



Written by [Ty Bodden](#) on February 17, 2026

Taxpayer-funded Childcare: Nanny State Disaster

A major issue in the United States today is the [unaffordable](#) cost of childcare. State lawmakers are racing to “solve” childcare costs with subsidies, grants, and new entitlement-style programs — all while burying childcare providers under ever-growing regulatory burdens. The result is predictable: higher prices, fewer providers, more dependency, and deeper government control over family life. Childcare, like education, is first and foremost the responsibility of [parents](#) and families — not the responsibility of taxpayers or bureaucrats. When government uses coercive taxation to underwrite childcare for some, it violates property rights, distorts the free market, and treats families who make different choices as second-class citizens forced to finance the choices of others.



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This is not merely a policy dispute. It is a constitutional one. The [U.S. Constitution](#) does not authorize federal “childcare subsidies,” where much of the funding comes from, and state constitutions should uphold a “[Republican Form of Government](#),” not embrace socialism. These programs rest on compulsory, discriminatory taxation, and they expand administrative states that micromanage private enterprise and family arrangements. In short, taxpayer-funded childcare is [corporate welfare](#) and [welfare-state](#) expansion packaged as “workforce policy.”

Subsidies Pick Winners and Losers

States increasingly [frame](#) childcare handouts as “help for workers” or “support for providers,” but the moral and economic reality remains the same: Government compels one set of citizens to pay for another set’s private needs. That violates the first principles of limited government and equal justice. Many politicians claim that childcare subsidies are good for the [economy](#) and [businesses](#), but the Constitution and the free market say otherwise.

South Dakota’s [HB1132](#) (2025) illustrates the point. The measure creates a childcare assistance program allowing certain childcare workers to qualify for help with their own childcare costs if they meet work-hour and income requirements. It also excludes household income from eligibility calculations, artificially qualifying more recipients and expanding the program’s reach. This is classic welfare-state engineering: manipulate definitions, broaden eligibility, and grow the rolls. Instead of allowing wages and prices to respond naturally in the market, the state props up a specific industry through subsidies — then inevitably claims more “oversight,” more “standards,” and more power.

Connecticut’s [SB5](#) (2024) took a similar path by expanding eligibility for its [Care 4 Kids](#) program to Medicaid recipients. This compounds two constitutional problems at once. First, subsidizing childcare is not a legitimate object of government; it is a private and personal responsibility. Second, Medicaid itself



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is unauthorized under Article I, Section 8 of the U.S. Constitution. Tying childcare entitlements to a broader federal welfare apparatus entrenches dependency and strengthens the very administrative machinery that undermines family independence.

Nebraska's [LB856](#) (2024) shows how these schemes become permanent. The bill updates eligibility for the federal Child Care Subsidy by raising the income limit temporarily, then lowering it later, while offering transitional aid and adjusting payments based on income. It also pressures providers to "accommodate" working parents — a government mandate layered on top of government money. These programs create a cycle: federal funds entice states, states expand eligibility, bureaucrats tighten compliance, and providers become quasi-government contractors. Meanwhile, families and taxpayers are told there is no way back because "people rely on it now."

Continuously Funding Fraud

With nearly every "temporary" government program, what begins as limited and targeted soon becomes permanent and expansive. As Milton Freedman [once said](#), "Nothing is so permanent as a temporary government program." Once dependency is created, lawmakers insist there is no turning back.

A textbook case of how taxpayer-funded childcare invites [fraud](#) and abuse has been unfolding in [Minnesota](#). The state's [Child Care Assistance Program](#), heavily subsidized with federal dollars, has repeatedly been exposed as vulnerable to exploitation. Recent investigations [uncovered](#) millions of dollars in fraudulent billings — including payments for children who did not exist, hours never worked, and facilities that appeared to operate in name only. Despite prosecutions and public outrage, the program continues largely intact. More recently, additional investigations revealed so-called "[ghost daycares](#)" — locations receiving substantial subsidy payments despite little or no evidence of legitimate operations. Federal authorities intervened, and payments were temporarily halted, placing the program under renewed scrutiny.

These scandals reveal a deeper structural problem. When government separates those who pay from those who receive — and distributes other people's money through sprawling administrative systems — fraud and abuse are not anomalies; they are predictable consequences. Subsidy programs weaken accountability, distort incentives, and crowd out honest providers who must compete with government-backed dollars. The Constitution never authorized such wealth transfers, and repeated episodes of abuse underscore why limited, enumerated powers exist in the first place.

Even as scandals expose the systemic weaknesses of subsidy programs, Congress has continued to expand them. [The Consolidated Appropriations Act of 2026 \(H.R. 7148\)](#), signed into law on February 3, 2026, provides \$8.831 billion for the [Child Care and Development Block Grant](#) — the primary federal funding stream for state childcare assistance programs — along with increases for Head Start and continued funding for Preschool Development Grants. In short, the money continues to flow, sustaining the very entitlement pipelines that invite fraud, distort markets, and compel taxpayers to underwrite private family decisions.

The Trump administration [temporarily froze](#) billions of dollars in related childcare and family-assistance funds for several states, citing widespread fraud concerns tied to Minnesota's "ghost daycare" scandal. The freeze prompted immediate [legal challenges](#), and federal courts issued temporary orders allowing payments to continue while litigation proceeds. The episode underscores the deeper problem: Subsidies expand, fraud follows, courts intervene, and bureaucracy grows — all while the constitutional question remains unaddressed.



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“Workforce Development” Shell Game

Some states now route childcare subsidies through the language of industrial policy, treating families as instruments of the labor market rather than ends in themselves. Oregon’s [HB4098](#) (2024) is a prime example. It establishes a CHIPS Child Care Fund and directs state agencies to create a financial-support program tied to construction workforce needs, while assembling a work group to recommend requiring certain businesses to contribute financially.

This is [central planning](#). When government conditions economic participation on [forced financial contributions](#) to a social program, it shifts childcare from a private arrangement into a managed system — with businesses as the piggy bank and bureaucrats as the gatekeepers. The state is no longer protecting rights; it is reorganizing society. Whether the money is taken directly through taxes or indirectly through compelled “contributions,” the effect is the same: coercion replaces voluntary exchange, and government expands its leverage over employers, workers, and families.

Idaho’s [S1203](#) (2023) followed a more straightforward model: one-time state funding for childcare grants, partially offset by reductions elsewhere. But the principle does not change with the accounting. Grants are still subsidies. Subsidies still distort prices. And distortions still produce scarcity, higher costs, and more calls for “solutions” — which are inevitably more subsidies, more regulations, and more bureaucracy.

Regulatory Obstacles

Even as politicians claim these childcare-funding programs “support providers,” government policy increasingly does the opposite. The [greatest obstacle](#) facing childcare providers today is not a lack of subsidies, but an avalanche of regulation. The more regulations, the [less](#) people have babies. Providers must navigate a gauntlet of licensing rules, staffing ratios, facility mandates, paperwork requirements, credential demands, inspection regimes, reporting rules, rising costs, and mounting liability exposure. Each new mandate raises the cost of doing business and drives small operators out of the market — particularly home-based and faith-based providers that have historically offered affordable, flexible care rooted in community trust.

These burdens are not isolated to one or two states. They exist nationwide.

- Licensing rules: In [Illinois](#), providers must complete a complex licensing process involving background checks, facility approvals, and ongoing compliance reviews. Daycare centers are governed by [Rule 407](#) — dozens of pages of requirements covering everything from organizational structure to proof of financial solvency — often requiring months and substantial upfront expense before a provider may legally operate.
- Staffing ratios: In [Texas](#), strict child-to-staff [ratios](#) dictate how many children one caregiver may supervise. For infants (0-11 months), the ratio is 1:4, with a maximum group size of 10. For two-year-olds, the ratio is 1:11, with a maximum group of 22. Violations during peak hours, such as drop-off and pick-up, can trigger fines or even license revocation. Such mandates force providers to hire additional staff and raise tuition accordingly.
- Facility mandates: [Illinois](#) also imposes rigid physical standards, including minimum square footage requirements and specified equipment. Providers must offer at least [35 square feet](#) of usable indoor space per child, along with mandated play equipment and fenced outdoor areas — adding thousands of dollars in build-out and renovation costs before a single child is enrolled.
- Paperwork requirements: In states such as [Connecticut](#) and [New York](#), providers spend hours each week completing [documentation](#) — attendance records, immunization files, incident logs,



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staff schedules, and parent communications. A single missing document during inspection may trigger corrective action plans or penalties.

- Training and credential demands: Illinois [requires](#) directors to be at least 21 years old with two years of college or equivalent credentials. All staff must complete 15 hours of annual in-service training, often at their own expense and outside working hours. These requirements add cost without necessarily improving care.
- Inspection regimes: Texas [mandates](#) at least one annual [inspection](#) for licensed centers; other states require even more frequent visits. [Minor infractions](#) — such as an unlabeled cleaning solution or an expired fire-extinguisher tag — can result in citations, fines, and costly re-inspections.
- Reporting rules: Providers must immediately [report](#) suspected abuse, injuries requiring medical attention, and even minor supervision lapses. Failure to comply risks license revocation.
- Inflation and rising costs: Providers face skyrocketing expenses for wages, rent, food, utilities, and insurance — often compounded by minimum-wage mandates that increase labor costs without corresponding flexibility. Operational expenses have [risen dramatically](#) in recent years, while government reimbursement rates lag behind.
- Liability exposure: Many states [require](#) liability insurance as a condition of licensure. Premiums have surged in recent years, with some providers reporting increases of thousands of dollars annually. For smaller centers, such spikes are financially unsustainable.

Lawmakers express surprise when supply contracts and tuition rises. But the cause is clear: Government strangles supply through regulation and then attempts to mask the damage with subsidies. That is not reform; it is an inflationary feedback loop. In a free society, the market — not bureaucracy — should direct supply, pricing, and innovation.

A truly [free-market](#) childcare system would expand options rather than shrink them. It would allow churches, neighbors, extended families, cooperatives, and small entrepreneurs to meet local needs without bureaucratic micromanagement. It would respect family arrangements instead of forcing providers into a single regulatory mold. And when two parties voluntarily enter into a contract regarding payment and terms of care, government should not interfere, as the Constitution protects the freedom of contract under [Article I, Section 10](#).

Civil society — not the administrative state — is best equipped to serve families.

The Constitutional Issue: Taxation and Redistribution

Ultimately, childcare programs violate the principle that government exists to protect [God-given rights](#) — especially life, liberty, and property — not redistribute wealth. Taxpayer-funded childcare is financed through coercive taxation that takes property from one citizen to provide benefits to another. That is not equal justice; it is legalized favoritism. And because these programs are typically offered only to “eligible” categories, they divide citizens into classes: those who pay, and those who receive.

The U.S. Constitution does not authorize such cradle-to-grave guarantees. [Article I, Section 8](#) delegates limited powers to Congress — not power to fund daycare, manage family life, or subsidize industries. The [10th Amendment](#) reserves undelegated powers to the states and the people, but it does not magically convert wrong principles into right ones. States should [reject federal funds](#) tied to socialistic programs (such federal funding also violates Article I, Section 8 and the 10th Amendment) and instead restore a system rooted in personal responsibility, private charity, and voluntary community support.



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Real Solutions: Freedom, Family, and the Free Market

If lawmakers genuinely want childcare to be more affordable and accessible, they should stop distorting the market and start restoring liberty. Specifically, they should:

- End taxpayer-funded childcare subsidies and grants: Replace redistribution schemes with policies that respect property rights and voluntary exchange.
- Deregulate to expand supply: Remove unnecessary licensing mandates and bureaucratic barriers that crush small providers and home-based care. Let the free market handle rules and policy.
- Protect private and faith-based providers: Ensure government does not use licensing and subsidy strings to pressure providers into violating conscience.
- Reject federal welfare expansion: States should refuse federal money tied to dependency programs that expand bureaucracy and undermine self-government.
- Strengthen families, not agencies: The state's role is to protect rights and punish fraud — not manage childcare, wages, or family life.

Childcare is important, but importance does not equal constitutional authority. The solution is not more government, taxation, or regulation. It is more freedom: for parents to make choices, for providers to serve their communities, and for civil society to flourish without bureaucratic control.

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