CENTER ON CHILD AND FAMILY POLICY

Statement before the Senate Finance Committee on "Examining the State of Child Care: How Federal Policy Solutions Can Support Families, Close Existing Gaps, and Strengthen Economic Growth"

Promoting Family and Child Well-Being through Federal Childcare Policy

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Contents

Chairman Wyden, Ranking Member Crapo, and distinguished members of this committee, thank you for inviting me to submit testimony for the Senate Finance Committee's upcoming hearing on childcare.

My name is Katharine Stevens, and I am the founder and president of the Center on Child and Family Policy. My organization focuses on the science of early development and its implications for how policy can advance the well-being of our nation's young children, especially children from low-income families.

It is an honor for me to submit the following testimony on this hearing's crucial policy topic.

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Why Improving Childcare Matters

Over the past several years, federal policymakers on both sides of the aisle have become increasingly focused on the importance of high-quality childcare. An expanding body of brain science has underscored the great importance of children's earliest years, establishing that young children are continuously and rapidly learning, wherever they are and from whomever they are with — including in childcare. And childcare's role in both economic productivity and gender equality in the workplace has also been moving to the forefront of policy debates.

Yet even as policy emphasis on childcare grows, current childcare systems are not working well for many families across the nation. In particular, children of lower-income working parents too often lack access to high-quality care, even as research is clear that it matters for exactly these children the most. This is damaging to young children. It is also greatly disempowering for lower-income parents, who care about their children's well-being as much as any parent does.

The dominant response to this serious problem is a push for a much-increased federal role in early care and education (ECE), often promoted as "public education starting at birth." In this ever more influential vision, the federal government will fund a nationwide "infrastructure of care": a centrally-directed system of care and education programs for all children from birth to kindergarten entry.

The problem federal policymakers must address, however, is not that too many families are raising their own young children. Nor should the policy aim be to increase the number of children under age five who are in government-regulated, non-parental group care. Instead, the federal government must focus on boosting access to high-quality childcare for lower-income children, so those children have the same opportunity for healthy development that more affluent children already have.

Two principles should guide federal policymaking towards this end:

- **Direct resources to the children and families for whom most is at stake.** Federal childcare and preschool funds should be targeted to parents who must work for economic survival, yet do not have access to high-quality providers for their young children — helping families who *cannot* pay, rather than those who would simply prefer not to.

- **Empower low-income parents.** Childcare is not the "essential infrastructure" of our society. Families are. Federal policy must bolster, not diminish, parents' crucial role in their children's well-being and development.

With these ends in mind, federal policymakers should aim to: 1) Boost choice for low-income families; 2) Shore up family childcare; 3) Break down federal bureaucratic silos; 4) Leverage a broader range of federal funds; and 5) Promote state leadership in early care and education.

What Federal Policymakers Should Do

Boost Choice for Low-Income Parents

First, and most important, federal policy must aim to empower lower-income parents by respecting and supporting their decisions regarding the care and education of their children.
Indeed, a hallmark of the Child Care Development Fund (CCDF) is its strong emphasis on supporting parental choice, allowing parents to use a CCDF certificate for any childcare provider they choose. The law specifically prohibits any federal or state regulation that could "significantly restrict parental choice," and permits only that states may require providers to meet state-defined health and safety requirements that "ensure basic protections for children."[1] CCDF further stresses parents' right to choose faith-based care, which is what the majority of parents who place their children in center-based care prefer.[2]

Yet, while the CCDF is designed to maximize parental choice for low-income families, it is currently falling short of accomplishing that end. This is for three reasons in particular:

- **Subsidies are insufficient.** CCDF provides lower-income families with subsidies to help them pay for childcare. But many families who need subsidies do not get them. And,

[1] See 45 CFR Subtitle A, Subpart D—Program Operations (Child Care Services)—Parental Rights and Responsibilities, §98.30 Parental choice, https://www.govinfo.gov/content/pkg/CFR-2020-title45-vol1/pdf/CFR-2020-title45-vol1-sec98-30.pdf.

[2] A recent Bipartisan Policy Center (BPC) survey found that over half (53 percent) of families using center-based care choose providers affiliated with a faith organization, totaling roughly 15 percent of all working parents. As BPC reported: "Through our national survey, we found that 31% of working-parent households used center-based care. Out of that 31%, we found that 53% of those families used a faith-based childcare center. Therefore, we found that roughly 15% of all working parents use faith-based childcare centers. Over half (53%) of working families who use center-based care use one that was affiliated with a faith organization." Suzann Morris and Linda Smith, *Examining the Role of Faith-Based Child Care*, Bipartisan Policy Center, June 4, 2021, https://bipartisanpolicy.org/report/faith-based-child-care/.

among those who do, subsidy amounts in many states fall short of what is needed to access the high-quality care that wealthier families are already using for their children.[3]

- **Staff pay is too low.** At the same time, most childcare staff earn extremely low pay — below that of almost all U.S. occupations — and many are on federal assistance as a result.[4] Poverty-level wages contribute to staff turnover estimated at 25 to 40 percent annually, precluding the consistent, close, trusted relationships young children need to develop well.[5] And very low pay means that the field is often unable to attract the kind of people parents want to leave their children with in the first place.[6]

- **Provider supply is too small.** Parent choice has also been substantially reduced because the number of providers that accept CCDF subsidies has declined precipitously, decreasing by 67 percent over the past 18 years.[7] In particular, even as many families prefer family childcare, the number of licensed family providers has declined from 220,969 to 94,227 between 2005 and 2023.[8]

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[3] *Child Care: Subsidy Eligibility and Use in Fiscal Year 2019 and State Program Changes during the Pandemic*, GAO-23-106073, US Government Accountability Office, March 2023, https://www.gao.gov/assets/gao-23-106073.pdf; Rebecca Ullrich, Stephanie Schmit, *Inequitable Access to Child Care Subsidies*, CLASP, April 2019, https://www.clasp.org/sites/default/files/publications/2019/04/2019_inequitableaccess.pdf.

[4] The most comprehensive survey of working conditions in the early care and education field found that almost half of workers were receiving federal assistance of some kind. See Marcy Whitebook, Deborah Phillips, and Carollee Howes, *Worthy Work, Still Unlivable Wages: The Early Childhood Workforce 25 Years after the National Child Care Staffing Study*, University of California, Berkeley: Center for the Study of Child Care Employment, 2014, https://cscce.berkeley.edu/publications/report/worthy-work-still-unlivable-wages/.

[5] "What children need more than anything is the chance to attach with and bond to adults who are meaningful and important to them," renowned Yale University professor James P. Comer has observed. For young children, "no significant learning can occur without a significant relationship." See John O'Neil, "Building Schools as Communities: A Conversation with James Comer," Association for Supervision and Curriculum Development, 1997, https://www.ascd.org/el/articles/building-schools-as-communities-a-conversation-with-james-comer and "Relationships and Learning: Clarification on a Popular Quote," *Effortful Educator*, 2018, https://theeffortfuleducator.com/2018/05/09/relationships-and-learning-clarification-on-a-popular-quote/. Also see National Scientific Council on the Developing Child, *Young Children Develop in an Environment of Relationships*, Working Paper No. 1, Center on the Developing Child, Harvard University, 2009, https://developingchild.harvard.edu/wp-content/uploads/2004/04/Young-Children-Develop-in-an-Environment-of-Relationships.pdf and Allan N. Schore, "Effects of a Secure Attachment Relationship on Right Brain Development, Affect Regulation, and Infant Mental Health," *Infant Mental Health Journal*, 22, no. 1–2, 2001,: 7–66, http://www.allanschore.com/pdf/SchoreIMHJAttachment.pdf.

[6] Molly Smith, Reade Pickert, Olivia Rockeman, "'Not Giving Up': Job Data Show Just How Tight US Labor Really Is," *Bloomberg*, July 8, 2022, https://www.bloomberg.com/news/articles/2022-07-08/-not-giving-up-job-data-show-just-how-tight-us-labor-really-is.

[7] Alycia Hardy, Stephanie Schmit, and Rachel Wilensky, *Child Care Assistance Landscape: Inequities in Federal and State Eligibility and Access*, p. 20, CLASP, June 2024, https://www.clasp.org/wp-content/uploads/2024/06/2024.6.27_Child-Care-Assistance-Landscape.pdf.

[8] *Addressing the Decreasing Number of Family Child Care Providers in the United States,* National Center on Early Childhood Quality Assurance, October 2019, https://childcareta.acf.hhs.gov/sites/default/files/addressing_ decreasing_fcc_providers_revised_final.pdf and *Child Care at a Standstill: Price and Landscape Analysis 2023*, Child Care Aware of America, 2023, https://www.childcareaware.org/thechildcarestandstill/.

Increasing lower-income families' access to high-quality childcare is a crucial policy goal. High-quality childcare programs can have significant benefits for low-income children, particularly those from single-parent households — the very children for whom good programs are often farthest from reach.

The solution, however, is not to launch new, federally-directed childcare programs or greatly increase federal funding. Instead, policymakers must focus on promoting state leadership while shoring up parent choice for the low-income families who need high-quality early care and education the most.

Use Certificates, Not Contracts. Certificates directly support *parents*. Programs that serve families well receive CCDF funds via the parents of the children they are serving. On the other hand, contracts directly support *programs*, displacing parents' decision-making with that of government administrators. Further, greater use of contracts is also likely to exacerbate the decline in family childcare as well as reduce families' access to faith-based providers, which are the kinds of providers that many parents prefer.

As analysts have noted, certificates can provide less stability to providers.[9] But this problem can be addressed without shifting funds from parents to government-selected programs. States can make it more financially viable for providers to offer care to low-income families by raising subsidy payment rates, as discussed below. Paying subsidies based on enrollment rather than participation would also substantially increase provider stability.[10]

Encourage States to Increase Subsidy Amounts. Some argue that the early care and education (ECE) market is "broken" because many lower-income families do not have access to high-quality care and education. Yet the ECE market *does* work in higher-income communities, as the Center for American Progress has recently noted.[11] The solution for lower-income families is not to replace the existing childcare market with new programs directed by federal and state governments. The solution is to make the childcare market work for the lower-income families who need access to high-quality care and education the most.

As noted, CCDF subsidies currently reach only a fraction of eligible families and are often insufficient to give those families access to the providers that more affluent families choose. <u>But that is not a flaw with the program's fundamental design</u>. Wealthier parents do not rely on government-directed provider contracts, for example. They too, use "certificates" — just provided by their bank accounts rather than the government.

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9 *Payment Practices to Stabilize Child Care*, Bipartisan Policy Center, January 2021, https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2021/01/BPC-ECH_Payment-practices_RV5.pdf.

10 Abbie Lieberman, Aaron Loewenberg, and Cara Sklar, *Make Child Care More Stable: Pay by Enrollment*, New America, June 2021, https://d1y8sb8igg2f8e.cloudfront.net/documents/Stabel_Child_Care.pdf.

11 Simon Workman, *The True Cost of High-Quality Child Care Across the United States*, Center for American Progress, June 2021, https://www.americanprogress.org/wp-content/uploads/sites/2/2021/07/True-Cost-of-High-Quality-Child-Care.pdf.

Through joint federal/state action, childcare subsidies can be increased to a level that empowers lower-income working families to access the providers they decide are best for their children. This approach will provide much-needed help for the families who currently lack access to high quality childcare. At the same time, it will drive more robust competition in the childcare market, increasing the supply of high-quality providers.[12]

Encourage States to Reduce Bureaucratic Barriers. The federal government can also urge states to reduce bureaucratic barriers both to families' access to subsidies and to providers' participation in the subsidy program.

In some states, parents who are eligible for CCDF subsidies under federal law face substantial bureaucratic obstacles to actually obtaining them. For example, Minnesota requires that families complete an officious 7-page application, accompanied by nine dense pages of instructions, warnings, and small-print legalese.[13] In contrast, South Carolina has launched a well-designed, easy-to-use website that helps families apply for multiple programs using a single, user-friendly portal, shifting administrative burden from families to government agencies.[14]

Providers, too, face significant bureaucratic hurdles to participating in the subsidy program, thus reducing supply for low-income parents. Paperwork can be prohibitively cumbersome and unreliable reimbursement processes can result in late or missing payments to providers. In addition, accumulating layers of state regulation, while initially promulgated in efforts to ensure quality, can be restrictive, costly, and burdensome to fulfill, also leading to a much smaller number and reduced diversity of participating providers. By reducing regulatory burdens, streamlining processes, and improving technology, states can make it much more likely that providers will participate in the subsidy system.

Shore Up Family Childcare

Many families prefer home-based, or "family," childcare providers. But the supply of these providers has been sharply declining. Federal childcare policy must aim to support and protect family childcare providers, ensuring they are not further driven out of the market.

Family childcare (FCC) is paid care provided in a caregiver’s home, which offers small, mixed-age group settings in nurturing and familiar home environments. Because home-based providers care for children of different ages in one group, young siblings can be together during the day, rather than separated into age-specific classrooms. FCC providers are often more

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[12] “Empowering Parents and Scaling Preschool Success (with Art Rolnick),” *Early Matters Podcast,* Center on Child and Family Policy, October 11, 2023, https://www.ccfp.org/ccfp/the-minnesota-model-with-art-rolnick.

[13] “Minnesota Child Care Assistance Program Application,” Minnesota Department of Human Services, https://cms2.revize.com/revize/renvillemn/HumanServices/Minnesota%20Child%20Care%20Assistance%20Program%20Application.pdf.

[14] “First Five SC,” South Carolina Early Childhood Advisory Council, https://first5sc.org/.

culturally aligned with the families they serve than are childcare centers: sharing religious beliefs, speaking the same language, and serving the same kind of food. Finally, these providers often care for children over multiple years, developing close, trusting relationships with both children and their parents.

Many families thus prefer FCC. Families with infants and toddlers, Hispanic and African American families, and lower-income families are more likely to use FCC than center-based care. But licensed FCC options have significantly dwindled: Between 2005 and 2023, the number of licensed FCC providers declined by well over half, from 220,969 to 94,227.[15]

One major cause of this decline is that state childcare regulations are largely geared to centers, not home-based providers. Family childcare provides the smaller-scale, mixed-age, culturally-responsive care that many families prefer. But centers are easier for policymakers and administrators to picture: their age-segregated classrooms, administrative offices, and hallways decorated with children's art make them look like little schools. Family childcare, occurring in thousands of unique homes, is more difficult to grasp and thus fit into state regulatory frameworks.[16]

Partly due to this problem, home-based providers receive much less CCDF funding than do centers. In 2020, only 17 percent of CCDF funds were used in home-based settings.[17] Growing emphasis on use of CCDF contracts — as opposed to certificates — is likely to exacerbate this problem.

States can use two strategies to build the supply of family childcare providers. First, they must reduce counterproductive regulation and burdensome administrative requirements. Second, they should use CCDF quality funds to establish and strengthen "family childcare networks": community-based programs that give family childcare providers administrative support and professional development, along with help connecting to colleagues.[18]

Break Down Bureaucratic Silos to Amplify Impact of Federal ECE Funding

While the federal government funds dozens of small programs providing services to children from birth through age five, most federal funds are spent on three major funding streams: the Child Care Development Fund (CCDF), Head Start, and childcare expenditures from Temporary Assistance for Needy Families (TANF). Direct federal expenditures on ECE services now total

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[15] *Addressing the Decreasing Number of Family Child Care Providers,* National Center on Early Childhood Quality Assurance and *Child Care at a Standstill*, Child Care Aware of America.

[16] Katharine B. Stevens, "The Case for Home-Based Child Care," *National Review Online*, June 16, 2022, https://www.ccfp.org/ccfp/the-case-for-home-based-child-care.

[17] Hardy, et al, Child Care Assistance Landscape.

[18] *How Networks Can Help Family Childcare Businesses Succeed*, American Enterprise Institute, July 29, 2020, https://www.ccfp.org/ccfp/how-networks-can-help-family-childcare-businesses-succeed and *Family Child Care Networks: Actions Needed to Better Assess Quality Improvement Efforts*, GAO-23-105640, U.S. Government Accountability Office, May 2023, https://www.gao.gov/products/gao-23-105640.

roughly $25 billion, spent overwhelmingly on CCDF and Head Start. In addition, states can transfer up to $4.95 billion of federal TANF funds to CCDBG.[19]

CCDF, Head Start, and TANF childcare expenditures all fund lower-income children's participation in ECE. Yet these three federal funding streams are highly fragmented and inefficient. Entire offices in early childhood programs are staffed with experts dedicated to what the early childhood field calls "blending and braiding": the complicated, bureaucratic task of combining incoherent federal funding streams into money that is actually useful to low-income children and their working parents.[20]

The well-respected early childhood advocacy organization, Start Early (formerly The Ounce), described the negative impact of siloed federal bureaucracy on providers, in particular:

> Each government agency administering a categorical funding stream typically requires that its funds be tracked separately . . . requir[ing] skilled staff, a high degree of record keeping, a good management information system, and a strong cost accounting system to track expenditures by funding source, often at the child level, in order to properly allocate and report them. Many providers of early care and education are small centers or family-based homes that do not have the administrative capacity to manage the requirements of multiple funding sources.

Further, they note, a morass of red tape "create[s] disincentives for many providers to serve the highest need children who depend on public funding to access the early learning experiences they need before kindergarten entry."[21]

To amplify the impact of federal ECE spending, the federal government must reduce this fragmentation and bureaucratic inefficiency, empowering states and localities to better support low-income working families. Two starting points are as follows:

Integrate and Streamline Federal ECE Programs. The 2014 reauthorization of the Child Care and Development Block Grant Act (CCDBG) specifically mandated that the Department of Health and Human Services and Department of Education collaborate to: 1) Conduct a comprehensive,

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[19] Emily Katz, *Federal Funding Streams for Child Care and Early Childhood Education*, National Conference of State Legislatures, May 13, 2024, https://www.ncsl.org/state-federal/federal-funding-streams-for-child-care-and-early-childhood-education.

[20] Katharine B. Stevens, "Federal Early Care and Education Programs: Advancing Opportunity through Early Learning" in *A Safety Net That Works: Improving Federal Programs for Low-Income Americans*, ed. Robert Doar (American Enterprise Institute: February 2017), https://www.ccfp.org/ccfp/federal-early-childhood-care-and-education-programs-advancing-opportunity-through-early-learning.

[21] Margie Wallen and Angela Hubbard, *Blending and Braiding Early Childhood Program Funding Streams Toolkit: Enhancing Financing for High-Quality Early Learning Programs,* The Ounce, November 2013, https://www.theounce.org/wp-content/uploads/2017/03/NPT-Blended-Funding-Toolkit.pdf.

joint “interdepartmental review” of all programs for children from ages 0 – 5; and 2) Submit a recommendation to Congress for integrating and streamlining them.[22]

This has not occurred. If carried out, however, it would lay the groundwork for significant improvements in the utilization and impact of federal ECE funding.

Pilot a "Federal Performance Partnership" in ECE. Another approach to the problem of deeply siloed federal programs is through a little-known governmental mechanism, called the "federal performance partnership."[23]

The aim of federal performance partnerships is to amplify the impact of existing funding streams by minimizing legislative, regulatory, and administrative barriers to more effectively meet real-life needs on the ground. Performance partnerships allow federal agencies to grant states and localities greater flexibility in the use of funds across multiple federal programs in exchange for increased outcome accountability around a clearly-defined core purpose. The Office of Management and Budget has encouraged the formation of performance partnerships, but they have not been widely used.

Policymakers should consider piloting competitively-awarded "federal performance partnerships" in ECE, centered around parent choice. By granting greater flexibility in the use of funds awarded across various federal ECE funding streams, a performance partnership in early childhood can advance states’ capacity to meet the needs of working families and their young children while amplifying the impact of current federal spending.

This approach breaks down the counterproductive silos entrenched in federal funding streams, reducing regulatory and fiscal barriers to state and local innovation. It promotes new state and local solutions to entrenched problems, including inadequate childcare supply. And, most important, it can ensure that federal funding is oriented around *families* — not programs and bureaucracies — increasing parents’ capacity to choose what they believe is best for their child’s well-being and healthy development.

Leverage A Broader Range of Federal Funds More Effectively

To increase low-income families' access to high-quality childcare, the federal government can also more effectively leverage currently-existing funding streams beyond CCDF, Head Start, and TANF.

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[22] Katharine B. Stevens, “A Pivotal Shift in the New Child Care and Development Block Grant,” AEIdeas, November 24, 2014, https://www.ccfp.org/ccfp/a-pivotal-shift-in-the-new-child-care-and-development-block-grant.

[23] Katharine B. Stevens, *A Federal Performance Partnership for Early Childhood*, American Enterprise Institute, June 2018, https://www.ccfp.org/ccfp/a-federal-performance-partnership-for-early-childhood.

Childcare Facilities Funding. Two sources of federal funding for building and operating childcare facilities are underutilized:

- ***Rural Development Grants.*** The U.S. Department of Agriculture's Rural Development office offers several grant and loan programs that can be used to strengthen and expand childcare facilities in rural communities.[24] In 2024, a total of $2.3 billion is available specifically for this purpose.[25]

- ***Employer-Provided Child Tax Credit (45F).*** This is a federal tax program designed to encourage employers to invest in providing childcare services for their employees. It allows employers up to a total of a $150,000 reduction in annual income tax for up to 25 percent of their expenditures for building and operating childcare facilities or contracting with a childcare facility and up to 10 percent of expenditures on helping employees find childcare services.[26]

  Very few employers are using the program, however, and it should be much more widely promoted. Policymakers could also strengthen the program to increase use among the small-business and, especially, rural employers facing the biggest challenges in helping their employees obtain childcare.

Child Tax Credit. The Child Tax Credit, too, offers a potentially substantial source of childcare funding. This potential can be realized by increasing the credit's flexibility to boost parental choice, as Matt Weidinger of the American Enterprise Institute and I have laid out in a recent report.[27]

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[24] See: *Joint Resource Guide: To Strengthen and Expand Child Care Facilities in Rural Communities*, U.S. Department of Agriculture, Rural Development and U.S. Department of Health and Human Services, Administration for Children and Families, https://www.rd.usda.gov/sites/default/files/rd_hhs-acf_jointchildcareresourceguide.pdf.

[25] Rural Development Grant programs which may be used for childcare facilities include the following (FY2024 funding levels noted):

- *Community Facilities Programs* include multiple grant and loan opportunities to establish or improve facilities for public services in rural communities ($18 million).
- The *Rural Microentrepreneur Assistance Program* provides loans and grants to micro-enterprise development organizations that support small businesses with no more than 10 employees, through microloans, training, and technical assistance ($5 million).
- The *Community Facilities Guaranteed Loan Program* provides loan guarantees to eligible lenders to develop essential community facilities in rural areas ($650 million).
- *Business and Industry Loan Guarantees* provide loan guarantees to lenders for their loans to rural businesses ($1.6 billion).
- *Rural Business Development Grants* support the development of small businesses in rural areas ($20.5 million).

[26] For more information, see: Linda Smith, Caroline Osborn, & Brittany Walsh, *The Employer-Provided Child Tax Credit (45F)*, Bipartisan Policy Center, November 2022, https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2022/11/WEB_BPC_ECI-45F-Explainer_R01.pdf.

[27] Katharine Stevens and Matt Weidinger, *Improving Early Childhood Development by Allowing Advanced Child Tax Credits*, American Enterprise Institute, April 2021, http://www.ccfp.org/ccfp/improving-early-childhood-development-by-allowing-advanced-child-tax-credits.

The CTC currently provides up to $2,000 per year to assist parents with the costs of raising a child over the first 17 years, promising a lifetime total of up to $34,000 of taxpayer support for each child. But the CTC's design unnecessarily limits parents' ability to concentrate the funds in their children's crucial, first years when many families need those resources the most.

Instead, we have proposed a ***Flexible CTC***: giving parents the option to pull up to $30,000 of already-promised future CTC payments into any or all of the first five years of the child's life, up to a maximum of $15,000 per year. As we show, a Flexible CTC can help many lower-income families in both two-parent and single-parent households. Eligibility for the CTC is contingent on prior-year work earnings, thus supporting ongoing workforce attachment. And since a Flexible CTC adds no new federal spending — instead just permitting a shift in the timing of an existing tax benefit — it is fiscally responsible now and for future generations.

This approach would boost parents' agency in determining where and by whom their young children are cared for: greatly increasing access to high-quality paid care while also enabling parents to spend more time with their young children if that is their preference.

Promote and Facilitate a Leading State Role in ECE

Finally, even as emphasis on the federal role in ECE continues to gain momentum, it is *states* — not the federal government — that must play the leading role in early care and education, for several reasons.

Children's Education is a State — Not Federal — Responsibility. First, and most important, children's education has long been the responsibility of states. States and localities fund roughly 90 percent of annual expenditures on K–12 public schools, while the federal government funds about 10 percent through programs specifically targeting low-income children.[28] It is not obvious why the federal role for children under age five should be much larger than its role for children from age five onwards.

In 2022, state and local expenditures on K–12 public schools totaled $950 billion in 2024 dollars — spent almost entirely on the 74 percent of children who are aged five through 17.[29] State

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[28] The federal government typically provides about 10 percent of K-12 public school funding through grant programs administered by the states to school districts, such as Title I grants under the Elementary and Secondary Education Act (ESEA) and Part B grants under the Individuals with Disabilities Education Act (IDEA). These programs are specifically designed to supplement state and local funding for schools serving at-risk students, including children from low-income households or who have disabilities. In 2022, federal government funded 13.6 percent of total K-12 school spending because of one-time COVID-related expenditures.

[29] "Largest Year-to-Year Increase in Over 20 Years for Public School Spending Per Pupil," US Census Bureau, April 25, 2024, https://www.census.gov/newsroom/press-releases/2024/public-school-spending-per-pupil.html. States also spend a substantial amount on higher education, totaling $127.3 billion for fiscal year 2024. Michael T. Nietzel, "State Support For Higher Education Tops $126 Billion; Up 10.2% Over Last Year," *Forbes*, February 1, 2024, https://www.forbes.com/sites/michaeltnietzel/2024/02/01/state-support-for-higher-education-tops-126-billion-up-102-over-last-year/.

spending on care and education for the additional 26 percent of children who are under age five is a tiny fraction of this amount.[30]

States must re-think their allocation of funds across the birth-to-18 continuum of development. Both the public and policymakers increasingly recognize that care and education for children from birth through age four plays at least as significant a role in children's development as does their schooling from age five to 18. Targeting a greater proportion of states' massive education investment to the one quarter of states' child population who are under age five is sensible state policy — building a strong foundation in the first place rather than trying to fix expensive, preventable problems down the line.

Childcare Is Essential to the Economic Success of *States*. Second, childcare advocates increasingly stress the importance of childcare to a thriving economy as a key rationale for an increased federal role in childcare. Yet parents' access to childcare is, first and foremost, essential to the economic success of *states*.

A series of recent studies on the importance of childcare to state economies conducted by the U.S. Chamber of Commerce Foundation, for example, has estimated billions of dollars in state economic losses due to breakdowns in childcare — between $100 million and $10 billion annually, depending on the state.[31] In addition to states' clear responsibility for children's education, investing in childcare thus makes especially good economic sense for states.

The States Have Money; the Federal Government Does Not. Third, the federal government faces a debt of almost $35 trillion, while, in contrast, states are on solid fiscal ground. As the National Association of State Budget Officers reported at the end of June 2024: "States overall are in a sound fiscal position with stable revenue outlooks and rainy-day funds at or near all-time highs."[32]

In other words, federal funds spent on childcare is *borrowed* money in the context of increasingly unsustainable federal spending.[33] But states can fund childcare with actual revenue — which will only increase as state workforce productivity grows — just as they do the K–12 public schools.

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[30] "Child Population by Age Group," Kids Count Data Center, https://datacenter.aecf.org/data/tables/101-child-population-by-age-group.

[31] *Untapped Potential: Economic Impact of Childcare Breakdowns in the U.S.*, U.S. Chamber of Commerce Foundation, https://www.uschamberfoundation.org/solutions/early-childhood-and-k-12-education/untapped-potential.

[32] *Fiscal Survey of States*, The National Association of State Budget Officers, June 28, 2024, https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/Issue%20Briefs%20/Spring_2024_Fiscal_Survey_Summary.pdf.

[33] Cary Lou, et al, *Kids' Share 2023: Report on Federal Expenditures on Children through 2022 and Future Projections*, Urban Institute, November 2023, https://www.urban.org/research/publication/kids-share-2023.

As awareness of the importance both of early development and childcare has grown, governors and state legislators across the country, both Democrat and Republican, have been increasing both focus and spending on early care and education.[34] To boost access to high-quality childcare for lower-income families, **federal policymakers must thus advance *state* leadership.** And states must be empowered to focus on the needs of children and families rather than the demands of federal bureaucracy.

Towards this end, two federal programs are already playing an important role:

- *CCDF Quality Funds*. States must spend 12 percent of annual CCDF funds (currently totaling around $1.5 billion) on initiatives specifically aimed to improve quality and build needed state-level ECE infrastructure.[35]
- *Preschool Development Grants B-5 (PDG B–5)*. The PDG B–5 program awards competitive grant funding to help states strengthen coordination and quality of early childhood programs and improve access to those programs for low- to moderate-income children from birth to kindergarten entry.[36]

Over the past several years, both these programs have significantly advanced states' work in ECE.[37]

Finally, as discussed above, fragmentation among federal funding streams is greatly hindering state efforts to increase access to high-quality ECE for children from birth to kindergarten entry. Integrating disparate federal funding stream with growing city- and state-funded early childhood initiatives is difficult at best and often impossible.

Piloting federal performance partnerships, as described above, would help break down these counterproductive bureaucratic silos at the federal level. This would play a key role in promoting state leadership around supporting children’s healthy development while enabling their parents to participate in the state’s workforce.

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[34] *Child Care: Selected States Are Taking Steps to Sustain Program Changes Implemented with Covid-19 Funding*, GAO-24-106258, United States Government Accountability Office, March 2024, https://www.gao.gov/assets/870/866636.pdf and “State Session Round Up: Summer 2023,” Child Care Aware of America, September 14, 2023, https://info.childcareaware.org/blog/state-session-round-up-summer-2023.

[35] Karen E. Lynch, *The Child Care and Development Block Grant: In Brief,* Congressional Research Service, November 18, 2022, https://crsreports.congress.gov/product/pdf/R/R47312/2.

[36] Katharine B. Stevens, “A Breakthrough Federal Initiative in Early Care and Education,” AEIdeas, September 26, 2018, https://www.ccfp.org/ccfp/a-breakthrough-federal-initiative-in-early-care-and-education.

[37] Silvana Esposito Hackett and Carlise King, *States’ Preschool Development Grant Applications Reveal Priorities for Stronger Data Integration*, Child Trends, August 1 2023, https://cms.childtrends.org/wp-content/uploads/2023/08/PDGBriefECDC_ChildTrends_August2023.pdf and *Preschool Development Grant Birth Through Five Report to Congress: Highlighting a Sampling of PDG B-5 Grant Activities Between 2019–2021*, U.S. Department of Health & Human Services, Administration for Children & Families, March 18, 2024, https://www.acf.hhs.gov/sites/default/files/documents/ecd/PDGB-5_Report_to_Congress_2019-2021_508.pdf.

Conclusion

Perhaps nothing is more important to parents and to our society than ensuring the healthy development of young children. Their care and raising shapes new human beings and lays the foundation for our nation's future.

While many young children spend their first few years at home with family, millions more spend much of this critical period in early care and education programs, especially childcare. High-quality, affordable childcare is often crucial to the self-sufficiency and well-being of lower-income families. And research has shown that exceptionally high-quality programs can provide valuable benefits to socially and economically vulnerable children.[38]

But the way this issue is increasingly framed is leading us farther and farther down the wrong policy road. The fact that some families need more help paying for high-quality childcare does not mean that the federal government should be playing a leading role in funding and running it. Nor does it mean that our policy objective should be to maximize the number of young children in paid, non-parental, group care.

Improving the environments where children spend their earliest years while helping parents balance work with raising young children are crucial policy goals. But <u>federal funds should be directed to the children and families for whom most is at stake</u>. Federal policy should target parents who *must* work, yet do not have access to high-quality providers for their young children — maximizing their agency in determining where and by whom their young children are cared for. These are the families who really need help, and these are the children for whom that help will make the greatest difference.

The federal government can best advance these important aims by: 1) Boosting parental choice; 2) Ensuring better use of current federal early care and education funds; and 3) Supporting states in empowering the lower-income working parents who truly need assistance to give their young children a better chance to flourish.

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[38] Katharine B. Stevens, *Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare,* American Enterprise Institute, June 2017, https://www.ccfp.org/ccfp/workforce-of-today-workforce-of-tomorrow-the-business-case-for-high-quality-childcare.