure that we will be able to provide you with these estimates before I leave for eight weeks in Europe on June 26.

If you have already told Mr. Hewitt what amount the University can provide for renovation, or have given him a range within which this work can be funded, I will appreciate getting this information from you.

I can best be reached during the week of June 9-13 by leaving messages at both the English Department (373-2595 or 625-3363) and my home (529-8166). Although I will be attending one meeting or another during much of next week, you may be able to reach me directly at home.

Of course, the Child Care Committee can function, and very well, beyond the date of my departure. I will let you know whether this becomes necessary and if so, who is in charge.

Sincerely,

Margery Durham

Margery Durham, Chair

/cb

Enclosures: Memo to Child Care Committee
Cover letter to memo
Child Care Report
Campus Assembly resolution
Iowa Assembly resolution

cc: Jim Borgestad
Clint Hewitt
Jack Merwin
Deon Stuthman
Child Care Committee

UNIVERSITY OF MINNESOTA
TWIN CITIES

Departm
Lind Hall
207 Chu
Minneap
(612) 37

Margery is wonderfully disciplined - Marge.

June 6

TO: Child Care Committee

FROM: Margery Durham

SUBJECT: Child care budget for 1987 legislative request MD

At a meeting of the Senate Finance Committee yesterday, Vice President Murthy asked us to design a budget for child care, to be included in the 1987 biennial legislative request. This project seems to me to involve the following:

1. Getting the estimated market value of the former Marshall-University High School building;

2. Getting the reimbursement figure for OSA for their part in developing Boynton-St. Paul;

3. Getting estimates for renovation of both these buildings and, if feasible, part of Appleby Hall;

4. Negotiating with General College for space in Appleby;

5. Devising a staff budget for possible centers in the buildings mentioned above;

6. Working with rent, utilities and insurance figures for the co-ops at Como and Commonwealth;

7. Discussing the employment status of present child care staff with regard to fringe benefits and comparable worth, and devising a 5-year plan to achieve fair salaries;

8. Working out details of the Coordinator's job at part time (P/A? Civil Service?) and appropriate salary;

9. Designating appropriate clerical help for the Coordinator and assigning salary;

10. Getting the details of the proposed Health Sciences child care plan and determining space costs and utilities fees;

11. Doing the same as in 10 for the Law School child care group;

12. Negotiating with GMDCA-RCC for a referral fee (which we estimated at $4,000 in Appendix F of our report);

13. Possibly devising vouchers or other assistance to low-income students, faculty and staff.

Associate Vice President Hewitt has promised me the figures for 1 and 2, and will consult with Vice President Murthy on 3. I am at present beginning 4. Patty Finstad is prepared to help with renovation estimates, and with help from the Directors at Como and Commonwealth will provide the figures for 5 through 9. I am working on 10 and hope that Vanne Hayes will take up 11. Patty Finstad, again, has agreed to work on 12. I hope that Anne Truax and Diane Warchow can help us with 13.

You may see that other items must also be included. If so, would you please bring figures, as nearly exact as possible, to a meeting we will hold sometime between June 16 and 24.

In addition to our regular members, I have asked the following people to attend, whom as you already know we will need for important information:

Patty Finstad, Director, West Bank Child Care Center
Clint Hewitt, Associate Vice President for Physical Plant and Planning
Jean McGuire, Director, Como Community Child Care Center
Diane Olson, Health Sciences
Jackie Spies, Director, Commonwealth Child Care Center
Diane Warchow, Director, HELP Center

It also seems appropriate that we inform the following administrative officers that we are meeting to discuss these matters, and invite them to attend if they wish:

Andy Collins, Director, Institute of Child Development
Jim Borgestad, Special Assistant to the President
Greg Hart, Sr. Associate Director, University Hospital
Keith McFarland, Dean, College of Home Economics
John Wallace, Assistant Vice President for Academic Affairs

It will help us schedule the meeting if you will telephone Cheryl Baldwin at 624-0842 and tell her when you will not be available. Already the 20th looks doubtful.

This is our chance to accomplish one more substantial part of the long task of providing adequate child care here. As a closing word of encouragement, I can tell you that comparison with a recent, year-long study at the University of Iowa suggests that our figure of a possible need for 1,200 openings on or near campus (as well as our estimate of nearly 5,000 needs for some kind of child care, somewhere) are reasonable and could even be called conservative. Iowa, with a student-faculty population of 31,000, estimates its possible need at 850; the University of Minnesota's Twin Cities student-faculty population is, according to the Higher Education Yearbook, about 61,000. Going by the Iowa study, then, an estimated need of 1,700 child care slots is not wholly out of the question. Stanford, with less than one-fourth our campus population, cares for nearly three times as many children as we do now. I think we can give the University Administration a strong case for its legislative request concerning child care.

/cb

cc: Rama Murthy, Vice President for Academic Affairs
Ann Bailly, Assistant to Vice President for Academic Affairs
Deon Stuthman, Chair, Senate Consultative Committee
Jack Merwin, Chair, Senate Finance Committee
Invited Guests

UNIVERSITY OF MINNESOTA
TWIN CITIES

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April 9, 1986

TO: Child Care Committee Members

FROM: Margery Durham

This is the nearest to a final version of our report that we have. I hope it will be the version discussed on April 17 with the SCC.

New material includes, besides the title page and Abstract (p. 1):

An addendum to p. 8 - "V. Funding". This emerges from further conversations with the Capital Campaign Director, and from further cogitation on my part and on Stephanie's. The letter project seemed to lose CC in the bureaucracy, whereas what CC needs is focusing. Therefore, the funding recommendation is in the form that you see here.

Expansion of Item II, D on p. 6. The space allocation people want to wait for word direct from the President's office before making estimates. They evidently want to avoid seeming partisan on behalf of our recommendations. Therefore, all we can do is ask that K. Keller give the word to make the estimates and allocate the space, and suggest where space might be found.

I have rearranged the Appendixes to coincide with the reader's probable reference to them as he or she goes through the report. I have also renumbered the pages consecutively throughout.

Please let me know of any problems you perceive. At this time, though, I think we've done all the factfinding and just about all the talking that we can.

Thanks for all the work that you have done, and for the unique contributions each of you has made - often at exactly the appropriate moment. I am rather proud of us all.

/cb

Enclosures

cc: President Kenneth Keller
Deon Stuthman, Chair, SCC

CHILD CARE AT THE TWIN CITIES CAMPUS

of the

UNIVERSITY OF MINNESOTA

Submitted by

The Special Committee to Develop

Child Care Policy Recommendations for the Twin Cities Campus

April, 1986

Margery S. Durham, Chair
John S. Adams
Michael L. Baizerman
Thomas C. Ewald
Vanne O. Hayes
Raleigh E. Kaminsky
Ronald Kubik
Shirley G. Moore
Stephanie Z. Oskie
Paul C. Rosenblatt
Sue Smith-Cunnien
Anne T. Truax

ABSTRACT

Available child care is insufficient to meet the needs of many parents associated with the University of Minnesota. Since neither market forces nor government assistance seem likely to fill the gap, the University should assist parents who are current and prospective students, staff, and faculty to obtain high-quality child care. Providing such assistance will help the University to recruit and to retain outstanding people. Because it is in the University's interest to promote the best learning possible from its students and the best work possible from its employees, child care that frees students, staff, and faculty from these time commitments and concerns is economical and productive. For these reasons and because it provides unparalleled opportunities for research into this area of great and recent social change, a well-planned coordination of various child care services furthers the Commitment to Focus.

The Committee therefore urges the following action:

1. Creation of a new position: the University Coordinator of Child Care.

2. Creation of a standing committee on child care as part of the Twin Cities Campus Assembly.

3. Creation of at least 100 new child care openings by December 31, 1986 and of an additional 100 by June 1, 1987.

4. Inclusion of child care expenses as a criterion for student financial aid.

5. Insertion of pay-deducted, tax-free child care into the University employee benefits program.

6. Addition of both new and renovated child care space to the 1987 Legislative Request.

7. Inclusion of new and renovated space, equipment and other start-up funds in the University's Capital Campaign.

8. Affiliation with the two major Minneapolis and St. Paul child care referral services.

9. Commitment of start-up funds for research and facilities to already-organized constituencies.

10. Provision of subsidies for low-income students and employees.

CHILD CARE AT THE TWIN CITIES CAMPUS

UNIVERSITY OF MINNESOTA

Introduction

Since 1970 child care in America has changed in ways that require serious attention. The rapid change in family structure over the past 15 years has made high-quality child care one of the most pressing of the social issues now before us. The proposed Consortium on Children, Youth and Families shows that the University is aware of the need for further understanding and for constructive, timely action on behalf of our society's youngest, most vulnerable, and most potentially valuable members -- those who in 20 years will be shaping the nation's future. Clearly, the University has the responsibility for asking questions about such long-term societal needs, and for evaluating critically their alternative solutions.

So pressing was this matter as long ago as 1973 that the University established one child care center on campus. This center has continued to function well, though its facilities and staff are strained and can meet only a small fraction of the present need. Two other child care centers subsequently opened on a cooperative model and are also doing well with their slender resources. But these centers, however excellent in their particular ways, cannot begin to fulfill the University's responsibility in research, innovation and education, as folk wisdom disappears faster than scientific knowledge can replace it. On the other hand, present needs provide an opportunity for national leadership in this crucial area. This opportunity should be pursued in two closely related modes: in research and in providing immediately needed access to child care facilities for University students, staff and faculty.

Child Care and the Commitment to Focus

Both these modes are consistent with and will contribute to the Commitment to Focus. This plan, aimed at making the University of Minnesota one of the top public universities in the country, is an appropriate goal and an attainable one. Obviously, however, it requires certain changes and innovations to bring it about. Our proposals concern 1) focusing the University's considerable intellectual resources on what is now recognized as a public policy problem of staggering proportions; and 2) raising the University to a competitive level in its effort to attract top quality students, staff and faculty.

1) Intellectual focus: Years ago child care was considered to be largely a private matter. Statistics show beyond question

that it is not so today. The University can contribute innovations in child care policy, in methods of child care delivery, in

the evaluation of care and the examination of evaluating standards, and in the training of child care workers. The state's two-year institutions can train the workers, but the education of those who do the training, and the scrutiny, evaluation and adjustments in such training so as to meet society's changing needs, can only be done here. The University has been a pioneer in medical practice, surgery, psychological testing, agricultural research and other areas. Surely our children deserve -- and the University can provide -- comparable investments of scholarly effort. Furthermore, in addressing immediate child care needs, we can learn more about what businesses, government agencies, and parents themselves need to know.

It comes as no surprise that until the last decade women have made it possible for men to work efficiently elsewhere. This arrangement has disappeared to the extent that almost 60 percent of the married men in the work force have wives working full or part-time. By 1990 it is estimated that two-thirds of the new entrants to the labor force will be women.[1] The disappearance of extended families, as well as the huge increase in single-parent families and in the number of families in which both parents work outside the home are causing businesses and government institutions (including, for example, Honeywell, 3M and the U.S. Army) to provide alternatives for traditional family child care.[2] Businesses have found that male absenteeism increases in proportion to wives' absence from the scene of child care, and this fact has provided additional incentive to meet the new needs. The arrangements, however, have been necessarily _ad hoc_, and require responsible testing and evaluation. The claim on the University's attention is imperative, and the opportunity for leadership is here.

2) _Attracting high-quality students, staff and faculty_: Recruiting the best undergraduate and graduate students, as well as staff and faculty, will be helped by a strong University child care program. Stanford and Harvard/Radcliffe have such programs already and are developing them further. (See Appendix C.) Other major institutions are following. Demographic studies show that the student population is aging: that 43 percent of University students are aged 25 or older. Between 1970 and 1982 the number of women aged 25 to 29 who were enrolled in higher education rose 249 percent. The number of women aged 30 to 34 rose 314 percent.[3] We can assume that the pattern for male students is similar to that in business: that as men assume more responsibility for child care, their attention goes increasingly in that direction. Therefore, although the provision of equal opportunity for women suggests that the University community help its members find high-quality, affordable child care, the problem is not only a women's problem. The facts of family life today

require that male students, staff and faculty, too, be relieved from anxiety concerning the care of their children. Because it is in the interest of any university to promote the best learning possible among its students and the best work possible from its faculty and staff, the provision of child care whose quality, flexibility and cost meet their needs will serve the entire University well.

It is becoming generally known that in the early 1990's, about one-third of the University's faculty will retire, and that colleges and universities elsewhere in the country will face a similar situation. In the competition to attract, develop and retain young, high-quality faculty, child care can form a significant part of the benefits of teaching at the University of Minnesota. Directed by the University and delivered by appropriate private, public, partnership and cooperative service providers, child care is an appropriate and essential activity for a major university whose ambitions and goals are high.

Specific Needs

Available high-quality child care is insufficient to meet the needs of some parents associated with the University of Minnesota and others who would be associated with the University were appropriate child care available. Needs assessment is not straightforward where demand for services is likely to increase as the supply of the services increases. However, we estimate that at least 4,500 additional child care slots are needed by current members of the University community. At least 1,200 of these openings are needed on or close to campus. Currently, there are 162 FTE slots on campus.

Many different service providers and types of service must satisfy many different needs. For example, child care must take different forms for children of different ages, for parents who have different conceptions of the kind of care they want, who differ in their feelings about enrolling a child in a facility that might be part of University faculty research, and who differ in their interest in and capacity to participate in parent cooperatives. Child care must be different for children who will be present only occasionally, for children whose care is needed on a walk-in basis rather than on a prearranged time schedule, for children needing evening or weekend care, and for children who are sick. There must also be a plurality of service providers and types because of the realities concerning facilities available on and close to campus, because of the complexities of financing child care, and because of the University's interest, wherever feasible, in public-private partnerships. We do not want to compete with the private sector, but to complement it and facilitate its work. Finally, the University's commitment to study the effects of different approaches to child care and to educate the public would be aided by a diversity in care arrangements. Given this complex array of needs, we propose the establishment of a University Coordinator of Child Care.

The University Coordinator of Child Care

A Coordinator of Child Care Services would identify needs and match them with child care services available on and off campus. Such a person would minimize the competition of the University with existing providers of high-quality care and existing referral organizations. A Coordinator would keep the issue of child care visible in and relevant to continuous University planning, would be an advocate for child care, and would promote the development of facilities and services that meet the changing needs. This office would also encourage collaboration between appropriate University units and child care programs, to facilitate training and research projects.

As described above, these needs are complex, including as they do on-campus, near-campus and close-to-home facilities for daylong care, drop in and odd hour care, infant care, sick child care, and summer and after school care. The University will have to play a variety of roles, providing space in which others can provide services, providing services directly, stimulating private services both close to and at a distance from the campus, and both supporting and using existing referral services. Similarly, the University should provide funding by taking advantage of federal, state and county subsidies, by providing facilities, and by working out options for child care among employee benefits. Appendix A contains further descriptions of the mission of the Coordinator's office and of the Coordinator's position.

A Standing Committee

There should be added to the Twin Cities Campus Assembly a standing committee on child care. This committee would make policy, serve as liaison with the Child Care Coordinator, and provide support on campus for the campus child care programs. This will help to insure that the issue receives its necessary attention as plans are made for the future.

Recommendations for Action

As a guide to the Child Care Coordinator and as an example both of reasonable action and specific priorities, the committee recommends the following:

I. <u>A Timetable</u>

The goals set below represent what the committee considers a practical start on providing campus facilities. Additions should follow. The Twin Cities Campus student population is very large and child care needs are correspondingly great (see Report, p. 5). The following list merely suggests a beginning:

A. July 1, 1986 - Set the budget for the Child Care Coordinator's salary and office.

B. December 31, 1986 - Have in place 100 new child care slots; this is to be achieved in part by supporting already-existing plans (e.g., in the Health Sciences and the Law School).

C. June 1, 1987 - Have facilities and staff for an additional 100 children in grades K through 6 to meet summer school students' needs.

II. In addition to the goals described above, the following steps require a minimum investment of administrative time and money:

A. Direct the Financial Aid Office to include child care expenses among its criteria of need.

B. Place child care on the University's priority list for foundation funding, with particular emphasis on low-income students and staff.

C. Insert pay-deducted, tax-free child care into a flexible employee benefits program. See Appendix D.

D. Obtain cost estimates for remodeling space in such buildings as: Boynton Health Service (St. Paul) and Appleby Hall (Minneapolis) for child care. Consider the acquisition and use of former Marshall-University High School for child care, among other things, and add the acquisition of child care space to the 1987 Legislative Request.

E. Allocate capital improvement funds for the renovation of space to make suitable child care facilities. See relevant pending federal legislation, Appendix E.

F. To replace, if necessary, student fees currently allocated to child care and to replace lapsing community grants, the committee 1) endorses the plan of the Office of Student Affairs to fund space, maintenance and utilities for various student activities in a separate budget item in the Legislative Request (see Regents' agenda for January 9-10, 1986); 2) recommends a continuing University subsidy, for which current federal legislation is relevant. See Appendix E.

G. Commit start-up money for organized constituencies, these funds to be awarded by the Child Care Coordinator.

H. Subsidize research, for example through the proposed Consortium on Children, Youth, and Families.

I. Affiliate with the Greater Minneapolis Day Care Association (GMDCA) and the St. Paul Resources for Child Caring (RCC) to provide referral service. See Appendix F.

III. <u>Special Needs</u>

The following must be addressed in the future. At least one is of high priority because of the large need.

A. Infant Care. This is what the largest number of people need. It is also the most expensive to provide. But in conjunction with steps II, A, B and C above, the University could make a start.

B. Evening Care. Flexible hours are an essential part of any University child care system, to allow students time at the library and to accommodate night shift staff in University Hospitals and elsewhere on campus. See I, B above: Health Sciences staff have been especially active in planning for this type of care.

C. Sick Child Care. This is hard to find in the community at large and is usually too expensive for students and low-income staff.

IV. Review

The child care program and its Coordinator should report annually to the Twin Cities Campus Assembly Child Care Committee, as well as to the administrative officers assigned in Appendix A.

V. Funding

Since the problem of child care affects every University unit, it cannot easily be assigned to any single department. Research, as well as the designing, equipping and staffing of the facilities themselves, concerns too many different programs and departments to be the responsibility of only one. Hence coordination is needed in funding as well as in directing child care efforts. The project needs a dependable connection to both administrative and funding structures, and yet is unique perhaps in the variety of its relationships to many different units.

Therefore, the Committee suggests the assignment of as yet undesignated, discretionary funds directly by the University President.

Conclusion

The leadership that the University of Minnesota can supply in providing child care for members of the University community should be a useful guide for the state as a whole and could very likely affect how this widespread social need is perceived and met throughout the country. The issues that affect the University affect also other educational institutions, government agencies of all kinds, and businesses. It is becoming a standard employee service in local corporations and is a concern of both recently-passed and pending federal and state legislation, as well as a growing operation within government agencies. Thus far the need has been met on an ad hoc basis. The University can contribute its superior knowledge, its creative talent and its standards of rigorous examination to these on-going social experiments. Considering the gravity of the issue and the consequences at stake, the University's duty seems plain.

Furthermore, University leadership in exploring, rationalizing and providing child care is consistent with the goals set forth by President Keller and endorsed by the Regents. Such leadership will enable us to meet the challenges of the next decade in ways that are practical, observable, and essential to the quality of this University.

APPENDIX A

Mission Statement: Office of Child Care Services

The purpose of the Office of Child Care Services is to facilitate high-quality, workable child care arrangements for University of Minnesota families. The Office accomplishes this goal by identifying child care resources on campus and in the surrounding community, by informing University parents of these resources, and by assisting in the development of innovative child care programs when needed services do not exist. In addition, the Office interprets and carries out University child care policies, provides technical assistance to existing campus child care programs, and represents the child care interests of University parents and their children on campus and at the local, state and national levels. Finally, the Office shall encourage collaboration between appropriate University units and child care programs to facilitate training and research projects.

Position Description - Child Care Coordinator

The Child care Coordinator position is a full-time, 12-month professional administrative position, $1,667-2,000 a month, to begin July 1, 1986. This person will report to the Office of the Vice President for Finance and Operations and the Office of Academic Affairs jointly.

RESPONSIBILITIES

Coordinate child care centers on the Twin Cities Campus;

Advise on and monitor University child care policy;

Maintain knowledge of state and national legislation which affects child care; cooperate in lobbying efforts on needed child care legislation; develop grant proposals;

Develop and maintain liaison between GMDCA and RCC and the University; develop computer linkage;

Develop and maintain campus information systems on child care, a registry for cooperative child care arrangements and other parent assistance;

Act as consultant with college task forces in developing new child care centers on campus, or in developing other forms of care (sick children, summer school care, evening care, etc.);

Coordinate University units to facilitate joint teaching and research arrangements;

Communicate child care needs and interests to University Administration and units or committees with interest in child care;

Supervise the publicizing of child care information on campus to both prospective and present faculty, students and staff;

Provide staffing for the Child Care Council of the Twin Cities Campus Assembly Operations Committee.

QUALIFICATIONS

Broad knowledge of child care operations, regulations and legislation at state and federal levels;

At least four years' experience in child care administration;

Undergraduate four-year degree, preferably in early childhood education or other relevant field;

Good communication skills and speaking ability;

Familiarity with the University of Minnesota/Twin Cities helpful.

TO APPLY:

Applications should include:

1. Letter of application detailing how your experience qualifies you for this position;

2. A copy of your <u>curriculum vitae</u>;

3. A 1,000-word statement on the future of child care in four-year and graduate level institutions of higher education in Minnesota;

4. Names of two references with telephone numbers.

APPENDIX B

I. Notes to Committee Report:

[1]"Corporate Financial Assistance for Child Care," Dana Friedman. Research Bulletin No. 117 (The Conference Board Work and Family Information Center, New York, NY, 1985), p. 5.

[2]"Corporate Financial Assistance. . .," pp. 14, 18-19. "Uncle Sam's Minding the Baby," Working Mother, (Jan., 1986), pp. 36-40.

[3]"Colleges Hard Pressed to Meet Demands for Child Care" Chronicle of Higher Education, Vol. 31, No. 4 (Sept. 25, 1985), p. 29.

II. The Committee received considerable help from two University staff members: Cheryl Baldwin and James Elicker.

III. Bibliography: In addition to the legislation listed in Appendix C, the Committee consulted the following printed sources, among others:

"A Status Report on the U. of M. Child Care Center," U. of M. Child Care Center Policy Advisory Board. Spring, 1985.

"Campus Child Care Programs: The State of the Art. Results of a Selective National Survey," James G. Elicker, Center for Urban and Regional Affairs, Univ. of Minn., March, 1986.

"Campus Child Care Survey" (Draft): Table 1. [James G. Elicker, CURA, 1986].

"Child Care at the U. of M.-Twin Cities: A Preliminary Needs Assessment," James G. Elicker, Center for Urban and Regional Affairs, Univ. of Minn., Jan, 1986.

"Child Care Finds a Champion in the Corporation," William Meyers, The New York Times Sunday, Aug. 4, 1985, Sec. 3.

"Child Care for Employees' Kids, Special Report," Dana E. Friedman. Harvard Business Review, March-April, 1986, pp. 28-34.

"Ch[ildcare] Services and Programs at Stanford," Dorothea K. Almond and Phyllis H. Craig, Consultants on Childcare. Stanford University.

"Child Care Workers," Newsletter #98. Commission on the Economic Status of Women, St. Paul, MN January, 1986.

"Child Day Care Policies and Procedures Manual," Hennepin County Community Services Dept. June 1, 1984.

"Colleges Hard Pressed to Meet Demands for Child Care; Funds Called Inadequate," Elizabeth Greene. Chronicle of Higher Education, Vol. 31, No. 4 (Sept. 25, 1985), pp. 29-30.

"Colleges Permitting Employees to Tailor Fringe Benefits to Their Own Needs," Scott Heller. Chronicle of Higher Education, Vol. 32, No. 2 (March 12, 1986), pp. 1, 31.

"Corporate Financial Assistance for Child Care," Dana Friedman. Research Bulletin, No. 177. The Conference Board Work and Family Information Center, c. 1985.

Corporations and Families: Changing Practices and Perspectives, Helen Axel. Report No. 868 The Conference Board, c. 1985.

"Day-Care Programs Take Hold on Campuses," Chronicle of Higher Education, Vol. 27, No. 23 (Feb. 15, 1984), pp. [21]-22.

"Evening Child Care Available at University of Kentucky," Project on the Status and Education of Women. Assn. of American Colleges. Vol. 15, No. 3 (Winter, 1986), p. 2.

"Minnesota Men in Child Care," Jim Elicker and Dan Greenberg, U. of M. Feb. 20, 1986.

News and Views from the Minnesota Council on Children, Youth and Families. Dept. of Human Services, State of Minnesota. Vol. 1, #4 (March, 1986).

Parts 9545.0510 to 9545.0670 Extracted from Minnesota Rules 1983 as in effect July 31, 1983. Dept. of Human Services: Group Day Care of Preschool and School-Age Children.

"Prospectus for a Consortium on Children, Youth and Families" Office of the Assistant Vice-President for Academic Affairs, U. of M. Draft, March 5, 1986.

"Recommendations to the Vice Presidents," University Task Force on Child Care. May, 1973.

"The Fall 1985 Student Fee Survey," Ron Matross, Research Bulletin, Office for Student Affairs, U. of M. Vol. 25, No. 1, Jan. 10, 1986.

"Uncle Sam's Minding the Baby," Working Mother, Jan., 1985.

APPENDIX C - From "Campus Child Care Programs: The State of the Art," James G. Elicker, CURA, March, 1986.

CAMPUS CHILD CARE SURVEY

	Number of Centers	FTE Children	Total Enrolled	Hours	Ages Served
Public					
Ohio State University	1	192	224	Day	Inf,Tod,Presch
University of Minnesota - Twin Cities	3	162	216	Day	Inf,Tod,Presch, Some School
University of Wisconsin-Milwaukee	1	154	264	Day	Inf,Tod,Presch
University of Texas-Houston	1	110	110	Day	Inf,Tod,Presch
Georgia State University	1	105	240	Day+Eve	Inf,Tod,Presch, School Age
University of Michigan-Ann Arbor	2	104	226	Day	
University of Maryland-* College Park	1	100	?	?	Tod,Presch
Michigan State University	1	96	130	Day	Inf,Tod,Presch
University of Mass.-Boston	2	90	105	Day	Tod,Presch
University of Connecticut	1	84	84	Day	Inf,Tod,Presch
University of Sthrn. Calif.	1	64	85	Day	Tod,Presch
University of N. Dakota-Grand Forks	1	48	100	Day	Presch
University of Illinois-Urbana	1	40	80	1/2 Day	Tod,Presch
Indiana University-Bloomington	1	40	42	Day	Presch
Northern Illinois Univ.	1	38	73	Day	Tod,Presch
Private					
Stanford University	5	450	650	Day	Inf,Tod,Presch, School Age
Harvard/Radcliffe Univ.	7	350	375	Day	Inf,Tod,Presch
Carnegie-Mellon Univ.	2	130	130	Day	Inf,Tod,Presch
Lehigh University	1	100	120	Day	Inf,Tod,Presch

*Planned, not yet constructed.

APPENDIX C

CAMPUS CHILD CARE SURVEY

	Sponsoring Department	Located	Free Space	Sources of Cash Income, %: Parent Fees	Univ Gen.	Acad. Dept.	Stud. Fees	Govt.	Other
Public									
Ohio State Univ.	Personnel	Off Campus	No	55	20	0	0	25	0
Univ. of Minnesota - Twin Cities	Child Devt.& Parent Bds.	On&Off Campus	Yes/ No	71	0	16	4	6	4
Univ. of Wisconsin-Milwaukee	School of Education	On Campus	Yes	75	0	0	24	1	0
Univ. of Texas-Houston	Student Services	Univ. Housing	Yes	100	0	0	0	0	0
Georgia State Univ.	College of Education	On Campus	Yes	42	0	0	10	48	0
Univ. of Michigan-Ann Arbor	Academic Affairs	On Campus	Yes	79	13	7	0	1	0
Univ. of Maryland-College Park *	Private Non-profit	On Campus	No			Not Available			
Michigan State Univ.	Student Services	Student Housing	Yes	95	0	0	0	0	5
Univ. of Mass. Boston	Student Affairs	On Campus	Yes	16	17	0	17	49	0
Univ. of Connecticut	Family Studies	On Campus	Yes	80	15	0	0	5	0
Univ. of So. Calif.	Human Resources	Near Campus	Yes	60	39	0	0	1	0
Univ. of N. Dakota-Grand Forks	Education	On Campus	Yes	82	0	10	0	8	0
Univ. of Illinois-Urbana	Inst. for Child Beh.	On Campus	Yes	80	0	20	0	0	0
Indiana Univ. Bloomington		On Campus	Yes	100	0	0	0	0	0
No. Illinois Univ.	Student Affairs	On Campus	Yes	39	15	0	17	29	0
Private									
Stanford Univ.	Indepen.	On Campus	Yes	90	0	0	0	0	10
Harvard/Radclf. Univ.	Various	U. Property	Yes	100	0	0	0	0	0
Carnegie-Mellon Univ.	Auxilliary Services	On & Near Campus	No	78	12	5	0	5	0
Lehigh Univ.	Private Nonprofit	Near Campus	No			Not Available			

"Corporate Financial Assistance for Child Care" Research Bulletin No. 177, The Conference Board, New York, 1985, pp. 35-36.

Sample Dependent Care Assistance Plan [1]

This is a sample plan. Employers should consult their own tax attorneys or advisors with respect to adoption and implementation of any Dependent Care Assistance Program. If dependent care is to be offered as part of a flexible benefits program, then the requirements of Code section 125 must also be satisfied. The provisions of this sample 129 plan can be incorporated into a 125 plan which should be submitted to the Department of Labor.

ABC CORPORATION
DEPENDENT CARE ASSISTANCE PLAN*

1. *Purpose* The company wishes to assist its employees in the care of their qualified dependents and therefore has adopted the ABC Corporation Dependent Care Assistance Plan (the "plan") set out herein for the exclusive benefit of those employees who are eligible to participate in the plan. The plan is intended to qualify as a dependent care assistance program under section 129 of the Internal Revenue Code of 1954, as amended and shall be construed to comply with Code section 129.

2. *Definitions*. The following terms are defined for purposes of the plan and are indicated by capitalized initial letters wherever they appear in the plan:

a. "Dependent" shall mean (i) any child of an employee who is under age 15 or who is physically or mentally incapable of caring for himself or herself and with respect to whom the employee is entitled to claim an exemption for federal income tax purposes or who is in the custody of the employee for at least six months during the calendar year; and (ii) a spouse of the employee who is physically or mentally incapable of caring for himself or herself.

b. "Employee" shall mean any person employed by the company any portion of whose income is subject to withholding of income tax and/or for whom social-security contributions are made by the company, as well as any other person qualifying as a common law employee of the company.

c. "Dependent Care Expenses" shall mean amounts paid for the care of a dependent in the employee's home or at a dependent care facility which meets all applicable requirements of state or local law or is exempt from such requirements under the state or local law in question and amounts paid for related household services, except that the following items shall not be considered dependent care expenses:

(i) Amounts paid to a person with respect to whom the employee or his or her spouse is entitled to claim an exemption for Federal income tax purposes;

(ii) Amounts paid to a child of the employee who is 18 years of age or younger, and

(iii) Amounts paid for or reimbursed under another plan of the company or to which the company contributed on behalf of the employee, under any Federal, state or local program of dependent care assistance, or by an employer of the spouse or by an educational institution where the spouse is an enrolled student.

3. *Effective Date*. The plan shall be effective on ________________.

4. *Eligible Employees*. All employees of the company shall be eligible to participate in the plan.

5. *Reimbursement of Expenses for Dependent Care*.

a. Upon application of the employee, accompanied by a bill, receipt, cancelled check, or other written evidence of payment or of the obligation to pay dependent care expenses, the company will reimburse the employee for dependent care expenses incurred in order to enable the employee to be employed by the company, subject to the limits of paragraph b. The company reserves the right to verify all claimed expenses prior to reimbursement.

b. *Limitation on Benefits*. The maximum amount of dependent care expenses which will be reimbursed under this plan shall be the lowest of:

(i) $ __________ per calendar year; or

(ii) If the employee is single or is married and earns less than his or her spouse in a calendar year, the compensation paid to the employee by the company as reflected on his or her Form W-2 for the year; or

[1] Prepared by Barbara B. Creed, Partner, Pillsbury, Madison and Sutro, San Francisco, CA and Deene Goodlaw Solomon, Counsel, Pillsbury, Madison and Sutro. Reprinted with permission from the Child Care Law Center, San Francisco, CA

* Additional plan provisions will apply and other considerations will pertain if the plan is an "employee welfare benefit plan" as defined in section 3 (3) of the Employee Retirement Income Security Act of 1974, as amended

(iii) If the employee is married and the earned income of his or her spouse is less than the compensation paid to the employee by the company in a calendar year, the earned income of the spouse. If the spouse is a student or is physically or mentally incapable of caring for himself or herself, the spouse will be deemed to have earned income (for each month that the spouse is a student or incapacitated) of $200 per month if the employee has one dependent for whom care is provided and of $400 per month if the employee has two or more dependents for whom care is provided.

The company may require that the employee and/or his or her spouse certify to the company the amount of such spouse's expected earned income for the calendar year in question and may require that the employee provide documentary evidence of the amount certified in the form of an employment contract, paycheck stub, medical records (if the spouse is incapacitated) or a school enrollment form (if the spouse is a student).

c. *Direct Payment in Lieu of Reimbursement.* The company may, in its discretion, pay any expenses for dependent-care directly to the dependent-care provider in lieu of reimbursing the employee in satisfaction of its obligations under the plan.

d. *Limitation of Benefits Paid to Prohibited Group.* No more than 25% of the benefits paid under the plan in any one calendar year shall be provided for the class of individuals (or their spouses or dependents) each of whom owns more than 5% of the stock of the company, determined in accordance with Code sections 1563(d) and (e) without regard to Code section 1563(e)(3)(C), on any one day of that calendar year. If the benefits payable under the plan to such class exceeds the limits of this paragraph, the benefits paid to each individual member of the class shall be reduced proportionately.

6. *Funding Method.* The benefits provided under the plan are funded entirely out of the general assets of the company.

7. *Notification of Terms of Plan.* A copy of the plan shall be given to all employees.

8. *Statement of Benefits.* On or before January 31 of each year, the company shall furnish each employee who received benefits under the plan a written statement showing the amounts paid or the expenses incurred by the employer in providing dependent-care assistance under the plan for the prior calendar year.

9. *Amendment or Termination.* The company may amend or terminate the plan at any time; provided, however, that any such amendment or termination shall not affect any right to benefits arising prior to such amendment or termination or shall cause benefits paid hereunder not to qualify as dependent-care assistance under Code section 129.

10. *Governing Law.* This plan and the rights of all persons under the plan shall be construed in accordance with and under applicable provisions of the Internal Revenue Code of 1954, as amended, ERISA and the laws of the State of California.

[Note: The following provisions should be added if the plan is an "employee benefit plan"]

11. *Fiduciary Responsibility and Plan Administration.*

a. *Plan Sponsor and Plan Administrator.* The "plan sponsor" and the "administrator" of the plan, within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA"), is the company.

b. *Named Fiduciary.* The company is the named fiduciary responsible for the operation and administration of the plan.

c. *Assignment of Duties.* The duties of the company hereunder shall be carried out in its name by its executive committee, officers and employees. The company may designate any person to carry out fiduciary responsibilities under the plan pursuant to a written instrument which specifies the fiduciary responsibilities assigned to each such person. Any person may serve in more than one fiduciary capacity with respect to the plan.

d. *Employment of Advisors.* The company or a fiduciary designated by the company, may employ one or more persons to render advice with regard to its fiduciary responsibilities under the plan.

12. *General Plan Information.*

a. *Employer Identification Number.* The Employer Identification Number assigned to the company by the IRS is:

______________________.

b. *Plan Number.* The Plan Number assigned to the plan by the company is: ____________.

c. *Plan's Fiscal Year.* The date of the end of the year for purposes of maintaining the plan's fiscal records is:

______________________.

d. *Agent for Service of Legal Process.* The agent for service of process with respect to the plan is: ____________________

____

TO RECORD THE ADOPTION OF THE PLAN, the company has caused this document to be executed by its duly authorized officer this ________ day of ______________.

ABC CORPORATION

By ______________________________
Its

"Corporate Financial Assistance for Child Care," Research Bulletin No. 177, The Conference Board, New York, N.Y., 1985, pp. 37-39.

Selecting a Tax Treatment Plan for Dependent Care: A Comparison Between Salary Reduction and the Dependent Care Credit*

by Sally F. Goldfarb, National Women's Law Center**

As more and more firms opt for flexible benefit plans, an increasing number of employees will face the choice between salary reduction and the dependent care credit as a means of gaining federal income tax savings for dependent care expenses. A taxpayer can use only one of these two tax treatment methods for any given dollar of dependent care expenses.

Although tax laws are continuously subject to change, it is useful to compare the current advantages of these two tax treatments for employees at various income levels.

The Rough Test

As a general rule, if an employee's marginal tax rate is lower than the percentage of dependent care costs that can be subtracted from the employee's tax liability by using the dependent care credit, then the employee will receive greater federal income tax savings by using the credit method.[1] (This comparison does not take into account Social Security tax savings available through salary reduction, because it could be misleading to do so without considering future Social Security benefits, which are subject to numerous variables beyond the scope of this article.) Of course, this rough test assumes that the employee's dependent care payments are equally eligible for the dependent care credit and for the employer's salary reduction plan. It also assumes that if dependent care benefits available under the salary reduction plan are not used, the employee will receive an equivalent amount of cash.

In order to apply this rough test, it is necessary to know the employee's adjusted gross income (which will determine what percentage of care expenses will be available as a credit) and the employee's taxable income (which will determine the marginal tax rate).[2]

To perform this comparison, the taxpayer should first locate the appropriate adjusted gross income on the Dependent Care Tax Credit chart (see page 8) to determine the percentage of care expenses that will be available through the credit. Then, the taxable income should be located on the applicable tax rate schedule in order to determine the marginal tax rate.[3]

[1] "Marginal tax rate" refers to the rate (that is, the percentage) of tax levied on the last dollar of an employee's taxable income

** Attorney Sally F. Goldfarb prepared this article while a Women's Law and Public Policy Fellow at the National Women's Law Center. The author wishes to thank Nancy Duff Campbell, managing attorney of the National Women's Law Center, for her invaluable assistance. This article was made possible in part by funds granted by the Muskiwinni Foundation and the Charles H. Revson Foundation. However, the statements made and views expressed are solely those of the author.

[2] *Adjusted gross income* is total income minus moving expenses, employee business expenses, IRA and Keogh deductions, penalties on early savings withdrawals, alimony paid, and the deduction for a married couple when both work. *Taxable income* is adjusted gross income minus itemized deductions, personal exemptions, and a partial deduction for charitable contributions if one does not itemize deductions.

[3] The annual tax rate schedules are provided by the Internal Revenue Service. Although the tax rate schedules are not actually used by all taxpayers for calculating tax liability (for instance, most taxpayers with taxable income under $50,000 must use the tax tables rather than the tax rate schedules), the tax rate schedules are nevertheless ideal for determining marginal tax rates because the percentage at which each dollar is taxed is stated explicitly. All tax rate figures in this article are for the 1984 tax year.

statutory ceiling for expenses which may be counted toward the dependent care credit is $2,400 for one dependent and $4,800 for two or more dependents. Also, neither salary reduction for dependent care, nor expenses claimed for the dependent care credit, may exceed a taxpayer's or taxpayer's spouse's earnings, whichever is less.

If employees' dependent care expenses exceed the ceiling for their salary reduction plan or the credit—but not both—they should determine which of the two is more advantageous and then allocate their expenses to that option up to the maximum limit (unless they first reach a "tipping point," as discussed above). They should then allocate the remainder of their expenses to the other tax treatment. Of course, if employees' dependent care expenses equal or exceed the *sum* of the ceiling amount for the credit *and* the ceiling amount for their salary reduction plan, then they need not even determine which of the two is preferable; they should simply use each up to its applicable limit. Thus, for example, a taxpayer with $8,000 in dependent care costs who is eligible to claim $2,400 in expenses toward the dependent care credit and $5,000 in expenses through a salary reduction plan should use both of these methods fully—and will still have expenses "left over."

Necessary Information

As the above discussion indicates, employers or individual taxpayers wishing to use this refined test as effectively as possible need to have certain basic information available: yearly adjusted gross income, yearly taxable income, annual dependent care expenses, and the applicable ceilings on the dependent care credit and the salary reduction plan. They also must have access to the appropriate tax rate schedules and the dependent care tax credit chart. Ideally, all of this information should be obtained prior to the decision to elect dependent care benefits under a salary reduction plan for a given year. In fact, however, most taxpayers will have to make approximate projections of income and expenses and apply the refined test to these estimated figures.

One Method of Individual Tax Planning

While tax treatment decisions are subject to continuous changes in the law, and must be fully evaluated by accredited professionals for each individual case, the author of this article believes that the following method of tax planning ensures optimal use of the dependent care credit and salary reduction for dependent care expenses.

This method involves eight principal steps. (All income figures are for 1984.)

1. For the year in question, first determine the amount of dependent care expenses that qualify for the dependent care tax credit and salary reduction. Then determine the ceiling on eligible expenses under the dependent care tax credit and under the salary reduction plan.

2. If dependent care expenses equal or exceed the sum of both ceilings, go no further. Use both tax treatments to the permitted maximum.

3. For the year in question, determine the adjusted gross income and taxable income.

4. If the adjusted gross income is less than or equal to $26,000 for married couples filing jointly, or $22,000 for heads of households, or $19,200 for single taxpayers, then proceed directly to step 7.

5. If taxable income is greater than or equal to $24,202 for married couples filing jointly, or $21,002 for heads of households, or $18,202 for single taxpayers, then proceed to step 8.

6. Determine the credit percentage by locating the adjusted gross income on the dependent care tax credit percentage chart. Find the marginal tax rate by locating the taxable income on the applicable tax rate schedules. Compare these two amounts. If the credit percentage is greater than or equal to the marginal tax rate, proceed to step 7. If the marginal tax rate is greater than the credit percentage rate, proceed to step 8.

7. Use the dependent care tax credit up to the applicable ceiling. Allocate remaining expenses to salary reduction. (It may be advisable to underestimate expenses for salary reduction in order to avoid the risk of forfeiting unused amounts at the end of the plan year.)

8. Determine whether there is a "tipping point." This is a level at which some portion of dependent care expenses, when subtracted from income through a salary reduction plan, reduces the taxpayer's taxable income to a point where the marginal tax rate is lower than the credit percentage available at the newly reduced adjusted gross income. If such a "tipping point" exists, allocate expenses to the salary reduction plan up to that point. Then allocate the remainder to the dependent care credit up to the applicable ceiling. If expenses still remain, allocate the remainder once again to the salary reduction plan. If there is not a "tipping point", allocate expenses to salary reduction up to the permitted ceiling and then allocate the remainder to the dependent care credit. (As noted in step 7 above, it may be advisable to underestimate expenses for salary reduction.)

Case Example

For a more specific example of how to apply the rough test, consider the following case. Assume that a head of household has an adjusted gross income of $25,000. The taxable income, computed by subtracting various deductions and personal exemptions, is $20,000. The appropriate charts indicate that the taxpayer is entitled to a tax credit of 22% of dependent care expenses and that the marginal tax rate at this level of taxable income is 24%. Based on this rough test, the taxpayer would conclude that the salary reduction method is more beneficial than the tax credit.

Employers can provide helpful guidance to their employees by pinpointing the precise income levels at which the dependent care tax credit is generally preferable to salary reduction and vice versa. Such determinations are crucial to the effective use of flexible benefit plans.

In order to make these determinations, certain basic relationships must be kept in mind. It is important to remember that the percentage of the dependent care credit declines (or stays the same) as income increases. By contrast, marginal tax rates rise (or remain stable) with increasing income. Also, a personal exemption is available for taxpayers and their spouses. Thus, married couples gain at least $2,000 in personal exemptions, and single taxpayers and heads of households gain at least $1,000. These exemptions are, of course, subtracted from adjusted gross income when computing taxable income.

Using these basic relationships, it is possible to calculate, first, the adjusted gross income levels at and below which salary reduction for dependent care expenses is never preferable to the dependent care credit method. Consider a married couple filing jointly with an adjusted gross income of $26,000. With two personal exemptions, the adjusted gross income is reduced to a taxable income of *at most* $24,000. (The actual taxable income may be lower because of deductions or additional exemptions.)

At an adjusted gross income of $26,000, the dependent care credit is worth 22% of the care expenses incurred. This percentage will *increase* as the adjusted gross income decreases. At the same time, at a taxable income of $24,000, married couples with joint returns have a marginal tax rate of 22%, and that marginal tax rate will *decrease* as taxable income decreases. Therefore, at an adjusted gross income of $26,000 or less, married couples filing jointly will find the dependent care credit equally or more advantageous than a salary reduction scheme.

In the same fashion, heads of households will find the dependent care credit at least as advantageous as salary reduction at adjusted gross income levels of $22,000 or less. Similarly, single taxpayers with adjusted gross incomes of $19,200 or less will find the dependent care credit to be the more advantageous tax treatment method.

The adjusted gross income cutoff points identified above do *not* mark the points at which salary reduction necessarily becomes more advantageous than the dependent care credit. For instance, a married couple with an adjusted gross income of $26,001 may or may not have a marginal tax rate that is higher than their 21% dependent care credit, depending on their number of deductions and personal exemptions.

The above cutoff points have all been based on adjusted gross income. However, taxable income, not adjusted gross income, is the key to determining the points at which *salary reduction* becomes the more advantageous tax treatment.

The taxable income levels at and above which salary reduction is always initially preferable to the dependent care credit are as follows: for married couples filing jointly, $24,002 in taxable income; for single taxpayers, $18,202 in taxable income; and for heads of households, $21,002 in taxable income.

Refining the Test

Employers and employees should add two important refinements to the rough test previously described, in order to be sure that their conclusions are accurate for individual cases.

The first refinement involves the total amount of dependent care expenses incurred for the year in question. As an example, assume that for the tax year 1984, a single taxpayer with one child and two personal exemptions, but no deductions, has an adjusted gross income of $21,000. Deducting the two $1,000 personal exemptions, this taxpayer has a taxable income of $19,000. Using the rough test previously cited, the taxpayer would note that the 26% marginal tax rate for taxable income of $19,000 is higher than the 24% dependent care credit available for an adjusted gross income of $21,000. Thus, the taxpayer would conclude that using the employer's salary reduction plan for dependent care expenses was the better method. But there could be a hitch. Suppose that the taxpayer's dependent care expenses were more than $800 for the year. In that case, the taxpayer would be better off allocating the amount exceeding $800 to the dependent care credit. This is because once the taxpayer reduces his or her income by $800 through salary reduction, the taxable income level falls to $18,200 (at that level, a 23% marginal tax rate applies). The adjusted gross income becomes $20,200 (entitling the taxpayer to a 24% dependent care credit). At that point, the relative advantages of the two tax treatments have become reversed. (Such a "tipping point" does not occur, however, in instances in which the rough test shows that the dependent care credit is more advantageous than salary reduction and the credit is accordingly used first. This is because the credit is subtracted from tax liability and does not alter either the taxable income or the adjusted gross income.)

The second refinement to the rough test requires knowing the maximum permitted dollar amount of dependent care expenses under the salary reduction plan, and the maximum permitted dollar amount of expenses that may be claimed for the dependent care credit. These maximum permitted amounts may be established in several ways. Employers may set a fixed maximum for salary reduction generally, or for salary reduction, dependent care benefits specifically. The

APPENDIX E

Legislation

Among the relevant legislation are the following:

1. Dependent Care Assistance Plan (DCAP): "A written plan required by Section 129 of the Internal Revenue Code as stipulated in the 1981 Economic Recovery Tax Act. The plan makes employer contributions to the care of children, elderly parents and disabled dependents non-taxable to the employee and tax deductible to the employer." "Corporate Financial Assistance for Child Care," Research Bulletin, The Conference Board, No. 177 (1985), p. 2.

The Conference Board, Inc., 845 Third Avenue, New York, NY 10022.

2. Minnesota State Legislation (pending)

SF 1196 (Spear): Concerning grants for "resource and referral program" within Minnesota Statutes 1984, Section 245.83, all of which authorizes the county board "to provide child care services, to make grants. . .for. . .child care services," etc.

HF 1068 (Clark): Same as SF 1196.

3. Federal Legislation

HR 2111 - Passed December, 1985 as part of HR 3700 "Special Child Care Services for Disadvantaged College Students"; "Child Care Personnel Work-Experience Program".

These are sections 1204 and 1205 of S 809 (Kennedy), pending, which is an amendment to The Higher Education Act of 1965, Sec. 2. The Kennedy bill would provide, in addition to the titles in HR 3700: "Grants for Construction, Reconstruction, and Renovation of Facilities" (Sec. 1203) - $75,000,000 total each year, 1986 - October, 1990.

4. Other legislative interest: Rep. Bruce Vento (St. Paul) conducted a public hearing on child care January 18, 1986. Regulating insurance costs and providing user vouchers on a basis of need seemed to be his focus on federal assistance.

APPENDIX F

Both the Greater Minneapolis Day Care Association (GMDCA) and the St. Paul Resources for Child Caring (RCC) serve corporate clients such as General Mills, Pillsbury, Cargill, and 3M. Almost all major corporations in the Twin Cities, in fact, offer these information services to their employees free of charge. They supply parents with lists of child care providers in designated geographical areas, with information on the number of children served by each provider. Quality cannot be guaranteed, and it is the responsibility of the parents to keep watch on this aspect.

The fee-for-service charge at each agency is based on a sliding scale from $0 to $25. This amount may increase as more services come to be offered. Clients are allowed, besides an initial intake interview, unlimited calls in each year.

Despite the free service to corporate employees, University students, faculty and staff made the most calls of any single group to the two agencies last year. University-affiliated callers accounted for about 6 percent, or 500 of the approximately 10,000 calls. With some publicity, this number could increase to about 800 or 8 percent. As such a large client, the University might well negotiate a reduced fee per person, for example $5, especially if the University were to do the initial interview to determine the parents' needs. To provide the service fee would then cost the University about $4,000 per year.

These agencies also customarily make quarterly reports on the needs of their corporate clients, and hold periodic meetings on child care issues for parents.