

# Background

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## Reforming and Improving Federal Preschool and Child Care Programs Without Increasing the Deficit

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On the campaign trail, Barack Obama called for \$10 billion in new funding for early childhood education programs.<sup>1</sup> As President, he has repeated his call for new federal spending on early childhood education and has already signed the American Recovery and Reinvestment Act of 2009,<sup>2</sup> which included \$5 billion in new funding for early childhood education and care programs.<sup>3</sup>

President Obama's support for increased federal spending is based on the assumption that increased spending on early childhood education initiatives will yield significant, long-term investments. He has claimed, "For every dollar we invest in these programs, we get nearly \$10 back in reduced welfare rolls, fewer health care costs, and less crime."<sup>4</sup>

However, the federal government has "invested" federal taxpayer dollars in early childhood education and care programs since the 1960s. Yet the promised substantial returns have still not materialized. For example, in fiscal year (FY) 2008, the federal government spent \$6.8 billion on Head Start, which served more than 900,000 children at a cost of more than \$7,300 per pupil.<sup>5</sup> However, federal evaluations of Head Start have found little evidence that it provides lasting benefits to participating children. Moreover, they have found significant evidence of mismanagement and poor governance.<sup>6</sup>

Head Start is just the largest of the federal government's early childhood education and care programs. In 2005, the Government Accountability Office (GAO) identified 69 federal programs that

### Talking Points

- President Obama has called for increased federal spending on early childhood education programs. Congress is considering several legislative proposals, including creating a new federal preschool program.
- In FY 2009, the federal government will spend more than \$25 billion on 69 programs for early childhood education and child care.
- Regrettably, federal spending on these programs, such as Head Start, has failed to yield meaningful benefits. After more than four decades, it is still unclear whether Head Start is delivering lasting benefits to participating children.
- Instead of creating a new federal preschool program, Congress and the Obama Administration should evaluate federal early childhood programs, eliminate ineffective programs, and consolidate duplicative programs.
- The remaining programs should be reformed to improve their performance by ensuring effective governance, allowing for better state coordination, and giving families greater power to choose the best preschool programs for their children.

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provide support for prekindergarten and child care.<sup>7</sup> According to a conservative estimate, the federal government will spend more than \$25 billion on these programs in FY 2009.

Instead of creating a new federal preschool program, Congress has a responsibility to examine whether federal funding for preschool and child care programs could be spent more effectively, especially given the projected federal deficits and the growing long-term debt burden.<sup>8</sup> This report presents an overview of the federal government's role in early childhood education and child care and offers recommendations on how Congress and the Obama Administration could reform existing programs to provide better benefits to American children and families.

### Federal Early Childhood Education and Care Programs

Congress is considering multiple bills that would increase federal funding for early childhood education and to create new federal programs. For exam-

ple, the Providing Resources Early for Kids Act of 2009 (PRE-K Act) (H.R. 702), introduced by Representative Mazie Hirono (D-HI), would create a \$1 billion Department of Education program to provide grants to states that offer state-funded preschool. To qualify, a state would need to meet a number of federal requirements, including early learning standards, teacher qualifications, and class size.<sup>9</sup> One purpose of the bill is to expand access to state and federal preschool. Members have introduced other bills that have similar objectives.<sup>10</sup>

However, policymakers and the American public need to recognize that the federal government already provides significant funding for a range of early childhood education and care programs. At the request of three Senators, the GAO conducted a search of federal programs and reported that the federal government was funding 69 prekindergarten care and education programs administered by nine agencies.<sup>11</sup> The following is an overview of the major federal programs for early childhood education and child care.<sup>12</sup>

1. Sam Dillon, "Obama Pledge Stirs Hope in Early Education," *The New York Times*, December 16, 2008, at <http://www.nytimes.com/2008/12/17/us/politics/17early.html> (July 6, 2009).
2. American Recovery and Reinvestment Act of 2009, Public Law 111-5.
3. U.S. Department of Education, "The American Recovery and Reinvestment Act of 2009: Education Jobs and Reform," February 18, 2009, at <http://www.ed.gov/policy/gen/leg/recovery/factsheet/overview.html> (June 25, 2009).
4. Barack Obama, "Remarks by the President to the Hispanic Chamber of Commerce on a Complete and Competitive American Education," Washington Marriott Metro Center, Washington, D.C., March 10, 2009, at [http://www.whitehouse.gov/the\\_press\\_office/Remarks-of-the-President-to-the-United-States-Hispanic-Chamber-of-Commerce](http://www.whitehouse.gov/the_press_office/Remarks-of-the-President-to-the-United-States-Hispanic-Chamber-of-Commerce) (July 6, 2009).
5. U.S. Department of Health and Human Services, Administration for Children and Families, "Head Start Program Fact Sheet," at <http://www.acf.hhs.gov/programs/ohs/about/fy2008.html> (June 25, 2009).
6. Committee on Education and the Workforce, U.S. House of Representatives, "Taking Money from Children: Financial Abuse & Mismanagement in the Head Start Early Childhood Program," 109th Cong., 1st Sess., March 18, 2005, at <http://republicans.edlabor.house.gov/archive/issues/109th/education/headstart/moneyfromchildren.pdf> (May 12, 2008).
7. Marnie Shaul, "Update on Prekindergarten Care and Education Programs," letter to Senators Michael B. Enzi, Lamar Alexander, and George V. Voinovich, U.S. Government Accountability Office, GAO-05-678R, June 2, 2005, at <http://www.gao.gov/new.items/d05678r.pdf> (July 6, 2009).
8. Brian M. Riedl, "President's Budget Cuts Should Go Towards Deficit Reduction," Heritage Foundation *WebMemo* No. 2427, May 7, 2009, at <http://www.heritage.org/Research/Budget/wm2427.cfm> (July 6, 2009).
9. Providing Resources Early for Kids Act of 2009, H.R. 702, 111th Cong., 1st Sess.
10. See Lindsey M. Burke, "Federal Universal Preschool: An Expensive and Unnecessary Middle Class Subsidy," Heritage Foundation *Backgrounder*, forthcoming.
11. Shaul, "Update on Prekindergarten Care and Education Programs."
12. Melinda Gish and Gail McCallion, "Early Childhood Care and Education Programs in the 110th Congress: Background and Funding," Congressional Research Service *Report for Congress*, January 17, 2007, at [https://www.policyarchive.org/bitstream/handle/10207/3074/RL33805\\_20070117.pdf](https://www.policyarchive.org/bitstream/handle/10207/3074/RL33805_20070117.pdf) (July 6, 2009).

**Head Start.** Since 1964, the federal government has funded programs to provide early childhood education and developmental services to low-income children through the Head Start program. In the 1990s, Head Start was expanded by creating the Early Head Start program to serve children ages zero through three. Head Start's primary mission is to improve school readiness for disadvantaged students "by enhancing the social and cognitive development of children through the provision of educational, health, nutritional, social and other services to enrolled children and families."<sup>13</sup> During FY 2008, Head Start received \$6.9 billion and served approximately 908,000 children at an average cost of \$7,326 per child.<sup>14</sup> Funding for Head Start has increased in FY 2009. For example, the American Recovery and Reinvestment Act of 2009 included \$2.1 billion in additional funding for Head Start and Early Head Start.<sup>15</sup> President Obama's budget calls for a \$122 million increase in FY 2010.<sup>16</sup>

**Title I, Part A, of the Elementary and Secondary Education Act.**<sup>17</sup> Title I, Part A, is the second largest federal early childhood education program after Head Start. It largely serves students in elementary and secondary school, but provides some assistance to preschoolers. In 2004, the Department of Education estimated that roughly 2 percent

(300,000) of the children served by the Title I program were preschoolers.<sup>18</sup> In FY 2009, federal spending has increased to \$24.5 billion—a 76 percent increase over FY 2008. This includes \$10 billion in the American Recovery and Reinvestment Act for Title I grants to local education agencies.<sup>19</sup>

**Child Care and Development Block Grant (CCDBG).** Since 1990, the federal government has provided block grants to states to subsidize the child care expenses of families with incomes below 85 percent of the state median. Under the CCDBG program, eligible families are offered a voucher to enroll their children in child care programs. States are required to establish licensing standards for eligible providers, but federal law does not dictate these guidelines. Families are allowed to choose sectarian providers.<sup>20</sup> States are required to target a portion of the funding to provide child care subsidies for welfare recipients working toward self-sufficiency. In FY 2008, the federal government spent approximately \$5 billion on the CCDBG program,<sup>21</sup> and the American Recovery and Reinvestment Act authorized \$2 billion in supplemental CCDBG funding.<sup>22</sup>

**Temporary Assistance for Needy Families (TANF).** Through TANF, the federal government provides block grants to states for programs to assist

13. U.S. Department of Health and Human Services, Administration for Children and Families, "About the Office of Head Start," updated February 19, 2009, at <http://www.acf.hhs.gov/programs/ohs/about/index.html> (June 5, 2009).

14. U.S. Department of Health and Human Services, "Head Start Program Fact Sheet."

15. Nancy Pelosi, "American Recovery and Reinvestment Act," U.S. House of Representatives, Office of the Speaker, at <http://www.speaker.gov/newsroom/legislation?id=0273> (June 4, 2009).

16. Office of Management and Budget, "President Obama's Fiscal 2010 Budget: Giving Every Child a World Class Education," at [http://www.whitehouse.gov/omb/fy2010\\_key\\_education](http://www.whitehouse.gov/omb/fy2010_key_education) (June 5, 2009).

17. Elementary and Secondary Education Act, Public Law 107-110.

18. U.S. Department of Education, "Serving Preschool Children Under Title I: Non-Regulatory Guidance," March 4, 2004, at <http://www.ed.gov/policy/elsec/guid/preschoolguidance.doc> (June 22, 2009).

19. Rebecca R. Skinner, David P. Smole, Ann Lordeman, and Wayne C. Riddle, "Funding for Education in the American Recovery and Reinvestment Act (P.L. 111-5)," Congressional Research Service *Report to Congress*, April 14, 2009, at [http://assets.opencrs.com/rpts/R40151\\_20090414.pdf](http://assets.opencrs.com/rpts/R40151_20090414.pdf) (July 6, 2009).

20. Gish and McCallion, "Early Childhood Care and Education Programs in the 110th Congress."

21. U.S. Department of Health and Human Services, Administration for Children and Families, "Child Care and Development Fund Fact Sheet," November 2008, at <http://www.acf.hhs.gov/programs/ccb/ccdf/factsheet.htm> (June 25, 2009).

22. U.S. Department of Health and Human Services, Administration for Children and Families, "American Recovery and Reinvestment Act (ARRA) of 2009," April 9, 2009, at <http://www.acf.hhs.gov/programs/ccb/law/guidance/current/pi2009-03/pi2009-03.htm> (June 25, 2009).

low-income families with children. States are allowed to spend some of these funds to subsidize child care for participating families. Total child care spending through TANF was estimated at \$2.1 billion in FY 2006, including \$1.2 billion in federal TANF funds for child care and \$1.9 billion in TANF funds transferred to the CCDBG program.<sup>23</sup>

**Individuals with Disabilities Education Act (IDEA).** The Individuals with Disabilities Education Act is the main federal program that supports special education. States use a portion of the funding received through IDEA to provide for infants and preschoolers with disabilities. IDEA, Part C, which is designed to serve infants and toddlers, received \$439 million in FY 2009. IDEA, Section 619, which provides grants for preschool for disabled children, received \$374 million for FY 2009.<sup>24</sup>

**Early Reading First.** The U.S. Department of Education provides early childhood education through the Early Reading First program, which received \$113 million in FY 2009.<sup>25</sup> Through this competitive grant program, the department funds programs administered by local education agencies and other organizations that provide services designed to improve school readiness of low-income children, with a focus on reading skills.

**Even Start Family Literacy Program.** In FY 2009, the U.S. Department of Education will allocate \$66 million to the Even Start program, which provides services to improve overall family literacy for low-income families, including adult education, parental training, and early education.<sup>26</sup> The Obama Administration requested no funds for Even Start in its FY 2010 budget.

**Social Services Block Grant (SSBG).** The federal government provides benefits for day care for children through the Social Services Block Grant program. According to the Department of Health and Human Services (HHS), this program received \$1.7 billion in 2007. In 2007, approximately 13.7 percent (\$389 million) of SSBG funding went to day care.<sup>27</sup>

**Dependent Care Tax Credit and Dependent Care Assistance Program.** The federal government also subsidizes child care by providing tax benefits to taxpayers and employers for child care services. The Dependent Care Tax Credit offers workers a partial, nonrefundable tax credit for the costs of caring for a dependent (including children under the age of 13) if it is work-related.<sup>28</sup> The Treasury Department reported that the Dependent Care Tax Credit reduced FY 2006 revenues by \$3.1 billion.<sup>29</sup> The Dependent Care Assistance Program, another federal tax benefit for child care, allows employers to exclude up to \$5,000 in income from federal taxes for payments made to dependent care assistance. This benefit reduced federal revenues by an estimated \$660 million in FY 2006.<sup>30</sup>

**Other Programs.** The federal government supports early childhood education and child care in ways other than direct payments or support for services. For example, the Department of Agriculture spent approximately \$2.3 billion on the Child and Adult Care Food Program, with much of the funding going to day care and child care programs to provide food to 2.9 million children per day.<sup>31</sup> In 2009, the Child Care Means Parents in School (CAMPIS) program, which provides grants to

23. Gish and McCallion, "Early Childhood Care and Education Programs in the 110th Congress."

24. U.S. Department of Education, "Department of Education Fiscal Year 2010 President's Request," June 25, 2009, at <http://www.ed.gov/about/overview/budget/budget10/summary/appendix4.pdf> (June 25, 2009).

25. *Ibid.*

26. *Ibid.*

27. U.S. Department of Health and Human Services, Administration for Children and Families, "Social Services Block Grant Program Annual Report 2007," updated May 15, 2009, at <http://www.acf.hhs.gov/programs/ocs/ssbg/reports/2007/chapter2.html> (June 25, 2009).

28. Internal Revenue Service, "Top Ten Facts About the Child and Dependent Care Credit," updated March 9, 2009, at <http://www.irs.gov/newsroom/article/0,,id=106189,00.html> (June 25, 2009).

29. Gish and McCallion, "Early Childhood Care and Education Programs in the 110th Congress."

30. *Ibid.*

higher education institutions that provide child care for students, received \$16 million.<sup>32</sup>

The federal government funds dozens of other programs that provide or support education or care for children under the age of five. Seven departments (Education, Agriculture, Housing and Urban Development, Interior, Justice, Labor, and HHS), the Appalachian Regional Commission, and the General Services Administration have at least one additional program each beyond those already discussed.<sup>33</sup>

**Total Spending.** According to a conservative estimate, total federal spending on these programs will exceed \$25 billion on federal preschool programs in FY 2009.<sup>34</sup> This estimate includes \$5 billion in one-time spending in the American Recovery and Reinvestment Act and at least \$20 billion in on-going programs and tax benefits. Including the spending for the other programs not specifically mentioned in this paper would certainly drive the total higher, possibly much higher.

### Can These Programs Be Improved?

With federal spending on prekindergarten education and care programs exceeding \$25 billion per year, Members of Congress and the Administration should consider whether these resources could be spent more effectively. Congress should begin by examining the largest programs, including Head Start, to determine whether they effectively prepare economically disadvantaged children for school.

**The Evidence on Head Start.** Between 1965 and 2007, the federal government spent \$100 billion on the Head Start program.<sup>35</sup> The program currently spends more than \$7,300 per child annually.<sup>36</sup> Given this level of funding, federal policymakers should evaluate whether the Head Start program is accomplishing its goal of preparing low-income children to enter and succeed in school. Regrettably, despite Head Start's long history, only limited information is available about its effectiveness. The information that does exist suggests that much more should be done to maximize the value that Head Start provides to the children it serves.

In 1997, the GAO reviewed the available literature on Head Start's impact and concluded that "this body of research is inadequate for use in drawing conclusions about the impact of the national program in any area in which Head Start provides services such as school readiness or health-related services."<sup>37</sup> These findings led Congress to insert a provision in the 1998 reauthorization of Head Start requiring HHS to conduct a national impact evaluation.<sup>38</sup>

In 2005, HHS released the first findings of the national impact evaluation. In a random experiment, it compared students who enrolled in a Head Start program with a control group of students with similar backgrounds who did not enroll in a Head Start program. The evaluation reviewed four areas of impact—cognitive, social-emotional, health, and

31. *Ibid.*, and U.S. Department of Agriculture, Food, and Nutrition Service, "Child and Adult Care Food Program," modified March 17, 2009, at <http://www.fns.usda.gov/cnd/care/CACFP/aboutcacfp.htm> (June 25, 2009).

32. U.S. Department of Education, "Department of Education Fiscal Year 2010 President's Request."

33. Shaul, "Update on Prekindergarten Care and Education Programs."

34. Estimate based on the author's calculations and assumptions about the percentage of a program's budget that was used to support early education and care.

35. Author's calculations based on estimated appropriations in U.S. Department of Health and Human Services, "Head Start Program Fact Sheet."

36. U.S. Department of Health and Human Services, "Head Start Program Fact Sheet."

37. U.S. General Accounting Office, *Head Start: Research Provides Little Information on Impact of Current Program*, GAO/HEHS-97-59, April 1997, at <http://www.gao.gov/archive/1997/he97059.pdf> (July 6, 2009). The General Accounting Office was renamed the Government Accountability Office in 2004.

38. U.S. Department of Health and Human Services, Administration for Children and Families, "Building Futures: Head Start Impact Study—Frequently Asked Questions," at [http://www.acf.hhs.gov/programs/opre/hs/impact\\_study/reports/impt\\_freq\\_questions/impt\\_stdy\\_fa050905.html](http://www.acf.hhs.gov/programs/opre/hs/impact_study/reports/impt_freq_questions/impt_stdy_fa050905.html) (July 9, 2009).

parental practices—after one year in Head Start. In the cognitive area, the evaluation found:

There are small to moderate statistically significant positive impacts for both 3- and 4-year-old children on several measures across four of the six cognitive constructs, including pre-reading, pre-writing, vocabulary, and parent reports of students' literacy skills.

No significant impacts were found for the constructs oral comprehension and phonological awareness or early mathematics skills for either age group.<sup>39</sup>

The impact evaluation found modest positive impacts in the areas of social-emotional, health, and parental practices.<sup>40</sup> This first-year impact study found that participation in the Head Start program yields modest, short-term benefits for participating children. However, the evaluation did not show that Head Start had narrowed the school readiness gap between disadvantaged children and their peers or provided lasting benefits throughout the children's elementary and secondary education.

**Awaiting New Information.** Forthcoming results from follow-up studies should shed further light on the program's effectiveness. The study was supposed to follow the children who participated in the first-year evaluation into kindergarten and first grade to assess their academic performance. In addition, in 2006, HHS expanded the evaluation to include a third-grade follow-up to measure how Head Start participants performed through elementary school. Yet four years after the initial evaluation, HHS has yet to release any new results.

When released, the findings from these evaluations should help to determine whether Head Start improves the school readiness of participating children and yields long-term academic benefits. As more information becomes available about Head Start's long-term impact, federal policymakers and

the public will need to judge whether the results justify the \$7,300 per-student annual expenditure.

**Governance Problems.** Oversight efforts suggest that Head Start has also experienced significant management and governance problems. A 2005 report from the House Committee on Education and the Workforce reviewed three years of media reports of financial abuses and corruption in the Head Start program and found:

Disturbing evidence exists that an unacceptable share of Head Start funding never reaches the disadvantaged children the money is intended to serve, and is instead lost to financial abuse, mismanagement, impropriety, or outright theft within the Head Start system. There is also evidence these abuses may be taking place at the expense of children served by the many law-abiding, quality grantees within the Head Start system—grantees who too often are put in the position of being forced to defend the actions of the “bad apples” in the program.<sup>41</sup>

A 2005 GAO report outlined problems in Head Start governance and identified ways to correct them. The GAO specifically recommended that the Assistant Secretary for Children and Families conduct a comprehensive risk assessment of the Head Start program and improve its ability to collect information about possible risks. After completing the assessment, the Administration for Children and Families should use its power to terminate and redirect grants.<sup>42</sup>

The 110th Congress reauthorized the Head Start program and included some modest reforms that follow the GAO's recommendations, specifically shortening the duration of Head Start grants to encourage greater oversight of program administration.<sup>43</sup> However, it remains to be seen whether

39. *Ibid.* (bullet points omitted).

40. *Ibid.*

41. Committee on Education and the Workforce, “Taking Money from Children.”

42. Marnie S. Shaul, “Head Start: Comprehensive Approach to Identifying and Addressing Risks Could Help Prevent Grantee Financial Management Weakness,” testimony before the Committee on Education and the Workforce, U.S. House of Representatives, April 5, 2005, at <http://www.gao.gov/new.items/d05465t.pdf> (July 6, 2009).

these reforms will deliver lasting improvements in Head Start governance.

## Reforming Federal Early Education and Care Programs

In FY 2009, the federal government will spend more than \$25 billion on programs to support American children's early education and care. Congress and the Administration have an obligation to ensure that tax dollars are spent wisely and that the programs provide meaningful benefits to the children and families they serve. President Obama has publicly stated that whether a program works should be the deciding factor in allocating federal funds.<sup>44</sup>

Instead of creating a new federal preschool program, Congress and the Administration should:

- **Review the performance of federal early childhood education and care programs.** American taxpayers and families deserve to know that the federal government is spending more than \$25 billion annually on federal preschool and child care programs and whether those programs are providing meaningful and lasting benefits to the targeted children. Experience suggests that the government has not done enough to evaluate the effectiveness of these programs. For example, in 1997, the GAO reported finding insufficient evidence to determine whether the Head Start program provided lasting benefits to the children it served. Twelve years later, the question remains unanswered. Members of Congress should press the Department of Health and Human Services to produce the results of the latest Head Start impact evaluations.
- **Eliminate ineffective programs and consolidate duplicative programs.** After reviewing the effectiveness and performance of the existing 69 federal programs, federal policymakers should eliminate ineffective programs and consolidate duplicative programs where appropriate. While the missions of the various programs can differ

significantly, Congress and the Administration should use this as an opportunity to reorganize the programs to better meet the needs of American children and families.

- **Reform federal programs to improve governance, coordination, and family options.** After eliminating ineffective programs and consolidating duplicative programs, Congress and the Administration should reform remaining programs to improve their effectiveness in providing real and lasting benefits to participating children. Specifically, the federal government should: (1) ensure transparency in program performance and governance; (2) give states and local jurisdictions more flexibility to coordinate and integrate federal and state programs; and (3) increase parental choice and options to give targeted families access to the best possible early childhood education programs. Head Start's failures in financial management and governance highlight the challenge of ensuring that federal funds are well spent and used to serve targeted children. Furthermore, states are increasingly creating state-level preschool programs, but Head Start restrictions, for example, prevent them from merging or coordinating federal and state services to ensure efficiency and maximize benefits for participating children. Finally, federal preschool programs should be reformed to enable parents of the targeted families to choose the best early childhood education programs for their children. For example, Head Start should be reformed to allow families to choose the preschool providers that best meet their children's specific needs.

## Conclusion

President Obama and many Members of Congress are calling for a new federal preschool program and increased spending on federal early childhood education initiatives. Their proposals are based on an unproven belief that increased spend-

43. Melinda Gish, "Head Start Reauthorization: A Side-by-Side Comparison of the House- and Senate-Passed Versions of H.R. 1429 and Current Law," Congressional Research Service *Report for Congress*, updated November 13, 2007, at <http://wikileaks.org/leak/crs/RL33968.pdf> (July 6, 2009).

44. Obama, "Remarks by the President to the Hispanic Chamber of Commerce."

ing on early childhood education will yield lasting benefits for American children. However, experience does not support this assumption. Since the 1960s, the federal government has spent more than \$100 billion of taxpayers' money on the Head Start program. Yet federal evaluations of the Head Start program have reported no conclusive evidence that Head Start yields lasting benefits.

In all, American taxpayers will spend more than \$25 billion on federal programs for early childhood

education and child care this year. Instead of creating a new federal preschool program, Congress and the Obama Administration should eliminate, consolidate, and reform existing federal programs to improve their effectiveness and maximize the benefits provided to American children.

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