

The affordable childcare system that used to exist in the U.S.^[1]

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AVAILABILITY

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President Obama State of the Union Address ^[3]

EXCERPTS

In his State of the Union on Tuesday evening, President Obama announced that his upcoming budget plan will include a new tax credit to cover the costs of child care of up to \$3,000 per child per year for families with incomes under \$120,000 a year.

Calling affordable, high-quality childcare "not a nice-to-have: it's a must-have," he said that his plan "will make quality childcare more available, and more affordable, for every middle-class and low-income family with young children in America, by creating more slots and a new tax cut of up to \$3,000 per child, per year." Currently, the Child and Dependent Care Tax Credit allow parents to claim up to \$3,000 in care expenses for each child a year, but they only get between 20 and 35 percent of that back as a credit. Because it's a refundable credit, only reducing a family's tax liability, low-income families who owe very little or nothing in taxes won't see any extra help.

The new credit could certainly help many families, but it is dwarfed by the total cost of care. It varies by state and by children's age, but can reach as much as \$16,000 a year for an infant and \$28,000 for an infant and four-year-old. The cost has also been rising rapidly, increasing by just under 3 percent in 2012 and by more than 70 percent between 1985 and 2011.

In his speech, Obama noted that his guest Rebekah Erler and her husband spend more on childcare for their two sons than on their mortgage, and it costs nearly as much as a year's tuition at the University of Minnesota. Their experience is common, as the cost of putting two kids in full-time center care is more than annual median rent in every state and more than mortgage payments in 19 states and Washington, DC. Infant care costs more the a year of public college in 31 states.

While he isn't proposing universal childcare, Obama did take time in his speech to mention a time when the country actually had such a program. In the 1940s, the Lanham Act created a universal childcare program to help get more women into the workforce as part of the war effort. Under that program, care cost parents between \$9 and \$10 a day in today's dollars for 12 hours of care - a significantly more affordable option than nearly anything available to parents today other than the informal care of friends and family members.

The program was wound down along with the war effort, but the country came back to the idea and nearly enacted a permanent universal childcare system in the 1970s. It was passed by both houses of Congress, but then President Nixon issued a surprise veto and the issue hasn't gotten close to seeing legislation since.

But the Lanham Act came with significant benefits. A recent paper found that for each additional \$100 a state spent on the program, children who got the care had a high school dropout rate decrease of 1.8 percentage points, an increase in college completion of 1.9 points, annual earnings rose 1.8 percent, and employment rose 0.7 points. The mothers themselves also saw big impacts: for each extra dollar spent, women's employment rose by 0.1 percentage points and their weekly work hours increased by 0.04 hours. The gap in employment between mothers and childless women also dropped by 4.4 percentage points while it was in place. The United States is now falling behind our developed peers in women's labor force participation, in part thanks to low spending on child care. We rank at number 21 among developed countries for how much we spend on preschool.

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