

BACKGROUND

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Reauthorization of the Elementary and Secondary Education Act: No Place for Expanded Preschool and Childcare Subsidies

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Abstract

The Elementary and Secondary Education Act (ESEA), currently known as No Child Left Behind, may serve President Obama's vision for universal preschool if Congress reauthorizes and expands it to fund new federal preschool programs and subsidies. However, there are already 45 federal early learning and childcare programs, and most families already have preschool or day care arrangements in place. Research suggests that extending federal subsidies will benefit primarily middle-income and upper-income families, while disadvantaging private preschools and day care providers. Rather than further extend federal intervention into early childhood education and care, which would add to current redundancies and likely mimic the poor results of Head Start, Congress should support provisions to allow states to opt out of federal spending and programs under ESEA, allow states to make their Head Start dollars portable while sending funding responsibility to states, and reform the 529 college savings account structure to make pre-K costs eligible.

President Obama has proposed spending \$75 billion over the next decade to establish a new federally funded preschool program to serve all four-year-old children. Some Members of Congress have also expressed interest in new federal preschool programs and spending, and have turned to the Elementary and Secondary Education Act (ESEA), currently known as No Child Left Behind (NCLB), as the vehicle through which such an expansion might occur. ESEA has been slated for reauthorization since 2007, and in April 2015, the Senate Health, Education, Labor, and Pensions (HELP) Committee advanced out of committee a proposal to rewrite the law.

This paper, in its entirety, can be found at <http://report.heritage.org/bg3027>

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KEY POINTS

- Supporters of expanding federal preschool programs and subsidies may seek to use the reauthorization of the Elementary and Secondary Education Act to accomplish their goal.
- Most families already have preschool arrangements. Between two-thirds and three-fourths of four-year-olds are already enrolled in some form of early childhood education.
- The largest existing federal preschool program, Head Start, shows poor results in four-year-olds' literacy, math, and language skills, peer relations, and social-emotional well-being.
- Studies of Quebec's heavily subsidized day care show long-term negative impacts on both children and parents, while private care providers suffer and wealthier families benefit.
- Rather than create or expand federal childcare programs, Congress should eliminate redundant programs, allow states more discretion over federal education spending, and revise the 529 savings structure to include preschool expenses.

Senator Patty Murray (D-WA), who has worked alongside HELP Committee chairman Senator Lamar Alexander (R-TN) to advance ESEA reauthorization, has been a proponent of expanding ESEA to include federal preschool subsidies and programs in the law. Murray stated that she believes Congress “should only pass an education bill that expands access to preschool programs,” suggesting new preschool language is likely to find its way into the bill as it moves through the legislative process.¹

As a proposed reauthorization of ESEA works its way through Congress, policymakers should resist any efforts to expand the allowable uses of funds to include preschool, to create a new preschool program within federal law, or to establish an entirely new title in the law, as any such efforts would increase federal intervention into the care of the youngest Americans. Such efforts represent a mission creep of the original purpose of ESEA, duplicate existing programs and spending, and would crowd out the private provision of early education and care. Moreover, most families have already secured preschool and childcare arrangements within the current landscape of options, rendering any new federal efforts little more than a subsidy for middle-income and upper-income families’ childcare expenses.

Current Preschool Enrollment

Any proposal to expand the Elementary and Secondary Education Act to include new preschool programs or spending raises a critical question: Is there a need for the federal government to increase subsidies in order to ensure children have access to early childhood education and care?

Childcare Enrollment for Children from Birth Through Age Five. Since 1985, the U.S. Census Bureau has estimated the number of children under the age of five who are in a regular childcare arrangement through its Survey of Income and Program Participation (SIPP) questionnaire. Sixty-one percent of children under age five were in some form

of regular childcare in 2011—the most recent year for which data are available. Among those with regular arrangements, 42 percent of families chose for their young children to be cared for by a relative (with 24 percent of those families turning to a grandparent for childcare). One in four children was enrolled in center-based care in 2011, such as a day care center or Head Start. One-third of children under the age of five were not in regular childcare arrangements.²

At the youngest ages, children of working mothers were more likely to be cared for by a family member—specifically a grandparent—than to be enrolled in center-based care. As children get older, enrollment in center-based care programs increases. According to the U.S. Census Bureau:

Among infants, the proportion being cared for by their grandparent was almost twice as high (35 percent) as those cared for in day care centers. Among children 1 to 2 years of age, a larger percentage spent time in grandparent care (35 percent) than in day care centers (26 percent). Among children aged 3 to 4 years old, grandparent and father care was still more common than day care centers, but the differences were relatively smaller than for infants less than 1 year old.³

Working mothers appear to be finding their way to childcare, with 90 percent of employed mothers having a regular childcare arrangement.⁴ The Census Bureau reports that families paid an average of \$179 per week (\$9,300 per year) for childcare in 2011. Unemployed mothers paid approximately \$92 per week (\$4,700 annually), and employed mothers spent \$143 per week (\$7,400 per year) on average. “While the cost of child care increased over time, the percent of family monthly income spent on child care has stayed constant between 1997 and 2011, at around 7 percent.”⁵ Notably, although employed mothers paid an average of \$114 for one child in care, the Census Bureau reports that employed mothers

1. “No Child Left Behind: Murray Outlines Priorities, Calls for Bipartisan Fix to Broken Law,” January 13, 2015, <http://www.murray.senate.gov/public/index.cfm/2015/1/video-audio-no-child-left-behind-murray-outlines-priorities-calls-for-bipartisan-fix-to-broken-law> (accessed June 12, 2015).

2. Lynda Laughlin, “Who’s Minding the Kids? Child Care Arrangements: Spring 2011,” Current Population Reports, U.S. Census Bureau, Washington, DC, April 2013, pp. 70-135, <http://www.census.gov/prod/2013pubs/p70-135.pdf> (accessed June 12, 2015).

3. Ibid.

4. Ibid.

5. Ibid.

with two children spent approximately \$168 per week on care. “Thus, mothers with more children generally paid more for child care per week, but not twice the average paid for one child.”⁶

SIPP estimates of preschool and childcare enrollment for children under five provide valuable information about families’ childcare arrangements. In the current policy debate over the expansion of state-funded and federally funded preschool, a more informative measure of the need for such programs is the percentage of *four-year-old* children enrolled in preschool and day care.

Preschool Enrollment Among Four-Year-Olds. According to the 2011 National Institute for Early Education Research (NIEER) Yearbook, 28 percent of four-year-old children were enrolled in state (taxpayer-funded) preschool programs, 3 percent were enrolled in “other” public programs, 29 percent were enrolled in private preschool programs, 11 percent were enrolled in the federal Head Start program, and 3 percent were enrolled in special education preschool programs, for a total of 74 percent of four-year-old children enrolled in a preschool program in 2011.⁷

In 2012, NIEER stopped reporting private preschool enrollment figures in its annual yearbook, instead defining enrollment only as those children enrolled in taxpayer-funded preschool programs. The organization now reports a single category of “other/none,” and no longer disaggregates private arrangements from the “other/none” category. The U.S. Department of Education also tracks

preschool enrollment, including enrollment in private providers, and has more recent data on private preschool enrollment estimates. According to the 2013 Condition of Education report, nationally, over two-thirds (66 percent) of four-year-old children are already enrolled in some form of preschool or care program.⁸

Combined estimates from NIEER and the Department of Education suggest that between two-thirds (66 percent) and three-fourths (74 percent) of four-year-old children are enrolled in some form of preschool program. Many of those children (28 percent), particularly children from low-income families, are enrolled in state-funded and federally funded preschool programs.

The fact that between two-thirds and three-fourths of four-year-old children are already enrolled in some form of preschool suggests that new state and federal efforts to increase government programs would be duplicative of existing options, and would create an unnecessary preschool subsidy for middle-income and upper-income families. Moreover, state and federal subsidies should be limited to ensure costs remain low. Once subsidies are introduced, prices are likely to increase.

Duplication of Existing, Low-Quality Federal Programs

Not only is there limited evidence of a need for a new federal program, but the federal government already operates 45 early learning and childcare programs, of which 12 have as an explicit purpose

6. Ibid.

7. W. Steven Barnett et al., “The State of Preschool 2011: State Preschool Yearbook,” The National Institute for Early Education Research, Rutgers Graduate School of Education, 2011, <http://nieer.org/sites/nieer/files/2011yearbook.pdf> (accessed June 12, 2015).

8. Enrollment of three-year-old, four-year-old, and five-year-old children in preprimary programs, by level of program, control of program, and attendance status: Selected years, 1965 through 2012, Digest of Education Statistics 2013, National Center for Education Statistics, U.S. Department of Education, http://nces.ed.gov/programs/digest/d13/tables/dt13_202.10.asp (accessed June 12, 2015).

to provide early childhood education and care.⁹ The Government Accountability Office found that taxpayers spend about \$14.2 billion annually on these 12 programs explicitly intended to provide early childhood education and care.¹⁰ The largest of these is the \$8 billion Head Start program, which provides early childhood education and care to children from low-income families, and was designed to improve the kindergarten readiness of participants. However, the track record of this largest federal attempt at the public provision of childcare suggests Head Start would be better managed outside Washington, or within the private sector.

The Department of Health and Human Services, which administers Head Start, conducted a scientifically rigorous evaluation of the program, tracking 5,000 children who were randomly assigned to either a control group that did not receive Head Start services, or an experimental group that enrolled in Head Start. It followed the progression of the children from age three or four through the end of first grade, while a follow-up evaluation tracked the students through the end of third grade. The first-grade evaluation found that any benefits the children may have accrued while in the Head Start program had dissipated by the time they reached first grade. Head Start had failed to improve the literacy, math, and language skills of the four-year-old cohort and had a negative impact on the teacher-assessed math

abilities of the three-year-old cohort. The third-grade follow-up results were equally poor.

The third-grade follow-up study found that access to Head Start had no statistically measurable effects on cognitive ability, including numerous measures of reading, language, and math ability. It found that children in the four-year-old group actually reported worse peer relations in third grade than their non-Head Start counterparts. There was also no statistically significant effect on teacher-reported social-emotional development of children. Notably, for the four-year-old cohort, teachers reported “strong evidence of an unfavorable impact on the incidence of children’s emotional symptoms.”¹¹ The evaluation also found that Head Start failed to improve the parenting outcomes and child-health outcomes of participants. It is likely that any new effort to expand federal preschool programs or spending would produce similar results to those garnered through the Head Start program.

A Preview from Canada—Substandard Outcomes and Crowd-out of Private Providers

In addition to the poor performance of existing federal preschool programs, policymakers should consider the outcome of heavily subsidized universal childcare in Quebec, Canada. In 1997, the Canadian province of Quebec instituted \$5 per day

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9. Child Care Access Means Parents in School; Indiana Education—Grants to Local Educational Agencies; Race to the Top—Early Learning Challenge Fund; Striving Readers Comprehensive Literacy; Alaska Native Educational Programs; Education for Homeless Children and Youth; English Language Acquisition Grants; Special Education—Grants for Infants and Families; Special Education—Preschool Grants; Special Education—State Personnel Development Grants; Special Education—Grants to States; Special Education—Technology and Media Services for Individuals with Disabilities; State Fiscal Stabilization Fund—Education State Grants; Full-Service Community Schools; Promise Neighborhoods; Indian Education—Special Programs for Indian Children; Migrant Education—Special Grant Program; Native Hawaiian Education; Title I Grants to Local Educational Agencies; Child Care and Development Block Grant; Child Care Mandatory and Matching Funds of the Child Care and Development Fund; Head Start; Community Services Block Grant; Social Services Block Grant; Temporary Assistance for Needy Families; Indian Child and Family Education; Indian Child Welfare Act—Title II Grants; General Services Administration’s Child Care Program; Donation of Federal Surplus Personal Property; Child and Adult Care Food Program; National School Lunch Program; School Breakfast Program; Special Milk Program for Children; Community Development Block Grants/Entitlement Grants; CDBG/State’s Program and Non-Entitlement Grants in Hawaii; CDBG/Special Purpose Grants/Insular Areas, Reduction and Prevention of Children’s Exposure to Violence; Children and Youth Exposed to Violence; Transition Housing Assistance for Victims of Domestic Violence; Dating Violence, Stalking, or Sexual Assault; National Farmworker Jobs Program; Native American Employment and Training; Workforce Investment Act Adult Program; Workforce Investment Act Dislocated Worker Formula Grants; Appalachian Area Development; Indian Education—Assistance to Schools. Sources: Karen E. Lynch, “Social Services Block Grant: Background and Funding,” Congressional Research Service *Report for Congress*, August 28, 2012, <http://www.fas.org/sgp/crs/misc/94-953.pdf> (accessed June 12, 2015); the Catalog of Federal Domestic Assistance for program descriptions; and Statement of Kay E. Brown, Director, Education, Workforce, and Income Security, U.S. Government Accountability Office, *Early Learning and Child Care: Federal Funds Support Multiple Programs with Similar Goals*, GAO-14-325T, February 5, 2014, <http://www.gao.gov/assets/670/660685.pdf> (accessed June 12, 2015).
10. Brown, U.S. Government Accountability Office, *Early Learning and Child Care: Federal Funds Support Multiple Programs with Similar Goals*.
11. Michael Puma et al., “Third Grade Follow-up to the Head Start Impact Study Final Report,” U.S. Department of Health and Human Services, Administration for Children and Families (Washington, DC: Office of Planning, Research and Evaluation, October 2012), Exhibit 4.2, p. 78 and Exhibit 4.1, p. 77, http://www.acf.hhs.gov/sites/default/files/opre/head_start_report.pdf (accessed June 12, 2015).

childcare, which was increased to \$7 per day in 2004. The heavily subsidized day care system, known as the Quebec Family Policy, is universal, available to families irrespective of income, and open to children up to age four.

In an influential 2008 study published in the *Journal of Political Economy*, researchers Michael Baker, Jonathan Gruber, and Kevin Milligan examined the impact of access to Quebec's subsidized childcare program. Baker, Gruber, and Milligan found evidence that "children are worse off by measures ranging from aggression to motor and social skills to illness." The authors also found evidence that the program "led to more hostile, less consistent parenting, worse parental health, and lower-quality parental relationships."¹² Moreover, Baker et al. uncovered evidence that one-third of the shift to the subsidized program came from families who had already secured childcare arrangements prior to the Quebec Family Policy's introduction, suggesting possible crowd-out of the private provision of care.¹³ Although there was an increase of about 14 percent in childcare enrollment, approximately one-third appears to be due to parents moving their children from informal to formal (subsidized) arrangements.

Researchers Michael Kottelenberg and Steven Lehrer extended the Baker, Gruber, and Milligan study in three important aspects. The authors were able to capture longer-term effects, using two additional cycles of data from the National Longitudinal Study of Children and Youth to determine whether results from the 2008 study were robust when more recent data were included. They were also able to improve upon past research by moving from intent-to-treat estimates to a combination of empirical strategies estimating causal impacts of the Quebec Family Policy. The authors also statistically adjusted for an increased error rate that can result from including multiple outcomes in the same treatment.

After making important updates to the Baker, Gruber, and Milligan study, Kottelenberg and Lehrer were able to provide additional evidence in support of earlier findings. Their findings, published in the journal *Canadian Public Policy / Analyse de Politiques*, were consistent with those reported in 2008. "Overall," the authors found, "our results are in line with BGM's [Baker, Gruber, and Milligan's] findings that the introduction of the Quebec Family Policy led to a significant decline in child, parent, and family outcomes."¹⁴ The negative impacts of access to the Quebec Family Policy were also not found to be transitory, and were maintained for at least a decade. Although further research is needed to understand the finding, notably, Kottelenberg and Lehrer found "striking" evidence of a causal relationship between maternal depression scores and childcare use. However, when employing inverse propensity weighting, the authors found a small decline in maternal depression.¹⁵ Kottelenberg and Lehrer caution that as some groups may benefit from childcare subsidies, programs should be targeted, as opposed to universal. Given the long reach of universal proposals, they should be "approached with evidence at the heart of the policymaking process," the authors conclude.¹⁶

The Canadian experience with heavily subsidized childcare should caution federal policymakers to carefully consider the impact of introducing similar policies in the United States. Upper-income Canadian families with annual household incomes above \$100,000 use subsidized childcare at nearly twice the rate of lower-income families earning \$40,000 per year or less.¹⁷ Granted, higher levels of income likely reflect the reality that both parents are working outside the home. However, as Baker et al. noted in their seminal 2008 study, the evidence suggests that subsidized childcare "crowds out the private provision of care, with no net increase in childcare use or labor supply to the market."¹⁸ The Institute of

12. Michael Baker, Jonathan Gruber, and Kevin Milligan, "Universal Child Care, Maternal Labor Supply, and Family Well-Being," *Journal of Political Economy*, University of Chicago Press, Vol. 116, No. 4 (2008), pp. 709-745.

13. Ibid.

14. Michael J. Kottelenberg and Steven F. Lehrer, *Canadian Public Policy / Analyse de Politiques*, Vol. 39, No. 2 (June/juin 2013), pp. 263-285.

15. Ibid.

16. Ibid.

17. Helen Ward, "Is There Really a Daycare Shortage? A Toronto Case Study Shows Vacancies Despite Waiting Lists and Subsidies," Institute of Marriage and Family Canada, April 2015, http://www.imfcanada.org/sites/default/files/Daycare_%20surplus.pdf (accessed June 12, 2015).

18. Baker, Gruber, and Milligan, "Universal Child Care, Maternal Labor Supply, and Family Well-Being."

Marriage and Family Canada concluded that “day-care funding is more likely to offset costs for wealthier families.”¹⁹

Indeed, as the preceding data on childcare use in the United States show, between two-thirds and three-fourths of four-year-old children are already enrolled in some form of preschool, suggesting that a new federal subsidy would do likewise, that is, simply offset the costs for middle-income and upper-income families.

Recommendations for Policymakers

As deliberations over a potential reauthorization of the Elementary and Secondary Education Act proceed, policymakers should reject any efforts to expand federal subsidization of early childhood education and care. In all facets of a potential reauthorization of ESEA, policymakers should consider ways to limit federal intervention in education, including cutting programs and spending, allowing states to opt out of the programs that are authorized under ESEA, and making large formula grant funding streams like Title I portable, so that they would follow students to a public or private school of choice. On the preschool and childcare question specifically, federal policymakers should:

- **Support APLUS-style options.** The Academic Partnerships Lead Us to Success (APLUS) provision would allow states to completely opt out of programs that fall under the Elementary and Secondary Education Act, and direct dollars toward any lawful education purpose under state law. Such an option should be considered as a key complementary part of any reauthorization of ESEA.
- **Allow states to make their Head Start dollars portable, while handing financing for the program back to the states over 10 years.** The federal Head Start program has failed to meet the needs of its low-income participants for half a century. As long as the federal government continues to subsidize childcare for children from

low-income families, states should be given the option to make Head Start dollars portable, following a child to a private provider of choice. At the same time, states should begin to assume financing responsibility for Head Start over a 10-year federal funding phase-out period.²⁰

- **Streamline the labyrinth of existing federal preschool programs.** The federal government already operates 45 early learning and childcare programs; 12 of them have the explicit purpose to provide early childhood education and care. Instead of creating a new program or subsidy in ESEA, federal policymakers should consider ways to make existing options work better for families through consolidation and elimination of duplicative programs.
- **Allow pre-K expenses to be 529-eligible to give families more options to save.** The federal government currently provides tax advantages for families saving for college tuition and other higher-education expenses. This incentive, known as a 529 college savings account, allows money to grow tax-free, without incurring federal tax penalties. Federal policymakers can help families save for future anticipated preschool and childcare expenses by extending the tax-preferred savings benefits that are permitted for college savings through federal 529 college savings accounts to include preschool through high school savings. To permit pre-K expenses as an allowable use of a 529 plan would significantly expand the ability of families to save for their own children’s future preschool and childcare expenses, consistent with long-term goals for reforming the federal tax code.

Conclusion

An expansion of preschool subsidies or programs as part of a reauthorization of the Elementary and Secondary Education Act would further entangle Washington in the education and care of the youngest Americans. Instead of creating more government

19. Ward, “Is There Really a Daycare Shortage?”

20. For more information on a 10-year sunset of Head Start, see *Opportunity for All, Favoritism to None* (Washington, DC: The Heritage Foundation & Heritage Action for America, 2015), http://thf_media.s3.amazonaws.com/2015/pdf/OpportunityForAll.pdf, and *The Budget Book: 106 Ways to Reduce the Size and Scope of Government* (Washington, DC: The Heritage Foundation, 2015), <http://budgetbook.heritage.org/education-training-employment-social-services/sunset-head-start-make-way-better-state-local-alternatives/>.

preschool and childcare programs, Congress should allow states more discretion over all federal education spending through APLUS-style opt-out provisions, reform existing federal programs that are ineffective and duplicative, and expand family preschool saving options through an improved 529 savings account structure.

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