

Sept. 14, 2023

Congress should extend expiring childcare support – but avoid the poorly targeted, inflationary approach in the Administration’s failed BBB legislation

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With the last of \$24 billion in pandemic stimulus money Congress set aside for childcare expiring at the end of this month, 70,000 child-care programs – or about one in three – could close as a result of lost funding, causing 3.2 million children to lose care, [according to the Century Foundation](#). The left-leaning think tank estimates that would result in \$10.6 billion in lost U.S. economic activity and exacerbate an ongoing shortage of childcare.

Without the federal subsidies, five states—Arkansas, Montana, Utah, Virginia, and West Virginia—as well as Washington, D.C., could see the number of licensed childcare programs cut by half or more. In another fourteen states, the supply could be reduced by one-third, [researchers estimated](#).

The idea of providing more affordable childcare resonates on both sides of the aisle, but party leaders are likely to clash over whether to continue subsidies to states that were part of the American Rescue Plan Act. As Congress reconvened in September, the parties resumed a dogfight over broader budget policies under the threat of a government shutdown. Democrats have been calling for \$16 billion in emergency childcare funding this year, while Republicans are pushing to slash safety-net programs, the [Washington Post](#) reported.

The most morally defensible and economically efficient policy approach – and perhaps best chance for political agreement – is to target continued childcare subsidies to low-income families and economically strapped areas. How Congress and the White House deal with this issue provides an acid test of whether either party prioritizes the pressing needs of low-wage workers and their children.

While Republicans tend to resist almost any attempt to direct public funds to people in the bottom 50% of the income distribution, in recent years the Democratic party has focused most of the needs of upper middle class

professionals, often at the [expense of the working class](#). The childcare proposal in the Biden Administration's failed Build Back Better (BBB) legislation is an example along with refusal to raise taxes on families making as much as \$400,000 a year.

In 2021, the BBB's childcare provisions were poorly targeted and could have had serious inflationary impacts. (See: "[White House's promised childcare subsidies face a host of 'devils in the details'](#)".) The [BBB proposal](#) to cap childcare expenses at 7% of income for families earning up to \$300,000 faced policy hurdles regarding cost, equity, long-term economic impacts, and how such a program might be administered. While subsidized childcare would have met a [pressing need](#) for many low- and modest-income working parents, providing generous benefits to upper-income professionals, and resulting inflationary impacts, would likely have pushed the [program's cost](#) as high as \$1 trillion over 10 years.

There was also no assurance in the BBB proposal that the federal money would trickle down to help improve childcare workers' pay and benefits. A better approach, which some states have taken since then, is to direct federal dollars toward boosting childcare workers' pay or target assistance to low-income families or areas.

As states scramble to deal with the childcare funding cliff, Congressional leaders have an opportunity to demonstrate that the needs of hard-pressed families matter to them. At the same time, they can target government support to where it provides the most benefit – with the least risk of spurring inflation, increasing the national debt, or causing other negative side effects.

The average annual cost of childcare exceeds \$10,000 per year for one child, and in some states, it's as much as \$15,000 to \$20,000, according to the Century Foundation: "That's more than the price of a mortgage, rent, or public college tuition in most states." At the same time, childcare providers "are finding it increasingly difficult to hire or retain passionate staff members who can support themselves on childcare's paltry wages—an average of \$13.50 an hour for their complex and valuable work."

Karl Polzer is founder of the [Center on Capital & Social Equity](#), which explores economic inequality and advocates for the "bottom 50%."