

**THE COSTS OF
FEDERAL CHILD CARE
ASSISTANCE**

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As Congress debates the various child care proposals before it, the conventional wisdom is that the federal role in child care ceased when President Nixon vetoed the Child Development Act of 1971, with interest in the issue being revived only recently. In the Washington Post, for example, Ellen Goodman wrote recently, "From then on . . . the government was committed to neglect. Child care had all but disappeared from the federal agenda."¹

Not so. Over the last 15 years, federal child care assistance has more than doubled. By our estimates, the costs of federal child care assistance--through income tax deductions and credits, child care and early education programs, and welfare and job training programs--rose from \$1 billion in fiscal 1972 to about \$6.2 billion in fiscal 1987. Accounting for inflation, that's a real increase of 127 percent. By 1989, expenditures will approach \$8 billion, another 24 percent rise in just two years.

Tax Policy

The most significant child care subsidy is accomplished through three tax provisions. At nearly \$3.5 billion in fiscal 1987,² the largest of these is the Child and Dependenc

¹Goodman, E., "The Feds and the Kids . . .," Washington Post (March 22, 1988), p.A25.

²No direct funding is provided for this program. Figure is the estimated tax revenue loss associated with the credit. Executive Office of the President, Office of Management and Budget, Special Analyses. Budget of the United States Government. Fiscal Year 1989 (1988), p.G-43 (hereinafter Special Analyses. Budget of the United States Government.)

Care Tax Credit, which may be claimed by parents for eligible employment-related child and dependent care expenses.

Expenses up to a maximum of \$2,400 for one dependent and \$4,800 for two or more dependents are eligible. For taxpayers with incomes of \$10,000 or less, the credit is 30 percent of qualified expenditures; the credit is then reduced by one percentage point for each \$2,000 of income between \$10,000 and \$28,000. For taxpayers with incomes above \$28,000, the credit is 20 percent of qualified expenditures.³

In 1985, approximately 8.4 million tax returns claimed \$3.1 billion in child care credits, an average credit of \$372. The House Ways and Means Committee has estimated that in 1988, a total of \$4 billion in child care credits will be claimed on approximately 9.6 million returns, an average credit of \$419.⁴

The lesser-known Employer-provided Child or Dependent Care Services Tax Credit is intended to provide an incentive for employers to provide child care benefits to their employees. Enacted in 1981, it creates a tax shelter for up

³Ibid., p.G-29. See also U.S. House of Representatives, Committee on Ways and Means, Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means: 1988 Edition (March 24, 1988), p.614 (hereinafter Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means: 1988 Edition).

⁴Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means: 1988 Edition, supra note 3 at p.615, Table 12.

to \$5,000 in child care expenses if the employer--rather than the parent--pays for, or provides, the child care.⁵ The estimated revenue loss from this credit: \$30 million in fiscal 1987.⁶

The use--and therefore the budget cost--of both of these tax credits are expected to increase dramatically over the next two years. According to the estimates provided by the Office of Management and Budget, the cost of the Child and Dependent Care Credit is expected to rise to over \$4.5 billion, a \$1 billion or 24 percent increase.⁷ For the same

⁵Stephan, S. and Schillmoeller, S., "Child Day Care: Selected Federal Programs" (April 7, 1987), Library of Congress, Congressional Research Service, p.CRS-14 (hereinafter "Child Day Care: Selected Federal Programs").

⁶Special Analyses. Budget of the United States Government. Fiscal Year 1989, supra note 2 at p.G-43. Other estimates are much higher. For instance, for fiscal 1986, the Joint Committee on Taxation estimated a revenue loss of \$110 million ("Child Day Care: Selected Federal Programs," supra note 5 at p.CRS-13). However, for the same year, OMB placed it at \$40 million (Executive Office of the President, Office of Management and Budget, Special Analyses. Budget of the United States Government. Fiscal Year 1988 (1987), p.G-44).

⁷Special Analyses, Budget of the United States Government. Fiscal Year 1989, supra note 2 at p.G-43. Estimates do vary. The House Ways and Means Committee anticipates the costs of this credit to rise to \$3.5 billion by fiscal 1989 (U.S. House of Representatives, Committee on Ways and Means, Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means: 1987 Edition (March 6, 1987), p.588, Table 6) (hereinafter Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means: 1987 Edition). The Congressional Budget Office's estimates are higher--\$4 billion for fiscal 1989 (U.S. Congress, Congressional Budget Office, The Effects of Tax Reform on Tax Expenditures (March 1988), p.48, Table A-1 (hereinafter The Effects of Tax Reform on Tax Expenditures)).

period, the cost of the Employer-provided Child or Dependent Care Tax Credit is expected to jump five-fold, totaling \$150 million in fiscal 1989.⁸

Another federal tax provision that supports child care is the exemption for nonprofit child care centers. This provision exempts nonprofit centers from paying income taxes, and enables them to receive tax-deductible contributions. The estimated annual revenue loss from this provision is almost \$3 million.⁹

Specific Child Care/Early Education Programs

Seven federal programs are devoted exclusively to child care, early education, or related services, at an annual cost of about \$1.9 billion. The largest of these programs is Head Start, which spends \$1.1 billion per year on local preschool programs for low-income children.¹⁰ Head Start serves about

⁸Special Analyses. Budget of the United States Government. Fiscal Year 1989, supra note 2 at p.G-43. Estimates vary. The House Ways and Means Committee has placed the expected revenue loss associated with the Employer-provided Child Care Tax Credit in fiscal 1989 at \$100 million (Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means: 1987 Edition, supra note 7 at p.587, Table 5). A more recent estimate from the Congressional Budget Office puts it at \$200 million (The Effects of Tax Reform on Tax Expenditures, supra note 7 at p.48, Table A-1).

⁹U.S. Department of Labor, Child Care. A Workforce Issue (1988), p.55 (hereinafter Child Care. A Workforce Issue).

¹⁰Executive Office of the President, Office of Management and Budget, Appendix. Budget of the United States Government. Fiscal Year 1989 (1988), p.I-K36 (hereinafter

a half-million children.¹¹

The Child Care Food Program (\$551 million)¹² and the Special Milk Program (\$4 million)¹³ provide milk, food, and money to day care providers for an estimated 1.1 million low-income children daily.¹⁴

The Secretary of Labor's Task Force on child care has also identified the Summer Food Service Program for Children as a federal child care program, with annual expenditures totaling \$160 million.¹⁵ This program provides cash and commodities for schools and public or private nonprofit residential camps serving low-income children during the summer months. We have not included this in our estimates because it lacks a specific child care/early education component.

Appendix. Budget of the United States Government. Fiscal Year 1989).

¹¹In fiscal 1985, Head Start served 452,080 children. "Child Day Care: Selected Federal Programs," supra note 5 at p.CRS-8.

¹²Appendix. Budget of the United States Government. Fiscal Year 1989, supra note 10, at p.I-E81. For fiscal 1988, the Secretary of Labor's Task Force on Child Care estimates outlays of \$586 million (Child Care. A Workforce Issue, supra note 9 at p.19).

¹³Child Care. A Workforce Issue, supra note 9 at p.22. Other estimates are far lower. According to a Congressional Budget Office estimate based on unpublished Food and Nutrition Service data, expenditures are about \$0.3 million.

¹⁴Figure for fiscal 1986. "Child Day Care: Selected Federal Programs," supra note 5 at pp.20-21.

¹⁵Child Care. A Workforce Issue, supra note 9 at p.20.

The Department of Education also supports preschool programs for handicapped children by providing states with about \$178 million in grants under the Special Education and Rehabilitative Services program.¹⁶ Because of the specialized needs of this program's beneficiaries, some observers are reluctant to characterize it as a child care program.¹⁷ Nevertheless, the program is geared specifically to three-to-five-year-old children. Moreover, if such a limited view were adopted, Head Start would be a poverty program, not a child care/early education one.

Another \$11 million provides less direct support for child care programs. Under the Dependent Care Planning and Development Program, the Department of Health and Human Services (HHS) makes grants totaling up to \$5 million per year to the states for child care services before and after school and for the development of local child care information and referral services.¹⁸

Another \$5 million in demonstration grants is available under Title II of the Children's Justice Act; these grants

¹⁶Appendix. Budget of the United States Government. Fiscal Year 1989, supra note 10 at p.I-I8.

¹⁷The program is not designated as a federal child care program, for example, by the Secretary of Labor's Task Force on Child Care.

¹⁸Appendix. Budget of the United States Government. Fiscal Year 1989, supra note 10, at p.I-K36, and "Child Day Care: Selected Federal Programs," supra note 5 at p.CRS-12. The Department of Labor reports expenditures of \$8 million for fiscal 1988 (Child Care. A Workforce Issue, supra note 9 at p.34).

are intended to help public and private agencies fund temporary, nonmedical child care services to handicapped and terminally ill children and crisis nurseries for abused and neglected children.¹⁹ Because this is a crisis intervention program and not ordinary, supervisory child care, we have not included it in our final estimates.

Through the Child Development Associate Scholarship Program, HHS makes up to \$1 million in grants²⁰ to states for scholarships to needy candidates for the child development associate credential.²¹

The federal government also supports the private sector's provision of child care through the various credit programs of the Small Business Administration (SBA). In fiscal 1988, the SBA is expected to provide about \$19 million in various types of loans--direct, disaster, and guaranteed--to providers of child care.²² The SBA acts primarily as a guarantor, guaranteeing private loans to small businesses; about 98 percent of all child care loans were of this type. Because most loans are repaid, it is not possible to

¹⁹Appropriation for fiscal 1988 is \$4.8 million. See Stephan, S., "Child Day Care: Issues and Legislation in the 100th Congress" (March 22, 1988), Library of Congress, Congressional Research Service, p.CRS-14 (hereinafter "Child Day Care: Issues and Legislation in the 100th Congress").

²⁰Appendix. Budget of the United States Government. Fiscal Year 1989, supra note 10 at p.I-K37.

²¹"Child Day Care: Selected Federal Programs," supra note 5 at p.CRS-25.

²²Child Care. A Workforce Issue, supra note 9, at p.49.

determine net costs to the SBA. Therefore, we have not included them in our final estimates.²³

Welfare and Job Training--Child Care Expenses

The various federal welfare and job training programs are another major source of direct and indirect funding for child care services. In the welfare area, for instance, the two major federal programs--Aid to Families with Dependent Children (AFDC) and Food Stamps--subsidize child care indirectly by allowing recipients to deduct child care expenses from their income when determining eligibility. These policies, which are designed to encourage work and self-sufficiency, cost the federal government an estimated \$94 million in fiscal 1987.²⁴

²³Another \$0.3 million in loans are expected to be made through the SBA's Small Business Investment Company (SBIC) Program. SBICs are SBA-licensed private investment firms that borrow portions of their capital from the federal government at favorable rates. The Department of Labor reports that SBIC involvement with child care providers is growing rapidly (ibid., p.50).

²⁴Estimated total cost of the Food Stamps child care deduction is \$50 million. Congressional Budget Office, unpublished analysis of Food and Nutrition Service data (1988). See also Child Care. A Workforce Issue, supra note 9 at p.21.

Estimated total cost of the AFDC child care deduction is \$44 million. Calculated by authors using the following data. Out of an average monthly caseload of 3.5 million AFDC families in fiscal 1983, about 1 percent had child care expenses deducted from their earnings. The average monthly amount of child care expense deducted in fiscal 1983 was about \$96 ("Child Day Care: Selected Federal Programs," supra note 5 at p.CRS-16). Assuming program participation was essentially the same in fiscal 1987, 38,000 families, or

Similar child care deductions are also allowed under two federal housing assistance programs: (1) the Public and Indian Housing Program, and (2) the Section 8 Housing Program, which provides rent vouchers to make private housing affordable for low-income families.* Both programs deduct child care expenses from family income when determining participants' rent copayment. In fiscal 1988, an estimated 210,000 families with 480,000 children are expected to deduct child care expenses, at a cost of \$18 million.²⁵

The Work Incentive Program (WIN) seeks to reduce welfare dependency by providing money to states to help AFDC recipients find and retain jobs. States are required to provide child care services to WIN participants who need them. In fiscal 1987, these services cost the federal government an estimated \$12.6 million.²⁶

1 percent of average monthly caseload for fiscal 1987 (Appendix. Budget of the United States Government. Fiscal Year 1989, supra note 10 at p.I-K34) took an average annual deduction of \$1,152. The Department of Labor provides an estimate of \$40 million (Child Care. A Workforce Issue, supra note 9 at p.35).

²⁵Child Care. A Workforce Issue, supra note 9 at p.42.

²⁶Estimate is 10 percent of \$126 million, the fiscal 1987 budget (Appendix. Budget of the United States Government. Fiscal Year 1989, supra note 10 at p.I-K35). Ten percent is the proportion of WIN's budget for fiscal 1977 devoted to child care expenses. (U.S. Department of Health, Education and Welfare, Office of Human Development Services, Administration for Public Services, Administration for Children, Youth and Families, Social Services, U.S.A.: Statistical Tables, Summaries and Analyses of Services Under Social Security Act, Title XX, IV-B, and IV-A/C for the 50 States and District of Columbia (1977), p.30, figure 17, cited in U.S. Commission on Civil Rights, Child Care and

As part of its overall strategy for training economically disadvantaged individuals and dislocated workers, the federal government provides money to states for child care services and subsidies within broad-based employment programs. Local programs funded under the Job Training Partnership Act (JPTA) spend over \$9 million for child care supportive services and subsidies.²⁷

There are child care components in four JPTA-funded programs. Under Title II-A, which authorizes grants to states for job training for the economically disadvantaged, expenditures for child care--about \$6 million--go to training program participants as child care workers or to providing them with child care services.²⁸ Title IV authorizes funding for job placement programs geared specifically to farm workers; an estimated \$3 million goes to child care expenditures.²⁹ The Job Corps (Title IV-B), which funds training for economically disadvantaged youths, spends about \$0.3 million for child care.³⁰

To help displaced workers readjust to changing economic

Equal Opportunity for Women (June 1981), p.33.) We recognize that this is a very rough estimate, since WIN programs make use of other child care programs.

²⁷Child Care. A Workforce Issue, supra note 9 at pp.44-47.

²⁸Ibid., p.44.

²⁹Ibid., p.46.

³⁰Ibid., p.47.

circumstances, the Dislocated Workers Program (Title III) provides them with employment and training services, as well as supportive services such as child care. Child care assistance, generally provided through reimbursement, is estimated at \$0.2 million.³¹

The Department of Education also supports child care through its Office of Vocational and Adult Education. Basic grants to the states permit them to spend on child care for participants in local vocational education programs. However, states devote only a fraction of these funds to child care--just over \$1 million out of a total budget of around \$800 million.³²

A renewed emphasis on such job training programs was a major component of all major welfare reform proposals put forth in Congress in 1987, with special attention to the needs of female-headed families. If single mothers on welfare are to become self-sufficient, they will need to work; and if they are to work, someone will have to mind their children.

In its original form, Representative Downey's "Family Welfare Reform Act of 1987" would reimburse mothers for their child care costs for up to six months after they get jobs and

³¹Ibid., p.45.

³²Estimate based on an unpublished survey of state spending for 1985. Office of the Secretary, Department of Education. See also Child Care. A Workforce Issue, supra note 9 at p.27.

leave the welfare rolls. To qualify for reimbursement, though, child care would have to be licensed. In 1987, the Congressional Budget Office (CBO) estimated the costs of this provision alone at \$835 million over 5 years.³³

It is important to note, however, that when the bill passed the House in November 1987, it included up to 12 months of transitional child care assistance for families who left welfare because of increased earnings. CBO estimates that this new provision would cost \$550 million over five years.

CBO estimates that a similar transitional child care provision in Senator Moynihan's "Family Security Act of 1987" would cost about \$75 million in its first year and rise to about \$115 million after the second year.³⁴

Representative Michel's "AFDC Employment and Training Reorganization Act of 1987," a Republican alternative to Democratic welfare reform proposals, would provide funds to establish employment and training programs, including transitional child care and transportation assistance. To maximize the states' flexibility, however, the bill would let

³³The bill would also increase the amount of child care expense exemptions for AFDC and Food Stamps--at an annual cost of \$4-6 million. Congressional Budget Office, "Estimated Cost to the Federal Government of H.R. 1720 as Amended" (June 17, 1987), p.3.

³⁴The Moynihan bill would provide child care reimbursement for up to nine months after leaving welfare. Congressional Budget Office, "Estimated Cost to the Federal Government of Moynihan Bill" (preliminary)(July 14, 1987), p.2.

states decide how they should spend the money. As a result, specific CBO estimates on the costs of child care provisions are not available.³⁵

Student Financial Aid--Child Care Expenses

A number of federal financial aid programs for students base the size of individual grants upon the cost of school attendance, which, beginning in 1988, may include reasonable child care expenses.³⁶ Data on the costs of this new child care provision are not available for most of these programs, but estimates provided by the Department of Labor indicate that child care will add an estimated \$65 million to total expenditures for the Pell Grants program, which provides grants for low-income students.³⁷

Social Services/Community Development Funding

Besides the programs described above, some portion of an

³⁵In its first year, the costs of the overall employment and training program would be \$234 million, rising to nearly \$500 million by the fifth year. Congressional Budget Office, "The Estimated Costs to the Federal Government of H.R. 3200" (preliminary) (September 22, 1987), p.1.

³⁶Programs include Pell Grants, Supplemental Education Opportunity Grants, Work-Study, the Perkins Loan Program, the Income-Contingent Loan Program, the State Student Incentive Program and the Guaranteed Student Loan Program. See Child Care. A Workforce Issue, supra note 9 at p.27 and p.29.

³⁷Ibid., p.27.

additional \$6 billion³⁸ in social services and child welfare grants and community development grants is available for child care services. Unfortunately, the structure of these programs--block grants to the states--makes it difficult to determine with any degree of certainty just how much money is involved.

Consider the largest of these programs--the Social Services Block Grants (Title XX). In fiscal 1987, over \$2.7 billion³⁹ was given to the states to provide a full range of social services--at the states' discretion; there are no requirements as to how the states should apportion the money. To enhance states' flexibility further, there are also no detailed record-keeping requirements on how these funds are used or whom they benefit. Thus, there are few data on how much Title XX money is spent by the states on child care.⁴⁰

³⁸Programs include Social Services Block Grants; Community Development Block Grants; Community Services Block Grants; and the Area Economic and Resource Development Program. Child welfare grant programs include Child Welfare Services; the Child Welfare Training Program; Indian Child Welfare Grants; and Child Welfare Research and Demonstration Projects. For a description of child care-related activities, see "Child Day Care: Selected Federal Programs," supra note 5 at pp.CRS-6-26. For budget information, see Appendix. Budget of the United States Government. Fiscal Year 1989, supra note 10 at pp.I-K35-37 and I-M22.

³⁹Appendix. Budget of the United States Government. Fiscal Year 1989, supra note 10 at p.I-K36.

⁴⁰Ultimately, the extent to which states pay for child care through Title XX--or any other federal block grant--is not terribly relevant. A state has a certain amount of money with which to pay for social services, with funds coming from federal, state, and local sources. How a state chooses to allocate this money--and from what sources it funds

The Department of Labor reports that \$660 million (24 percent) of Title XX spending supports child care.⁴¹ From a recent survey of state child care spending, the Department of Health and Human Services estimated that combined state and federal spending on child care totals \$1.1 billion per year.⁴² Thus, assuming a standard two-thirds federal share, total federal spending could be as high as \$726 million per year, or about 27 percent of total Title XX spending.⁴³

States and communities spend an estimated \$30 million on child care using money from Community Development Block Grants (CDBG), which are designed to stimulate community development in low- to moderate-income communities.⁴⁴ CDBG

particular activities--do not change the total amount of funds available for social services.

Like all money, Title XX funds are fungible, or interchangeable; if a state chooses to spend all of its federal money on child care, that doesn't necessarily mean that it's spending a lot of money on child care relative to other states. It does mean that the state would have to "charge off" all other social services to state and local sources--essentially an accounting decision.

⁴¹Child Care. A Workforce Issue, supra note 9 at p.31.

⁴²Office of the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services.

⁴³Other estimates are lower. Kahn and Kamerman, for instance, put Title XX spending on child care for fiscal 1986 at \$387 million, or about 15 percent of total Title XX spending for that year. See Child Care: Facing the Hard Choices (Dover, MA: Auburn House Publishing Company, 1987), Table 1.8.

⁴⁴Child Care. A Workforce Issue, supra note 9 at p.40. See also Appendix. Budget of the United States Government. Fiscal Year 1989, supra note 10 at pp.I-M21-22.

funds may be used to construct new child care facilities, to rehabilitate existing facilities, or simply to provide child care services. The \$30 million in child care expenditures constitutes about 1 percent of total CDBG spending. In 1987, Congress appropriated an additional \$5 million in demonstration grants for child care programs within low-income public housing projects.⁴⁵

Federal Employee Child Care Benefits

The federal government also supports child care by providing child care services to federal employees--civilian and military. The Department of Defense spends over \$69 million annually to subsidize child care for the dependents of armed forces personnel. Worldwide, about 412 military installations serve an estimated 90,000 children through 518 child care centers.⁴⁶ The General Services Administration also spends about \$1 million a year on child care centers in federal work places.⁴⁷ Since these expenditures are more akin to employee benefits than to a generalized child care subsidy, they are not included in our final estimates.

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⁴⁵"Child Day Care: Issues and Legislation in the 100th Congress," supra note 19 at pp.CRS-11-12.

⁴⁶Child Care. A Workforce Issue, supra note 9 at p.25.

⁴⁷Ibid., p.30.

The federal government currently has a broad range of programs and subsidies that support child care, directly or indirectly. Perhaps these programs are not as substantial as child care advocates would like them to be, but they are substantial nevertheless, as table 1 illustrates.

Moreover, federal support of child care has been expanded substantially since the early 1970s, with the costs of these programs and subsidies rising from about \$1 billion in fiscal 1972 to over \$6.2 billion in fiscal 1987. Accounting for inflation, that's a real increase of 127 percent. (See table 2.)

Poor and lower-income families, however, have not been the main beneficiaries of this increased federal spending. During this period, spending on programs such as Head Start, the Child Care Food Program, Social Services (Title XX) block grants, and the child care associated with most federal welfare and job training programs rose from about \$800 million to about \$2.7 billion, which is only a 27 percent increase after inflation.

The other \$3.5 billion in federal child care costs is attributable to the two income tax credits, the Child and Dependent Care Credit and the Employer-provided Child Care or Dependent Services Credit.

The Child Care Credit dates back to 1954, when it was a limited deduction. After successive liberalizations of the

deduction in the 1960s and early 1970s, Congress made it a credit in 1976. But the real increases in its cost have come only in the last fifteen years: from \$224 million to \$3.5 billion, an after-inflation jump of a whopping 479 percent. The 1989 cost is projected to be another \$1.1 billion dollars higher, a 31 percent rise in just two years. CBO estimates show continuous increases into the early 1990s, with a cost approaching \$5 billion by 1993.⁴⁸

The Employer-provided Child or Dependent Care Services Tax Credit is growing even faster--from \$30 million in 1987 to a projected \$150 million in 1989--a fivefold increase in only two years. Moreover, CBO projects that the costs of this credit will also continue to rise into the next decade, approaching \$1 billion by 1993.⁴⁹

Perhaps the child care issue has been off the "federal agenda" since 1972, but, behind the scenes, federal subsidies have more than doubled. This increase, however, came almost entirely in the area of tax credits, which largely benefits middle-class families--not low-income ones. Tax credits do not benefit poor or lower-income families, which hardly pay taxes in the first place. In 1983, for example, less than 1 percent of tax credit benefits went to families with adjusted gross incomes below \$10,000, and only 16 percent to families

⁴⁸The Effects of Tax Reform on Tax Expenditures, *supra* note 7 at p.48, Table A-1.

⁴⁹Ibid.

with adjusted gross incomes below \$15,000.⁵⁰

Thus, the last decade and a half has witnessed a sharp reversal in the beneficiaries of federal child care assistance. In 1972, nearly 80 percent of federal expenditures benefited low-income families; now, about half do. (See figure 1.)

Unfortunately, the major bills now before Congress-- Senator Dodd's "Act for Better Child Care Services" ("ABC")⁵¹ and Senator Hatch's Child Care Services Improvement Act⁵²-- would go a long way toward ratifying the trend toward greater middle-class subsidies.

The ABC bill, for example, would provide support to families earning up to 115 percent of the median income.⁵³ Nationally, that would be about \$34,000, but ABC sets eligibility by state median incomes, so that many states would have considerably higher caps: \$39,530 in Illinois, \$39,920 in the District of Columbia, \$41,656 in California,

⁵⁰Steurle, E. and Wilson, P., "The Taxation of Poor and Lower-income Workers," Tax Notes (February 16, 1987), p.706. For 1985, the House Ways and Means Committee has reported that 6 percent of benefits went to persons with adjusted gross incomes below \$10,000, though the distribution of benefits within \$10,000-20,000 adjusted gross income class was substantially unchanged. (Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means: 1988 Edition, supra note 3 at p.615).

⁵¹S.1885, 100th Congress., 1st Sess. (1987) (hereinafter S.1885).

⁵²S.2084/H.R.4002, 100th Cong., 2nd Sess. (1988).

⁵³S.1885, supra note 51 at sec.18.

and \$44,941 in Massachusetts, for example.⁵⁴ Moreover, the bill does not guarantee low-income families a minimum percentage of appropriated funds; it merely requires that state plans "give priority for services to children with the lowest family incomes."⁵⁵ The Hatch bill has no income cap.

Perhaps child care should be universal--available to all families, regardless of their income--like public schools. But that is an eventual question, as is the proper role of the federal government in establishing such a system. For now, in this era of Gramm-Rudman-Hollings, when programs for the disadvantaged are under the gun, it is simply wrong to funnel scarce federal dollars--in increasing amounts and proportions--to middle-class families who need them less. Priority should be given to families in greatest need.

⁵⁴Congressional Research Service, cited in Henderson, K., "Federal Day-care Bills: 'You have to start somewhere,'" Christian Science Monitor (January 21, 1988), p.23.

⁵⁵S.1885, supra note 51 at sec. 7 (11)(B)(i).

Table 1: The Estimated Costs of Federal Child Care Programs and Tax Credits: 1972-1989^a
(Fiscal years, millions of dollars)

	1972	1980	1987	1988	1989
Tax Expenditures					
Child and Dependent Care Tax Credit ^b	\$ 224	\$ 956	\$3,475	\$3,920	\$4,565
Employer-Provided Child or Dependent Care Services Tax Credit ^c	---	---	30	65	150
Non-profit Child Care Center Tax Exemption ^d	---	---	3	3	3
Child Care/Early Education					
Head Start	369	736	1,130	1,206	1,206
Child Care Food Program	31	216	551	582	646
Special Education and Rehabilitative Services--Preschool Grants	8	39	178	219	205
Dependent Care Planning and Development ^e	---	---	5	8	8
Special Milk Program ^f	---	---	4	4	4
Child Development Associate Scholarship Program ^g	---	---	1	1	1
Welfare and Job Training--Child Care Expenses					
Food Stamps ^h	---	36	50	50	50
Aid to Families with Dependent Children	80	60	44	44	44
Housing Assistance ⁱ	---	---	18	18	18
Work Incentive Program	37	115	13	9	---
Job Training Partnership Act ^j	---	---	9	9	9
Vocational Education	---	1	1	1	1
Student Financial Aid--Child Care Expenses^k					
Pell Grants	---	---	---	65	65
Other Programs ^l	---	---	---	---	---
Social Services/Community Development Funding					
Social Services Block Grants (Title XX)	261	600	660	660	660
Community Development Block Grant ^m	---	---	30	35	35
Child Welfare Programs ⁿ	---	---	---	1+	1+
Area Economic and Resource Development Program ^o	---	11	---	---	---
Total	\$1,010+	\$2,770+	\$6,202+	\$6,900+	\$7,671+

^aFor reasons described at various points in the text, not all federal programs related to child care are included here.

^bFigure for 1972 is estimated revenue loss associated with Child and Dependent Care tax deduction for 1972 tax year. Child and Dependent Care Tax Credit was established in 1976.

^cCredit was not established until 1981.

^dExemption took effect in 1984.

^eProgram was not established until 1986.

^fEstimates for 1972 and 1980 are not available.

^gProgram was not established until 1986.

^hEstimates for 1972 are not available.

ⁱEstimates for 1972 and 1980 are not available.

^jProgram was not established until 1982.

^kChild care expenses first allowed in 1988.

^lFor list of programs, see note 38; estimates for 1988 and 1989 are not available.

^mEstablished in 1975; estimates for 1980 are not available. Estimates for 1988 and 1989 include appropriations from Housing and Community Development Grants (see note 45).

ⁿFor list of programs, see note 36. Estimates for 1972 and 1980 are not available.

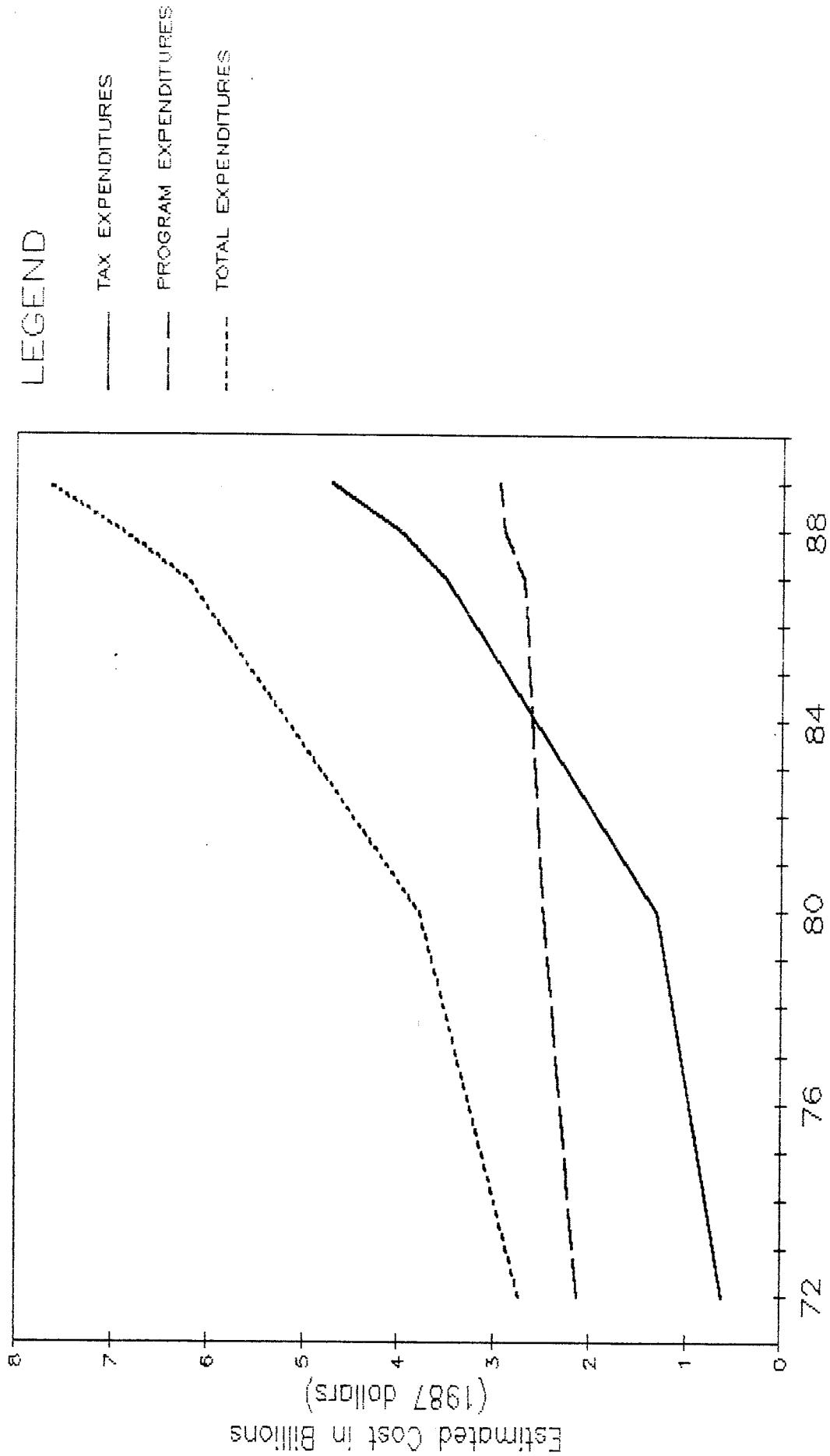
^oEstimate for 1972 is not available; estimates for 1987-1989 are less than \$500,000.

Table 2. The Estimated Costs of Federal Child-Care Programs and Tax Credits: 1972-1987
(Fiscal years, millions of dollars)

	1972	1980	1987
Tax Expenditures			
current dollars	\$ 224	\$ 956	\$3,508
1987 dollars	(605)	(1,310)	(3,508)
Child Care/Early Education			
current dollars	408	991	1,869
1987 dollars	(1,102)	(1,358)	(1,869)
Welfare and Job Training--Child care Expenses			
current dollars	117	212	135
1987 dollars	(316)	(290)	(135)
Social Services/Community Development Funding			
current dollars	261	611	690
1987 dollars	(705)	(837)	(690)
Total	\$1,010 (\$2,728)	\$2,770+ (\$3,795+)	\$6,202+ (\$6,202+)

ESTIMATED COST OF FEDERAL CHILD CARE PROGRAMS AND TAX CREDITS (1972--89)

Figure 1



LEGEND

— TAX EXPENDITURES

- - - PROGRAM EXPENDITURES

..... TOTAL EXPENDITURES