THE DISCONNECT BETWEEN RESOURCES AND NEEDS WHEN INVESTING IN CHILDREN

Introduction

Public investments in children are lowest precisely when parents are least able to invest privately. This disconnect leaves many families with the youngest children under tight economic constraints, undermines America's promise of equal opportunity, and is detrimental to the overall economy.

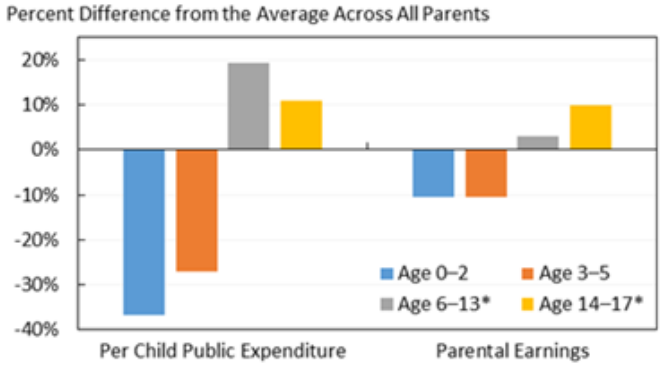
Public provision of K-12 education has long been understood as essential for moving closer to equality of opportunity and for fostering a productive workforce. Indeed, research has established that investments in K-12 education have high private and public returns and help build the skills of the next generation (Messacar & Oreopoulos 2012; Parman 2012; Jackson, Johnson, and Persico 2015).

More recently however, strong evidence has emerged on the critical role of early childhood experiences. A growing body of research at the intersection of economics, neuroscience, and developmental psychology shows that early indicators of a child's potential are often highly responsive to changes in environment and to the actions of parents and caregivers (Shonkoff and Phillips 2000; Center on the Developing Child 2016). Improvements or deficits in early investments can perpetuate themselves, in part by enhancing or reducing the efficacy of later childhood investments (Cunha and Heckman 2007; CEA 2016a).

Today, however, U.S. federal, state, and local investment in families is relatively low during children's first five years of life and only ramps up as children age into the K-12 educational system. Total public spending per child on care, education, nutrition, health care, and other forms of investment averages about $14,000 annually across all child ages. However, spending is 19 percent higher than average for children ages 6 to 13. Meanwhile, spending is 27 percent lower than average for those ages 3 to 5, and 37 percent lower for infants and toddlers, aged 0 to 2 (Figure 1). Conversely, the share of child hours that families must finance with their own time, money, and social networks is highest when children are youngest. The share falls by 56 percentage points from 95 percent of standard business hours in children's first three years of life to 42 percent when children are aged 6 to 12.

This leaves parents shouldering the heaviest financial burden in a phase of life when they can least afford it. Families strive to both earn a living as well as to provide high-quality care for their children, personally or through a care provider. Parents' time and skills are scarce resources: they can be used to provide care for their children but this comes at the cost of reduced time available for earning income, creating a fundamental tension. Families' resources are lowest and the demands on them are the highest when children are youngest. Parents with younger children are just beginning their careers and typically have lower earning power and access to fewer personal resources to finance investments in their children. Indeed, parents whose youngest child is 14 to 17 years old have median hourly wages 20 percent higher than parents with an infant or toddler. Annual parental labor earnings average about $31,000 across all child ages. However, earnings are 10 percent lower than this on average for parents with a child age 2 or younger and 10 percent higher for those whose youngest child is between 14- and 17-years old (Figure 1). Parents with the youngest children also have the least access to credit, leaving them less able to borrow against future income. At the same time, younger children require more individualized attention, resulting in high care costs.

Figure 1: Annual Parental Earnings and Per Child Public Expenditure by Child Age



Note: For per child public spending, the age group 6-13 consists of 6-11 year olds and the age group 14-17 consists of 12-18 year olds. Parental earnings are by parents' youngest child age.
Source: Edelstein et al. (2016); Edelstein et al. (2012); CPS 2016; CEA calculations.

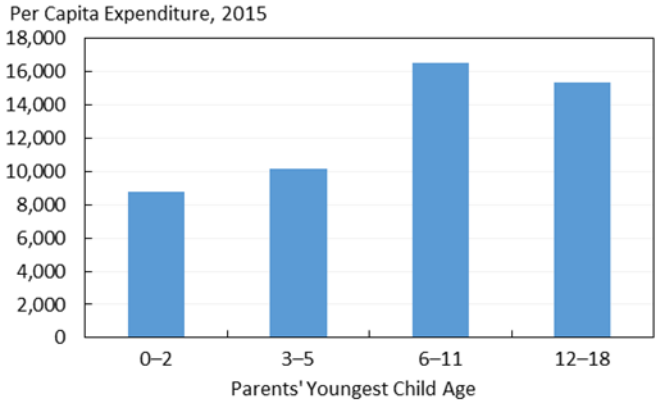
Researchers have made progress understanding how families with young children make decisions given available options, how the economic and policy environment can affect their options, and the impacts these decisions have on families, communities, and the economy. Building on earlier models of maternal time allocation and investment in children (Becker and Tomes 1976; Heckman 1979; Ribar 1995; Kimmel and Connelly 2006), recent economic research has focused on the rich set of choices parents with young children must make in balancing competing uses of their time and money, recognizing the implications for their children's development and for society (Cunha and Heckman 2007; Cunha et al. 2010; Bernal and Keane 2010; Gelber and Isen 2013; Del Boca, Flinn, and Wiswall 2014; Chaparro and Sojourner 2015). This evidence highlights the importance of the choices families make and how policy can empower families with better options. The returns to additional investment in young children can be high, especially for children whose parents have lower earning power (CEA 2016a).

This brief highlights evidence on the economic constraints facing American families with children and how these constraints loosen as children grow older due to increased availability of both private and public resources. Given the way that human capacities develop, additional high-return investments in early childhood, particularly for children whose parents have low earning power, represent an opportunity to strengthen both overall economic growth and to increase equal opportunity (Heckman 2006; Caucutt, Lochner, and Park 2015).

Public policies provide the smallest investments when children are youngest

The level of public investments in families is the lowest and the economic burden on families is the heaviest for the youngest children. CEA estimates that combined annual local, state, and federal expenditure in 2015 was 63 percent higher per child for those between 6 and 11 years old than for those just a little younger, between 3 and 5 years old.[1] More specifically, average annual public spending per child was over $16,000 for those between 6 and 11 years, but only approximately $10,000 for those between 3 and 5 years and less than $9,000 for those 2 years or younger (Figure 2). These variations in public investment across child age make early childhood an especially challenging time for family budgets.

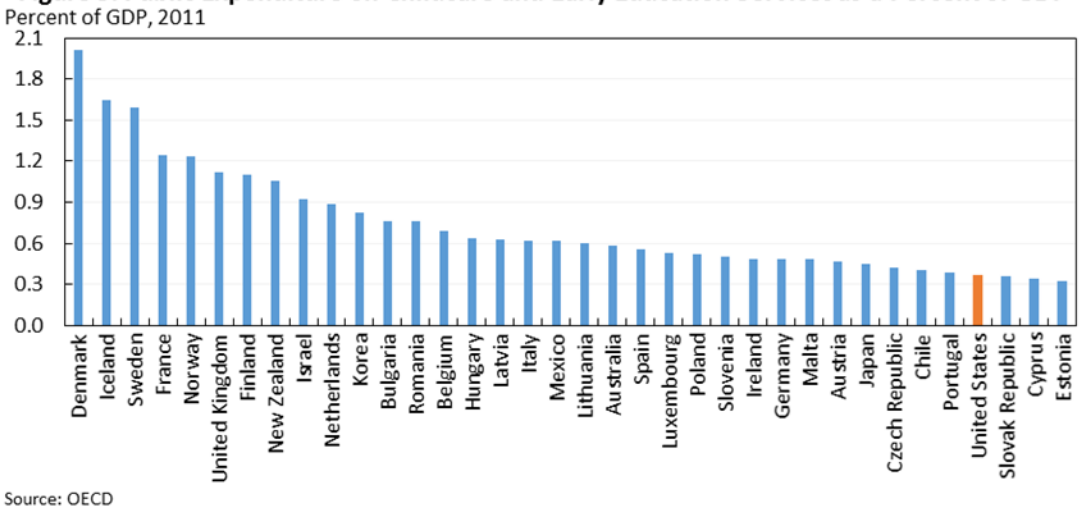
Figure 2: Per Child Public Expenditure by Child Age



Note: Federal funding includes refundable portions of tax credits but not reductions in taxes. State funding includes state earned income tax credits but no other tax provisions.
Source: Edelstein et al. (2016); Edelstein et al. (2012); CEA calculations.

[1] This analysis was based on analysis by Edelstein et al. (2016) and Edelstein et al. (2012) that reviewed over 100 state and federal programs, including the federal Child Tax Credit; standard income tax dependent exemption; Special Supplemental Nutrition Program for Women, Infants and Children program; Supplemental Nutrition and Assistance Program; Temporary Assistance for Needy Families programs; Child Care and Development Block Grant; Section 8 Housing Choice Voucher Program; Individuals with Disabilities Act; Head Start; Title I: Education for the Disadvantaged program; Social Security; state and federal Medicaid; state and federal Earned Income Tax Credit; and federal, state and local spending on PK-12 schools. Billen et al. (2007), Edelstein et al. (2012), and Edelstein et al. (2016) contain more detailed breakouts by program.

Figure 3: Public Expenditure on Childcare and Early Education Services as a Percent of GDP



Source: OECD

Indeed, compared to other advanced economies, U.S. taxpayers invest relatively little when children are young. According to the Organisation for Economic Cooperation and Development (OECD), the US ranked 33rd out of 36 nations with reported data in terms of total investment in early childhood education relative to country wealth in 2011. The United States only spent 0.4 percent of its GDP compared to the OECD average of 0.8 percent (Figure 3).

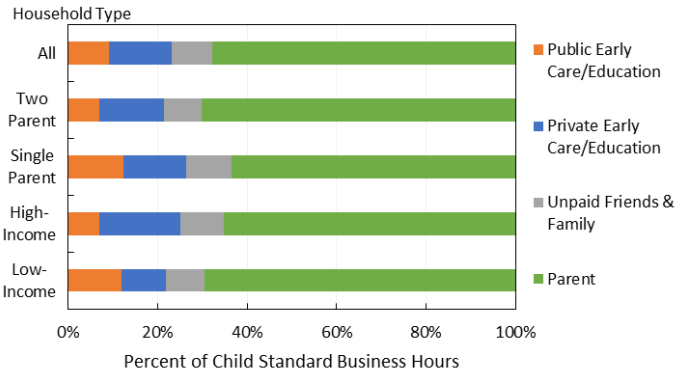
- *Privately financed*: For example, care by a parent; an unpaid individual such as a grandparent, friend, or neighbor; a privately-paid early care and education provider that could be home- or center-based; or a private K-12 school, or

- *Publicly financed*: For example, care by a publicly-paid early care and education provider that could be home- or center-based such as Early Head Start, Head Start, a provider funded by the Child Care and Development Fund (CCDF), or a public preschool or K-12 school.

The National Survey of Early Care and Education provides a-detailed look at where America's children spend their time (NSECE Project Team 2012). Using this data, CEA finds that the share of children participating for any amount of time in any publically-financed program ranges from 47 percent among those under the age of 5 to 89 percent among 12 year olds. Indeed, only 16 percent of 3-year olds and 41 percent of 4-year olds are enrolled in state Pre-K, preschool special education, or Head Start (NIEER 2016).

The publicly-financed child-hour share, however, is substantially lower than the publically-financed child-enrollment share, because many public programs offer only a few hours per week of care and do not operate over the full year. U.S. children from birth through age 4 are covered by publicly-financed early care and education programs for an average of only 5 hours per week during standard business hours, equivalent to 9 percent of children's time during this period (Figure 4).

Figure 4: Child Time Coverage, 0- to 4-Year Olds



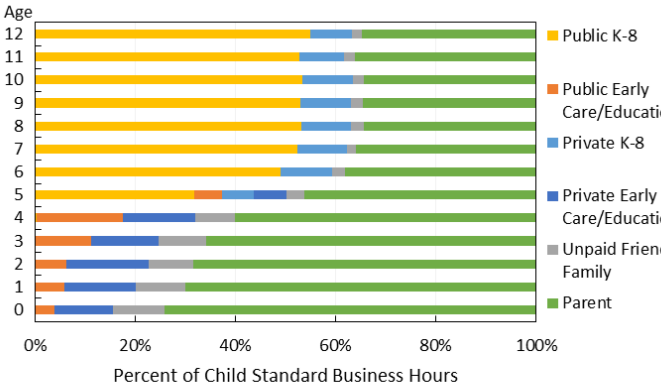
*We define standard business hours to be Monday to Friday, 8am to 6pm. We define low-income as children from households earning less than 130 percent of the poverty line, and high-income to be all other children.Unpaid friends and family includes all individuals who recieve no payment for caretaking. Public time refers to time spent with K-8, Pre-K, Head Start, organizational, and home-based individual providers where the overall cost to parents is $0, even if there is a cost covered by the government. Private time refers to all other time spent with organizational or individual caregivers.
Source: NSECE; CEA calculations

Families must arrange and finance coverage of the other 91 percent of all children's time during the week from parents' own time (68 percent of child hours); the time of unpaid friends, families, and neighbors (9 percent); and privately-paid providers (14 percent). Even among children from low-income families—those earning below 130 percent of the poverty line—public funding only covers an average of 6 hours per child per week, leaving

the other 88 percent of hours for families to arrange and finance. The statistics are similar for single-parent families. All families must also arrange and finance care for their children during the 118 night and weekend hours per week not depicted in Figure 4.

As illustrated by Figure 5, the share of child hours left for parents to arrange falls dramatically as children grow older, largely due to public investments in K-12 schools. For children over the age of 5, the public K-12 system covers just over half of children's time during standard business hours on average. The nearly 10 percent of children over the age of 5 who choose to attend private K-12 schools could also be potentially covered by the public K-12 system. However, this still leaves families bearing a large responsibility. Most K-12 students attend school 6 and a half hours per day for 9 months per year, so parents must provide or purchase after-school and summer care. Parents are also responsible for care outside standard business hours, or the hours not depicted on the graph.

Figure 5: Child Time Coverage by Age



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Source: NSECE; CEA calculations

Programs that alleviate other parts of parents' budget constraints help ensure that children have access to safe and enriching care and education experiences. These include investments through the tax system—primarily, the Earned Income Tax Credit (EITC), Child Tax Credit (CTC), and standard dependent exemption—and through programs such as the Temporary Assistance for Needy Families (TANF) as well as funding for in-kind nutrition, housing, or health care supports. Each of these expands parents' abilities to invest in children's development without changing the price families would pay for nonparental early care and education. For example, the EITC and CTC together provide roughly $1,300 per year on average per child under age 3 (Edelstein et al. 2012). Given an average hourly cost of $4 per hour of nonparental care, this could pay for just 1.6 hours of care per weekday during the year.[2] And although public investments such as the EITC, the CTC, and TANF are slightly more generous to those with younger children, these programs do not counterbalance the heavier investment in families with older children that K-12 generates, as can be seen in Figure 2 (Macomber et al. 2010; Edelstein et al. 2012).

There is a large scope for productive expansion of funding to support the families of the youngest children. Many federal, state, and local early care and education programs receive insufficient funding to cover all eligible children. For example, only 15 percent of young children who are eligible for child care subsidies under CCDF federal rules based on their age, family size, family income, and parent work status actually receive such benefits (Chen 2015).

Parents with the youngest children have the least ability to make private investments

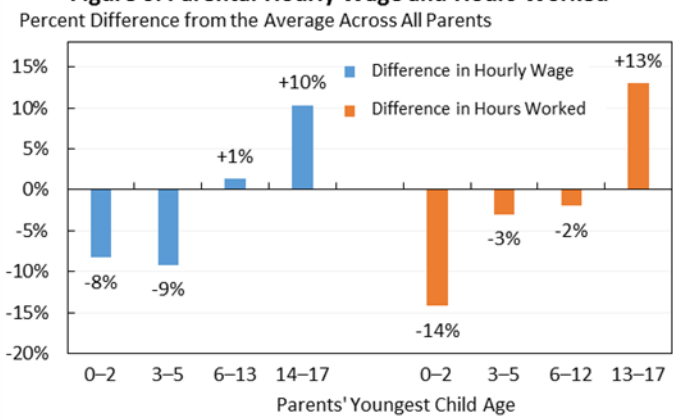
The cost of providing care to young children, parentally or otherwise, hits families at a time in their lives when they can least afford it. Parents of young children can finance private investments in care and education in three ways: past income (i.e., savings), current income, or future income (i.e., borrowing). Relative to when their children are older, parents of young children have less ability to access resources from each of these three sources.

To begin with, parents have less savings and lower current earning power when their children are younger. Hourly earnings tend to rise with age due to experience and education gains. Moreover, parents of younger children are able to devote fewer hours to the labor market—together, this leaves parents of younger children with lower current earning power. In turn, parents of younger children have had fewer years of

[2] The $4 cost of childcare is based on Fraga et al. (2015)'s estimates of the annual full-time family-based childcare cost for 4-year olds, the least expensive type of early care and education, averaged across states using state populations as weights.

work experience and have earned less during those years, resulting in lower accumulated savings as well. Figure 6 illustrates this. Parents who have an infant or toddler earn 8 percent less and work 14 percent fewer hours than the average parent. In contrast, parents whose youngest child is over the age of 13 earn 10 percent more and work 13 percent more hours.

Figure 6: Parental Hourly Wage and Hours Worked

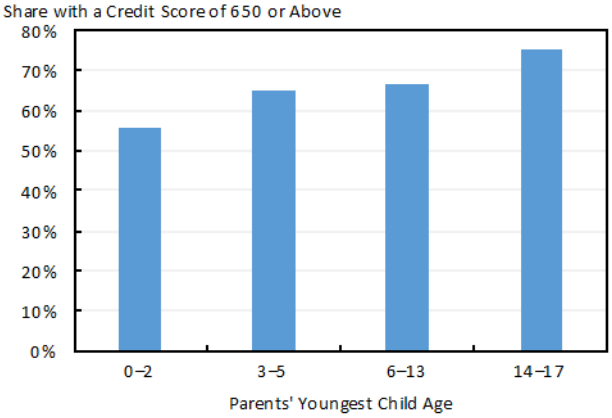


Note: Hours worked refers to average hours spent in work related activities. Hourly wage refers to the median hourly wage.
Source: CPS 2016; American Time-Use Survey 2015; CEA calculations.

Reflecting this disconnect between the timing of resources and responsibilities, the family poverty rate is highest when children are youngest and falls by almost a third as children reach older ages. Among families with a child under age 3, about 15 percent live in poverty. Among families whose youngest child is age 13 to 17, the rate is about 10 percent.

Parents of younger children are also more credit-constrained than later in life, with less ability to borrow against future income to finance investments in children. The credit scores of older children's parents are higher than the credit scores of younger children's parents. For example, only 56 percent of parents with a child age 0 to 2 report having a credit score above 650. This share rises to 76 percent for parents whose youngest child is 14 or older, a difference of 20 percentage points (Figure 7). Using a more sophisticated analysis, Caucutt and Lochner (2012) estimate that roughly half of young parents are credit-constrained, but only 12 percent of older parents are.

Figure 7: Share of Parents with a Credit Score of 650 or Above



Source: American Life Panel's 2012 Survey of Consumer Payment Choice; CEA calculations.

Economic theory and empirical analysis suggest that inability to borrow could lead parents, especially lower-earning parents, to underinvest in children's development (Heckman 2000; Caucutt and Lochner 2005; Caucutt and Lochner 2012; Cunha 2013; Caucutt, Lochner, and Park 2015).

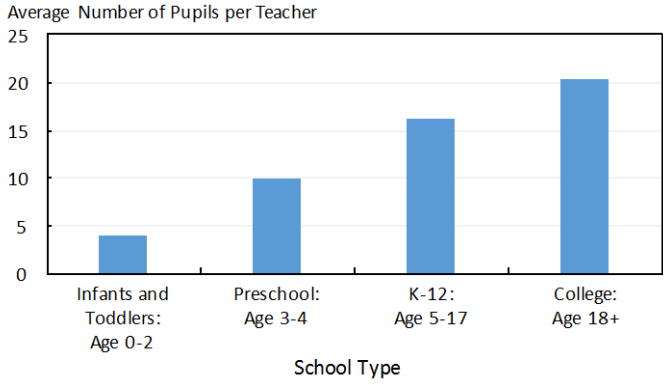
Early care is costly because younger children require more individual attention

Early care and education is particularly expensive in part reflecting the large and fixed amount of resources needed to care for a child. Care and education require an adult's time and the cost of that time cannot be divided very widely when children are younger. Parental care can be "expensive" because it requires a parent to pass up other productive uses of the time. Nonparental care similarly requires a caregiver to devote time and skills to providing care and, again, this cannot be spread across many children when the children are young. Indeed, up to 80 percent of child care business expenses are for payroll and related expenditures (Fraga et al 2015).

As children grow older, they become better able to attend to their own needs and thus need less personalized attention, allowing the costs of an adult to be spread over more children and families. This is illustrated in Figure 8. When children are age 0 to 2, the standard in Early Head Start centers is no more than 4 children for each adult. During this developmental period, children thrive from responsive, personal interactions with caregivers (Shonkoff and Phillips 2000; Whitebrook, Phillips, and Howes 2014). They also require assistance with eating and staying clean and safe, relying on an adult whose care can only be spread across a small

number of children at one time. Preschool-aged children are more independent and interactive with one another. Indeed, at ages 3 and 4 years old, Head Start centers allow up to a 10-to-1 ratio. The ratio increases even further as children grow older (Lazear 2001). In U.S. public K-12 schools, the average pupil-to-teacher ratio is 16, while in U.S. public institutions of higher education it is 20.

Figure 8: Pupil to Teacher Ratios by Public School Type



Note: Infant and toddlers encompasses Early Head Start, preschool encompasses Head Start, and college encompasses institutions that predominantly grant certificates or associate or bachelor degrees.
Source: HHS; Department of Education; College Scorecard 2016; CEA calculations

The inability to spread costs across pupils makes early care difficult to afford. In a majority of states, the average cost of providing care for an infant or toddler outstrips the cost of in-state tuition at a public four-year university (Schulte and Durana 2016). Early childhood expenses also persist until a child enters the public K-12 educational system, or longer than higher education on average. Unlike higher education, however, where many states make robust investments and several forms of federal assistance help defray the cost of college, early childhood expenses are largely borne by the family during a period of life where they are least able to afford it.

Indeed, many families with young children cannot finance even relatively low-cost household necessities. The cost of diapers alone requires about 6 percent of the earnings of a parent working full-time at the federal minimum wage. In one survey, nearly 30 percent of low-income families reported that they struggled to afford adequate diapers for their children. Nearly 8 percent were forced to stretch the diapers they had, increasing the risk of hospitalization due to infections (Smith et al. 2013).

One secondary impact of such high costs is increased pressure to keep early care and education costs down and thus keep caregivers' wages low (Institute of Medicine and National Research Council 2015). As in any employment situation, higher compensation makes it easier to attract qualified, reliable, and attentive individuals who will tend to produce better outcomes.

The needs of young children and the large investment of time and effort required to provide high-quality care can lead to high costs and challenging trade-offs for families with the youngest children.

Investing in families with young children yields long-run returns

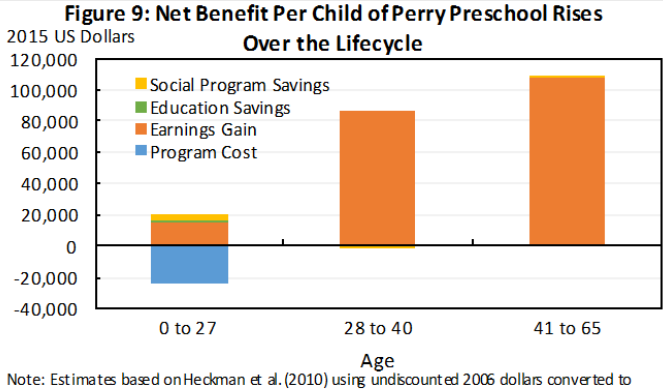
Because of the challenges outlined above in securing the optimal amount of investment for young children, additional investments can provide high rates of return, particularly for low-income families. As with investments made later in children's lives, the benefits of early investment accrue not only to individual children and their families, but also to their neighbors and to taxpayers. The benefits include higher tax revenue from a more productive workforce; lower rates of criminal activity; and reductions in public spending on medical care, remedial education, incarceration, and transfer programs. Early childhood investments also increase equal opportunity (CEA 2016a).

Early care and education programs

The best-available estimates suggest that the rates of return to capital invested in high-quality early care and education programs, especially for children whose parents have low earning power, can be quite high. An internal rate of return on a capital investment is computed as the interest rate that equates the stream of early costs with the value of the stream of later benefits. This is a useful way to measure the value of public investments, as it allows apples-to-apples comparisons against alternative uses of the capital, such as in the private sector. Heckman et al. (2010) estimated a real rate of return on investments in the 1960s Perry Preschool program of between 7 and 10 percent, higher than the long-run 5.8 percent real rate of return delivered by investments in the stock market. Figure 9 shows the up-front costs and later benefits. Other researchers have estimated even higher returns to Perry (Rolnick and Grunewald 2003). A more-comprehensive

program of investments in low-income families that included voluntary home visits to support new parents in addition to high-quality early care and education opportunities from soon after birth through 4 generated returns of 13 percent (Garcia, Heckman, Leaf and Prados 2016).

Figure 9: Net Benefit Per Child of Perry Preschool Rises Over the Lifecycle



Note: Estimates based on Heckman et al. (2010) using undiscounted 2006 dollars converted to 2015 dollars using CPI-U-RS. Additional costs and benefits, such as education beyond age 27, vocational training, savings from crime reduction, health benefits, and maternal earnings, have not been quantified in this chart.
Source: Heckman et al. (2010); CEA calculations.

The rate of return on early care and education investments made today, made at policy scale, and made without mechanisms to assure quality are likely lower (Herbst and Tekin, 2010; Duncan and Magnuson 2013; Kline and Walters 2015) but evidence suggests that high-quality early childhood programs still deliver valuable pay offs (Bartik 2014; Elango et al. 2015; Yoshikawa et al. 2013). Investments in children whose parents have lower earning power often show larger and more-persistent effects than investments in families with higher earning power, likely because these investments make a larger improvement in the quality of early childhood experiences for children from low earning-power families (Bartik, Gormley, and Adelstein 2012; Cascio and Schanzenbach 2013; Duncan and Sojourner 2013; Muschkin, Ladd, and Dodge 2015). Though it is beyond the scope of this brief, insight into a wide range of current early care and education policies can be gleaned from studies of states as diverse as Arkansas, Georgia, Florida, Michigan, Minnesota, New Jersey, New Mexico, Oklahoma, South Carolina, Tennessee, Virginia, and West Virginia.[3]

Even an apparently-small advantage in rate of return generates surprisingly large differences in value given the power of exponential growth and the long time horizons of these investments. A dollar invested for 50 years at a 5.8 percent rate of return generates about 18 dollars at the end of that period, but generates over twice that if invested at just a 7.2 percent return. Hence, the effects of early childhood programs do not need to be as large as Perry's to be well justified (Magnuson and Duncan 2016). Also, even when effects of early experiences on test scores fade out, large payoffs in adulthood can still emerge (Chetty et al. 2011; Heckman, Pinto, and Savelyev 2013).

Loosening family budget constraints in other ways

A large body of literature shows that a boost to family resources can improve young children's health and human capital. An influx of income in children's earliest years may provide a particularly large boost to short-term and long-term health and human capital outcomes (Duncan, Magnuson, and Vortuba-Drzal 2014; Hoynes, Schanzenbach, and Almond 2016). Programs like EITC, CTC, TANF, and the Supplemental Nutrition Assistance Program (SNAP) are targeted mainly at families with children, and can benefit children by helping their families invest more resources in their early development. For instance, a growing body of high-quality research shows that SNAP significantly improves the health and wellbeing of children from low-income families who receive food assistance. Impacts include improvements in short-run health and academic performance as well as in several measures of long-run health, educational attainment, and economic self-sufficiency (CEA 2015c).

Mechanisms

Public investment that improves the inputs in a child's early years can help to close critical achievement, health, and development gaps, and can lead to benefits such as higher earnings that accumulate over a lifetime. Some researchers argue that closing the gaps in early childhood is the most cost-effective way to increase the level of human capital and reduce inequality in later-life

[3] For instance, see Levin and Schwartz 2007; Wong et al. 2008; Hustedt, Barnett, Jung, and Goetze 2009; Bartik, Gormley, and Adelstein 2012; Huang, Invernizzi, and Drake 2012; Pianta and Barnett 2012; Jung, Barnett, Hustedt, and Francis 2013; Bassok, Fitzpatrick, and Loeb 2014; Bassok, Miller, and Galdo 2014; Barnett 2015; Weiland and Yoshikawa 2013; and Tout et al. 2016.

outcomes (Cunha et al 2006; Heckman 2006; Bartik 2014). Researchers have studied a broad set of policies that provide investment in early childhood and found significant and wide-ranging benefits of well-designed policies (CEA 2015a; CEA 2015b; CEA 2015c; CEA 2016a).

Early childhood investments can generate large benefits because the flexibility and capacity for change in cognitive and behavioral functioning and brain development is the greatest for young children, and these changes can have lasting effects on behavior throughout life (Knudsen et al. 2006). Research shows that characteristics that are often assumed to be innate, like cognitive skills, can be influenced by environmental factors in early childhood (Jensen 1980; Shonkoff and Phillips 2000; National Scientific Council on the Developing Child 2007).

Early investments may be particularly impactful if early skills serve as a multiplier, or prerequisite, for later skills (Cunha et al. 2006; Cunha, Heckman, and Schennach 2010; Currie and Almond 2011; Caucutt and Lochner 2012). For example, it may be that the extent of skill acquisition in early elementary school depends on the skills attained before entering kindergarten, and skills learned in adolescence depend on mastery of these elementary skills. Under this "skill-begets-skill" model, early investments in child development can enhance the productivity of future investments in human capital (Cunha et al. 2006). Likewise, these improvements in children's development may also reduce the need for special education placements and remedial education (Anderson 2008; Reynolds et al. 2001, 2002; Belfield et al. 2006; Heckman et al. 2010; Carneiro and Ginja 2014).

Investments in early childhood education may also reduce involvement with the criminal justice system, which translates into benefits to society in the form of lowered costs of the criminal justice system and incarceration, as well as reductions in the costs of crime to victims (Heckman et al. 2010; Currie 2001; Reynolds et al. 2001).

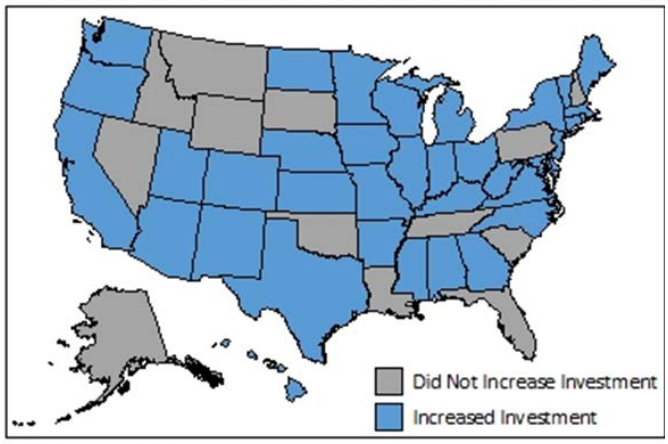
Policies to invest in families with young children

As outlined above, many families face difficult economic constraints when financing investments in their young children. At the same time, these investments have high-returns for individual children and the overall growth and productivity of the economy. Accordingly, the Obama Administration, often in partnership with leaders at the local, state, and federal levels, has taken a range of steps over the past eight years to help ensure that America's children have access to healthy, enriching early experiences.

First, the Administration has worked to directly expand access to high-quality programs that support children in their earliest years. Overall, the Obama Administration has increased investments in early childhood programs by over $6 billion from fiscal years 2009 to 2016, including increasing access to high-quality preschool, Head Start, Early Head Start, programs for infants and toddlers with disabilities, child care subsidies, and evidence-based voluntary home visiting (CEA 2016b).

A large component of the President's early learning initiative has been a call for a new federal-state partnership to provide access to high-quality preschool for all children. Since President Obama initiated the call to action during his 2013 State of the Union address, there has been a marked increase in both the number of states offering preschool and their levels of investment in preschools. At the time of his address, 40 states offered preschool. Now all but four do. In particular, 38 states including DC have increased their investment in preschool by $1.5 billion between fiscal years 2013 and fiscal years 2016 (Figure 10). The President also worked with Congress to create the Preschool Development Grant (PDG) in 2014, which has supported eighteen states—Alabama, Arkansas, Arizona, Connecticut, Hawaii, Illinois, Louisiana, Maine, Maryland, Massachusetts, Montana, Nevada, New Jersey, New York, Rhode Island, Tennessee, Vermont, and Virginia—in their efforts to establish or expand high-quality preschool access for nearly 100,000 children in more than 250 high-need communities (CEA 2016a). In 2016, Vermont began guaranteeing access to high-quality preschool to all of the state's three and four year olds, making it the first state, other than the District of Columbia, to make a commitment to universal access to some high-quality preschool.

Figure 10: Increases in Preschool Investments, 2013–2016



Note: Years are fiscal years.
Source: Education Commision of the States, Preschool Funding Reports, FY14, FY15, FY16.

For children younger than three, President Obama has outlined a plan to make affordable, quality child care available to every working and middle-class family with young children. To accomplish this goal, the President has called for a landmark investment in CCDF, a tripling of the maximum CTC credit to $3,000 per young child, and the creation of a new innovation fund to help states design programs that better serve families that face unique challenges in finding quality care. Such initiatives would follow other Administration efforts including the initiation of Early Head Start-Child Care Partnerships (EHS-CC), which aim to bring the high-quality standards of Early Head Start into center- and home-based infant and toddler care settings. The Administration released the first grants for EHS-CC to grantees in all 50 states in late 2014. As a part of that round of grants, five states, D.C., and the Commonwealth of the National Mariana Islands received grantee status to administer the partnership grants. This signals a more active role at the state level in administering and supporting high-quality infant and toddler care, as previously very few state entities had sought and achieved grantee status for the administration of Early Head Start grants. It also allows states to better coordinate their efforts under CCDF, which is solely administered by states, with the high-quality activities required under the performance standards for Head Start.

Another important of the Administration's commitment to early childhood programs has been the extension of home visitation programs in order to ensure a healthy, safe, and supportive environment in the first years of a child's life. These programs include those that are federally funded by the Maternal, Infant, and Early Childhood Home Visiting (MIECHV) program, and tend to focus on children who are most at risk of receiving insufficient prenatal and antenatal health care, including children of first-time, low-income, less-educated and unemployed mothers. Programs like these have shown promise in reducing mortality among infants between 4 weeks and 1 year of age born to mothers of low socioeconomic status (CEA 2016a).

Based on the mounting evidence that home visiting programs have significant positive impacts on children's cognitive outcomes, federal support for home visitation programs was introduced in 2008, further expanded under the Affordable Care Act (ACA) in 2010, and extended with bipartisan support through September 2017.

Beyond expanding access to early childhood programs, The Obama Administration has also worked to raise the bar on the quality of these programs. This fall, the Department of Health and Human Service (HHS) completed important reforms that will improve each of the two largest federal programs dedicated to providing access to early education: Head Start and CCDF.

On September 1st, HHS released the first comprehensive revision to the Head Start Program Performance Standards since 1975, which set forth requirements that all 1,700 Head start programs must follow to support the healthy development of nearly 1 million children and pregnant women each year. Currently, nearly 60 percent of children in Head Start attend a program that offers less than a full-day, full-year of service. The new standards will better serve the children and families by making key changes to the program, including a new expectation that eventually all Head Start children will have the chance to receive full-day, full-year, high-quality services that help increase and sustain children's gains.

HHS recently also released new rules governing the implementation of CCDF. CCDF is the largest federal program for child care assistance, providing the families of approximately 1.4 million children—more than half whom are under age five—with the support they need to afford child care while they work, seek work, or get needed education and training. Congress passed a bipartisan reauthorization of the program nearly two years ago, incorporating a number of the health, safety, and quality reforms the Administration had been advocating for since 2010. These reforms will strengthen

a number of critical provisions in the law to ensure: children are in high-quality settings that will encourage their healthy growth and development; parents receive the information they need to make well-informed choices when seeking care; families are able to access care for a sustained period of time without fear of losing their subsidy due to unforeseen changes in their income or work status. While these reforms affect the federal child care program, states often construct their systems of child care monitoring, licensure, and quality improvement based on what is required by the federal program, meaning that the federal rules will likely benefit a far greater number of children than solely those served through CCDF.

Apart from directly investing in early childhood programs, the Obama Administration has put forward and enacted a number of key proposals and policies to strengthen the safety net for low-income families. For example, the most recent President's budget included a package of proposals to strengthen TANF so it does more to help poor families make ends meet and succeed in the labor market. TANF provides monthly cash assistance to needy families with dependent children, while also preparing program participants for independence through work. The budget proposed increasing the TANF block grant to help reverse the years of decline in its inflation-adjusted value, and included new financial and programmatic accountability standards for states to ensure that the majority of TANF funds are spent on the program's core purposes: basic assistance, child care, and work-related activities**.** The budget also called for a new initiative to test new approaches to providing short-term help and linkages to longer term assistance when needed to families facing economic crisis. Furthermore, as mentioned earlier in this brief, the EITC and CTC provide vital support for families with children and particularly low income families. Through the Recovery Act, President Obama expanded the EITC for families with more than two children and for working couples, and he made these expansions permanent in 2015; the refundable portion of the CTC was also expanded in parallel with these changes. While these programs are not targeted to very young children, they do reward work, reduce poverty, lower welfare receipt and improve children's educational attainment.

Meanwhile, in-kind transfers—such as Medicaid and nutrition programs including SNAP and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)—help families meet basic medical and nutritional needs while freeing up money for other types of consumption or investment. The administration has worked with states to improve access to the SNAP for eligible families, which helps roughly 45 million low-income individuals put food on the table, while also implementing a number of improvements to the Employment and Training programs offered under SNAP to help participants find and keep good paying jobs.

Finally, the Administration has pursued an array of actions to help parents balance their work and family responsibilities, including workplace flexibility and paid family and sick leave. Such policies lead to higher labor force participation, greater labor productivity and work engagement, and better allocation of talent across the economy (CEA 2015a). To begin with, the President issued an Executive Order requiring federal contractors to offer their employees up to seven days of paid sick leave per year and advocated legislation guaranteeing every working American paid family and medical leave to care for a new child, a seriously ill family member, or their own serious illness. In January, he issued a Presidential Memorandum directing the federal government to advance up to six weeks of paid sick leave in connection with the birth or adoption of a child, or for other sick leave eligible uses, and called on Congress to pass legislation giving federal employees six additional weeks of paid parental leave. Additionally, the President called on states and cities to follow the example of leaders such as Massachusetts which have passed their own laws expanding paid leave. The President's FY 2017 budget also included over $2 billion in funds to encourage states to establish paid family and medical leave programs that would ensure new parents can stay home to care for their children and allow for caregiving leave like eldercare or self-care related to a serious illness.

Conclusion

Investments in children today lead to higher earnings and better health and wellness in the longer run. In addition, these investments benefit our economy by expanding our skilled workforce and increasing productivity. Society also reaps the benefits of a better-educated, higher-earning, and healthier population in the future—including lower transfer payments, reduced crime, lower health care costs, and an expanded tax base.

However, families, and especially those with the youngest children and the lowest earning power, face challenging trade-offs when choosing how to finance investments in their children's care and education. While the public K-12 education system provides substantial support for school-aged children, families with the youngest children have limited access to public early child care and education programs like Head Start. This leaves them responsible for the vast bulk of child care at a time when families typically have lower earnings and limited ability to finance personal or private investments in child care. Expanding access to high-quality programs that support children in their earliest years is a win-win opportunity for participating children, their parents, and society as a whole. Nutrition, medical care, housing, and other household needs can create tight budget constraints on families with young children, and easing these binds during this phase of life can give children from less-advantaged families better opportunities going forward, as well as grow the economy. While the Obama Administration and leaders throughout the country have made meaningful strides to help these programs reach more young children, more investment is needed to ensure that all children receive the care, education, and economic opportunities they deserve.

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