



CHAPTER 24

Are There Better Ways to Spend Federal Child Care Funds to Improve Child Outcomes?

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Thank you for inviting me to testify about the availability of early childhood programs and their impacts on low-income children and families.

Essentially, I recommend that you *courageously* come out in favor of “more careful thought and more research,” which, by the way, is how I interpret the GAO (Government Accounting Office) reports that you have received.

You have probably heard the same recommendation many times before, in many different contexts—and usually by researchers. But in this context, it does take courage. For, in order to decide that it is too early to embark on a major expansion of early childhood programs—advocated by many leaders of both political parties—you need to take on a deeply imbedded conventional wisdom about the ability of early childhood programs to improve cognitive and social outcomes for children. The plain fact—undisputed in serious academic circles, by the way—is that past research is inadequate for policy making and that, therefore, most of the rhetoric on the subject is overblown.

I believe that it is important to set the record straight. Vast amounts of public money are being spent on programs that may not be effective. Worse, there is a real opportunity cost involved: A clearer view of the facts might lead policy makers to support other education and antipoverty efforts. But trying to be more realistic about the limited effectiveness of these programs is a thankless, uphill effort—I can tell you from personal experience.

In my testimony today, I first present my estimate of the adequacy of state and federal child care and early childhood expenditures to meet the needs of low-income children. Then, I present cost estimates for transforming our current, family oriented early

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child care system into a formalized, center-based system (with separate estimates for child care-based and Head Start-based systems). Then, I review the evidence of the effectiveness of both “quality” child care and early childhood programs on child outcomes. Finally, I raise the question of whether the funds being proposed to expand early childhood programs might be better spent on other efforts. In other words, would it be “worth it” to adopt these expansions.

Funding Adequacy

Current Spending It is actually quite difficult to calculate total state and federal spending on child care and early childhood education programs and impossible to know exactly how many children are served. No unit of the federal government tracks all federal expenditures, let alone those of the states. The 1996 welfare reform law created what is now the Child Care and Development Fund, a semi-block grant that somewhat simplified the programmatic framework, but there are still dozens of federal child care programs, many with overlapping eligibility rules and funding streams. (Efforts now underway within the U.S. Department of Health and Human Services may eventually result in better data, but their completion is some time off.) Thus, examining child care programming is like putting together the pieces of a jigsaw puzzle.

Chart 1, “Child Care Dollars: 1981 through 1999,” portrays our estimates for spending between 1981 and 1999. It includes spending on both child care and Head Start, on the ground that child care programs often have an educational and social component, and Head Start provides the equivalent of child care services as well as educational and social services.

As you can see, over the period between 1994 and 1999, combined federal and federal-related state funding rose from \$8.7 billion to \$14.6 billion (in 1999 dollars). (Excluded from the graph are the myriad of small federal programs under \$100 million/year as well as purely state spending that is not collected nationally.) The major components of this increase, as we will see, are increased funding for 1) Head Start and 2) welfare-to-work efforts.

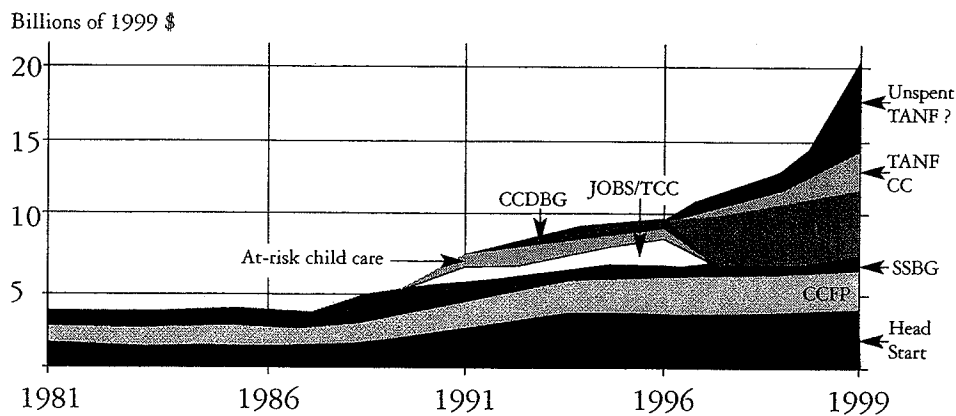


Chart 1. Child care dollars: 1981-1999.

Head Start Coverage In FY 2000, total federal spending on Head Start exceeded \$5.2 billion (Office of Management and Budget, 2000). It is important to note, however, that much of the increase in Head Start funding was earmarked for “quality improvements,” which mainly went to salary increases and new buildings. As a result, per-child costs increased dramatically, while the total number of children served did not. For example, in 1992, the per-child cost for Head Start was \$3,546 compared with \$5,288 in 1998. Per-child costs increased by nearly 50%, while the number of children served increased by only 30% (Head Start Bureau, 2000).

The usual way to assess the adequacy of Head Start funding is to ask what percent of eligible 3- and 4-year-olds are being served by the program. In 1998, only about 53% of income-eligible 4-year-olds and only about 28% of income-eligible 3-year-olds were enrolled in Head Start (Butler & Gabe, 2000). These figures suggest that substantial undercoverage exists. However, this is misleading.

Head Start is predominantly a part-time, part-year program—not suited for families in which the mother works. In fact, only 7% of Head Start programs offer care for 8 or more hours per day; 51% offer care for 4 hours per day or less (Government Accounting Office [GAO], 1998). Most of the mothers whose children are in Head Start do not work full time, and many do not work at all (GAO, 1998). Thus, before deciding that we need to put more disadvantaged children in Head Start, we should ask where they are now. Many are already in some form of child care.

The response to these broader child care figures is usually that the care that these children are in is of such low quality that it compromises their development (Fuller & Kagan, 2000). I will return to that issue in a moment. But for now, I want to make another point: Why should we think that *all* low-income children need the compensatory services of Head Start?

The idea behind compensatory child development programs like Head Start is that low-income parents do not give their children the needed cognitive stimulation, emotional support, and social guidance—and that middle-class parents do. But surely, many low-income parents do an adequate job, and just as surely some do a very bad job. The plain fact is that some poor children do not need Head Start, and some need a double dose, or more. (Social scientists would call this subgroup analysis. A layperson would just call it targeting services on those who need them.)

Coverage for Welfare-to-Work Since 1994, welfare rolls have declined by 50%. And that is the national figure. Fifteen states have had declines of over 60%; three reported declines of 85% or more. A major concern has been the adequacy of child care support for the children whose mothers are now working. (Studies of welfare leavers indicate that about 60% percent are working regularly. Although the caseload decline may also be influenced by fewer entrants, the data to assess these numbers and the reasons for non-entry are not available. Thus, we rely on the leavers studies as a proxy for assessing what is happening as a result of the broader caseload decline.)

The first column of Chart 2, “Estimating TANF-related Child Care Needs—Roughly,” displays our analysis of the sufficiency of federal–state child care funding for the children whose mothers left welfare for work. The calculation requires a large num-

In billions of 1999 dollars

Estimates based on:

Number of children leaving TANF whose mothers are working, 1994–1999	Current patterns	Full substitution at market rates	Full substitution at government rates	“High-quality”
<i>0-5 year olds</i>				
Full time	1,096,690	3.000	5.134	14.781
Part time	365,563	0.370	0.942	1.826
<i>6-11 year olds</i>				
Full time	636,192	0.715	1.760	1.447
Part time	212,064	0.043	0.128	0.065
<i>12-13 year olds</i>				
Full time	184,186	0.207	0.509	0.419
Part time	61,395	0.012	0.037	0.019
Total	2,556,091	4.350	8.510	18.557

Chart 2. Estimating TANF-related child care needs—roughly.

ber of subjective assumptions (laid out in the notes to the chart), and I will not go through them now. I would only mention that we have tried to err on the side of overstating the level of need. For example, the figures you have assume that families leaving welfare will use *the same mix of services as all American families* (predominantly middle class) even though all studies find that low-income families spend less on child care. The only area in which we may have exaggerated the impact of the increased spending is that we treat the increase in Head Start as if it resulted in commensurate increases in Head Start slots. (As noted above, the majority of the funding increase was devoted to quality improvement activities.)

As you will see, we calculate that \$4.35 billion per year would be needed to cover the child care needs brought on by the decline in welfare cases between 1994–1999. As discussed above, by 1999, annual child care spending increased by over \$6.1 billion from its 1994 level, indicating that there is sufficient funding if our subsidy programs mirror current patterns of child care use. Please do not take these to be precise calculations, but they seem to be in accord with reports from the field that increased funding has covered just about all the children whose parents have sought child care subsidies. That is why a 1999 GAO report, *Education and Care: Early Childhood Programs and Services for Low-Income Families*, stated that “care for preschool children generally was not difficult to find” (p. 11), although parents still face difficulties finding care for infants, children with special needs, and nonstandard hours.

In our calculations, the increased funding is sufficient only because many working mothers do not use paid child care—and Column 1 reflects that reality. Many advocates bemoan this result (Schumacher & Greenberg, 1999) and call for a much greater use of public subsidies. This is a key issue. Columns 2 and 3 present our estimate if all mothers leaving welfare for work paid for the child care they used.

If the mothers used *the same mix* of family and center-based care as all American families, Column 2, the total additional, annual cost for the children of welfare leavers who

work would be \$8.5 billion. If mothers used the same mix of family day care homes and center-based care as all American families, *but paid as much as the federal government pays under the CCDF*, the total costs would be \$9.2 billion.

To meet either scenario, an additional \$4 or \$5 billion would be needed every year, and the number would rise if there are additional declines in the welfare rolls.

The Cost of an "Early Childhood Education" System But these are only the costs for child care "as we know it." What if we took the advocates at their word and tried to provide "high quality" early childhood education programs? The Carolina Abecedarian project cost about \$15,000 per child. High/Scope Perry Preschool project cost about \$12,000 (1999 dollars) for 2 and 1/2 hours per day, 5 days a week, for 9 months of the year. The Public Relations Department of the Department of Health and Human Services estimates that full-time, full-year Head Start would cost about \$9,000 per child. This seems to understate costs. Currently, as a part-day, part-year program, Head Start costs over \$5,000 per child (not including non-Head Start funding such as Medicaid and the Child and Adult Care Feeding Program). A 1998 GAO report found 12 states with Head Start programs that cost over \$10,000 per child per year, with some costing as much as \$17,000 per child.

We estimate that full-time, full-year Head Start costs about \$14,000 per child per year. (This is the figure we use for our calculations.) On this basis, providing full-time, early childhood services for all the children whose mothers have left welfare and are working would require an additional \$18.5 billion—each year. And, if these services were provided full-time, full-year to all children under age 5 with family incomes at or below the federal poverty line, the annual cost would be more than \$77 billion.

Impact on Children

These additional costs for either "quality child care" or expanded early childhood programs might be acceptable if they achieved the results claimed by their proponents. Unfortunately, there is only weak evidence that they do and substantial reason to think that they do not.

"Quality" Child Care The research evidence about the impact of what the experts call "quality child care" on child outcomes is extremely weak. We started our work on this subject with the assumption that the quality of child care matters for child development. And we still believe that. But we discovered that the word *quality* has been defined to mean much more than most would think. Programs cannot be judged as more than "minimal" unless they engage in measurable activities designed to enhance children's social, emotional, and cognitive development. At first blush, this makes sense. But many of the development aspects of care are not measurable using existing methods. As a result, past research studies may not have obtained an accurate picture of care children are receiving. Moreover, almost all studies are also seriously compromised by small samples and selection bias problems.

Our estimate, therefore, is that the regulatable aspects of child care have, at best, only a modest impact on child development—certainly not enough to justify a major increase in per child costs. Many other researchers agree. For example, economist David Blau (1997) examined whether the regulatable aspects of care actually result in better care

for children, presumably the first step to achieving better child outcomes. Using data from the National Child Care Staffing Study, Blau estimated the effects of different attributes thought to affect quality (group size, staff-child ratio, teacher training) on the child care environment (the nature of teacher-child interactions, curriculum, activities). Of all the attributes he examined, only group size, staff-child ratios, and recent teacher training were found to affect the child care environment, and their effects were small. Thus, factors typically regulated and typically considered to result in better child outcomes were found to have little influence on the quality of the child care environment, as measured by the nature of teacher-child interactions, curricula, and activities. Blau concluded that "the results of this study could be interpreted as implying that efforts to improve day care quality by regulating and subsidizing the inputs would be ineffective" (p. 383).

The typical response to such criticisms is that child care programs are not intensive enough, and long-term enough, to remedy the deep-seated problems of disadvantaged children. That is undoubtedly true. The problem is, we have very little evidence about what would work.

Early Childhood Programs, "Head Start" If any government program "works" in the eyes of the American people, it is Head Start. Since its inception in 1965, Head Start has served more than 17 million children at a cost of nearly \$47 billion (Head Start Bureau, 2000). Although the program enjoys wide popular and political support, surprisingly little rigorous research has been conducted on the program's impact.

No study has used either a nationally representative sample or an experimental design, two factors that make it difficult to draw any conclusions about programmatic effects. The GAO, in its 1997 review of Head Start research, concluded that "The body of research on current Head Start is insufficient to draw conclusions about the impact of the national program" (p. 8). According to the report, "All of the studies had some methodological problems" (p. 10), and "Until sound impact studies are conducted on the current Head Start program, fundamental questions about program quality will remain" (p. 20).

The usual response to the paucity of sound research on Head Start's effectiveness is to cite the success of two "Head Start-like programs": The High/Scope Perry Preschool and Carolina Abecedarian projects. We examined the research surrounding both programs and found that despite their high cost, the evidence of their success is weak and inconsistent.

In the end, all we know for certain is that they are costly programs run under special circumstances that produced modest positive effects for some children in some areas of development. Rebecca Maynard, of the University of Pennsylvania and Mathematica Policy Research, Inc., in reviewing research on such model early childhood development programs, wrote that

We have been more careless than we should in reading and interpreting the research. For example, while the results of the Abecedarian and Perry Preschool programs are very encouraging, these programs operated many years ago, targeted particular groups of children, and were not traditional child care programs. (2000, p. 3)

Researchers Robert McCall, Lana Larsen, and Angela Ingram of the University of Pittsburgh were more positive, concluding that "Early childhood programs *can* accomplish many of their short-term and some of their long-term goals," but even they noted

that some of these achievements, such as increases in IQ and other indicators of cognitive development, “diminish and may disappear entirely . . . over the three years following the termination of program attendance” (1999, p. 8).

Alternate Priorities

The uncertainty caused by the weakness of current research raises an even larger issue: Given the ambiguous impact of expensive, “quality” child care and early childhood programs on child outcomes, how much money should be spent on them *versus* on other programs for disadvantaged children? That is not a question one often hears in the child care debate, but it should be decisive.

Compare the \$18 billion to \$77 billion we estimate that it would cost to provide full-time, early childhood education to all children under the poverty line with what we spend on some other programs under the jurisdiction of the Senate Committee on Health, Education, Labor and Pensions: elementary and secondary education—about \$15 billion; student financial assistance—about \$10 billion; and Older Americans Act—about \$1.6 billion.

It may well be that there are better ways to spend \$10,000–\$15,000 per child to improve child outcomes. Imagine the following: A single mother with two preschoolers working full time at the minimum wage earns \$10,300. Then we spend \$20,000–\$30,000 of taxpayer money to enroll her two preschoolers in an early childhood education program. What if we used part of the money to support basic, decent child care and used the rest to allow her to work part-time, so she could spend more time with her children? Or, what if we used the rest of the money to increase the Earned Income Tax Credit (EITC), so that she could take more money home? Or, what if we used the rest to remove the marriage penalty embedded in the EITC and other quasi-welfare programs?

The failure to be clear about the weak evidence behind claims for the effectiveness of “quality” child care and early childhood education programs prevents policy makers from asking such questions. Does anyone doubt the answer that the mother in my example would give? Doesn’t that tell us something very important?

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