

# \$3.5 Trillion Bill Spends Big on Ineffective and Unpopular Preschool and Childcare Programs

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## KEY TAKEAWAYS

Massive new federal preschool and childcare programs in the reconciliation package will hurt families by limiting availability and increasing costs.

Instead of giving Washington more control over education, parents should have maximum freedom to make the best decisions for their children.

Congress should enact policies that reduce costs for families while allowing existing funding to follow children to early education options that work for them.

The \$3.5 trillion “reconciliation” spending bill containing the Biden Administration’s “Build Back Better” plan is making its way through Congress. The measure contains unprecedented new federal education spending, including universal preschool for all three- and four-year-old children, and expanded childcare subsidies capping what families pay at no more than 7 percent of their income. These two provisions alone come with an estimated \$450 billion price tag.<sup>1</sup>

Massive new federal preschool and childcare programs will not serve American families well. Not only is there scant evidence of long-term cognitive improvements among children who participate in preschool programs, but distantly managed, center-based childcare and pre-K programs are not the type of early childhood education and care that most parents want.

This paper, in its entirety, can be found at <http://report.heritage.org/ib5222>

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The subsidies and additional regulations attached to these federal programs will also reduce the options available to parents, as subsidies will only be available to families attending “approved” government programs, crowding out the private provision of care. Finally, costs will likely be larger than initially expected as government programs rarely come in at budget, and because the legislation pushes these high-cost entitlements on states over time.

## Mechanics of the Childcare and Universal Preschool Provisions of the Spending Bill

Funding for both the preschool and childcare proposals heavily subsidize approved providers and shift much of the spending burden to state taxpayers over time.

**Preschool Spending.** To receive federal funds authorized for the proposed preschool program, states must submit a plan “for universal, high-quality, free, inclusive, and mixed delivery preschool services” to the U.S. Department of Health and Human Services. Although federal taxpayers would initially pay for the preschool program, the federal funding decreases rather quickly over time, pushing the burden of this entitlement onto state budgets. The federal government will match dollar-for-dollar what state governments spend on universal pre-K services in fiscal years (FYs) 2022 to 2024. Then, the federal government will decrease the amount of funding for the federal share to 90 percent, 80 percent, 70 percent, and 60 percent of what the states spend for FYs 2025 to 2028, respectively.<sup>2</sup>

**Childcare Spending.** Proposed federal spending for childcare subsidies caps the amount that any parents who earn below 200 percent of their state’s median income will pay for childcare at 7 percent of their income.<sup>3</sup> As a result, taxpayers all over the country would be subsidizing higher-income earners. For example, a family of four earning up to \$250,000 in a high-cost state like Massachusetts would have its childcare costs capped at 7 percent of its household income thanks to the new taxpayer subsidy.<sup>4</sup> Heritage Foundation economist Rachel Greszler estimates that taxpayers would spend more than \$73,000 per child from a four-person family with a median income of \$90,660 for each child who uses both the federal childcare and preschool programs proposed in this spending package.<sup>5</sup>

Moreover, the spending package would codify a massive end-run around states in order to expand government childcare by enabling any locality to apply for federal funds on its own, potentially bypassing the state if the state has “made it apparent that [the state] will not apply for payments.”

**Regulations and Requirements.** The approval needed from the federal government (states must submit applications to the Secretary of the Department of Health and Human Services) means that there are implicit and explicit standards set by government bureaucrats as to what may happen in a local preschool or daycare center. The legislation states that the minimum quality standards to be eligible for funding match those of the ineffective federal Head Start program.<sup>6</sup> Additional regulations and requirements meant to “support quality,” such as wage supplements, college degree requirements for preschool workers, and low child-to-staff ratios, will inevitably lead to higher costs for taxpayers.

*First*, preschool and childcare wages would no longer be set by the market. Childcare workers would have mandated minimum wages, and the pay scale for preschool staff would be pegged to the salaries of elementary school teachers, who currently have higher certification requirements and education levels. The proposal also requires that all lead pre-K workers have a bachelor’s degree in early childhood education or a related field, despite there being no evidence that formal education beyond a high school diploma makes someone a better caretaker.<sup>7</sup> Similar requirements in Washington, DC, are part of the reason why it is now the most expensive area for infant care in the country, exceeding \$24,000 annually.<sup>8</sup> Washington, DC, requires daycare directors to hold bachelor’s degrees, and childcare workers to have an associate’s degree—the most aggressive credentialing requirement in the country.<sup>9</sup>

*Second*, preschool providers must implement federally approved limits for student-to-teacher ratios and the number of children in a classroom. Given that these limits tend to be lower than those in elementary school, and paired with the pay requirements, it is not unlikely that the cost to taxpayers soon exceeds the current K–12 average per pupil of about \$15,450.<sup>10</sup> For example, a 2015 report finds that “an increase in the child–staff ratio requirement for infants by one infant is associated with a decrease in the cost of childcare of between 9 and 20 percent.” The same report finds that it would also “reduce the annual cost of childcare by between \$850 and \$1,890 per child across all states, on average.”<sup>11</sup>

*Third*, states are required to have a system of provider licensure. There is a robust literature on the negative effects of professional licensing laws, which lead to industry capture of established providers, drive up costs, and create barriers to entry for entrepreneurs and workers.<sup>12</sup> For example, if one wants to become a licensed childcare provider in North Carolina, the entire process will take 401 days. It is then no surprise that childcare-provider licensure has also shown to reduce overall availability of childcare services, particularly in lower-income areas—the same population that Congress

claims to want to help.<sup>13</sup> Rachel Greszler and Lindsey Burke of Heritage have shown that the sharp decrease in the number of small affordable, family-based childcare over the past two decades is partly due to the regulatory burden of professional licensing for childcare providers.<sup>14</sup>

**Distribution of Seats.** In an attempt to provide “mixed delivery pre-school services,” preschool seats must be “distributed equitably among childcare (including family childcare), Head Start, and schools within the entire state.” If demand for any one of these three options exceeds one-third of students in the state, there will predictably be shortages in the types of providers that parents desire. This type of central planning and the imposition of seat-distribution criteria will only restrict choice.

## Does Preschool Benefit Participating Children?

The evidence from preschool interventions is not promising, particularly when it comes to large-scale federal programs of the nature outlined in the spending package. The bulk of the scientifically rigorous evaluations of preschool programs yield consistently negative findings: Any benefits fade out over time.

For example, Vanderbilt University evaluated Tennessee’s frequently cited “model” pre-K program for low-income children and found that the program failed to produce any sustained benefits for children, and even had some negative effects.<sup>15</sup> By the time the students reach third grade, the treatment group performed worse academically than those who were not in the pre-K program. The students in the treatment group were also more likely to have behavioral issues in school. Although children participating in the pre-K program initially showed some positive results, those effects quickly reversed course:

First grade teachers rated the TN-VPK children as less well prepared for school, having poorer work skills in the classrooms, and feeling more negative about school. It is notable that these ratings preceded the downward achievement trend we found for VPK children in second and third grades.

In a consensus statement, 10 highly regarded researchers in early childhood education concluded that the “convincing evidence on the longer-term impacts of scaled-up pre-k programs on academic outcomes and school progress is sparse.”<sup>16</sup> Early childhood education expert Russ Whitehurst states that in all the most rigorous studies of relevant interventions, “the outcomes beyond the pre-k year diminish to nothing.”<sup>17</sup>

Evaluations of Head Start show similarly depressing findings. In a randomized controlled trial evaluation conducted by the Department of Health and Human Services, evaluators found that by the time students in the Head Start program reached the third grade, all measurable benefits of program participation disappeared.<sup>18</sup> Head Start, a relic of Lyndon Johnson’s Great Society initiative of 1965, is currently the largest federal preschool program, serving approximately 10 million children at a cost of over \$10.7 billion annually.<sup>19</sup> Head Start has had no long-term impact on the cognitive abilities of participating children, has failed to improve their access to health care, has failed to improve their behavior and emotional well-being, and has failed to improve the parenting practices of parents.

Despite all the current, rigorous research demonstrating the limited value of preschool, proponents continue to appeal to two half-century-old programs as examples of why pre-K “works” and should be scaled up to the national level—the Perry Preschool Project and the Carolina Abecedarian Project. While there is evidence of positive outcomes for participants, these programs provided services to the entire family, occurred 50 years ago, cost more than \$20,000 per child in today’s dollars, and the positive findings have not been replicated.<sup>20</sup> In other words, those are not the types of programs that Congress is currently proposing.

Indeed, Whitehurst calls such generalizations from the Perry and Abecedarian programs to large-scale programs “prodigious leaps of faith.”<sup>21</sup> As Whitehurst explains, “the best available evidence raises serious doubts that a large public investment in the expansion of pre-k for four-year-olds will have the long-term effects that advocates tout.”<sup>22</sup>

**Countering Parent Preferences.** In addition to a lack of sustained benefits for children, recent polling does not support the claim that there is high demand for the product that the Biden Administration is trying to force Americans to pay for: center-based childcare. A 2021 survey from the Institute for Family Studies shows that 70 percent of mothers with a child under the age of 18 prefer childcare to come from a parent or relative.<sup>23</sup> In the same survey, only 14 percent preferred a center-based childcare provider. At the same time, about two-thirds of four-year-olds and half of three-year-olds already attend pre-K programs.<sup>24</sup> This spending bill favors and disproportionately subsidizes center-based providers that can afford to comply with costly regulations, while requiring parents who opt to stay home with their children to also carry the burden of subsidizing the childcare costs of other families who use center-based care.

Given that the legislation mandates that the number of preschool seats must be distributed proportionally among childcare type (center- and

family-based), Head Start, and public schools throughout the entire state, it is easy to see that many parents will be forced to subsidize—through higher taxes—options they do not want.

**Crowd-Out.** In addition to hurting the wallets of taxpayers and not helping children, government early childhood education and childcare has been shown to reduce options and flexibility for parents by crowding out small, private childcare and preschool providers. Many of the standards and regulations with which program providers must comply are too costly for small, private, and family childcare providers. If they cannot comply, families will not be eligible for the subsidies, making it almost impossible for them to compete with the centers that are government approved and subsidy eligible.

Not only will some childcare providers shut down, but fewer new providers will start up, as it will be artificially more expensive for entrepreneurs to open a childcare business. A study of universal pre-K in the Canadian province of Quebec provides the most salient evidence of crowd-out, and researchers note that crowd-out is “a significant net cost of this program.”<sup>25</sup> Between 1997 and 2000, Quebec introduced universally subsidized childcare available at a rate of \$5 per day for parents, regardless of income. Although there was an increase of about 14 percent in childcare enrollment, approximately one-third appeared to be due to parents moving their children from informal to formal (subsidized) arrangements.<sup>26</sup>

Furthermore, many parents who had previously left their children in the care of family members or friends opted for subsidized childcare after the policy was implemented. As economists Michael Baker, Jonathan Gruber, and Kevin Milligan note, “It is possible that publicly provided childcare ‘crowds out’ the private provision of care, with no net increase in childcare use or labor supply to the market.”<sup>27</sup> Canadian observers pointed out that the government program “squeezed other suppliers of child-care service out of the market.”<sup>28</sup>

**Maternal Labor Force.** Evidence that universal access to childcare increases maternal labor-force participation is underwhelming. There is a very small positive effect of universal childcare and pre-K programs on maternal labor-force participation and hours worked.<sup>29</sup> The labor supply elasticity in response to a change in the price of childcare is very small, meaning that subsidies for childcare do not appear to cause many women to enter the workforce who otherwise would not have. This is consistent with public opinion, as a 2019 Gallup poll shows that 50 percent of women with a child under the age of 18 prefer not to work outside the home.<sup>30</sup>

## What Would Actually Help Parents and Children?

Research shows that when policymakers and bureaucrats in Washington, DC, attempt to solve issues of childcare, the quality tends to be poor. This proposed spending package will continue the trend of expanding the reach of Washington into education, restricting supply, and increasing costs. Parents should have maximal freedom to make the best decisions for their children, and such flexibility requires competition and a low-regulation environment free of federal mandates.

Instead of spending an estimated \$450 billion on new federal preschool and childcare programs—a cost that will certainly increase over the long run—Congress should pursue policies that actually reduce prices for families while expanding the early childhood education and care options available to them. Congress should make existing funding for the federal Head Start program portable, following children to childcare programs that fit their needs.

Congress should reduce taxes for parents, enabling them to keep more of their hard-earned money and allowing them to spend their earnings on preschool and childcare options that work for them. Universal pre-K and childcare subsidies will reduce families' options for childcare without benefiting children long term. Any expansion of government preschool, whether state or federal, comes at the expense of private providers, who must compete with “free” government programs. When the private provision of care is pushed out of the market, it ultimately means fewer choices for families.

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