I

105TH CONGRESS
1ST SESSION

H. R. 2213

To amend the Internal Revenue Code of 1986 to establish incentives to increase the demand for and supply of quality child care, to provide incentives to States that improve the quality of child care, to expand clearinghouses and electronic networks for the distribution of child care information, to improve the quality of child care provided through Federal facilities and programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 22, 1997

Mr. GILMAN (for himself, Mr. DEUTSCH, and Mrs. KELLY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Government Reform and Oversight, House Oversight, the Judiciary, Education and the Workforce, and Banking and Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To amend the Internal Revenue Code of 1986 to establish incentives to increase the demand for and supply of quality child care, to provide incentives to States that improve the quality of child care, to expand clearinghouses and electronic networks for the distribution of child care information, to improve the quality of child care provided through Federal facilities and programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Creating Improved Delivery of Child Care: Affordable, Reliable, and Educational Act" or as the "CIDCARE Act".

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

SEC. 2. DEFINITIONS.

In this Act:

(1) ACCREDITED CHILD CARE CENTER.—The term ‘‘accredited child care center’’ means—

(A) a center that is accredited, by a child care credentialing or accreditation entity recognized by a State, to provide child care to children in the State (except children who a tribal organization elects to serve through a center described in subparagraph (B));

(B) a center that is accredited, by a child care credentialing or accreditation entity recognized by a tribal organization, to provide child care for children served by the tribal organization;

(C) a center that is used as a Head Start center under the Head Start Act (42 U.S.C. 9831 et seq.) and is in compliance with any applicable performance standards established by regulation under such Act for Head Start programs; or

(D) a military child development center (as defined in section 1798(1) of title 10, United States Code).

(2) CHILD CARE CREDENTIALING OR ACCREDITATION ENTITY.—The term ''child care credentialing or accreditation entity'' means a nonprofit private organization or public agency that—

(A) is recognized by a State agency or tribal organization; and

(B) accredits a center or credentials an individual to provide child care on the basis of—

(i) an accreditation or credentialing instrument based on peer-validated research;

(ii) compliance with applicable State and local licensing requirements, or standards described in section 658E(c)(2)(E)(ii) of the Child Care and Development Block Grant Act (42 U.S.C. 9858c(c)(2)(E)(ii)), as appropriate, for the center or individual;

(iii) outside monitoring of the center or individual; and

(iv) criteria that provide assurances of—

(I) compliance with age-appropriate health and safety standards at the center or by the individual;

(II) use of age-appropriate developmental and educational activities, as an integral part of the child care program carried out at the center or by the individual; and

(III) use of ongoing staff development or training activities for the staff of the center or the individual, including related skills-based testing.

(3) CREDENTIALED CHILD CARE PROFESSIONAL.—The term ''credentialed child care professional'' means—

(A) an individual who is credentialed, by a child care credentialing or accreditation entity recognized by a State, to provide child care to children in the State (except children who a tribal organization elects to serve through an individual described in subparagraph (B)); or

(B) an individual who is credentialed, by a child care credentialing or accreditation entity recognized by a tribal organization, to provide child care for children served by the tribal organization.

(4) STATE; TRIBAL ORGANIZATION.—The terms ''State'' and ''tribal organization'' have the meaning given the term in section 658P of the Child Care and Development Block Grant Act (42 U.S.C. 9858n).

TITLE I—DEMAND FOR QUALITY CHILD CARE

SEC. 101. EXPANSION OF DEPENDENT CARE TAX CREDIT.

(a) PERCENTAGE OF EMPLOYMENT-RELATED EXPENSES DETERMINED BY STATUS OF CARE GIVER.—Section 21(a)(2) of the Internal Revenue Code of 1986 (defining applicable percentage) is amended to read as follows:

''(2) APPLICABLE PERCENTAGE DEFINED.—

''(A) IN GENERAL.—For purposes of paragraph (1), the term 'applicable percentage' means—

''(i) in the case of employment-related expenses described in subsection (b)(2)(A)(ii) incurred for the care of a qualifying individual described in subsection (b)(1)(A) by an accredited child care center or a credentialed child care professional, the initial percentage reduced (but not below 12.5 percent) ratably for each $2,500 (or fraction thereof) by which the taxpayers's adjusted gross income for the taxable year exceeds $20,000, and

"(ii) in any other case, 30 percent reduced (but not below 10 percent) ratably for each $2,500 (or fraction thereof) by which the taxpayers's adjusted gross income for the taxable year exceeds $20,000 but does not exceed $70,000.

"(B) INITIAL PERCENTAGE FOR EXPENSES INCURRED FOR ACCREDITED OR CREDENTIALED PROVIDERS.—For purposes of subparagraph (A)(i), the initial percentage shall be determined in accordance with the following table:

"In the case of any taxable year beginning in—	The initial percentage is—
1998	31.5
1999	33
2000	34.5
2001	36
2002 and thereafter	37.5."

(b) DEFINITIONS.—Section 21(b)(2) of the Internal Revenue Code of 1986 (relating to definitions of qualifying individual and employment-related expenses) is amended by adding at the end the following:

"(E) ACCREDITED CHILD CARE CENTER.—The term 'accredited child care center' means—

"(i) a center that is accredited, by a child care credentialing or accreditation entity recognized by a State, to provide child care to children in the State (except children who a tribal organization elects to serve through a center described in clause (ii));

"(ii) a center that is accredited, by a child care credentialing or accreditation entity recognized by a tribal organization, to provide child care for children served by the tribal organization;

"(iii) a center that is used as a Head Start center under the Head Start Act (42 U.S.C. 9831 et seq.) and is in compliance with any applicable performance standards established by regulation under such Act for Head Start programs; or

"(iv) a military child development center (as defined in section 1798(1) of title 10, United States Code).

"(F) CHILD CARE CREDENTIALING OR ACCREDITATION ENTITY.—The term 'child care credentialing or accreditation entity' means a nonprofit private organization or public agency that—

"(i) is recognized by a State agency or tribal organization; and

"(ii) accredits a center or credentials an individual to provide child care on the basis of—

"(I) an accreditation or credentialing instrument based on peer-validated research;

"(II) compliance with applicable State and local licensing requirements, or standards described in section 658E(c)(2)(E)(ii) of the Child Care and Development Block Grant Act (42 U.S.C. 9858c(c)(2)(E)(ii)), as appropriate, for the center or individual;

"(III) outside monitoring of the center or individual; and

"(IV) criteria that provide assurances of—

"(aa) compliance with age-appropriate health and safety standards at the center or by the individual;

"(bb) use of age-appropriate developmental and educational activities, as an integral part of the child care program carried out at the center or by the individual; and

"(cc) use of ongoing staff development or training activities for the staff of the center or the individual, including related skills-based testing.

"(G) CREDENTIALED CHILD CARE PROFESSIONAL.—The term 'credentialed child care professional' means—

"(i) an individual who is credentialed, by a child care credentialing or accreditation entity recognized by a State, to provide child care to children in the State (except children who a tribal organization elects to serve through an individual described in clause (i)); or

"(ii) an individual who is credentialed, by a child care credentialing or accreditation entity recognized by a tribal organization, to provide child care for children served by the tribal organization.

"(H) TRIBAL ORGANIZATION.—The term 'tribal organization' has the meaning given the term in section 658P of the Child Care and Development Block Grant Act (42 U.S.C. 9858n)."

(c) CREDIT MADE REFUNDABLE FOR LOW INCOME TAXPAYERS.—

(1) IN GENERAL.—Section 21 of the Internal Revenue Code of 1986 (relating to credit for household and dependent care services) is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following:

"(f) CREDIT MADE REFUNDABLE FOR LOW INCOME TAXPAYERS.—

"(1) IN GENERAL.—For purposes of this subtitle, in the case of an applicable taxpayer individual, the credit allowable under subsection (a) for any taxable year shall be treated as a credit allowable under subpart C of this part.

"(2) APPLICABLE TAXPAYER.—For purposes of this subsection, the term 'applicable taxpayer' means a taxpayer with respect to whom the credit under section 32 is allowable for the taxable year.

"(3) COORDINATION WITH ADVANCE PAYMENTS AND MINIMUM TAX.—Rules similar to the rules of subsections (g) and (h) of section 32 shall apply with respect to the portion of any credit to which this subsection applies.".

(2) ADVANCE PAYMENT OF CREDIT.—

(A) IN GENERAL.—Chapter 25 of such Code (relating to general provisions relating to employment taxes) is amended by inserting after section 3507 the following:

"SEC. 3507A. ADVANCE PAYMENT OF DEPENDENT CARE CREDIT.

"(a) GENERAL RULE.—Except as otherwise provided in this section, every employer making payment of wages with respect to whom a dependent care eligibility certificate is in effect shall, at the time of paying such wages, make an additional payment equal to such employee's dependent care advance amount.

"(b) DEPENDENT CARE ELIGIBILITY CERTIFICATE.—For purposes of this title, a dependent care eligibility certificate is a statement furnished by an employee to the employer which—

"(1) certifies that the employee will be eligible to receive the credit provided by section 21 for the taxable year,

"(2) certifies that the employee reasonably expects to be an applicable taxpayer for the taxable year,

"(3) certifies that the employee does not have a dependent care eligibility certificate in effect for the calendar year with respect to the payment of wages by another employer,

"(4) states whether or not the employee's spouse has a dependent care eligibility certificate in effect,

"(5) states the number of qualifying individuals in the household maintained by the employee,

"(6) states whether a qualifying individual will be cared for by an accredited child care center or a credentialed child care professional, and

"(7) estimates the amount of employment-related expenses for the calendar year.

"(c) DEPENDENT CARE ADVANCE AMOUNT.—

"(1) IN GENERAL.—For purposes of this title, the term 'dependent care advance amount' means, with respect to any payroll period, the amount determined—

"(A) on the basis of the employee's wages from the employer for such period,

"(B) on the basis of the employee's estimated employment-related expenses included in the dependent care eligibility certificate, and

"(C) in accordance with tables provided by the Secretary.

"(2) ADVANCE AMOUNT TABLES.—The tables referred to in paragraph (1)(C) shall be similar in form to the tables prescribed under section 3402 and, to the maximum extent feasible, shall be coordinated with such tables and the tables prescribed under section 3507(c).

"(d) OTHER RULES.—For purposes of this section, rules similar to the rules of subsections (d) and (e) of section 3507 shall apply.

"(e) DEFINITIONS.—For purposes of this section, terms used in this section which are defined in section 21 shall have the respective meanings given such terms by section 21.".

(B) CONFORMING AMENDMENT.—The table of sections for chapter 25 of such Code is amended by adding after the item relating to section 3507 the following:

"Sec. 3507A. Advance payment of dependent care credit.".

(d) EFFECTIVE DATES.—

(1) APPLICABLE PERCENTAGE.—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 1997.

(2) CREDIT MADE REFUNDABLE.—The amendments made by subsection (c) shall apply to taxable years beginning after December 31, 2000.

SEC. 102. EXPANSION OF DEPENDENT CARE ASSISTANCE PROGRAM.

(a) IN GENERAL.—Section 129(a)(2)(A) of the Internal Revenue Code of 1986 (relating to limitation of exclusion) is amended to read as follows:

"(A) DOLLAR LIMITATION.—

"(i) IN GENERAL.—The amount which may be excluded under paragraph (1) for dependent care assistance with respect to dependent care services provided during a taxable year shall not exceed—

"(I) in the case of dependent care services provided by an accredited child care center or a credentialed child care professional for a qualifying individual described in section 21(b)(1)(A), an amount determined in accordance with the following table:

“In the case of taxable years beginning in:	For 1 qualifying individual, the amount is:	For 2 or more qualifying individuals, the amount is:
1998	$5,200	$6,700
1999	$5,400	$6,900
2000	$5,600	$7,100
2001	$5,800	$7,300
2002 and thereafter	$6,000	$7,500,

“(II) in the case of other dependent care services for a qualifying individual described in section 21(b)(1)(A) or payments described in subsection (e)(1)(B), an amount determined in accordance with the following table:

“In the case of taxable years beginning in:	For 1 qualifying individual, the amount is:	For 2 or more qualifying individuals, the amount is:
1998	$4,800	$6,300
1999	$4,600	$6,100
2000	$4,400	$5,900
2001	$4,200	$5,700
2002 and thereafter	$4,000	$5,500,

and

“(III) in the case of other dependent care services for a qualifying individual described in subparagraph (B) or (C) of section 21(b)(1), $5,000.

“(ii) AMOUNTS FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—In the case of a separate return by a married individual, clause (i) shall be applied by using one-half of any amount specified in such clause.

"(iii) PROVIDERS.—For purposes of clause (i)(I), the terms 'accredited child care center' and 'credentialed child care professional' have the meaning given such terms by subparagraphs (E) and (G) of section 21(c)(2), respectively.

(b) PAYMENTS FOR STAY-AT-HOME CARE ALLOWED.—

(1) IN GENERAL.—Section 129(e)(1) of the Internal Revenue Code of 1986 (relating to definitions and special rules) is amended to read as follows:

"(1) DEPENDENT CARE ASSISTANCE.—The term 'dependent care assistance' means—

"(A) the payment of, or provision of, those services which if paid for by the employee would be considered employment-related expenses under section 21(b)(2) (relating to expenses for household and dependent care services necessary for gainful employment), and

"(B) any payment to the employee from amounts contributed to the employee's account during the pregnancy of the employee paid within 1 year after such contribution and during the period in which—

"(i) the employee,

"(ii) the employee's spouse, or

"(iii) a parent of the employee or the employee's spouse,

stays at home to care for a qualifying individual described in section 21(b)(1)(A).".

(2) CONFORMING AMENDMENTS.—

(A) Section 129(c) of such Code (relating to payments to related individuals) is amended by striking "No amount" and inserting "Except in the case of payments described in subsection (e)(1)(B), no amount.".

(B) Section 129(e)(9) of such Code (relating to identifying information required with respect to service provider) is amended by striking "No amount" and inserting "Except in the case of payments described in paragraph (1)(B)(i), no amount.".

(c) DEPENDENT CARE ASSISTANCE PROGRAM FOR FEDERAL EMPLOYEES.—Subpart G of part III of title 5, United States Code, is amended by inserting after chapter 87 the following:

“CHAPTER 88—DEPENDENT CARE ASSISTANCE PROGRAM

“§ 8801. Definitions

‘‘(a) For the purpose of this chapter, ‘employee’ means—

‘‘(1) an employee as defined by section 2105 of this title;

‘‘(2) a Member of Congress as defined by section 2106 of this title;

‘‘(3) a Congressional employee as defined by section 2107 of this title;

‘‘(4) the President;

‘‘(5) a justice or judge of the United States appointed to hold office during good behavior (i) who is in regular active judicial service, or (ii) who is retired from regular active service under section 371(b) or 372(a) of title 28, United States Code, or (iii) who has resigned the judicial office under section 371(a) of title 28 with the continued right during the remainder of his lifetime to receive the salary of the office at the time of his resignation;

‘‘(6) an individual first employed by the government of the District of Columbia before October 1, 1987;

"(7) an individual employed by Gallaudet College;

"(8) an individual employed by a county committee established under section 590h(b) of title 16;

"(9) an individual appointed to a position on the office staff of a former President under section 1(b) of the Act of August 25, 1958 (72 Stat. 838); and

"(10) an individual appointed to a position on the office staff of a former President, or a former Vice President under section 4 of the Presidential Transition Act of 1963, as amended (78 Stat. 153), who immediately before the date of such appointment was an employee as defined under any other paragraph of this subsection;

but does not include—

"(A) an employee of a corporation supervised by the Farm Credit Administration if private interests elect or appoint a member of the board of directors;

"(B) an individual who is not a citizen or national of the United States and whose permanent duty station is outside the United States, unless the individual was an employee for the purpose of this chapter on September 30, 1979, by reason of service in an Executive agency, the United States Postal Service, or the Smithsonian Institution in the area which was then known as the Canal Zone; or

''(C) an employee excluded by regulation of the Office of Personnel Management under section 8716(b) of this title.

''(b) For the purpose of this chapter, 'dependent care assistance program' has the meaning given such term by section 129(d) of the Internal Revenue Code of 1986.

''§ 8802. Dependent care assistance program

''The Office of Personnel Management shall establish and maintain a dependent care assistance program for the benefit of employees.''.

(d) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 1997.

SEC. 103. INCLUSION OF CHILD CARE COSTS IN CHILD SUPPORT ORDERS.

(a) IN GENERAL.—Section 466(a) of the Social Security Act (42 U.S.C. 666(a)) is amended by inserting after paragraph (19) the following:

''(20) CHILD CARE COSTS.—

''(A) IN GENERAL.—Procedures under which all child support orders enforced under this part shall include in the case of a custodial parent who is employed or is actively seeking employment an amount equal to or more than the applicable payment rate for the type of child care services provided to that parent's child or children that is established in accordance with section 658E(c)(4) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858c(c)(4)), increased by 50 percent of such rate if such services are provided by an accredited child care center or a credentialed child care professional.

"(B) DEFINITIONS.—In this paragraph, the terms 'accredited child care center' and 'credentialed child care professional' have the meaning given those terms in section 2 of the CIDCARE Act.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies to child support orders enforced or otherwise modified by a court on and after the date of enactment of this Act.

TITLE II—SUPPLY OF QUALITY CHILD CARE

Subtitle A—Tax Benefits for Quality Child Care

SEC. 201. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following new section:

"SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.

"(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to 50 percent of the qualified child care expenditures of the taxpayer for such taxable year.

"(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed $150,000.

"(c) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED CHILD CARE EXPENDITURE.—The term 'qualified child care expenditure' means any amount paid or incurred—

"(A) to acquire, construct, rehabilitate, or expand property—

"(i) which is to be used as part of a qualified child care facility of the taxpayer,

"(ii) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

"(iii) which does not constitute part of the principal residence (within the meaning of section 1034) of the taxpayer or any employee of the taxpayer,

"(B) for the operating costs of a qualified child care facility of the taxpayer, including costs related to the training of employees, to scholarship programs, and to the providing of increased compensation to employees with higher levels of child care training,

"(C) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer,

"(D) under a contract to provide child care resource and referral services to employees of the taxpayer, or

"(E) for the costs of seeking accreditation from a child care credentialing or accreditation entity (as defined in section 21(b)(2)(F) with respect to a qualified child care facility.

"(2) QUALIFIED CHILD CARE FACILITY.—

"(A) IN GENERAL.—The term 'qualified child care facility' means a facility—

"(i) the principal use of which is to provide child care assistance, and

"(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 1034) of the operator of the facility.

"(B) SPECIAL RULES WITH RESPECT TO A TAXPAYER.—A facility shall not be treated as a qualified child care facility with respect to a taxpayer unless—

"(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

"(ii) the facility is not the principal trade or business of the taxpayer unless at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer, and

"(iii) the use of such facility (or the eligibility to use such facility) does not discriminate in favor of employees of the taxpayer who are highly compensated employees (within the meaning of section 414(q)).

"(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

"(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

"(A) the applicable recapture percentage, and

"(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

"(2) APPLICABLE RECAPTURE PERCENTAGE.—

"(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

"If the recapture event occurs in:	The applicable recapture percentage is:
Years 1–3	100
Year 4	85
Year 5	70
Year 6	55
Year 7	40
Year 8	25
Years 9 and 10	10
Years 11 and thereafter	0.

"(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the taxable year in which the qualified child care facility is placed in service by the taxpayer.

"(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term 'recapture event' means—

"(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as a qualified child care facility.

"(B) CHANGE IN OWNERSHIP.—

"(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in a qualified child care facility with respect to which the credit described in subsection (a) was allowable.

"(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

"(4) SPECIAL RULES.—

"(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

"(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

"(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

"(e) SPECIAL RULES.—For purposes of this section—

"(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

"(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

"(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

"(f) NO DOUBLE BENEFIT.—

"(1) REDUCTION IN BASIS.—For purposes of this subtitle—

"(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

"(B) CERTAIN DISPOSITIONS.—If during any taxable year there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term 'recapture amount' means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

"(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.

"(g) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 1999."

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) of the Internal Revenue Code of 1986 is amended—

(A) by striking out "plus" at the end of paragraph (11),

(B) by striking out the period at the end of paragraph (12), and inserting a comma and "plus", and

(C) by adding at the end the following new paragraph:

"(13) the employer-provided child care credit determined under section 45D."

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following new item:

"Sec. 45D. Employer-provided child care credit."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

SEC. 202. CHARITABLE CONTRIBUTIONS OF SCIENTIFIC EQUIPMENT TO ACCREDITED AND CREDENTIALED CHILD CARE PROVIDERS AND TO ELEMENTARY AND SECONDARY SCHOOLS.

(a) IN GENERAL.—Subparagraph (B) of section 170(e)(4) of the Internal Revenue Code of 1986 (relating to special rule for contributions of scientific property used for research) is amended to read as follows:

"(B) QUALIFIED RESEARCH, CHILD CARE, OR EDUCATION CONTRIBUTION.—For purposes of this paragraph, the term 'qualified research, child care, or education contribution' means a charitable contribution by a corporation of tangible personal property (including computer software), but only if—

"(i) the contribution is to—

"(I) an organization described in section 501(c)(3) and exempt from taxation under section 501(a) which is an accredited child care center (as defined in section 21(c)(2)(E)) or a child care center actively seeking accreditation or certification of its employees by a child care credentialing or accreditation entity (as defined in section 21(c)(2)(F)) on the date of such contribution,

"(II) an organization described in section 501(c)(3) and exempt from taxation under section 501(a) which is a professional or educational support entity for accredited child care centers or credentialed child care professionals (as defined in subparagraphs (E) and (G) of section 21(c)(2), respectively),

"(III) an educational organization described in subsection (b)(1)(A)(ii),

"(IV) a governmental unit described in subsection (c)(1), or

"(V) an organization described in section 41(e)(6)(B),

"(ii) the contribution is made not later than 3 years after the date the taxpayer acquired the property (or in the case of property constructed by the taxpayer, the date the construction of the property is substantially completed), "(iii) the property is scientific equipment or apparatus substantially all of the use of which by the donee is for—

"(I) research or experimentation (within the meaning of section 174), or for research training, in the United States in physical or biological sciences, or

"(II) in the case of an organization described in subclause (I), (II), (III), or (IV) of clause (i), use within the United States for educational purposes or support activities related to the purpose or function of the organization,

"(iv) the original use of the property began with the taxpayer (or in the case of property constructed by the taxpayer, with the donee),

"(v) the property is not transferred by the donee in exchange for money, other property, or services, and

"(vi) the taxpayer receives from the donee a written statement representing that its use and disposition of the property will be in accordance with the provisions of clauses (iv) and (v).''.

(b) DONATIONS TO CHARITY FOR REFURBISHING.—Section 170(e)(4) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''(D) DONATIONS TO CHARITY FOR REFURBISHING.—For purposes of this paragraph, a charitable contribution by a corporation shall be treated as a qualified research, child care, or education contribution if—

''(i) such contribution is a contribution of property described in subparagraph (B)(iii) to an organization described in section 501(c)(3) and exempt from taxation under section 501(a),

''(ii) such organization repairs and refurbishes the property and donates the property to an organization described in subparagraph (B)(i), and

''(iii) the taxpayer receives from the organization to whom the taxpayer contributed the property a written statement representing that its use of the property (and any use by the organization to which it donates the property) meets the requirements of this paragraph.''.

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (4)(A) of section 170(e) of the Internal Revenue Code of 1986 is amended by striking ''qualified research contribution'' each place it appears and inserting ''qualified research, child care, or education contribution''.

(2) The heading for section 170(e)(4) of such Code is amended by inserting '', CHILD CARE, OR EDUCATION'' after ''RESEARCH''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

SEC. 203. 2-PERCENT FLOOR ON MISCELLANEOUS ITEMIZED DEDUCTIONS NOT APPLICABLE TO ACCREDITATION AND CREDENTIALING EXPENSES OF CHILD CARE PROVIDERS.

(a) IN GENERAL.—Section 67(b) of the Internal Revenue Code of 1986 (relating to miscellaneous itemized deductions) is amended by striking ''and'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', and'', and by adding at the end the following:

"(13) the deduction allowable for accreditation and credentialing expenses of child care providers.".

(b) DEFINITION.—Section 67 of the Internal Revenue Code of 1986 (relating to 2-percent floor on miscellaneous itemized deductions) is amended by redesignating subsections (e) and (f) as subsections (f) and (g), respectively, and by inserting after subsection (d) the following:

"(e) ACCREDITATION AND CREDENTIALING EXPENSES OF CHILD CARE PROVIDERS.—For purposes of this section—

"(1) IN GENERAL.—The term 'accreditation and credentialing expenses of child care providers' means direct professional costs and educational and training expenses paid or incurred by an eligible individual in order to achieve and remain qualified for service as an employee of an accredited child care center or as a credentialed child care professional (as defined in subparagraphs (E) and (G) of section 21(c)(2), respectively).

"(2) ELIGIBLE INDIVIDUAL.—The term 'eligible individual' means an individual 60 percent of the taxable income of whom for any taxable year is derived from service described in paragraph (1).".

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1997.

SEC. 204. EXPANSION OF HOME OFFICE DEDUCTION TO INCLUDE USE OF OFFICE FOR DEPENDENT CARE.

(a) IN GENERAL.—Section 280A(c)(1) of the Internal Revenue Code of 1986 (relating to certain business use) is amended by adding at the end the following: ''A portion of a dwelling unit and the exclusive use of such portion otherwise described in this paragraph shall not fail to be so described if such portion is also used by the taxpayer during such exclusive use to care for a dependent of the taxpayer.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1997.

Subtitle B—Child Care Quality Improvement Incentive Program

SEC. 211. DEFINITIONS.

In this subtitle:

(1) CHILD CARE PROVIDER.—The term ''child care provider'' means—

(A) a center-based child care provider, a group home child care provider, a family child care provider, or other provider of non-residential child care services for compensation that—

(i) is licensed, regulated, registered, or otherwise legally operating under State law; and

(ii) satisfies the State and local requirements;

applicable to the child care services it provides; or

(B) a child care provider that is 18 years of age or older who provides child care services only to eligible children who are, by affinity or consanguinity, or by court decree, the grandchild, great grandchild, sibling (if such provider lives in a separate residence), niece, or nephew of such provider, if such provider does not reside with the child for whom they are providing care and if the provider complies with any applicable requirements that govern child care provided by the relative involved.

(2) SECRETARY.—The term ''Secretary'' means the Secretary of Health and Human Services.

SEC. 212. ESTABLISHMENT OF STATE PROGRAM.

(a) IN GENERAL.—The Secretary shall establish a program to award competitive grants to eligible States to enable such States to carry out activities to improve the quality of child care for children in the States (except children who a tribal organization elects to serve under section 215(b)).

(b) AWARDING OF GRANTS.—

(1) DISTRIBUTION.—Amounts appropriated for a fiscal year under section 215(a) shall be distributed through competitive grants awarded to eligible States that apply for funds and that propose activities that meet the requirements of this subtitle.

(2) AMOUNT.—The amount of a grant awarded to a State under this section shall be determined by the Secretary on a competitive basis, except that the amount of any such grant for a fiscal year shall not be less than an amount equal to .75 percent of the total amount appropriated for the fiscal year under section 215(a).

(c) LIMITATION ON ADMINISTRATIVE COSTS.—The Secretary shall not use in excess of 10 percent of the amount appropriated under section 215(a) for a fiscal year for the administrative costs associated with the administration of the program under this section.

SEC. 213. STATE ELIGIBILITY AND APPLICATION REQUIREMENTS.

(a) ELIGIBILITY.—To be eligible to receive a grant under this subtitle, a State shall certify to the Secretary that the State—

(1) has not reduced the scope of any State child care standards or requirements that were in effect in calendar year 1995;

(2) has not limited the State licensing requirements with respect to the types of providers that must obtain licenses in order to provide child care in the State as compared to the types of providers that were required to obtain licenses in calendar year 1995;

(3) has not otherwise restricted the application of State child care licensing requirements that were in effect in calendar year 1995;

(4) is in compliance with the requirements applicable to the State under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9801 et seq.); and

(5) has, with respect to the fiscal year involved, made available sufficient State matching funds to draw down at least 80 percent of the amount awarded to the State for the preceding fiscal year under

a grant under section 418(a)(2) of the Social Security Act (42 U.S.C. 618).

(b) PRIORITY.—In awarding grants under this subtitle, the Secretary shall give priority to States that contribute an amount (generated from businesses or other private sources) equal to not less than 10 percent of the amount requested under the grant to the activities to be funded under the grant.

(c) APPLICATION.—To be eligible to receive a grant under this subtitle, a State shall prepare and submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary shall require, including—

(1) an assurance that the State will comply with the requirements applicable to States under this subtitle;

(2) an assurance that the State will annually conduct on-site monitoring of State licensed or regulated child care facilities, with at least 1 unannounced monitoring visit of each such facility every 3 years; and

(3) an assurance that the State will not use funds received under the grant to supplant or replace funds used by the State to improve the quality or increase the supply of child care as required

under section 658G of the Child Care and Development Block Grants Act of 1990 (42 U.S.C. 9858e).

SEC. 214. USE OF FUNDS BY STATES.

(a) REQUIRED ACTIVITIES.—A State shall—

(1) use not less than 20 percent of the amounts received under a grant awarded to the State under this subtitle to establish a subsidy program to provide funds to child care providers who are credentialed in the State (as described in section 2(3));

(2) use not less than 20 percent of the amounts received under a grant awarded to the State under this subtitle to establish a grant program to assist small businesses located in the State in establishing and operating child care programs that may include—

(A) technical assistance in the establishment of a child care program;

(B) assistance for the start-up costs related to a child care program;

(C) assistance for the training of child care providers;

(D) scholarships for low-income wage earners;

(E) the provision of services to care for sick children or to provide care to school aged children;

(F) the entering into of contracts with local resource and referral or local health departments;

(G) assistance for any other activity determined appropriate by the State; or

(H) care for children with disabilities; and

(3) use amounts remaining after the State reserves funds for activities under paragraphs (1) and (2) to carry out one or more of the activities described in subsection (b).

(b) PERMISSIBLE ACTIVITIES.—A State may use amounts provided under a grant awarded under this subtitle to the State to—

(1) improve parental choice through consumer education efforts in the State concerning child care, including the expansion of resource and referral services and improving State child care complaint systems;

(2) establish a scholarship program for child care providers to assist in meeting the educational or training costs associated with the accreditation or credentialing;

(3) expand State-based child care training and technical assistance activities;

(4) develop criteria for State recognition of entities to accredit facilities, and credential child care providers, in the State, as described in section 2;

(5) provide increased rates of reimbursement under Federal or State child care assistance programs for child care that is provided by credentialed child care professionals or at accredited child care centers;

(6) provide differential rates of reimbursement under Federal or State child care assistance programs for children with special needs; or

(7) purchase special equipment or supplies or other provide for the payment of other extraordinary expenses required for the care of special needs (including disabled) children and the distribution of such equipment or supplies to child care providers serving special needs children.

(c) SMALL BUSINESS AND CHILD CARE GRANT PROGRAM.—

(1) APPLICATION.—To be eligible to receive assistance from a State under a grant program established under subsection (a)(2), a small business shall prepare and submit to the State an application at

such time, in such manner, and containing such information as the State may require.

(2) PREFERENCE.—

(A) IN GENERAL.—In providing assistance under a grant program under this subsection, a State shall give priority to applicants that desire to form consortium to provide child care in geographic areas within the State where such care is not generally available or accessible.

(B) CONSORTIUM.—For purposes of subparagraph (A), a consortium shall be made up of 2 or more entities which may include businesses, nonprofit agencies or organizations, local governments, or other appropriate entities.

(3) LIMITATION.—With respect to grant funds received for purposes of this subsection, a State may not provide in excess of $50,000 in assistance from such funds to any single applicant. A State may not provide assistance under a grant to more than 10 entities.

(4) MATCHING REQUIREMENT.—To be eligible to receive funds for purposes of establishing a grant program under subsection (a)(2), a State shall provide assurances to the Secretary that, with respect to the costs to be incurred by an entity receiving as-

sistance in carrying out activities under such program, such entity will make available (directly or through donations from public or private entities) non-Federal contributions to such costs in an amount equal to—

(A) for the first fiscal year in which the entity receives such assistance, not less than 25 percent of such costs ($1 for each $3 of assistance provided to the entity under the grant);

(B) for the second fiscal year in which an entity receives such assistance, not less than 33⅓ percent of such costs ($1 for each $2 of assistance provided to the entity under the grant); and

(C) for the third fiscal year in which an entity receives such assistance, not less than 50 percent of such costs ($1 for each $1 of assistance provided to the entity under the grant).

(5) REQUIREMENTS OF PROVIDERS.—To be eligible to receive assistance under a grant awarded under this subsection a child care provider shall comply with all applicable State and local licensing and regulatory requirements and all applicable health and safety standards in effect in the State.

(6) ADMINISTRATION.—

(A) STATE RESPONSIBILITY.—A State shall have responsibility for administering the grants awarded under this subsection and for monitoring entities that receive assistance under such grants.

(B) AUDITS.—A State shall require that each entity receiving assistance under a grant awarded under this subsection conduct of an annual audit with respect to the activities of the entity. Such audits shall be submitted to the State.

(C) MISUSE OF FUNDS.—

(i) REPAYMENT.—If the State determines, through an audit or otherwise, that an entity receiving assistance under a grant awarded under this subsection has misused such assistance, the State shall notify the Secretary of such misuses. The Secretary, upon such a notification, may seek from such an entity the repayment of an amount equal to the amount of any misused assistance plus interest.

(ii) APPEALS PROCESS.—The Secretary shall by regulation provide for an appeals process with respect to repayments under this subparagraph.

(d) LIMITATION ON ADMINISTRATIVE COSTS.—Not more than 10 percent of the aggregate amount of funds available to a State under this subtitle in each fiscal year may be expended for administrative costs incurred by such State to carry out activities under this subtitle. As used in the preceding sentence, the term "administrative costs" shall not include the costs of providing direct services (as such direct services costs are defined for purposes of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9801 et seq.)).

SEC. 215. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—There is authorized to be appropriated to carry out this subtitle $260,000,000 for each of the fiscal years 1998 through 2002.

(b) RESERVATION.—The Secretary shall reserve not more than 1.5 percent of the funds appropriated under this section for a fiscal year to make grants under this subtitle to tribal organizations submitting applications under section 213(b) to be used in accordance with section 214.

Subtitle C—Distribution of Information About Quality Child Care

SEC. 221. EXPANSION OF ROLE OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES IN THE COLLECTION AND DISSEMINATION OF INFORMATION AND TECHNOLOGY.

(a) PROVISION OF INFORMATION.—The Secretary of Health and Human Services, directly or through a contract awarded on a competitive basis to a qualified entity, shall provide technical assistance and collect and disseminate information concerning the importance of high quality child care to States, units of local government, private non-profit child care organizations, child care credentialing or accreditation entities, child care providers, and parents, including, in partnership with the Advertising Council or other professional advertising group, a public awareness campaign promoting quality child care.

(b) GRANT PROGRAM.—

(1) IN GENERAL.—The Secretary of Health and Human Services, acting through the National Child Care Information Center, shall award competitive grants to child care credentialing or accreditation entities (as defined in section 2(2)) that have been

providing credentialing or accreditation services for child care providers for not more than 10 years.

(2) APPLICATION.—To be eligible to receive a grant under this subsection, a child care credentialing or accreditation entity shall prepare and submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary shall require.

(3) USE OF FUNDS.—Amounts provided under a grant awarded under paragraph (1) shall be used by grantees to refine and evaluate the procedures and methods used by such grantees in accrediting facilities as accredited child care centers or providing child care credentials to individual child care providers. Such procedures and methods shall be designed to ensure that the highest quality child care is provided by accredited child care centers and credentialed individuals, to provide information about the accreditation or credentialing process to providers, and to provide subsidies to needy individuals and organizations to enable such individuals and organization to participate in the accreditation or credentialing process.

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section

$10,000,000 for each of the fiscal years 1998 through 2002.

SEC. 222. CHILD CARE TRAINING INFRASTRUCTURE.

(a) DEFINITIONS.—In this section:

(1) CHILD CARE PROVIDER.—The term ''child care provider'' has the meaning given the term in section 211.

(2) ELEMENTARY SCHOOL; SECONDARY SCHOOL.—The terms ''elementary school'' and ''secondary school'' have the meanings given the terms in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8001).

(3) INSTITUTION OF HIGHER EDUCATION.—The term ''institution of higher education'' has the meaning given the term in section 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a)).

(4) SECRETARY.—The term ''Secretary'' means the Secretary of Health and Human Services.

(5) TRAINING SITE.—The term ''training site'' means a training site described in subsection (e)(1).

(b) GRANT.—The Secretary shall make a grant to an eligible organization to develop and operate a technology-based child care training infrastructure, in order to facilitate—

(1) the accreditation of facilities as accredited child care centers and accredited family child care homes;

(2) the credentialing of individuals as credentialed child care professionals; and

(3) the dissemination of child care, child development, and early childhood education information and research to child care providers.

(c) USE OF FUNDS.—An organization that receives a grant under subsection (b) shall use the funds made available through the grant to—

(1) develop partnerships, to the maximum extent possible, with elementary schools, secondary schools, institutions of higher education, Federal, State, and local government agencies, and private entities, to share equipment, technical assistance, and other technological resources, for the development of the infrastructure described in subsection (b);

(2) enter into arrangements with entities for the provision of sites from which the infrastructure will disseminate training;

(3) ensure the establishment of at least 2 of the training sites in each State, and additional training

sites based on the populations and geographic considerations of States;

(4) enter into arrangements with child care credentialing or accreditation entities that are recognized (as described in section 2(2)) by more than 1 State agency or tribal organization, for the development of child care training to be disseminated through the infrastructure;

(5) provide, directly or through a contract (which may for good cause be a sole source contract), expertise to convert training courses for distance transmission, provide interactive environments, and conduct registration, testing, electronic storage of information, and such other technology-based activities to adapt and enhance training course content consistent with the medium of transmission involved through the infrastructure;

(6) provide, through a logistical scheduling mechanism, equitable access to the infrastructure for all child care credentialing or accreditation entities described in paragraph (4) that request an opportunity to disseminate child care training through the infrastructure and meet the requirements of this section;

(7) develop and implement a mechanism for participants in the training to evaluate the infrastructure, including providing comments on the accessibility and affordability of the training, and recommendations for improvements in the training;

(8) develop and implement a monitoring system to provide data on the training provided through the infrastructure, including data on—

(A) the number of facilities and individuals participating in the training;

(B) the number of facilities receiving accreditation (including a repeat accreditation) as accredited child care centers, and individuals receiving credentialing (including a repeat credentialing) as credentialed child care professionals, after fulfilling requirements that include participation in the training;

(C) the number of accredited child care centers, and credentialed child care professionals, participating in the training; and

(D) the number of sites in which the training is received, analyzed—

(i) by State; and

(ii) by location in an urban, suburban, or rural area; and

(9) establish and operate the child care training revolving fund described in section 223.

(d) ELIGIBILITY.—To be eligible to receive the grant, an organization shall be an organization that—

(1) is a private, nonprofit entity that is not—

(A) a child care credentialing or accreditation entity;

(B) a subsidiary or affiliate of a child care credentialing or accreditation entity; or

(C) an entity that has a subsidiary or affiliate that is a child care credentialing or accreditation entity;

(2) has experience in developing partnerships with child care credentialing or accreditation entities, institutions of higher education, and State and local governments, for the provision of child care training;

(3) has experience in providing and coordinating the provision of child care training to family child care providers and center-based child care providers;

(4) is related to child care provider support organizations in 35 or more States, through membership in a common organization, affiliation, or another mechanism;

(5) has experience in working with rural and urban child care provider support organizations and child care providers; and

(6) has experience in working with national child care groups and organizations, including Federal government agencies, providers of child care training, child care credentialing or accreditation entities, and educational groups.

(e) APPLICATION.—To be eligible to receive a grant under subsection (b), an organization shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require, including—

(1) information describing, and indicating a preliminary count of the number of, the sites from which the infrastructure will disseminate training;

(2) an assurance that the organization will require that—

(A) each child care credentialing or accreditation entity that disseminates training through the infrastructure will provide, during at least 60 percent of the dissemination period, an opportunity for participants in the training—

(i) to interact with an identified trainer or training leader at the training site; or

(ii) to elect to engage in other interactive training; and

(B) no child care credentialing or accreditation entity may collect fees for participation in the training that total more than—

(i) the cost to the entity for developing, conducting, and providing materials for, the training; minus

(ii) the amount that the entity receives under this section or from any other source to develop, conduct, and provide materials for, the training; and

(3) information demonstrating that the organization will comply with the organizational structure requirements of subsections (g) and (h), including a copy of the bylaws described in subsection (g)(2)(B).

(f) DEVELOPMENT AND OPERATION OF INFRASTRUCTURE.—

(1) CONTRACTS.—An organization that receives a grant under subsection (b) may use funds made available through the grant to enter into contracts, which may for good cause be sole source contracts, for the development of the technological and

logistical aspects of the infrastructure. The organization shall enter into such a contract with an entity with experience in establishing technology-based interactive educational or training programs.

(2) TIME LINES.—

(A) BOARD, PERSONNEL, AND REVOLVING FUND.—Not later than 6 months after the date of receipt of the grant, the organization shall establish the governing board described in subsection (g), appoint a Chief Executive Project Officer described in subsection (h), and establish and operate the child care training revolving fund described in section 223. Not later than 1 year after the date of receipt of the grant, the Chief Executive Project Officer shall appoint the personnel described in subsection (h).

(B) TRAINING SITES.—

(i) 50 PERCENT OPERATIONAL.—Not later than 3 years after the date of receipt of the grant, the organization shall disseminate training at 50 percent of the sites described in the information submitted under subsection (e)(1).

(ii) 75 PERCENT OPERATIONAL.—Not later than 4 years after the date of receipt of the grant, the organization shall disseminate training at 75 percent of the sites.

(iii) 90 PERCENT OPERATIONAL.—Not later than 5 years after the date of receipt of the grant, the organization shall disseminate training at 90 percent of the sites.

(C) EVALUATION.—The organization shall develop and implement the mechanism for conducting evaluations of the infrastructure described in subsection (c)(6) not later than 3 years after the date of receipt of the grant.

(g) GOVERNING BOARD.—

(1) IN GENERAL.—An organization that receives a grant under subsection (b) shall establish a governing board.

(2) COMPOSITION.—

(A) IN GENERAL.—The governing board shall be composed of representatives of child care credentialing or accreditation entities that are recognized (as described in section 2(2)) by more than 1 State agency or tribal organization. The representatives shall be appointed by the entities. The composition of the governing board shall be specified in the bylaws of the board.

(B) INITIAL BYLAWS.—The organization shall develop the initial bylaws of the board. The bylaws shall include provisions specifying the manner in which representatives of all child care credentialing or accreditation entities described in subparagraph (A) that are disseminating training through the infrastructure shall participate in the activities of the governing board. The provisions shall provide for the participation through rotation of the representatives in the membership of the board, involvement of the representatives in committees of the board, or through other mechanisms that ensure, to the maximum extent possible, fair and equal participation of the representatives.

(C) AMENDED BYLAWS.—The governing board may amend the bylaws with the consent of the chief executive officer of the organization receiving a grant under subsection (b). The chief executive officer shall give the consent unless the chief executive officer demonstrates good cause for refusal of the consent. Any amended bylaws shall provide for the participation of representatives of all child care credentialing or accreditation entities described in subparagraph (A) that are disseminating training through the infrastructure, as described in subparagraph (B).

(3) DUTIES.—The governing board, with oversight by the chief executive officer of the organization, shall—

(A) advise the organization on the development and operation of the child care training infrastructure;

(B) review and approve the strategic plan described in subsection (h)(2)(A) and annual updates of the plan;

(C) review and approve the proposal described in subsection (h)(2)(B), with respect to the contracts, financial assistance, standards, policies, procedures, and activities referred to in such subsection; and

(D)(i) review, and advise the Chief Executive Project Officer regarding, the actions of the Chief Executive Project Officer with respect to the personnel of the governing board, and with respect to such standards, policies, procedures, and activities as are necessary or appropriate to carry out this section; and

(ii) inform the Chief Executive Project Officer of any aspects of the actions of the Chief Executive Project Officer that are not in compliance with the annual strategic plan referred to in subparagraph (B) or the proposal referred to in subparagraph (C), or are not consistent with the objectives of this section.

(h) CHIEF EXECUTIVE PROJECT DIRECTOR AND PERSONNEL.—

(1) IN GENERAL.—

(A) CHIEF EXECUTIVE PROJECT DIRECTOR.—The chief executive officer of an organization that receives a grant under subsection (b) shall appoint, compensate, and terminate the employment of a Chief Executive Project Officer to enable the governing board to perform its duties. The chief executive officer of the organization shall consult with the governing board before appointing, changing the compensation of, or terminating the employment of, the Chief Executive Project Officer.

(B) PERSONNEL.—The Chief Executive Project Officer shall appoint, compensate, and terminate the employment of such additional personnel as may be necessary to enable the governing board to perform its duties.

(2) DUTIES OF CHIEF EXECUTIVE PROJECT OFFICER.—The Chief Executive Project Officer shall—

(A) prepare and submit to the governing board and the chief executive officer of the organization a strategic plan every 3 years, and annual updates of the plan, with respect to the development and major operations of the infrastructure;

(B)(i) prepare and submit to the governing board and the chief executive officer of the organization a proposal with respect to such contracts and other financial assistance, and such standards, policies, procedures, and activities, as are necessary or appropriate to carry out this section; and

(ii) after receiving and reviewing an approved proposal under subsection (g)(3)(C), enter into such contracts and award such other financial assistance, and establish and administer such standards, policies, procedures and activities, as are necessary or appropriate to carry out this section;

(C) prepare and submit to the governing board and the chief executive officer of the organization an annual report, and such interim reports as may be necessary, describing the major actions of the Chief Executive Project Officer with respect to the personnel of the governing board, and with respect to the standards, policies, procedures, and activities; and

(D) inform the governing board and the chief executive officer of the organization of, and provide an explanation to the governing board regarding, any substantial differences regarding the implementation of this section between—

(i) the actions of the Chief Executive Project Officer; and

(ii)(I) the strategic plan approved by the governing board and the chief executive officer of the organization under subsection (g)(3)(B); or

(II) the proposal approved by the governing board and the chief executive officer of the organization under subsection (g)(3)(C).

(i) CORPORATION.—The organization may establish a nonprofit corporation containing the governing board, Chief Executive Project Officer, and personnel, to carry out this section.

(j) ADMINISTRATIVE COSTS.—Prior to the date on which the organization disseminates training at 75 percent of the sites described in the information submitted under subsection (e)(1), the organization may use not more than 25 percent of the funds made available through the grant to pay for the administrative costs of carrying out this section. Effective on that date, the organization may use not more than 15 percent of the funds to pay for the administrative costs.

(k) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $50,000,000 for each of fiscal years 1998 through 2003.

SEC. 223. CHILD CARE TRAINING REVOLVING FUND.

(a) ESTABLISHMENT.—

(1) IN GENERAL.—The Chief Executive Project Officer described in section 222(h) shall use not less than 10 percent of the funds made available through the grant made under section 222 during the 5 years after the date of receipt of the grant to estab-

lish and operate a child care training revolving fund (referred to in this section as the ''Fund'')—

(A) from which the Chief Executive Project Officer shall make loans to eligible borrowers for the purpose of enabling the persons to purchase computers, satellite dishes, and other equipment that will be used to disseminate training through the infrastructure described in section 222; and

(B) into which all payments, charges, and other amounts collected from loans made under subparagraph (A) shall be deposited notwithstanding any other provision of law.

(2) SEPARATE ACCOUNT.—The Fund shall be maintained as a separate account. Any portion of the Fund that is not required for expenditure shall be invested in obligations of the United States or in obligations guaranteed or insured by the United States.

(3) INTEREST EARNED.—The interest earned on the investments shall be credited to and form a part of the Fund.

(b) ELIGIBLE BORROWERS.—To be eligible to receive a loan under subsection (a), a borrower shall be a child care provider who seeks to receive training through the infrastructure or an entity that has entered into an arrangement with the Chief Executive Project Officer to provide a training site (as defined in section 222) for the infrastructure.

(c) APPLICATION.—To be eligible to receive a loan under subsection (a), a borrower shall submit an application to the Chief Executive Project Officer at such time, in such manner, and containing such information as the Chief Executive Project Officer, in consultation with the governing board and the chief executive officer of an organization receiving a grant under section 222(b) may require. At a minimum, the application shall include—

(1) an assurance that the person shall use the equipment funded through the loan to receive or disseminate training through the infrastructure, for such period as the Secretary may by regulation prescribe; and

(2) an assurance that the person shall permit other persons to use the equipment to receive or disseminate training through the infrastructure, for such period as the Secretary may by regulation prescribe.

(d) LOANS.—In making loans under subsection (a), the Chief Executive Project Officer shall—

(1) to the maximum extent practicable, equitably distribute the loans among borrowers in the various States, and among borrowers in urban, suburban, and rural areas; and

(2) take into consideration the availability to the borrowers of resources from sources other than the Fund, including the availability of resources through the partnerships described in section 222(c)(1).

(e) TERMS AND CONDITIONS.—

(1) CONDITIONS.—The Chief Executive Project Officer may make a loan to a borrower under subsection (a) only if the Chief Executive Project Officer determines that—

(A) the borrower is unable to obtain resources from other sources on reasonable terms and conditions; and

(B) there is a reasonable prospect that the borrower will repay the loan.

(2) TERMS.—A loan made under subsection (a) shall be—

(A) for a term that does not exceed 4 years; and

(B) at no interest.

(3) COLLATERAL.—The Chief Executive Project Officer may require any borrower of a loan made under subsection (a) to provide such collateral as the Chief Executive Project Officer determines to be necessary to secure the loan.

(4) PROCEDURES AND DEFINITIONS.—Prior to making loans under subsection (a), the Chief Executive Project Officer shall establish written procedures and definitions pertaining to defaults and collections of payments under the loans which shall be subject to the review and approval of the Secretary. The governing board and chief executive officer of the organization involved shall provide to each applicant for a loan under subsection (a), at the time application for the loan is made, a written copy of the procedures and definitions.

(f) DEFAULTS.—

(1) NOTICE.—The Chief Executive Project Officer shall provide the governing board and the chief executive officer of the organization at regular intervals written notice of each loan made under subsection (a) that is in default and the status of the loan.

(2) ACTION.—

(A) NOTIFICATION.—After making reasonable efforts to collect all amounts payable under a loan made under subsection (a) that is in default, the Chief Executive Project Officer shall notify the governing board and the chief executive officer of the organization that the loan is uncollectable or collectible only at an unreasonable cost. The notification shall include recommendations for future action to be taken by the Chief Executive Project Director.

(B) INSTRUCTIONS.—On receiving the notification, the governing board and the chief executive officer of the organization shall advise the Chief Executive Project Officer—

(i) to continue with its collection activities;

(ii) to cancel, adjust, compromise, or reduce the amount of the loan; or

(iii) to modify any term or condition of the loan, including any term or condition relating to the time of payment of any installment of principal, or portion of principal, that is payable under the loan.

(g) ADMINISTRATION AND ASSISTANCE.—

(1) IN GENERAL.—Consistent with section 222(j), the Chief Executive Project Officer shall, out of funds available in the Fund—

(A) pay expenses incurred by the Chief Executive Project Officer in administering the Fund; and

(B) provide competent management and technical assistance to borrowers of loans made under subsection (a) to assist the borrowers to achieve the purposes of the loans.

(2) ASSISTANCE BY THE SECRETARY.—The Secretary shall provide to the chief executive officer of the organization and the Chief Executive Project Officer such management and technical assistance as the chief executive officer of the organization and the Chief Executive Project Officer may request in order to carry out the provisions of this section.

(h) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary to carry out the objectives of this section, including regulations involving reporting and auditing.

Subtitle D—Quality Child Care Through Federal Facilities and Programs

SEC. 231. PROVIDING QUALITY CHILD CARE IN FEDERAL FACILITIES.

(a) DEFINITION.—In this section:

(1) ADMINISTRATOR.—The term ''Administrator'' means the Administrator of General Services.

(2) EXECUTIVE AGENCY.—The term ''Executive agency'' has the meaning given the term in section 105 of title 5, United States Code, but does not include the Department of Defense.

(3) EXECUTIVE FACILITY.—The term ''executive facility'' means a facility that is owned or leased by an Executive agency.

(4) FEDERAL AGENCY.—The term ''Federal agency'' means an Executive agency, a judicial office, or a legislative office.

(5) JUDICIAL FACILITY.—The term ''judicial facility'' means a facility that is owned or leased by a judicial office.

(6) JUDICIAL OFFICE.—The term ''judicial office'' means an entity of the judicial branch of the Federal Government.

(7) LEGISLATIVE FACILITY.—The term ''legislative facility'' means a facility that is owned or leased by a legislative office.

(8) LEGISLATIVE OFFICE.—The term ''legislative office'' means an entity of the legislative branch of the Federal Government.

(b) EXECUTIVE BRANCH STANDARDS AND ENFORCEMENT.—

(1) STATE AND LOCAL LICENSING REQUIREMENTS.—

(A) IN GENERAL.—The Administrator shall issue regulations requiring any entity operating a child care center in an executive facility to comply with applicable State and local licensing requirements related to the provision of child care.

(B) COMPLIANCE.—The regulations shall require that, not later than 6 months after the date of enactment of this Act—

(i) the entity shall comply, or make substantial progress (as determined by the Administrator) toward complying, with the requirements; and

(ii) any contract for the operation of such a child care center shall include a condition that the child care be provided in accordance with the requirements.

(2) ACCREDITATION STANDARDS.—

(A) IN GENERAL.—The Administrator shall issue regulations specifying child care center accreditation standards and requiring any entity operating a child care center in an executive facility to comply with the standards.

(B) COMPLIANCE.—The regulations shall require that, not later than 3 years after the date of enactment of this Act—

(i) the entity shall comply, or make substantial progress (as determined by the Administrator) toward complying, with the standards; and

(ii) any contract for the operation of such a child care center shall include a condition that the child care be provided by an entity that complies with the standards.

(C) CONTENTS.—The standards shall base accreditation on—

(i) an accreditation instrument described in section 2(2)(B);

(ii) outside monitoring described in section 2(2)(B), by—

(I) the Administrator; or

(II) a child care credentialing or accreditation entity, or other entity, with which the Administrator enters into a contract to provide such monitoring; and

(iii) the criteria described in section 2(2)(B).

(3) EVALUATION AND ENFORCEMENT.—

(A) IN GENERAL.—The Administrator shall evaluate the compliance of entities described in paragraph (1) with the regulations issued under paragraphs (1) and (2). The Administrator may conduct the evaluation of such an entity directly, or through an agreement with another Federal agency, other than the Federal agency for which the entity is providing child care. If the Administrator determines, on the basis of such an evaluation, that the entity is not in compliance with the regulations, the Administrator shall notify the Executive agency.

(B) TERMINATION OF AGENCY PROVISION OF CHILD CARE OR CONTRACT.—On receipt of the notification—

(i) if the entity operating the child care center involved is the agency, the agency shall terminate the direct provision of child care by the agency; and

(ii) if the entity operating the child care center is a contractor, the agency shall terminate the contract of the entity to operate the center.

(C) COST REIMBURSEMENT.—The Administrator may require Executive agencies to reimburse the Administrator for the costs of carrying out subparagraph (A) with respect to entities operating child care centers for the agencies. If an entity described in paragraph (1) operates a child care center for 2 or more Executive agencies, the Administrator shall allocate the costs of providing such reimbursement among the agencies in a fair and equitable manner, based on the extent to which each agency is eligible to place children in the center.

(c) LEGISLATIVE BRANCH STANDARDS AND ENFORCEMENT.—

(1) STATE AND LOCAL LICENSING REQUIREMENTS AND ACCREDITATION STANDARDS.—The Architect of the Capitol shall issue regulations for entities operating child care centers in legislative facilities, which shall be the same as the regulations issued by the Administrator under paragraphs (1) and (2) of subsection (b), except to the extent that the Architect may determine, for good cause shown and stated together with the regulations, that a modification of such regulations would be more effective for the implementation of the requirements and standards described in such paragraphs.

(2) EVALUATION AND ENFORCEMENT.—Subsection (b)(3) shall apply to the Architect of the Capitol, entities operating child care centers in legislative facilities, and legislative offices. For purposes of that application, references in subsection (b)(3) to regulations shall be considered to be references to regulations issued under this subsection.

(d) JUDICIAL BRANCH STANDARDS AND ENFORCEMENT.—

(1) STATE AND LOCAL LICENSING REQUIREMENTS AND ACCREDITATION STANDARDS.—The Director of the Administrative Office of the United States Courts shall issue regulations for entities op-

erating child care centers in judicial facilities, which shall be the same as the regulations issued by the Administrator under paragraphs (1) and (2) of subsection (b), except to the extent that the Director may determine, for good cause shown and stated together with the regulations, that a modification of such regulations would be more effective for the implementation of the requirements and standards described in such paragraphs.

(2) EVALUATION AND ENFORCEMENT.—Subsection (b)(3) shall apply to the Director described in paragraph (1), entities operating child care centers in judicial facilities, and judicial offices. For purposes of that application, references in subsection (b)(3) to regulations shall be considered to be references to regulations issued under this subsection.

(e) APPLICATION.—Notwithstanding any other provision of this section, if 3 or more child care centers are operated in facilities owned or leased by a Federal agency, the head of the Federal agency may carry out the responsibilities assigned to the Administrator under subsection (b)(3)(A), the Architect of the Capitol under subsection (c)(2), or the Director described in subsection (d)(2) under such subsection, as appropriate.

(f) TECHNICAL ASSISTANCE.—The Administrator may provide technical assistance to Executive agencies, and to entities operating child care centers in executive facilities, in order to assist the entities in complying with this section. The Architect of the Capitol and the Director of the Administrative Office of the United States Courts may provide, or request that the Administrator provide, technical assistance to legislative offices and judicial offices, respectively, and to entities operating child care centers in legislative facilities and judicial facilities, respectively, in order to assist the entities in complying with this section.

(g) COUNCIL.—The Administrator shall establish an interagency council, comprised of all Federal agencies described in subsection (e), to facilitate cooperation and sharing of best practices, and to develop and coordinate policy, regarding the provision of child care in the Federal Government.

(h) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $900,000 for fiscal year 1998 and each subsequent fiscal year.

SEC. 232. PROVIDING QUALITY CHILD CARE THROUGH FEDERAL PROGRAMS.

(a) CORPORATION FOR NATIONAL AND COMMUNITY SERVICE.—Effective October 1, 2001, the Chief Executive Officer of the Corporation for National and Community Service shall ensure that, to the maximum extent practicable, any child care made available under any Federal financial assistance program carried out by the Chief Executive Officer, directly or through a child care allowance, shall be child care provided by an accredited child care center or a credentialed child care professional, as the terms are defined in section 2.

(b) DEPARTMENTS OF EDUCATION, HOUSING AND URBAN DEVELOPMENT, JUSTICE, AND LABOR.—Effective October 1, 2001, the Secretary of Education, Secretary of Housing and Urban Development, Attorney General, and Secretary of Labor shall ensure that, to the maximum extent practicable, any child care made available under any Federal financial assistance program carried out by the Attorney General or Secretary involved, directly or through a child care allowance, shall be child care provided by an accredited child care center or a credentialed child care professional, as the terms are defined in section 2.

(c) SOCIAL SERVICES BLOCK GRANTS.—Section 2002(a) of the Social Security Act (42 U.S.C. 1397a(a)) is amended by adding at the end the following:

"(3) Effective October 1, 2001, child care services made available under this subsection shall, to the maximum extent practicable, be child care services provided by an accredited child care center or a credentialed child care professional, as the terms are defined in section 2 of the CIDCARE Act.".

SEC. 233. USE OF COMMUNITY DEVELOPMENT BLOCK GRANTS TO ESTABLISH ACCREDITED CHILD CARE CENTERS.

Section 105(a) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305(a)) is amended—

(1) in paragraph (22), by striking "and" at the end;

(2) in paragraph (23), by striking the period at the end and inserting a semicolon;

(3) in paragraph (24), by striking "and" at the end;

(4) in paragraph (25), by striking the period at the end and inserting "; and"; and

(5) by adding at the end the following:

"(26) the establishment of accredited child care centers (as that term is defined in section 2 of the CIDCARE Act), by upgrading existing child care facilities to meet standards for accredited child care centers, or by renovating existing structures for use as accredited child care centers.''.

Subtitle E—Miscellaneous Provisions

SEC. 241. STUDENT LOAN REPAYMENT AND CANCELLATION FOR CHILD CARE WORKERS.

(a) STAFFORD LOAN REPAYMENT.—Section 428J of the Higher Education Act of 1965 (20 U.S.C. 1078–10) is amended—

(1) in the section heading by striking ''**AND NURSES**'' and inserting ''**, NURSES AND CHILD CARE WORKERS**'';

(2) in subsection (a)(1), by striking ''and nursing profession'' and inserting '', nursing and child care professions'';

(3) in subsection (b)(1)—

(A) in subparagraph (B)(ii), by striking ''or'' after the semicolon;

(B) in subparagraph (C), by striking the period and inserting ''; or''; and

(C) by adding at the end the following:

''(D) is employed full time providing child care services, and possesses a certificate or degree in early childhood education or development.''; and

(4) in subsection (g)—

(A) in paragraph (1), by striking ‘‘and community service’’ and inserting ‘‘community service, and child care’’; and

(B) in paragraph (3)—

(i) in subparagraph (A), by striking ‘‘and community service’’ and inserting ‘‘community service, and child care’’; and

(ii) in subparagraph (D), by striking ‘‘and community service’’ and inserting ‘‘community service, and child care’’.

(b) PERKINS LOAN CANCELLATION.—Section 465(a)(2) of the Higher Education Act of 1965 (20 U.S.C. 1087ee(a)(2)) is amended—

(1) in subparagraph (H), by striking ‘‘or’’ after the semicolon;

(2) in subparagraph (I), by striking the period and inserting ‘‘; or’’; and

(3) by inserting after subparagraph (I) the following:

‘‘(J) as a full-time employee who provides child care services and possesses a certificate or degree in early childhood education or development.’’.

SEC. 242. EXPANSION OF COORDINATED ENFORCEMENT EFFORTS OF INTERNAL REVENUE SERVICE AND HHS OFFICE OF CHILD SUPPORT ENFORCEMENT.

(a) STATE REPORTING OF CUSTODIAL DATA.—Section 454A(e)(4)(D) of the Social Security Act (42 U.S.C. 654(e)(4)(D)) is amended by striking ‘‘the birth date of any child’’ and inserting ‘‘the birth date and custodial status of any child’’.

(b) MATCHING PROGRAM BY IRS OF CUSTODIAL DATA AND TAX STATUS INFORMATION.—

(1) NATIONAL DIRECTORY OF NEW HIRES.—Section 453(i)(3) of the Social Security Act (42 U.S.C. 653(i)(3)) is amended by striking ‘‘a claim with respect to employment in a tax return’’ and inserting ‘‘information which is required on a tax return’’.

(2) FEDERAL CASE REGISTRY OF CHILD SUPPORT ORDERS.—Section 453(h) of the such Act (42 U.S.C. 653(h)) is amended by adding at the end the following:

‘‘(3) ADMINISTRATION OF FEDERAL TAX LAWS.—The Secretary of the Treasury shall have access to the information described in paragraph (2), consisting of the names and social security numbers of the custodial parents linked with the children in the custody of such parents, for the purpose of administering those sections of the Internal Revenue Code of 1986 which grant tax benefits based on support and residence provided dependent children.''

(c) MINIMUM PAST-DUE SUPPORT THRESHOLD FOR USE OF OFFSET PROCEDURE.—

(1) PART D FAMILIES.—Section 464(b)(1) of the Social Security Act (42 U.S.C. 664(b)(1)) is amended by inserting ''(not to exceed $150)'' after ''minimum amount''.

(2) OTHER FAMILIES.—Section 464(b)(2)(A) of such Act (42 U.S.C. 664(b)(2)(A)) is amended by striking ''$500'' both places it appears and inserting ''$150''.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 1, 1997.

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