

Build Back Better?

What Children Lost and Where to Go From Here

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THE OHIO STATE UNIVERSITY

CRANE CENTER FOR EARLY CHILDHOOD
RESEARCH AND POLICY

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A historic opportunity

- **Build Back Better (BBB) bill – post COVID-19 federal bill that included vast expansion to social safety net programs**
- **Provisions for children to improve education, poverty, etc.**
- **Ultimately did not pass the senate**



Today's talk

- **What the bill offered children**
- **Social policy landscape that we are left with**
- **Where to go from here: directing our advocacy efforts moving forward**



Social policy is redistribution

- **Tax high-earning (wealth) individuals and companies**
- **Return the tax dollars to low-earning (wealth) individuals through “transfers”**
 - Cash
 - In-kind
 - Education



Social policy expansions in BBB



Cash

- Child Tax Credit

In-kind

- Housing
- Nutrition
- Health

Education

- Publicly funded childhood education



Social policy expansions in BBB



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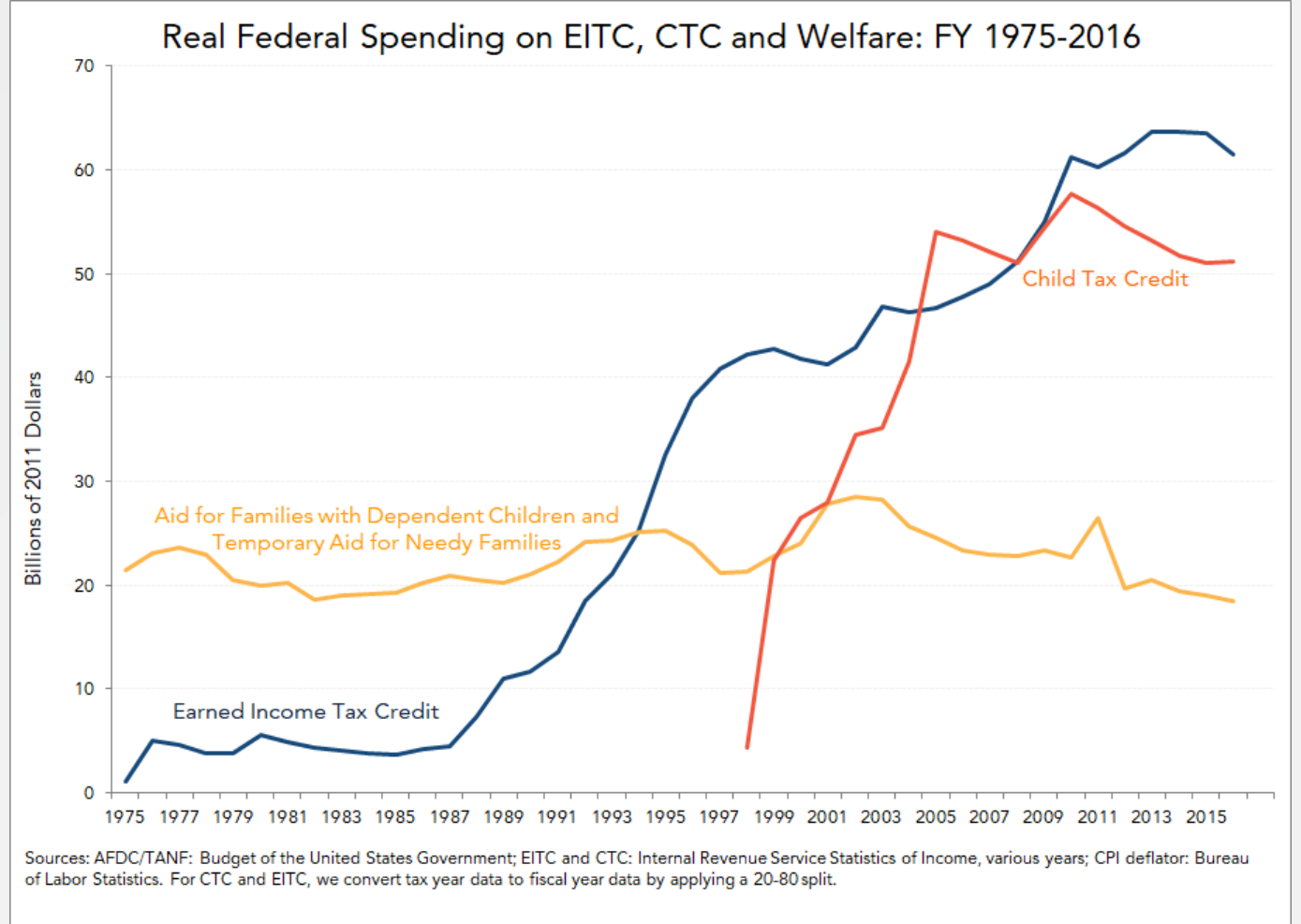
Education

- Publicly funded childhood education



BBB: Expanded Child Tax Credit

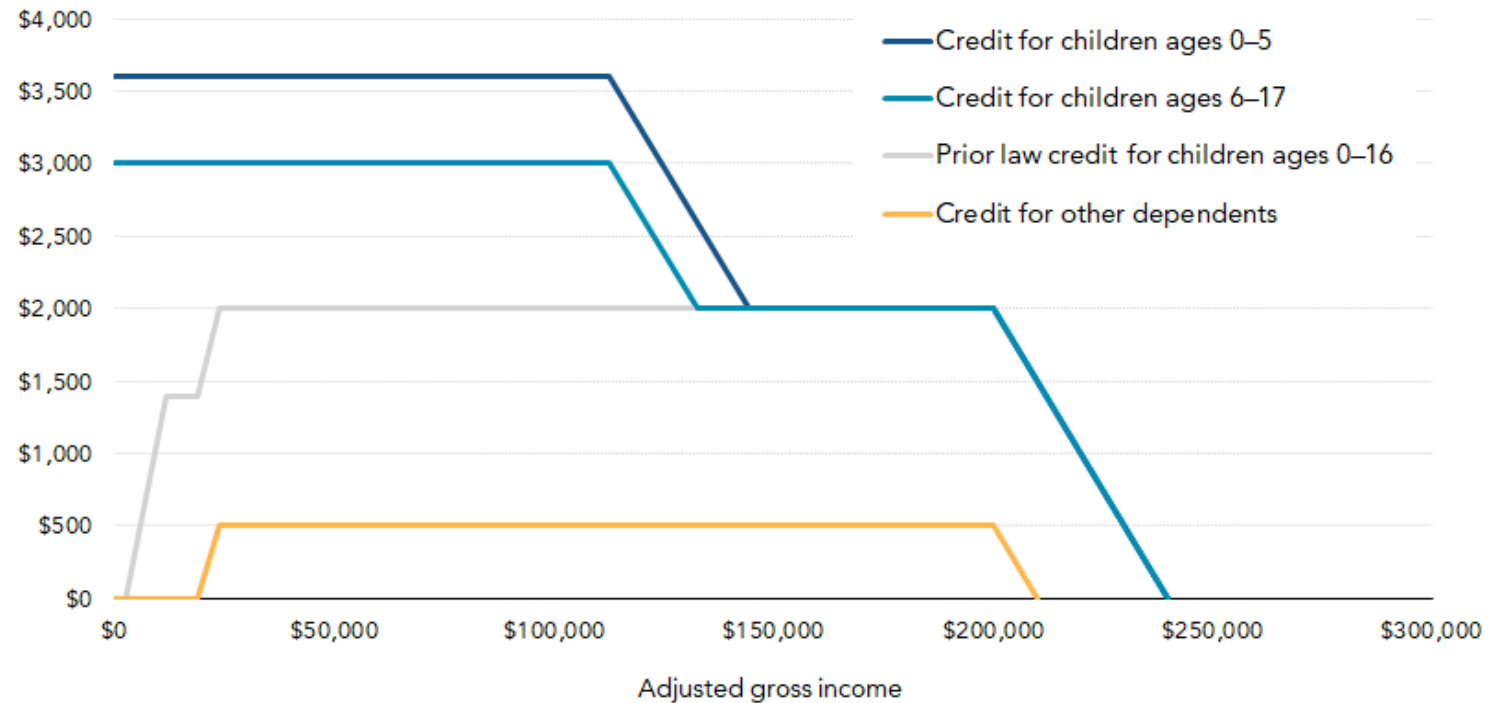
Tax credits are the primary cash transfer mechanism in the US



BBB: Expanded Child Tax Credit

Credit amount
Phase-out range
Refundability – earnings test,
phase-in, and refundability

FIGURE 1
Child Tax Credit, Single Parent
For one child, tax year 2021



Source: Urban-Brookings Tax Policy Center calculations.

Notes: Assumes all income comes from earnings, and child meets all tests to be a CTC-qualifying dependent. \$3,000 and \$3,600 credits are fully refundable; prior law limited refunds to \$1,400 out of the maximum \$2,000 credit. Credit for married parents first phases out at \$150,000 of income until credit reaches pre-2021 level; begins second phase out at \$400,000 of income. Only citizen children qualify for the \$3,000 and \$3,600 credits for children under 18. Noncitizens under age 18 who meet the dependency tests of eligibility can qualify other dependent credit.



CTC: What are we left with?

- Lower credit amounts (\$2,000 vs. \$3,600 per child under 6)
- High phase-out income
 - Full credit available to married couples with income below \$400,000
- Partial refundability
 - Low tax liability families do not get the full benefit

Family A : 2 children, total taxes of \$5,000

CTC amount: \$4,000

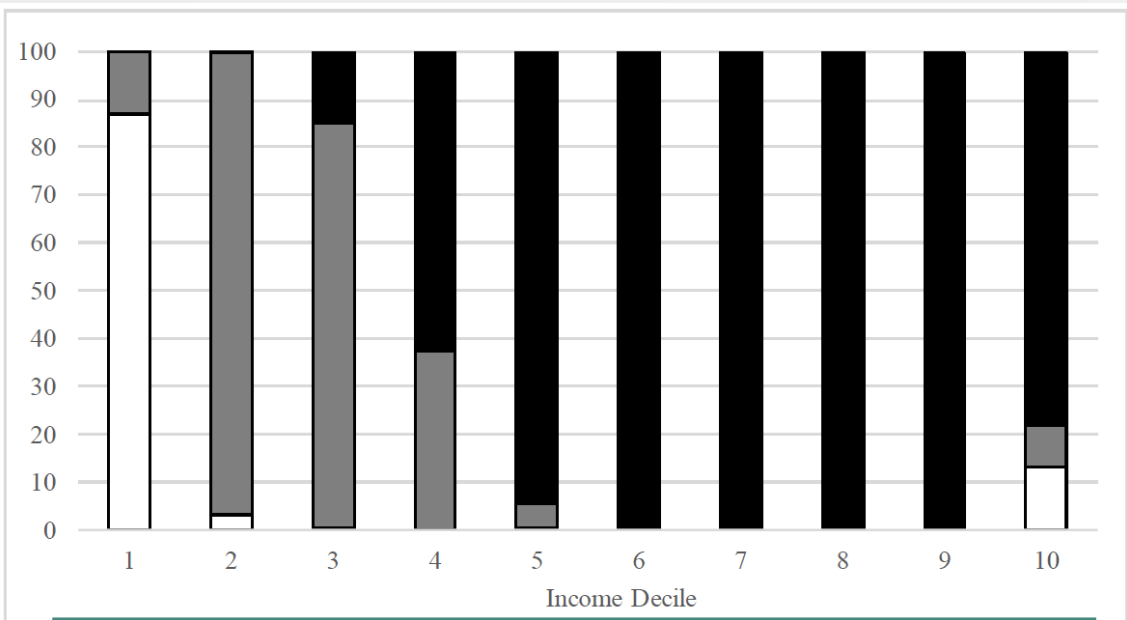
Family B : 2 children, total taxes of \$0

CTC amount: \$2,800



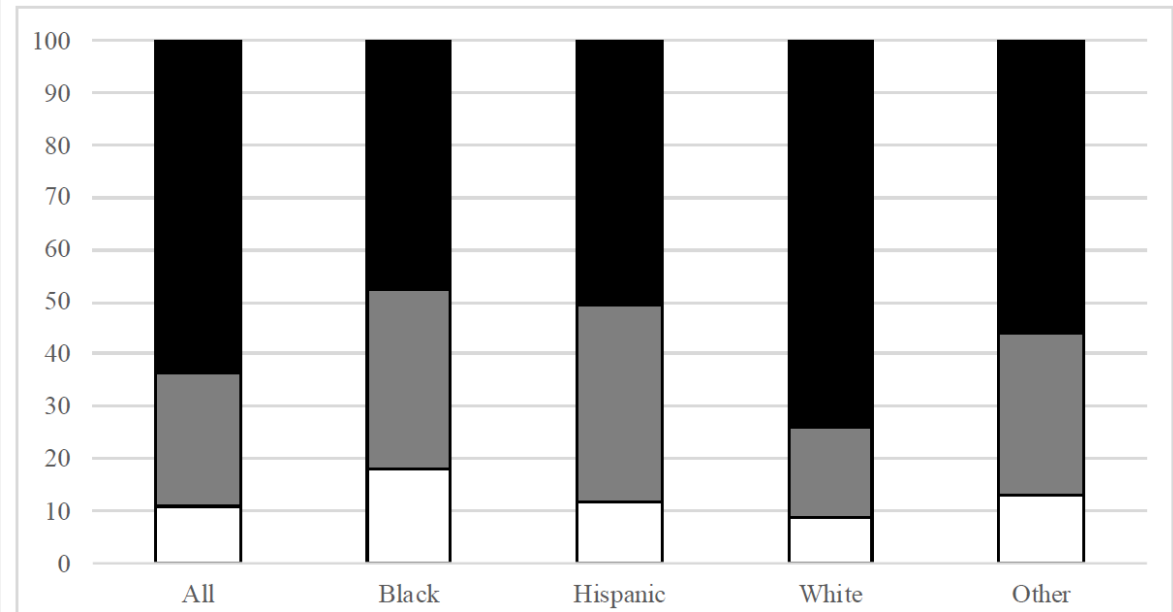
2022 CTC: Who benefits?

No CTC Some CTC Full CTC



The richest 60% of households get \$2,000 per child
VS
The poorest 10% of households get \$0 per child

60% of white families get \$2,000 per child
VS
10% of Black families get \$2,000 per child



BBB: Expanded public funding for early childhood education

- **Pre-school for all 3 and 4 year olds**
 - “Universal” childcare program
- **For 0-2 year olds, cap out-of-pocket childcare costs for low- to moderate-income families**
 - Childcare “Subsidy” program
- **Infuse money into private childcare market**
 - Increase supply of childcare
 - Increase wages for EC educators



Publicly funded child care: What are we left with?

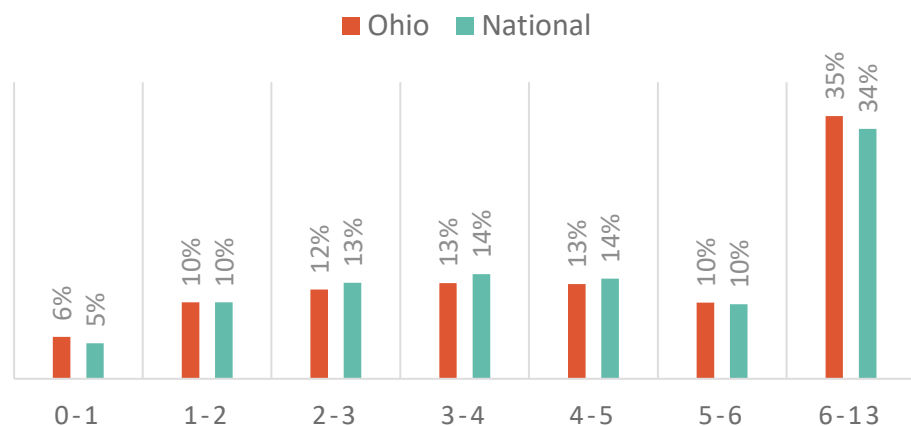
- Various state and local programs
 - I.e. Florida, Tennessee, NYC, Columbus
- (Early) Head Start
 - Subsidized wrap-around program
 - Serve about 1 million children nationally



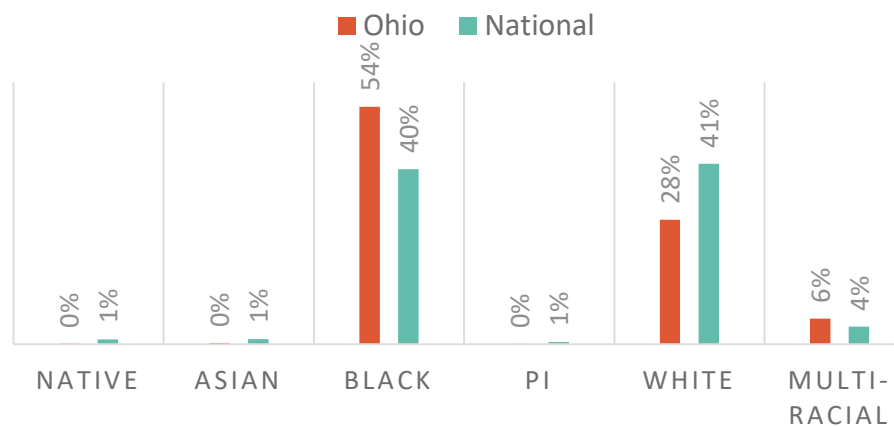
Publicly funded childcare: What we are left with?

- Child Care Development Fund (CCDF) Block Grant Program
 - “Subsidized child care”, or “Publicly Funded Child Care” (PFCC) in Ohio
 - Serves about 1.5 million children per year

SUBSIDIZED CHILDREN BY AGE, 2019



SUBSIDIZED CHILDREN BY RACE, 2019



... AND 6 (24) PERCENT OF CHILDREN IN OHIO (THE US) REPORT HISPANIC ETHNICITY



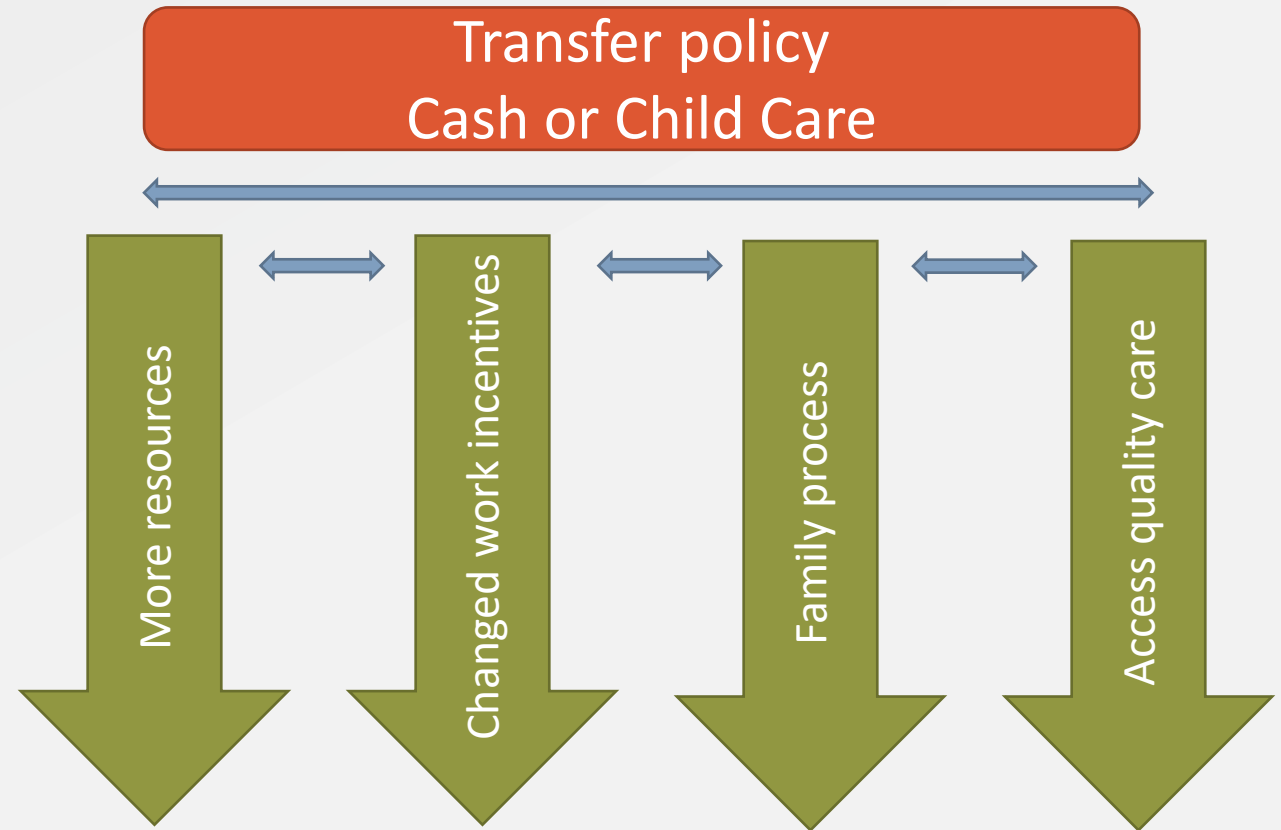
Where to go from here

- Theory and research on the successes of cash vs. childcare subsidy programs
- Thoughts on where to concentrate advocacy



Comparing policy success:

Mechanisms, theory



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Comparing policy success:

Cash vs. In-kind, Theory

- **Cash > In-kind transfer**
- **Complicating factor: “Supply side”**
 - Child care subsidy program impacts the market



What does the research say?

Family tax credits and publicly funded childcare



Tax credits improve child outcomes

- Improved educational outcomes
 - Test scores
- Improved maternal health behaviors
 - Smoking
 - Pre-natal care
- Increased spending on food and education
 - Reduced spending on alcohol and tobacco
- More saving and less debt
- Persistent effects
 - College-going
 - Long-term maternal health improvements



Publicly funded childcare can improve child outcome...

- Moms go to work
- Mixed evidence on child outcomes
- **Wrap-around, highly standardized programs (i.e. Head Start)**
 - Improved cognitive outcomes at young ages (Head Start)
 - Persistence of positive impacts later life
- **Universal programs (i.e. NYC, Florida, Canada, Tennessee)**
 - Improvements in educational and health outcomes for universal pre-kindergarten programs
 - Worse cognitive and behavioral outcomes among younger children (Canada)
 - Persistence of negative impacts
- **Targeted subsidy programs (CCDF)**
 - Worse cognitive outcomes at young ages
 - More behavioral issues among young children
 - Evidence of worse mother-child relationship



Why does CCDF lead to bad outcomes?

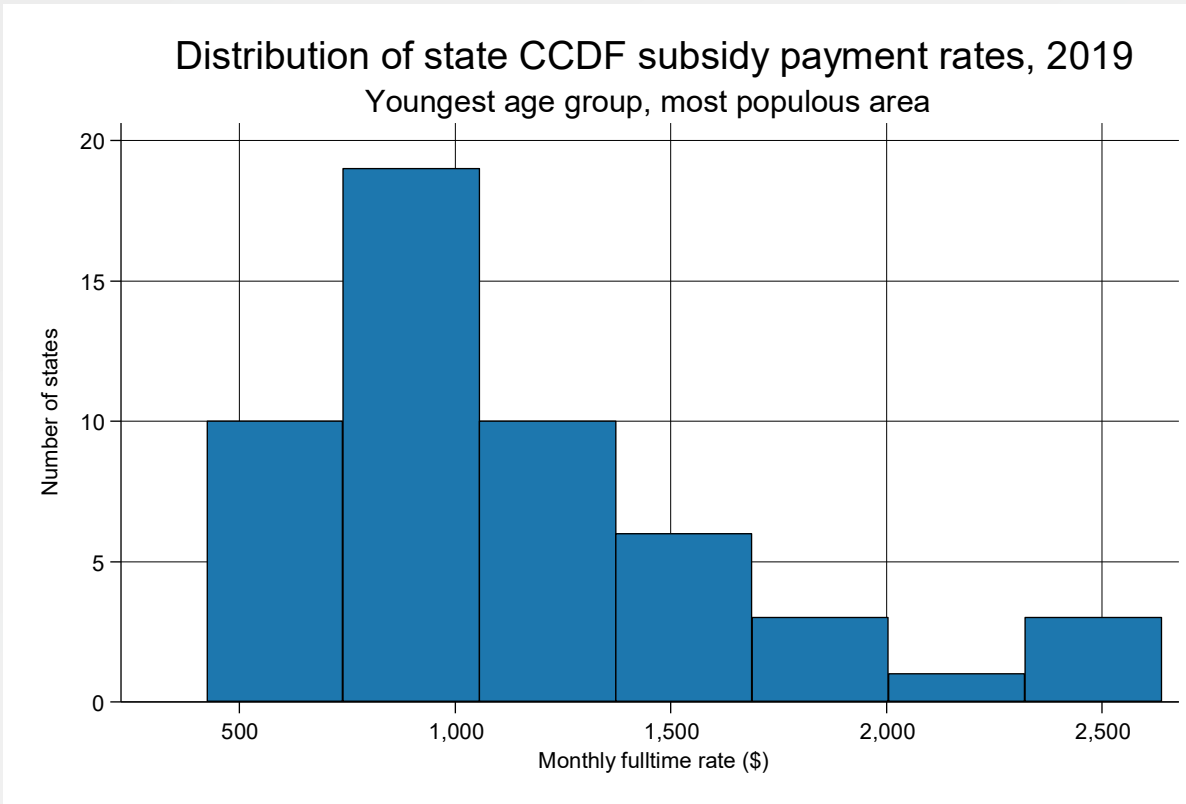


Negative effects of publicly funded care: Theory

- Work incentive channel
- Family process channel
- Access to quality care channel
 - Is the subsidy program providing this?



Subsidy payment rates vary tremendously

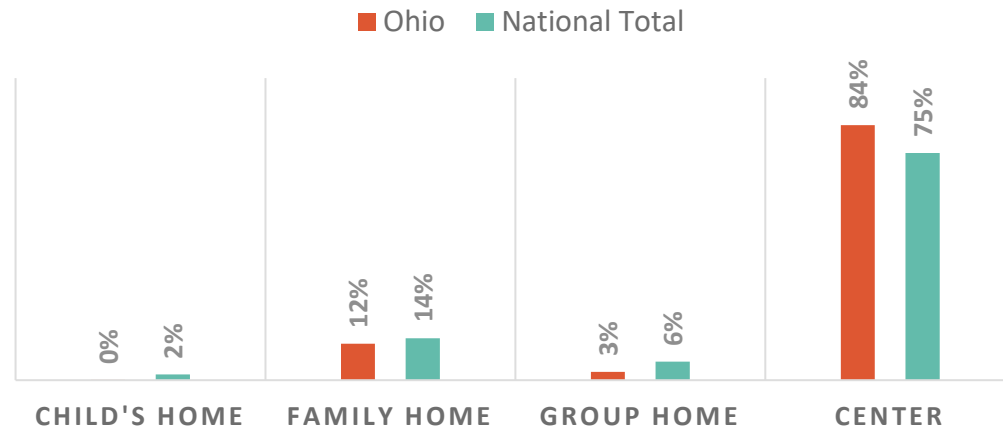


And they are not explained by differences in population size, density, or underlying child care costs...

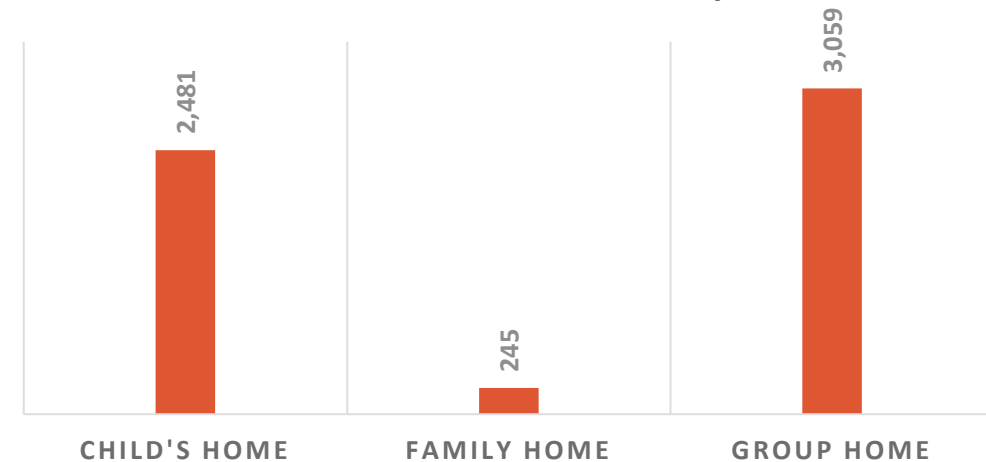


A majority of providers accept subsidy

SUBSIDIZED CHILDREN BY TYPE OF CARE, 2019



NUMBER OF PROVIDERS RECEIVING CCDF FUNDS, 2019



75% OF ECE PROVIDERS IN OHIO ACCEPT SUBSIDIZED CHILDREN

95% OF HOME-BASED PROVIDERS IN OHIO ACCEPT SUBSIDIZED CHILDREN



Potential subsidy impacts on the market

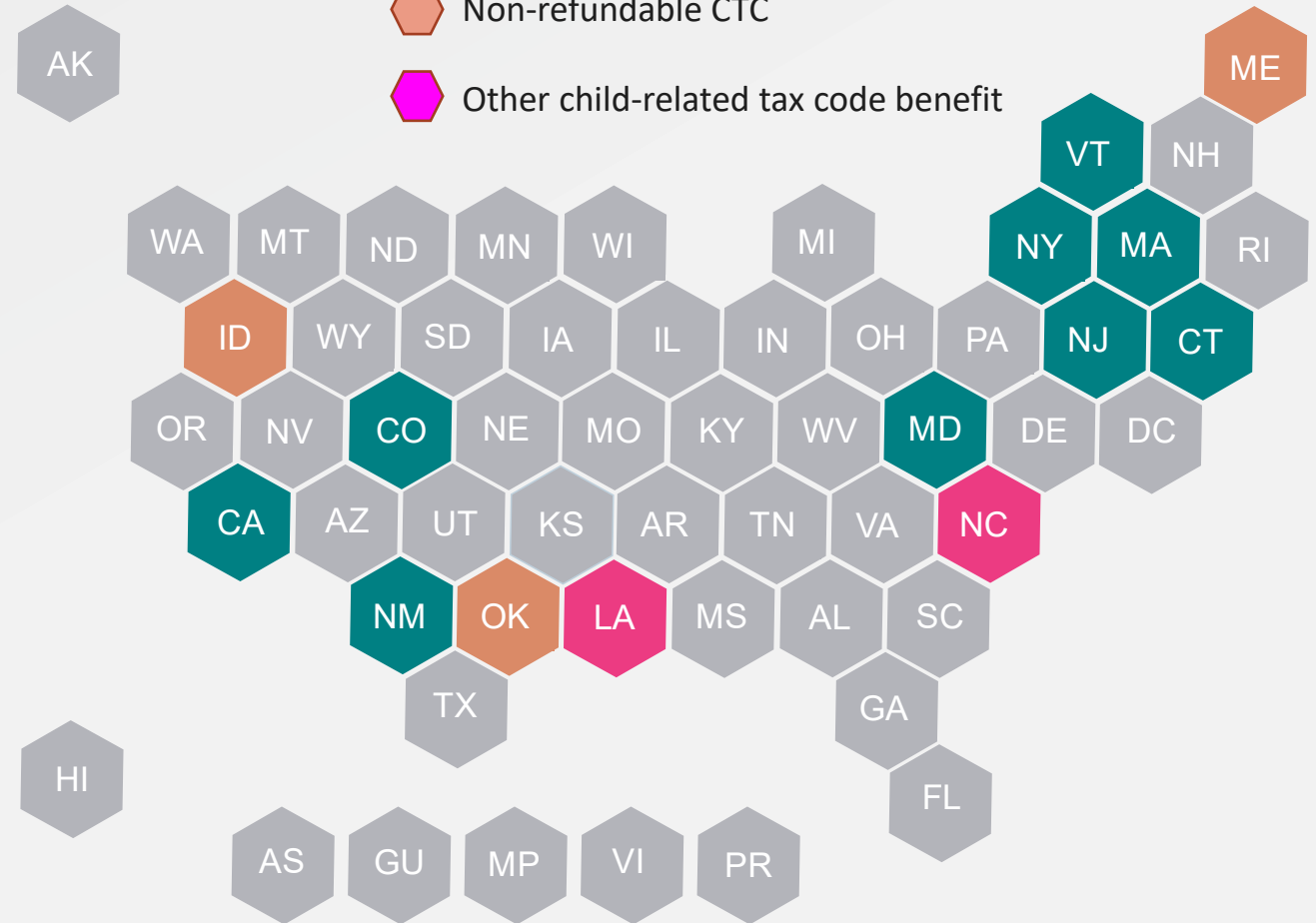
- Underfunding of subsidized children strains provider budgets
- Low subsidy rates can anchor market rates for private-pay children
- Low subsidy rates segregates the childcare market
- Additional requirements (i.e. QRIS) strains providers in low-income communities



What can we do at the State (and local) level?



- Refundable CTC
- Non-refundable CTC
- Other child-related tax code benefit



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**Recommendation:
Push states to
increase subsidy
payment rates**

- **Increase baseline subsidy rates in CCDF**
- **Move to cost-based methods of setting subsidy rates**



**Recommendation:
Push states to
simplify CCDF
programs (and
related QRIS
rules)**

- **Administrative costs of CCDF program participation are not reimbursed**
 - Time is money
 - Time also children's development
- **Simplify!**
 - Reuse data collection systems
 - Remove complexity from payment structures (i.e. reduce the number of payment categories, reduce the number of stars in QRIS, etc.)
 - Pay on enrollment rather than attendance
 - Etc.



**Recommendation:
Push states to
recognize market
realities in
implementation of
QRIS programs**

- **Quality Rating Information Programs require providers to increase quality**
- **Pay higher subsidy rates to cover costs of quality care/incentivize**
 - Private pay children may not be able to afford these rates
- **Provide additional funding sources for providers in under-resourced communities**



Thank you!

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