FEDERAL AND STATE CHILD CARE EXPENDITURES
(1997–2003)

RAPID GROWTH FOLLOWED BY STEADY SPENDING

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Federal and State Child Care Expenditures (1997–2003)

Introduction and Summary

This report broadly summarizes the nature and magnitude of the increases in federal and state spending on child care between the passage of the 1996 welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), and 2003. This report concludes that spending essentially doubled in that period.

By some past counts, there are as many as one hundred programs that support some aspect of child care.[1] Five of these programs account for almost all government spending that helps low-income mothers work outside the home.[2] They are the Child Care and Development Fund (CCDF), Temporary Assistance for Needy Families (TANF), Head Start, the Child and Adult Care Food Program (CACFP), and the Social Services Block Grant (SSBG).[3] Between 1997 and 2003, total spending on these programs almost doubled (rising 84 percent), from about $11.1 billion to about $20.4 billion (see figure 1, page 4 and table 1, page 5). (Unless otherwise indicated, all dollar amounts in this paper are in 2002 constant dollars.)

Of the remaining child care programs, the vast majority are small—if a $5 million or $10 million program is small—and they are ignored in this analysis.[4] But four other programs have annual spending of more than $200 million and, even though they are not configured to help

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[1]*See* Douglas J. Besharov ed., *Enhancing Early Childhood Programs: Burdens and Opportunities* (Washington, DC: CWLA Press and American Enterprise Institute, 1996), 213.

[2]A word on terminology: This report uses "mothers" instead of the more neutral "parents" because it is working mothers who are the predominant basis for CCDF eligibility. About 55 percent of federally CCDF-eligible children live with their single parent, which is assumed to be their mother. And while it is true that in some low-income married-couple families the mother works more hours than the father, these are the exception.

[3]Most other reports focus on the CCDF and TANF as the main sources of federally funded child care and tend not to include many, if any of the other programs. For example, see U.S. Government Accountability Office, *Child Care: States Increased Spending on Low-Income Families*, GAO-01-293 (Washington, DC: U.S. GAO, February 2001); and U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *Child Care and Development Fund: Report to Congress* (Washington, DC: HHS, January 2003).

[4]Among the smaller programs excluded from this report are Early Reading First (about $94 million), the Early Learning Fund/Early Learning Opportunities Act Program (about $34 million), the Child Care Access Means Parents in School program (about $16 million), and the Early Childhood Educator Professional Development program (about $15 million). All of these dollar amounts represent 2004 funding levels. *Melinda Gish, Child Care Issues in the 108th Congress,* CRS Report RL31817 (Washington, DC: Congressional Research Service, July 20, 2004).

low-income mothers work, because of their size they are also described: the 21st Century Community Learning Centers Program; the Individuals with Disabilities Education Act's (IDEA) Special Education Preschool Grants and Grants for Infants and Families; Title I of the Elementary and Secondary Education Act (ESEA) preschool education funds; and Even Start. To emphasize, because they are not now used to provide a substantial amount of child care for low-income families, this report does not include them in its spending estimates, although some other analysts do.[5] Instead, this report explores the possibility of reorienting these programs so that they do so and concludes that two of these programs—the 21st Century Community Learning Centers Program and Even Start—could be reoriented. Hence, they are *potential* sources of child care funding (see figure 1, page 4).

This report also describes the growing number of state prekindergarten programs (usually for disadvantaged children) and federal and state tax credits for child care expenditures. Because this paper is about federal program expenditures (and associated state expenditures), it does not include prekindergarten programs in the summary of expenditures. It also does not include tax credits because they provide little assistance to low-income families.

The spending estimates are divided into two time periods: 1997 to 2001 and 2001 to 2003. These years were chosen because (1) 1997 is the first full year after the enactment of PRWORA's child care provisions, (2) 2000–2002 is the period when the pace of spending increases slowed for most programs, and (3) 2003 is the most recent year for which complete data are available.

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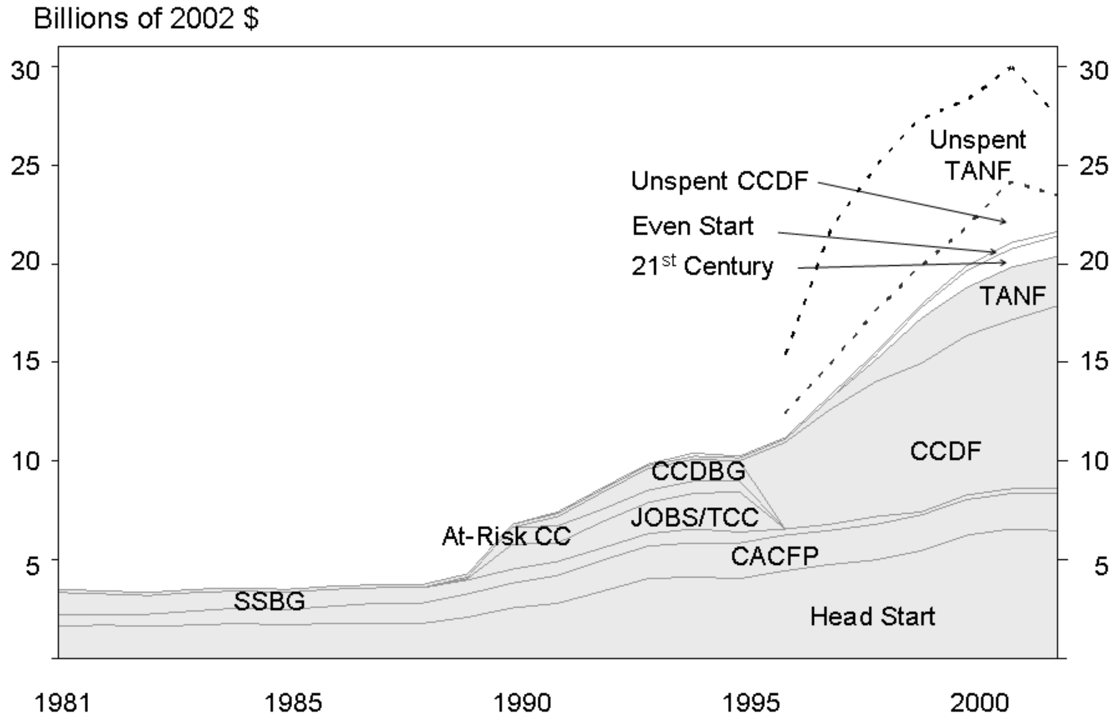
[5] *See* Melinda Gish, *Child Care Issues in the 108th Congress*, CRS Report RL31817, 8; and Ron Haskins, *Testimony Before the Ways and Means Committee, Subcommittee on Human Resources, U.S. House of Representatives*, 109th Congress, February 10, 2005, http://waysandmeans.house.gov/hearings.asp?formmode=view&id=2492.

Figure 1
Child Care Spending and Potential Funding
(1981–2003)



Source: See Appendix A

Table 1

Total Child Care Spending and Potential Funding: 1981–2003

(in millions of 2002 dollars)

Program	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Child Care and Development Fund (CCDF)[1]										160	2,051	2,243	2,773	3,263	3,561	3,583	4,381	5,814	6,785	7,545	8,075	8,588	9,257
Head Start[2]	1,621	1,700	1,647	1,724	1,797	1,707	1,790	1,834	1,791	2,136	2,578	2,824	3,456	4,037	4,171	4,093	4,462	4,798	5,030	5,501	6,297	6,537	6,518
Temporary Assistance for Needy Families (TANF)[3]	158	149	144	156	150	148	158	152	145	151	159	167	162	164	153	138	149	502	1154	2,283	2,443	2,605	2,504
Child and Adult Care Food Program (CACFP)	673	604	643	705	756	814	868	955	1,011	1,119	1,248	1,403	1,525	1,643	1,728	1,759	1,762	1,714	1,750	1,759	1,765	1,853	1,883
Social Service Block Grants (SSBG)[4]	1047	956	907	966	918	877	850	811	775	757	745	695	693	663	660	570	337	308	428	172	204	201	200
Total expenditures	**3,499**	**3,409**	**3,341**	**,3551**	**3,621**	**3,546**	**3,667**	**3,751**	**3,722**	**4,323**	**6,781**	**7,331**	**8,609**	**9,771**	**10,274**	**10,142**	**11,092**	**13,135**	**15,147**	**17,261**	**18,784**	**19,784**	**20,362**
21st Century Community Learning Centers																	22	55	216	473	859	1,000	972
Even Start												90	111	110	120	117	114	137	146	157	254	250	242
Unspent CCDF[5]																	1,114	1,499	2,026	1,985	1,930	3,090	1,930
Unspent TANF[6]																	3,040	6,736	7,373	7,445	6,468	5,811	3,799
Total expenditures plus potential additional funds	**3,499**	**3,409**	**3,341**	**3,551**	**3,621**	**3,546**	**3,667**	**3,751**	**3,722**	**4,323**	**6,781**	**7,421**	**8,720**	**9,881**	**10,394**	**10,259**	**15,382**	**21,562**	**24,907**	**27,320**	**28,295**	**29,935**	**27,305**

Source and footnotes: See Appendix A

Pre-Welfare Reform Provisions

Prior to 1988, most federal child care subsidies for low-income families were provided through Title XX of the Social Security Act, the Social Services Block Grant (SSBG).[6] With the passage of the Family Support Act of 1988, two additional funding streams were created: (1) AFDC/JOBS Child Care Program (for AFDC recipients who were working or participating in the JOBS program),[7] and (2) Transitional Child Care (for families who left welfare for work, for up to twelve months).[8] In 1990, Congress added two more funding streams: (1) the At-Risk Child Care Program (for low-income families "at risk" of going on welfare without child care assistance),[9] and (2) the Child Care and Development Block Grant (CCDBG) (for low-income families).[10]

In addition, until the passage of the 1996 welfare reform law, federal law required states to disregard a certain amount of the income of welfare families for work-related child care costs when setting AFDC grant amounts. The now-defunct AFDC dependent care disregards reduced the "countable earned income" of welfare parents who held jobs and, in turn, increased their AFDC grants by the amount equal to their work-related child care expenses (up to $175 per month for each child two years or older and up to $200 per month for each child less than two

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[6]Other major child care programs were Head Start, the Child and Adult Care Food Program, and the Dependent Care Tax Credit.

[7]The AFDC/JOBS Child Care Program provided states with child care funds for AFDC recipients who were working or participating in approved education, training, and work activities. It was an open-ended entitlement with the same federal matching rate used for AFDC. Federal funding was about $678 million in Fiscal Year (FY) 1995 ($800 million in 2002 dollars) with an average monthly enrollment of 422,049 children. U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *Federal Child Care Programs in FY 1995* (Washington, DC: HHS, undated), http://www.acf.dhhs.gov/programs/ccb/research/1995.htm (accessed October 2, 2001).

[8]The Transitional Child Care Program provided states with funding for up to twelve months of child care for families leaving AFDC due to employment. It was an open-ended federal entitlement with the same matching rate used for AFDC. Federal funding was about $215 million in FY 1995 ($253 million in 2002 dollars) with an average monthly enrollment of 141,017 children. U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *Federal Child Care Programs in FY 1995.*

[9]The At-Risk Child Care Program provided states with child care funds for low-income families who were not on AFDC, but who would be "at risk" of going on welfare without assistance. It was a capped entitlement set at $300 million ($354 million in 2002 dollars) annually with the same matching rate used for AFDC. Federal funding was about $286 million in FY 1995 ($337 million in 2002 dollars) with an average monthly enrollment of 198,891 children. U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *Federal Child Care Programs in FY 1995.*

[10]The CCDBG provided states with funds for child care for low-income families and to improve the quality and availability of child care generally. Federal funding was about $932 million in FY 1995 ($1.101 billion in 2002 dollars) and the annual, unduplicated count of children served was 662,735. (The average monthly number of children served was unavailable.) U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *Federal Child Care Programs in FY 1995.*

years old). (Perhaps half of the states or more still use the disregard under their TANF programs.)[11] Parents could claim the disregard for any kind of child care, including relative-provided care. Parents were required to present receipts for child care purchased, and, in the case of relative-provided care, the receipt could be a note designating the hours of care used and the amount paid. In FY 1996, the last year of the program, 73,351 families claimed an average of $179 per month in child care fees ($205 in 2002 dollars).[12] In that year, total federal and state expenditures on the dependent care disregard were about $157 million ($180 million in 2002 dollars).

Although most child care advocates welcomed the funding increases during the time between 1988 and the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, many advocates complained about the overlapping and confusing nature of these child care funding streams.[13] A report from the U.S. Government Accountability Office, for example, described the ninety early childhood programs throughout eleven federal agencies and twenty offices that made up the federal government's approach to child care.[14]

Child Care and Development Fund

As part of the 1996 welfare reform law, Congress partially streamlined the major child care funding streams and provided a framework and incentives for sharp increases in spending.[15] The new welfare law repealed the legislative authority for the three AFDC-related child care programs with differing rules (At-Risk Child Care, AFDC/JOBS Child Care, and Transitional Child Care) and combined their funding with CCDBG funding to create the new Child Care and Development Fund (CCDF).[16]

States may use CCDF funds to aid families with incomes up to 85 percent of the state median income for families of similar size. States are required to give priority to "very low-

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[11]Center for Law and Social Policy and Center on Budget and Policy Priorities, "Table 4: States' Use of Child Care Deductions When Determining Eligibility for TANF and for Medicaid Under the Family Coverage Category," in *State Policy Documentation Project*, http://www.spdp.org, reporting that, in 2000, twenty-eight states used child care disregards when determining eligibility for TANF.

[12]U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, Division of Performance Measurement, *Characteristics and Financial Circumstances of AFDC Recipients: Fiscal Year 1996* (Washington, DC: HHS, 1997), Table 39.

[13]Douglas J. Besharov ed., *Enhancing Early Childhood Programs: Burdens and Opportunities*.

[14]U.S. Government Accountability Office, *Early Childhood Education Programs: Multiple Programs and Overlapping Target Groups*, HEHS-95-4FS (Washington, DC: GAO, October 31, 1994).

[15]Douglas J. Besharov, "Trapped in the Day Care Maze," *Washington Post*, December 11, 1994.

[16]The "CCDF" is not a specific term used in the authorizing legislation, but it is the term used by the Department of Health and Human Services to describe the various child care funding streams.

income" families.[17] Both parents (or one parent in a single-parent family) must be either working or in an employment and training activity,[18] and the child must generally be under age thirteen. (CCDF funds may also be used to subsidize child care for children at risk of abuse or neglect, or who need child care as a protective service.)[19] Under the CCDF, funding is provided in three main categories: mandatory funds, matching funds, and discretionary funds, as described immediately below.

Mandatory funds provide a guaranteed level of federal child care funding to states, for which no state matching funds are required. Each state receives a fixed amount each year, equal to the funding it received under the AFDC child care programs in either FY 1994, FY 1995, or the average of FY 1992–1994, whichever is highest.[20] Since 1997, these "guaranteed mandatory" funds have totaled $1.2 billion per year.

Unused funds may be carried over into future years (with no fiscal year limitation). Federal mandatory funds have no obligation or liquidation deadline, unless federal matching funds (see below, under "Matching funds") are also requested. If so, the federal mandatory funds must be obligated in the year they are received, but there is no limit on when they must be liquidated. In FY 2003, states spent about $1.258 billion in federal mandatory funds, including funds obligated in prior years.[21] (This included about $1.013 billion in FY 2003 funds.)

Matching funds are available from the federal government to states that have spent their guaranteed mandatory funds and have met their maintenance-of-effort (MOE) requirements. The amount of federal matching funds provided to a state depends on the amount of additional, or "state matching," funds it spends. In FY 2003, state MOE spending was about $954 million and federal and state matching funds totaled about $2.723 billion.

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[17] *Child Care and Development Block Grant Act, U.S. Code* 42 (1990) § 9801, section 658 (E).

[18] U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (ASPE), "Child Care Eligibility and Enrollment Estimates for Fiscal Year 2001," memorandum, April 4, 2003, stating: "Some states limit eligibility to parents who meet certain minimum work requirements (ranging from 15–40 hours in the 17 states explicitly reporting these requirements)." The states define "working" and "training activity" in their individual State CCDF plans. National Child Care Information Center, "State Plan FY 2004–2005 Eligibility and Priority Terminology," (Washington, DC: HHS, undated), http://nccic.acf.hhs.gov/pubs/stateplan/app-eligibility.html#9.

[19] *Child Care and Development Block Grant Act,* U.S. Code 42 (1990) § 9801, section 658 (P).

[20] Alice Butler and Melinda Gish, *The Child Care and Development Block Grant: Background and Funding,* CRS Report RL30785 (Washington, DC: Congressional Research Service, April 7, 2003).

[21] U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, "Table 9: All Expenditures," in *FY 2003 CCDF State Expenditures* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ccb/research/03acf696/table9.htm (accessed January 24, 2005).

Federal matching funds are allocated to states according to their share of children under age thirteen; unclaimed matching funds are redistributed to states that have spent more than their allocation. The annual amount of available federal matching funds increased steadily between FY 1997 and FY 2001, from about $767 million to about $1.37 billion. After that, the rate of increase slowed. In FY 2004, the amount available was about $1.411 billion.[22] Federal matching funds must be obligated in the year they are received and must be liquidated within the next fiscal year (that is, spent within two years). In FY 2003, states spent about $1.506 billion in federal matching funds.[23] (This included about $1.184 billion in FY 2003 funds.)

State maintenance-of-effort (MOE) funds are the amount of their own money that states must spend on child care in order to become eligible for federal matching funds. State MOE requirements are set at the greater of each state's FY 1994 or FY 1995 spending levels in the Title IV-A child care programs and total $888 million nationally (in current dollars). State MOE funds must be obligated and liquidated in the same fiscal year (that is, spent within one year). In FY 2003, actual state MOE expenditures were about $954 million.[24] (Eight states accounted for all of the $66 million in MOE spending above the required level.)

State matching funds are state child care expenditures that exceed the state's MOE level and, thus, can be used to claim federal matching funds. (The state's matching rate for child care is the same as its FY 1995 matching rate for Medicaid.)[25] State matching funds must be obligated by the end of the year in which the state receives federal matching funds and must be liquidated by the end of the following year (that is, spent within two years). In FY 2003, state-match spending was about $1.217 billion.[26] (This included about $979 million in FY 2003 funds.)

Discretionary funds are federal funds (no state match is required) appropriated each year for state child care programs. TANF transfers to the CCDF are treated as discretionary funds.

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[22]U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *FY 2004 Final CCDF Allocations and Earmarks for States and Territories* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ccb/policy1/current/allocations2004/final_allocations.htm (accessed January 24, 2005).

[23]U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, "Table 9: All Expenditures," in *FY 2003 CCDF State Expenditures.*

[24]U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, "Table 8: Fiscal Year 2003 Child Care Development Fund Maintenance of Effort (MOE) Summary," in *FY 2003 CCDF State Expenditures* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ccb/research/03acf696/table8.htm (accessed January 24, 2005).

[25]Alice Butler and Melinda Gish, *The Child Care and Development Block Grant: Background and Funding*.

[26]U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, "Table 9: All Expenditures," in *FY 2003 CCDF State Expenditures*.

In 1997, Congress appropriated $1 billion in discretionary funds, but by FY 2001, the appropriation had risen to $2 billion, and has since remained at about that level.[27] These funds must be obligated by the end of the fiscal year following the year they are received and must be liquidated within the next fiscal year (that is, spent within three years).

Quality set-asides, described next, are often funded with discretionary funds, and TANF transfers to the CCDF are treated as discretionary funds. In FY 2003, states spent about $4.322 billion in discretionary funds.[28] (This includes about $2.271 billion in FY 2003 funds.)

Quality set-asides are funds dedicated to "quality improvement" activities, such as practitioner training, technical assistance, and higher pay for child care teachers and staff. The CCDF requires that states spend 4 percent of their total federal and state CCDF expenditures on quality improvement activities, although they may, of course, spend more. In FY 2003, states spent about $338 million, or 6.2 percent of their FY 2003 expenditures, on "improving the quality of child care services."[29]

In addition, Congress has added discretionary funds specifically earmarked for quality improvement activities. In FY 1997, it created a $19 million fund for after-school resource and referral services. In FY 1998, it added a $50 million set-aside for "infant and toddler quality improvement," and in FY 1999, a $173 million set-aside for "child care quality improvement activities." In FY 2001, the set-aside for infants and toddlers rose to about $100 million. In FY 2003, the states spent about $112 million of these earmarked funds, including about $69 million on "child care quality improvement activities," about $31 million on "infant and toddler quality improvement," and about $12 million on "child care resources and referral and school age care."[30]

TANF transfers to the CCDF, described above, are treated as discretionary funds and are subject to CCDF rules. A state may transfer up to 30 percent of its federal TANF block grant to the CCDF each year. (States may transfer these funds back to TANF within the next two years.)

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[27]U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *FY 2004 Final CCDF Allocations and Earmarks for States and Territories*.

[28]U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, "Table 9: All Expenditures," in *FY 2003 CCDF State Expenditures*.

[29]U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, "State Spending Under the Fiscal Year 2003 Appropriation for Chid Care and Development Fund," *FY 2003 CCDF State Expenditures* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ccb/research/03acf696/overview.htm (accessed January 21, 2005).

[30]U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, "State Spending Under the Fiscal Year 2003 Appropriation for Chid Care and Development Fund," *FY 2003 CCDF State Expenditures*.

From FY 1997 to FY 2001, TANF transfers to the CCDF rose from about $264 million[31] to about $1.929 billion.[32] In FY 2003, states transferred a total of about $1.750 billion in TANF funds to the CCDF.[33]

Program totals include combined mandatory, matching, and discretionary expenditures under the CCDF, as well as unspent funds. Given the multiplicity and complexity of CCDF funding streams, it may be helpful to recapitulate these numbers.

Total expenditures increased greatly after the passage of PRWORA. From 1997 to 2001, total CCDF expenditures rose about 84 percent, from about $4.381 billion to about $8.075 billion. In FY 2003, total expenditures amounted to about $9.257 billion (about $7.086 billion in federal funds and about $2.171 billion in state funds).[34]

Unspent CCDF funds include cumulative unliquidated obligations and the cumulative unobligated balance. Unliquidated obligations are CCDF funds that a state has committed to spend, but has not yet spent, while unobligated funds have not been spent or committed. For FY 2003, unspent funds totaled about $1.93 billion, including unliquidated obligations of about $1.165 billion and an unobligated balance of about $765 million (all from FY 2003 funds).[35]

Number of children served is the average monthly number of children served through the CCDF. In FY 2003, approximately $9.257 billion in CCDF funds served about 1.75 million children.[36]

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[31]U.S. Department of Health and Human Services, Administration for Children and Families, "Overview of Federal Funds Available and Spent in FY 1997 by Grant Year," *FY 1997 TANF Financial Data* (Washington, DC: HHS, undated), http://www.acf.hhs.gov/programs/ofs/data/tanf_1997.html (accessed April 19, 2005).

[32]U.S. Department of Health and Human Services, Administration for Children and Families, "Overview of Federal Funds Available and Spent in FY 2001 by Grant Year," *FY 2001 TANF Financial Data* (Washington, DC: HHS, undated), http://www.acf.hhs.gov/programs/ofs/data/overview.html (accessed April 19, 2005).

[33]U.S. Department of Health and Human Services, Administration for Children and Families, "Overview of Federal Funds Available and Spent in FY 2003 by Grant Year," *FY 2003 TANF Financial Data* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ofs/data/overview_2003.html (accessed January 21, 2005).

[34]U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, "Table 9: All Expenditures," in *FY 2003 CCDF State Expenditures*.

[35]U.S. Department of Health and Human Services, Administration for Children and Families, "Table 1: Summary of Expenditures by Categorical Items," in *FY 2003 CCDF State Expenditures* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ccb/research/03acf696/table1.htm (accessed January 21, 2005).

[36]U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, "Table 1: Child Care and Development Fund: Average Monthly Adjusted Number of Families and Children Served (FY 2003)," in *FY 2003 CCDF Data Tables and Charts* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ccb/research/03acf800/table1.htm (accessed January 21, 2005).

Temporary Assistance for Needy Families

States can also use unspent Temporary Assistance for Needy Families (TANF) funds on child care. Recognizing that as welfare caseloads fell, the need for child care would grow, the welfare law gives states two ways of using unspent TANF funds to pay for child care: (1) transfer up to 30 percent of their TANF block grant to the CCDF, or (2) use TANF funds directly to pay for child care. Most states do both. TANF funds transferred to the CCDF are counted under CCDF discretionary expenditures (described above, under "TANF transfers to the CCDF").

Direct TANF expenditures on child care are not limited to helping TANF recipients; they may be used to help "needy families" work or prepare for work. States can define "needy families" essentially as they wish, although most seem to use these funds for TANF-related purposes such as helping families to work while on welfare, to leave welfare for work, and to avoid going on welfare in the first place.

TANF funds are subject to various restraints about when they can be spent—and on what. For example, final TANF regulations stipulate that after FY 1999, unspent TANF funds (that is, funds carried over from prior years) can only be spent on activities considered to be "assistance."[37] "Assistance" is defined to include benefits and services to help needy families meet ongoing basic needs, such as food and housing. It generally does not include short-term assistance, work supports such as child care, and services such as counseling. However, child care is generally considered "assistance" if it is used by people who are not employed, unless it is used for a short-term purpose, such as job search. Thus, as of FY 2000, states have been unable to transfer TANF carryover funds from prior years to the CCDF or to use such funds directly for child care (unless it meets the definition of "assistance"). In practice, this restriction has little effect, because states can simply rearrange the way they spend current and carryover funds, using the current funds for child care and other nonassistance needs and the remaining funds (both current and carryover) on assistance.

Federal TANF child care expenditures are the portion of a state's federal block grant funds that is spent on child care. From FY 1997 to FY 2001, these expenditures rose from about

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[37]U.S. Department of Health and Human Services, Administration for Children and Families, "Temporary Assistance for Needy Families Program (TANF): Final Rule," *Federal Register* (Washington, DC: HHS, April 12, 1999), 17719–17931.

$15.11 million[38] to about $1.669 billion.[39] They dropped slightly in FY 2003, to about $1.661 billion.[40]

State TANF child care expenditures are the portion of their own TANF funds that states spend on child care and report as counting toward their TANF MOE requirements.[41] In FY 2003, states spent about $1.731 billion in TANF MOE funds[42] and about $955 million in CCDF MOE funds on child care. Some of these expenditures may have been counted toward both programs. Excluding the potential overlap leaves about $843 million of TANF MOE child care expenditures in FY 2003.[43]

Program totals under TANF include federal and state direct spending on child care, as well as TANF transfers to the CCDF. Once again, given the multiplicity and complexity of TANF funding streams, it may be helpful to recapitulate these numbers here.

Total expenditures on child care increased greatly after the passage of PRWORA. From FY 1997 to FY 2001, total expenditures on child care rose about 959 percent, from about $413 million to about $4.372 billion, and have since remained at about this level. In FY 2003, total expenditures amounted to about $4.254 billion.

The above number includes about $1.750 billion of TANF transfers to the CCDF, which this report counts under the CCDF (as do most analysts). Hence, to avoid double-counting, these transfers are subtracted from the above figure. From FY 1997 to FY 2001, TANF direct

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[38]U.S. Department of Health and Human Services, Administration for Children and Families, "Table A," in *FY 1997 TANF Financial Data* (Washington, DC: HHS, undated), http://www.acf.hhs.gov/programs/ofs/data/tanf_1997.html (accessed May 19, 2005).

[39]U.S. Department of Health and Human Services, Administration for Children and Families, "Table A," in *FY 2001 TANF Financial Data* (Washington, DC: HHS, undated), http://www.acf.hhs.gov/programs/ofs/data/tanf_2001.html (accessed May 19, 2005).

[40]U.S. Department of Health and Human Services, Administration for Children and Families, "Table A," *FY 2003 TANF Financial Data* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ofs/data/tanf_2003.html (accessed April 4, 2005).

[41]PRWORA requires states to spend their state TANF funds at a level equal to 80 percent of what they spent in FY 1994 (75 percent if they were in compliance with TANF's work requirements). The CCDF program has a similar MOE requirement, as described above. States can count some of their child care expenditures toward both requirements.

[42]U.S. Department of Health and Human Services, Administration for Children and Families, "Table B, Table B1, Table C, and Table C1," in *FY 2003 TANF Financial Data* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ofs/data/tanf_2003.html (accessed April 4, 2005).

[43]Of child care counting toward TANF MOE, $888 million is also allowed to count toward satisfying the MOE requirements for the Child Care and Development Block Grant. Mark Greenberg and Hedieh Rahmanou, *TANF Spending in 2003* (Washington, DC: CLASP, February 2, 2005), 6.

expenditures (not counted under the CCDF) rose from about $149 million to about $2.443 billion, and have since remained steady at this about level. It is estimated that in FY 2003, these expenditures totaled about $2.504 billion ($1.661 billion in federal funds plus $843 million in state funds not counted toward the CCDF MOE).[44]

Number of children served must be estimated because states are not required to report the number of children receiving child care assistance directly from TANF. To estimate the number of children served by TANF, the average cost of serving a child through TANF is assumed to be the same as it is under the CCDF for the relevant year (about $4,452 in FY 2001 and about $5,286 in FY 2003). That would mean that the number of children served in FY 2001 and FY 2003 was about 548,742 and 473,704, respectively.[45]

Unspent TANF funds potentially available for child care include cumulative unobligated and, to some extent at least, unliquidated balances as well. As mentioned above, because of the dramatic declines in welfare caseloads, most states have large surpluses of federal TANF funds which can be used to fund services for "needy families." Thus, unlike CCDF funds which must be spent on child care, TANF funds can be spent on a wide range of activities, with child care as just one example. Although the cumulative national surplus has declined from its peak of about $7.445 billion in FY 2000, it remained high in FY 2003 at about $3.799 billion.

Unobligated funds are federal TANF funds that have not been committed by the states; they remain in the federal Treasury until states draw them down. States can carry forward unobligated TANF funds for use in future years to meet anticipated needs, and most have done so. As explained above, carryover funds cannot generally be used for child care, but they can be used to free up current year TANF funds, which could then be used for child care. Thus, as a practical matter, unobligated funds are potentially available to increase child care spending.

At the end of FY 2003, the cumulative national total of unobligated TANF funds was about $2.255 billion.[46] There is, however, no telling how much, if any, of these funds might be spent on child care.

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[44]There may be some additional state spending on child care that is not reported as TANF or CCDF MOE or matching funds. However, because such spending is not well documented, it is not included in the summary of expenditures.

[45]This approach is similar to HHS calculations of child care enrollment estimates; however, it assumes a slightly higher cost per child. (The per child cost under the CCDF is based on total CCDF expenditures rather than direct service expenditures.) *See* U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Child Care Eligibility and Enrollment Estimates for Fiscal Year 2003* (Washington, DC: HHS, April 2005), http://aspe.hhs.gov/hsp/05/cc-elig-est03/index.htm.

[46]U.S. Department of Health and Human Services, Administration for Children and Families, "Overview of Federal Funds Available and Spent in FY 2003 by Grant Year," *FY 2003 TANF Financial Data*.

Unliquidated obligations are federal TANF funds that a state has committed to spend, but has not yet spent. These funds may remain in the federal Treasury.[47] They could include, for example, funds that a state has contracted to pay a private child care provider, but has not yet spent because the child care has not yet been provided or because payment is still being processed. (If the services have not yet been provided, many state grants and contracts will allow for termination "at the convenience of the government," which could free the funds for other purposes.)

States can carry forward their unliquidated obligations into future years. At the end of FY 2003, the cumulative national amount of unliquidated TANF obligations totaled about $1.545 billion.[48] The portion of these funds already committed to child care is not known.

Head Start

Within the framework of developmental, educational, and social services for low-income children and families, Head Start provides the equivalent of child care services for many low-income working mothers. For that reason, it is included in this discussion. Most Head Start programs, however, are only part-day and part-year, so that most of the children whose mothers work full time need supplemental care. Of course, some mothers who do not work and, thus, do not need child care, enroll their children in Head Start because of its other perceived benefits.

Federal funding is awarded by the U.S. Department of Health and Human Services directly to more than 1,600 local public or private nonprofit or for-profit agencies. Each state receives an amount equal to the amount it received in FY 1998, and the remaining funds are distributed proportionately to states on the basis of the number of children less than 5 years old from families whose income is below the poverty line.[49] Grantees must contribute matching funds equal to 20 percent of the grant, unless they are granted a waiver.[50]

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[47]U.S. Government Accountability Office, *Welfare Reform: Challenges in Maintaining a Federal-State Fiscal Partnership,* GAO-01-828 (Washington, DC: GAO, 2001), http://www.gao.gov/new.items/d01828.pdf, stating that states may keep unliquidated obligations in the treasury and that the distinction between unobligated and unliquidated funds is often blurry.

[48]U.S. Department of Health and Human Services, Administration for Children and Families, "Overview of Federal Funds Available and Spent in FY 2003 by Grant Year," *TANF Financial Data*.

[49]*Human Services Reauthorization Act,* U.S. Code 42 (1998) § 9835, paragraph 4.

[50]Melinda Gish, *Head Start Background and Issues,* CRS Report for Congress (Washington, DC: Congressional Research Service, February 15, 2005), 3.

In FY 2003, grant awards to local agencies totaled about $6.518 billion in federal Head Start funds.[51]

State funding is supplemental moneys that some states provide to the Head Start programs in their state. According to the National Institute for Early Education Research, in FY 2003, seventeen states provided supplemental funding to Head Start. In FY 2003, state supplemental funding totaled over $177 million.[52] State spending varied from about $240,000 (New Hampshire) to more than $87 million (Ohio). Some states used these funds to support additional slots in local Head Start programs, while others used some or all of their supplemental funds to enhance services or to provide extended-day or extended-year programming.[53] (State spending on Head Start is not included in the summary of expenditures because of the absence of reliable data for earlier years and the possible overlap between this spending and reported CCDF and TANF spending.)[54]

Quality set-asides are the amount of Head Start appropriations that must be spent on quality improvement activities, as originally required by the Human Services Reauthorization Act of 1990 (P.L. 101-501).

In 1991, 10 percent of the total Head Start appropriations were set-aside for quality improvement activities. Beginning in 1992, the set-aside was modified to include 25 percent of all *new* funds.[55] Half of these "quality monies" are to be used to raise the salaries of classroom teachers and other staff, for the putative purpose of helping programs recruit and retain quality staff.[56] Quality improvement funds can also be spent on providing transportation, improving

[51]U.S. Department of Health and Human Services, Administration for Children and Families, Head Start Bureau, *Head Start Program Fact Sheet: Fiscal Year 2003* (Washington, DC: HHS, 2003), http://www2.acf.dhhs.gov/programs/hsb/research/2004.htm (accessed January 19, 2005).

[52]The National Institute for Early Education Research, "Appendix B: Head Start Data," *The State of Preschool: 2004 State Preschool Yearbook* (New Brunswick: NIEER, 2004), http://nieer.org/yearbook/pdf/yearbook.pdf (accessed May 25, 2005).

[53]The National Institute for Early Education Research, *The State of Preschool: 2004 State Preschool Yearbook*, 179.

[54]Ohio's supplemental state funding for Head Start included over $69 million in TANF dollars, and Kansas Early Head Start receives $7.8 million from the CCDF. The National Institute for Early Education Research, "Appendix B: Head Start Data," in *The State of Preschool: 2004 State Preschool Yearbook.*

[55]*Head Start Expansion and Quality Improvement Act*, Public Law 101-501, U.S. Code 42 (1990) § 9835, paragraph a(3) stating that new funds, or "excess funds" are defined as the difference between the current and previous year's appropriations, after the previous year's appropriations are adjusted to reflect the percentage change in the Consumer Price Index.

[56]*Head Start Expansion and Quality Improvement Act*, Public Law 101-501, U.S. Code 42 (1990) § 9835, paragraph a(3)©)

facilities, and expanding staff training and development.[57] In 1999, the set-aside was increased to 60 percent, with the percent then declining to 50 percent in FY 2000, 47.5 percent in FY 2001, and back again to 25 percent in FY 2003.[58]

In FY 2001, quality improvement funding peaked at about $356 million.[59] Due to a slower growth in Head Start appropriations since then and a drop in the percent required to be spent on such activities, quality improvement funding dropped to about $32 million in FY 2003.[60]

Program totals under Head Start raise the question of how to count the number of children in the program.

Total expenditures increased after the passage of PRWORA, but growth has slowed in recent years. Between FY 1997 and FY 2001, federal Head Start expenditures rose from about $4.462 billion to about $6.297 billion, a 41 percent increase. In FY 2003, they rose to about

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[57]US Congress, Senate Committee on Labor and Human Resources, *Committee Report on the Human Services Reauthorization Act of 1998*, 105th Congress, 2nd session, 1998, S. Rep. 105-256.

[58]*Human Services Reauthorization Act*, U.S. Code 42 (1998) § 9801, section 6403 (A), http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=105_cong_public_laws&docid=f:publ285.105.pdf (accessed May 19, 2005), stating:

> (A)(i) In order to provide assistance for activities specified in subparagraph (C) directed at the goals specified in subparagraph (B), the Secretary shall reserve, from the amount (if any) by which the funds appropriated under section 639(a) for a fiscal year exceed the adjusted prior year appropriation, a share equal to the sum of–
>
> > (I) 60 percent of such excess amount for fiscal year 1999, 50 percent of such excess amount for fiscal year 2000, 47.5 percent of such excess amount for fiscal year 2001, 35 percent of such excess amount for fiscal year 2002, and 25 percent of such excess amount for fiscal year 2003; and
> >
> > (II) any additional amount the Secretary may find necessary to address a demonstrated need for such activities.
>
> (ii) As used in clause (i), the term "adjusted prior year appropriation" means, with respect to a fiscal year, the amount appropriated pursuant to section 639(a) for the preceding fiscal year, adjusted to reflect the percentage change in the Consumer Price Index for All Urban Consumers (issued by the Bureau of Labor Statistics) during such preceding fiscal year.

[59]U.S. Government Accountability Office, "Table 3," in *Head Start: Increased Percentage of Teachers Nationwide Have Required Degrees, but Better Information on Classroom Teachers' Qualifications Needed*, GAO-04-05 (Washington, DC: GAO, October 1, 2003).

[60]U.S. Government Accountability Office, "Table 3," in *Head Start: Increased Percentage of Teachers Nationwide Have Required Degrees*.

$6.518 billion, but the FY 2004 appropriation was a bit lower, at about $6.452 billion.[61] The latter figure should not be taken as necessarily being a reduction in spending, because most Head Start grantees have unspent, carryover funds. (State spending on Head Start is not included in the summary of expenditures because of the absence of reliable data for earlier years and the possible overlap between this spending and CCDF and TANF spending.)[62]

Number of children served depends on which of the three definitions of Head Start enrollment is used.

- "Funded enrollment" is the number of slots financed by some or all of the program's annual funding sources. The "Head Start Fact Sheet," published by the Head Start Bureau, reports a funded enrollment number based on the federal grant awards issued in September of each fiscal year. According to the Fact Sheet, total FY 2003 funded enrollment was 909,608 children.[63] The "Head Start Program Information Report" (PIR), however, provides a different figure for funded enrollment because it includes children funded by other sources of support (as reported by grantees at the end of the program year in May or June). For the 2002–2003 program year, the PIR's figure is 925,922 children.[64]

- "Midyear enrollment," called "End-of-Month Enrollment" by the Head Start Bureau, is the average number of children reported by grantees as enrolled on the last operating day of June and April. (The months differ from year to year.) Because of program dropouts (some of whose slots are not filled), this definition results in a lower count than "funded enrollment." In 2002–2003, midyear enrollment was 882,402 children.[65]

- "Cumulative enrollment," called "Actual Enrollment" by the Head Start Bureau, is the total number of children reported by grantees as enrolled in Head Start at any time during the year, even if they dropped out or enrolled late, and even if they attended for only one

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[61]U.S. Department of Health and Human Services, Administration for Children and Families, Head Start Bureau, *Head Start Program Fact Sheet: Fiscal Year 2003*. The expenditure level is the FY 2003 actual amount and the FY 2004 appropriation amount.

[62]Ohio's supplemental state funding for Head Start included over $69 million in TANF dollars, and Kansas Early Head Start receives $7.8 million from the CCDF. The National Institute for Early Education Research, "Appendix B: Head Start Data," *The State of Preschool: 2004 State Preschool Yearbook.*

[63]U.S. Department of Health and Human Services, Administration for Children and Families, Head Start Bureau, *Head Start Program Fact Sheet: Fiscal Year 2003*.

[64]U.S. Department of Health and Human Services, Head Start Bureau, "Head Start Program Information Report for the 2002–2003 Program Year," (Washington, DC: HHS, undated).

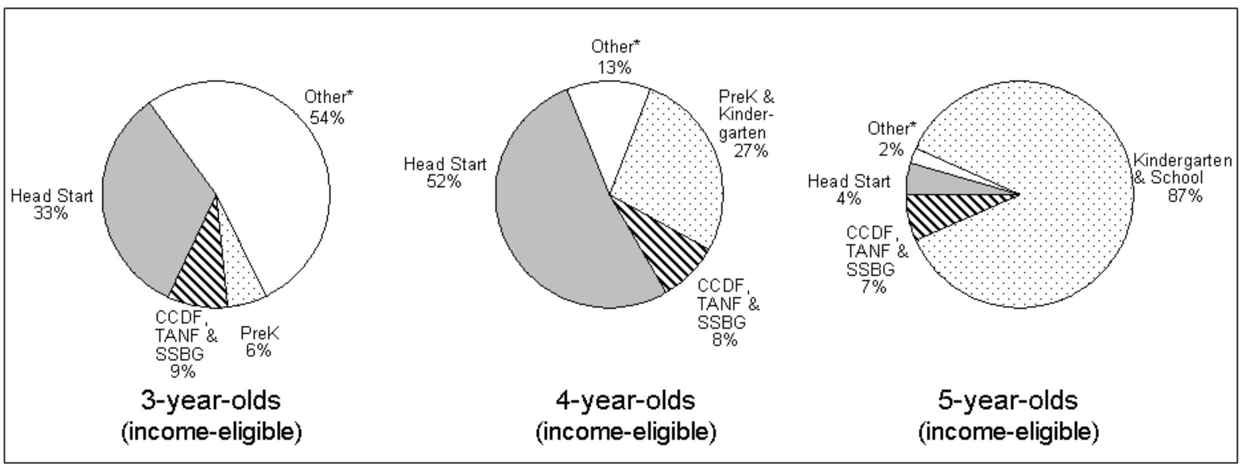
[65]U.S. Department of Health and Human Services, Head Start Bureau, "Head Start Program Information Report for the 2002–2003 Program Year." The average monthly enrollment figure is the average of the end-of-month enrollments reported for June and April (the only end-of-month enrollment figures reported by the PIR).

day. Consequently, this definition results in the highest count of enrolled children. In 2002–2003, cumulative enrollment was 1,047,500 children.[66]

Per child costs have been rising steadily since 1990. Between 1990 and 2003, per child costs (that is, total appropriations divided by Head Start's funded enrollment) have risen about 82 percent, from about \$3,949 to about \$7,167. The primary explanation seems to be the growth of the amount of money spent on quality improvements, with other factors, such as lengthening hours of operations, also playing a role. The increase in costs per child, the slowing of increases in Head Start funding, along with the expansion of other federally funded child care programs for low-income families, such as the CCDF, have resulted in a smaller relative role for Head Start in the child care world. From 1990 to 2003, Head Start expenditures fell from 49 percent to 32 percent of total child care expenditures (see table 1, page 5). In the 2000–2001 program year, Head Start served fewer than half of all income-eligible three- and four-year-olds (see figure 2, below).

Figure 2
Combined Coverage of Income-Eligible Children in Head Start and Selected Other Arrangements
(Stylized calculation, At enrollment, 2000/2001)

– Census Bureau Definition of Income –



This is a stylized calculation because, as is described in "Is Head Start Fully Funded?" the authors ultimately account for more than 100 percent of Head Start-eligible four- and five-year-olds. This imprecision is caused by the number of nonpoor children counted as Head Start-eligible and by variations resulting from when the count is taken. (Douglas J. Besharov and Jeffrey S. Morrow, "Is Head Start Fully Funded?," College Park: Welfare Reform Academy, to be published.)

"Other" represents the remainder of Head Start-eligible children who are not in Head Start; prekindergarten; kindergarten; school; or full-time, subsidized care. Thus, the children in the "Other" category are in, but not limited to, the following arrangements: free, full-time care by the child's relative (when not subsidized); part-time, subsidized care; and any unduplicated children in child care funded through the Individuals with Disabilities Education Act, through Title I of the Elementary and Secondary Education Act, and through Even Start.

[66]Authors' calculation based on U.S. Department of Health and Human Services, Head Start Bureau, "Head Start Program Information Report for the 2002–2003 Program Year."

Other Federal Programs

There are dozens of other federal programs that provide (or could provide) direct or indirect support for state and local child care programs. The vast majority are small. This report discusses only those that have annual expenditures of more than $200 million a year.[67] In order of size, the six largest are the Child and Adult Care Food Program, the 21st Century Community Learning Centers Program, the Individuals with Disabilities Education Act (IDEA), Title I of the Elementary and Secondary Education Act, Even Start, and the Social Services Block Grant (SSBG). This report discusses them in that order.

Child and Adult Care Food Program provides meals to children in child care. The Child and Adult Care Food Program (CACFP) is an entitlement, with funds going to licensed or "approved" child care centers and family or group child day care homes serving both low- and middle-income children. (The CACFP subsidizes providers regardless of whether they receive assistance under CCDF, TANF, or SSBG.) Although the CACFP is not a child care program *per se*, it provides funds that subsidize the operations of child care providers (especially those serving low-income families). Therefore, it is included in this report's summary of expenditures of child care programs that help low-income mothers work outside the home.

Subsidies for centers are based on the type of meal served and the child's family income: Children in families with incomes below 130 percent of poverty receive "free" meals, while those with incomes between 130 and 185 percent of poverty receive "reduced price" meals. Children in families with incomes above 185 percent of poverty receive a small subsidy. Family day care homes receive smaller subsidies per meal than do centers and are divided into two tiers. Tier I payments are higher and are paid to family day care homes in low-income areas or to low-income child care providers. Tier II payments are lower and are paid to family day care homes that do not meet the criteria for a low-income area or provider. If individual children in tier II homes, however, have incomes that qualify them for the higher tier I rates, the family day care provider can be reimbursed at the higher rate.

CACFP funding is determined by multiplying the total number of each type of meal provided by the national average payment rate for that type of meal. Furthermore, funding under this program cannot exceed the sum of (1) other federal funds provided by the state to these participating child care centers and family/group child day care homes, and (2) any funds used by the State under section 10 of the Child Nutrition Act of 1966.[68]

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[67]Among the smaller programs excluded from this report are Early Reading First (about $94 million), the Early Learning Fund/Early Learning Opportunities Act Program (about $34 million), the Child Care Access Means Parents in School program (about $16 million), and the Early Childhood Educator Professional Development program (about $15 million). All of these dollar amounts represent 2004 funding levels. Melinda Gish, *Child Care Issues in the 108th Congress*, CRS Report RL31817.

[68]*Richard B. Russell National School Lunch Act*, U.S. Code 42 § 1766, paragraph (b).

It would be reasonable for one to assume that CACFP spending would go up in tandem as child care spending for low-income families increases. However, CACFP funding is not automatic; it requires that the provider apply and be approved. Many providers apparently do not apply or are not qualified to receive assistance.

Between FY 1997 and FY 2001, CACFP expenditures remained at a steady level (going from about $1.762 billion to about $1.765 billion). In FY 2003, expenditures rose slightly to about $1.883 billion, and CACFP subsidized meals for about 2.91 million children.[69]

21st Century Community Learning Centers Program provides grants to local educational agencies, community-based organizations, and other public or private entities to establish or expand after-school programs for students attending schools that are eligible for school-wide programs under the Elementary and Secondary Education Act[70] or schools that serve a high percentage of low-income families.[71]

Recipient schools are expected to work with community-based organizations to provide safe, drug-free, supervised learning environments after school, on weekends, and during the summer. Typically, the learning centers offer three types of activities: (1) academic assistance, such as homework tutoring and test preparation; (2) recreation activities, such as gym time or computer use; and (3) cultural and interpersonal activities, such as drama classes or leadership workshops.[72]

From FY 1997 to FY 2002, federal funding increased from about $1 million to about $1 billion, and then fell slightly to about $972 million in FY 2003 and about $951 million in FY 2004.[73]

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[69]U.S. Department of Agriculture, Food and Nutrition Service, “Child and Adult Care Food Program,” (Washington, DC: USDA, 2005), http://www.fns.usda.gov/pd/ccsummar.htm (accessed January 19, 2005). This number represents average daily participation. About 2 percent of participants and costs were adults.

[70]*Elementary and Secondary Education Act*, as amended by the No Child Left Behind Act, Public Law 107-110, Title I, Part A, section 1114, stating that a school is eligible for a school wide program if it “serves an eligible school attendance area in which not less than 40 percent of the children are from low-income families, or not less than 40 percent of the children enrolled in the school are from such families.”

[71]*Elementary and Secondary Education Act,* as amended by the No Child Left Behind Act, Public Law 107-110, Title IV, Part B, section 4203.

[72]Mark Dynarski, Susanne James-Burdumy, Mary Moore, Linda Rosenberg, John Deke, and Wendy Mansfield, *When Schools Stay Open Late: The National Evaluation of the 21st Century Community Learning Centers Program: New Findings*, Report prepared for U.S. Department of Education, National Center for Education Evaluation and Regional Assistance (Washington, DC: U.S. Government Printing Office, 2005).

[73]U.S. Department of Education, “Education Department Budget History Table: 1980-Present,”(Washington, DC: DOE, 2005), http://www.ed.gov/about/overview/budget/history/edhistory.pdf (accessed January 21, 2005).

NOTE: The 21st Century program is not included in the summary of expenditures, because it does not provide an organized form of daily child care that working parents can rely on during the after-school hours. However, it might be possible to reorient the program to provide child care, as well as meet its current objectives. Given the past negative evaluations of this program as it is presently configured,[74] it seems reasonable to explore the possibility of re-focusing the program on the twin goals of student enrichment and child care.

Individuals with Disabilities Education Act includes two parts that provide services for children from birth through preschool age. These services include family training, counseling, home visits, physical therapy, health services, special education, and other related services for disabled children and their families.

The Special Education Preschool Grants programs provides funds to states for special education and related services for disabled children ages three through five (and, at the state's discretion, to children age two who will turn three during the school year). All states currently participate in the program and are required to serve all eligible children. States must distribute at least 75 percent of their grant to local educational agencies. In FY 2003, federal funding totaled about $379 million[75] and the program served about 600,000 children.[76]

The Grants for Infants and Families program provides early intervention services for infants and toddlers with disabilities. These services include family training, counseling, home visits, physical therapy, and various health services. In FY 2003, federal funding totaled about $424 million.

From FY 1997 to FY 2001, combined appropriations for these two programs rose slightly, from about $758 million to about $786 million. In FY 2003, appropriations totaled about $803 million and fell slightly in FY 2004, to about $793 million.[77]

NOTE: The Individuals with Disabilities Education Act programs are not included in the summary of expenditures, because the programs provide services for families with very specific needs and it is not clear the extent to which they are used for employment-related child care.

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[74] Mark Dynarski, Susanne James-Burdumy, Mary Moore, Linda Rosenberg, John Deke, and Wendy Mansfield, *When Schools Stay Open Late: The National Evaluation of the 21st Century Community Learning Centers Program: New Findings*.

[75] Melinda Gish, *Child Care Issues in the 108th Congress*, CRS Report RL31817.

[76] Children's Defense Fund, "Prekindergarten Initiatives: Efforts to Help Children Enter School Ready to Succeed,"in *Essential Information about Child Care, Early Education and School-Age Care* (Washington, DC: Children's Defense Fund, 2003), 164, http://www.childrensdefense.org/childcare/prekindergarten/keyfacts2003_prekindergarten.pdf (accessed April 12, 2004).

[77] U.S. Department of Education, "Education Department Budget History Table: 1980-Present."

Moreover, because these programs are intended to serve families with very specific needs and, thus, provide very specific services (such as family training, counseling, home visits, physical therapy, and various health services), it is unlikely that they could be reoriented to provide child care assistance for working parents.

Title I of the Elementary and Secondary Education Act provides funds to help schools meet the educational needs of economically and educationally disadvantaged children from birth to age twenty-one. Title I funds for preschoolers are targeted at children from low-income families and provide educational, medical, and social services. They can also be used to enhance services provided by Head Start, Even Start, or other childhood programs.

Although most of those served by Title I are school-aged children, the U.S. Government Accountability Office (GAO) reports that a growing number of participants are preschoolers.[78] The GAO estimated that, in the 1999–2000 school year, school districts spent about $407 million in Title I funds to support preschool education services.[79] This was about 5 percent of total Title I grants to local education agencies. Assuming that this same percentage applied in the following years would suggest that, in 2003, spending increased to about $571 million, and in 2004 to about $588 million.[80]

NOTE: The Title I program is not included in the summary of expenditures, because spending under it may have been counted under other programs, such as Head Start and state-funded prekindergarten.

Even Start provides grants to the states for family literacy programs that integrate early childhood education, adult literacy, parenting education, and interactive parent and child literacy activities. Eligible participants include parents who have not earned a high school diploma or its equivalent and their children ages one through seven. Priority is given to programs that serve areas with high levels of poverty, illiteracy, unemployment, or other need-based indicators. In addition to providing various education and supportive services, Even Start also provides funds for child care while parents participate in the program.[81] (Even Start programs typically

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[78]U.S. Government Accountability Office, *Title I Preschool Education: More Children Served, but Gauging Effect on School Readiness Difficult,* GAO/HEHS-00-171 (Washington, DC: GAO, September 2000).

[79]U.S. Government Accountability Office, *Education and Care: Early Childhood Programs and Services for Low-Income Families,* GAO/HEHS-00-11 (Washington, DC: GAO, November 1999).

[80]U.S. Department of Education, "Education Department Budget History Table: 1980-Present."

[81]*Elementary and Secondary Education Act,* as amended by the No Child Left Behind Act, Public Law 107-110, Title I, Part B, Subpart 3, section 1235 stating that:

"Each program assisted under this subpart shall —

> (3) be designed to accommodate the participants' work schedule and other responsibilities, including the provision of support services, when those services are unavailable from other sources, necessary for participation in the activities assisted under this subpart, such as –

coordinate services provided under other programs, rather than directly providing their own services.)

Between FY 1997 and FY 2001, federal funding for Even Start increased from about $114 million to about $254 million, and has since remained at about this level. In FY 2003 and FY 2004, federal funding for Even Start totaled about $243 million and about $235 million, respectively. In 2001, the program served about 32,000 families.[82]

NOTE: Even Start spending is not included in the summary of expenditures, because it does not appear to be used for employment-related child care. Given repeated evaluations that find Even Start to have little impact[83] and given the similarity of its goals to Head Start's, it seems reasonable to explore the possibility of redirecting its funding to Head Start.

Social Services Block Grant is used by states to fund various social services, including child care. Social Services Block Grant (SSBG) funds for child care are provided either (1) directly by the state (through state-owned and operated centers), which is very rare these days, or (2) indirectly (through grants and contracts for child care "slots" with selected providers, including centers and licensed family day care homes). Since 1997, the SSBG has been supplemented by TANF transfers.[84]

(A) scheduling and locating of services to allow joint participation by parents and children;

(B) child care for the period that parents are involved in the program provided under this subpart; and

(C) transportation for the purpose of enabling parents and their children to participate in programs authorized by this subpart;"

[82]Robert St. Pierre, Anne Ricciuti, Fumiyo Tao, Cindy Creps, Janet Swartz, Wang Lee, and Amanda Parsad, *Third National Even Start Evaluation: Program Impacts and Implications for Improvement*, Report prepared for the U.S. Department of Education (Washington, DC: DOE, Planning and Evaluation Service, 2003), http://www.ed.gov/rschstat/eval/disadv/evenstartthird/toc.html.

[83]Robert St. Pierre, Anne Ricciuti, Fumiyo Tao, Cindy Creps, Janet Swartz, Wang Lee, and Amanda Parsad, *Third National Even Start Evaluation: Program Impacts and Implications for Improvement*; and Robert St. Pierre, Beth Gamse, Judith Alamprese, Tracy Rimdzius, and Fumiyo Tao, *Even Start: Evidence from the Past and Look to the Future*, Report prepared for the U.S. Department of Education (Washington, DC: DOE, Planning and Evaluation Service, 2003).

[84]U.S. Department of Health and Human Services, Administration for Children and Families, "Chapter 2: Expenditures," in *Social Service Block Grant Annual Report on Expenditures and Recipients* (Washington, DC: HHS, undated), http://www.acf.hhs.gov/programs/ocs/ssbg/ch2.htm (accessed June 7, 2005), stating: "SSBG service expenditures include funds transferred from TANF for some States and not for others. Because the SSBG reporting instructions were developed prior to the existence of the TANF block grant and State discretion to transfer TANF funds into SSBG, States were left to their own devices as to how to report the funds transferred in from TANF."

Between FY 1997 and FY 2001, SSBG expenditures on child care declined from about $337 million[85] to about $204 million,[86] and have since remained at about this level. According to the U.S. Department of Health and Human Services (HHS), in FY 2003, states spent $200 million of SSBG funds on child care.[87]

HHS reports that, in 2002, the SSBG provided child care services to 2,839,077 children.[88] This implies an annual cost of $70 per child, which is too low to be accurate. Rather than overstate the number of children served, it is assumed that the average cost of serving children through the SSBG is the same as under the CCDF (about $5,286 in 2003). Thus, in FY 2003, the $200 million in child care assistance spent through SSBG could have served about 37,835 children.[89]

Tax Credits for Child Care Expenditures

Working parents can receive one of two tax credits to offset some of their child care expenditures. Although not always included in listings of child care programs, these tax credits often provide substantial assistance to working parents. They are described in this report even though they provide little assistance to low-income families.

Child and Dependent Care Tax Credit allows working families to claim a tax credit on up to 35 percent of their employment-related child care expenditures for children under age thirteen. The credit is calculated on a sliding scale, based on the taxpayer's adjusted gross

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[85]The Title XX Coalition, "The Social Services Block Grant: FY 1997 Expenditure Report," http://www.thearc.org/ga/ssbg_report.html (accessed June 7, 2005).

[86]U.S. Department of Health and Human Services, Administration for Children and Families, "Executive Summary," in *Social Services and Block Grant Reports: Annual Report on Expenditure and Recipients 2001* (Washington, DC: HHS, undated), http://www.acf.hhs.gov/programs/ocs/ssbg/annrpt/execSummary.html (accessed June 7, 2005).

[87]U.S. Department of Health and Human Services, Administration for Children and Families, "Executive Summary," in *Social Services and Block Grant Reports: Annual Report on Expenditure and Recipients 2002* (Washington, DC: HHS, undated), http://www.acf.hhs.gov/programs/ocs/ssbg/annrpt/2002/execSummary.html (accessed January 25, 2005). Data is not yet available for 2003, so it is estimated as the same level of expenditures as 2002.

[88]U.S. Department of Health and Human Services, Administration for Children and Families, "Child Day Care," in *Social Services and Block Grant Reports: 2002 Focus Reports* (Washington, DC: HHS, undated), http://www.acf.hhs.gov/programs/ocs/ssbg/docs/ssbg_focus_2002/focus_child_day_care.html (accessed June 7, 2005). Data is not yet available for 2003, so it is estimated as the same level of expenditures as 2002.

[89]This approach is similar to HHS calculations of child care enrollment estimates; however, it assumes a slightly higher cost per child. (The per child cost under the CCDF is based on total CCDF expenditures rather than direct service expenditures.) *See* U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Child Care Eligibility and Enrollment Estimates for Fiscal Year 2003* (Washington, DC: HHS, April 2005), http://aspe.hhs.gov/hsp/05/cc-elig-est03/index.htm.

income. Beginning in 2003, taxpayers with incomes up to $15,000 can claim 35 percent of employment-related child care expenses, with the percentage declining by 1 percentage point for each additional $2,000 in income up to $43,000. Taxpayers with incomes above $43,000 can claim 20 percent of allowable expenses. At 35 percent, the maximum credit is $1,050 for one dependent and $2,100 for two or more dependents. At 20 percent, the maximum credit is $600 for one dependent and $1,200 for two or more dependents. This tax credit is not refundable, so families who do not have a tax liability do not benefit from the credit.

In FY 2003, the U.S. Treasury's estimated revenue loss due to the credit was about $2.7 billion, and about $2.8 billion in FY 2004.[90] (The Child and Dependent Care Tax Credit is not included in the summary of expenditures because it provides relatively little assistance for low-income families.)

Dependent Care Assistance Plan (DCAP) allows employees whose employers have established a DCAP plan to pay for work-related child care by annually setting aside, tax-free, up to $5,000 of their earned income. These funds then reimburse employees for their documented child care expenditures. Dependent Care Assistance Plans (DCAPs) can also be structured to provide employers with a $5,000 tax credit per employee if the employer pays for or provides child care. The set-aside funds are also not subject to state taxes. DCAPs may be used by families of all income levels.

In FY 2003, the Treasury's estimated revenue loss due to DCAPs was about $577 million; in FY 2004, it was about $590 million.[91] (The DCAP is not included in the summary of expenditures, because it provides relatively little assistance for low-income families.)

State-Funded Prekindergarten Programs

The foregoing programs are all funded with either federal funds alone or combinations of federal and state funds. Many states also use their own funds to support child care and early education through their state prekindergarten programs.[92] In the past, there was no single, comprehensive source of information on state spending for state-funded child care programs, so it was difficult to gauge the scope of these programs. The National Institute for Early Education Research (NIEER) aims to provide a comprehensive picture of state-funded prekindergarten programs in its *2004 State Preschool Yearbook*, which describes state-funded prekindergarten in the 2002–2003 school year and presents data for the 2003–2004 school year where available.

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[90] Tax Policy Center, "Estimates of Total Income Tax Expenditures," (Washington, DC: Tax Policy Center, undated), http://www.taxpolicycenter.org/TaxFacts/TFDB/Content/PDF/project_taxexpend_2009.pdf (accessed January 25, 2005).

[91] Tax Policy Center, "Estimates of Total Income Tax Expenditures."

[92] James J. Gallagher, Jenna R. Clayton, and Sarah E. Heinemeier, *Education for Four-Year-Olds: State Initiatives* (Chapel Hill: National Center for Early Development and Learning, Frank Porter Graham Child Development Center, 2001).

The *Yearbook* data were collected from an intensive survey of the states, which addressed the access, quality standards, and resources of state-funded prekindergarten programs.

State spending on prekindergarten programs has grown rapidly, from an estimated $700 million during the 1991–1992 school year to about $1.7 billion during the 1998–1999 school year[93] to about $2.54 billion during the 2002–2003 school year.[94] From the 1991–1992 school year to the 2002–2003 school year, the number of children in such programs climbed from 290,000[95] to nearly 740,000.[96] The U.S. Department of Education estimates an even higher number of children in public school prekindergarten: 822,000 children in the 2000–2001 school year.[97] Although the data have many weaknesses, as illustrated by varying estimates of enrollment, the overall trend is clear: prekindergarten enrollment has increased substantially over the past decade.

Whatever the exact number, according to the Southern Regional Education Board (SREB), participation has reached the point where state prekindergarten and Head Start programs now serve more than 100 percent of "at-risk" four-year-olds in Arkansas, Delaware, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Oklahoma, South Carolina, Texas, Virginia, and West Virginia: "The total number of at-risk 4-year-olds served by state prekindergarten programs or Head Start in the SREB region in 2002–2003 exceeds the number of 4-year-olds living in poverty by more than 100,000."[98] The number of children served can exceed the number in poverty because some states define "at-risk" more broadly than just poverty status. As the SREB notes, "Arkansas, for example, includes low birth-weight, having a teenage mother and/or having parents with a low education level among its at-risk indicators.

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[93]Helen Blank, Karen Schulman, and Danielle Ewen, *Seeds of Success: State Prekindergarten Initiatives 1998-1999* (Washington, DC: Children's Defense Fund, September 1999), http://www.childrensdefense.org/pdf/seeds_of_success.pdf (accessed January 26, 2005).

[94]The National Institute for Early Education Research, *The State of Preschool: 2004 State Preschool Yearbook*.

[95]Helen Blank, Karen Schulman, and Danielle Ewen, *Seeds of Success: State Prekindergarten Initiatives 1998-1999*.

[96]The National Institute for Early Education Research, *The State of Preschool: 2004 State Preschool Yearbook*.

[97]U.S. Department of Education, National Center for Education Statistics, *Prekindergarten in U.S. Public Schools: 2000-2001*, NCES 2003-019 (Washington, DC: DOE, 2003), http://nces.ed.gov/pubs2003/2003019.pdf (accessed April 19, 2005).

[98]Southern Regional Education Board, *State-supported Prekindergarten in the SREB Region: Growing in Hard Times* (Atlanta: Southern Regional Education Board, 2003), http://www.sreb.org/programs/srr/pubs/State_Prekindergarten.pdf (accessed April 12, 2004).

Maryland, South Carolina and Texas consider children for whom English is a second language to be at-risk."[99]

In the 2002–2003 school year, states spent about $2.54 billion on prekindergarten programs and served about 740,000 children.[100] Most of these prekindergarten slots apparently served children from families with incomes below 185 percent of the poverty line.[101] Georgia and Oklahoma are the only two states where prekindergarten appears to be universally available to four-year-olds.[102] In 1995, Georgia was the first state to provide a statewide preschool program funded by the state lottery for *all* four-year-olds, regardless of family income. The program operates five days per week for at least six and-one-half hours per day. During the 2003–2004 school year, the program spent about $255 million and served over 68,000 four-year-old children. On the other hand, Illinois operates a prekindergarten program that funds both full- and half-day programs for children "at risk" of academic failure. During the 2003–2004 school year, the program spent about $186 million and served almost 64,000 three- and four-year-old children. And New York has its Universal Prekindergarten program, as well as the Targeted Prekindergarten program (formerly known as the Experimental Prekindergarten program). During the 2003–2004 school year, these two programs combined spent about $238 million and served over 70,000 four-year-olds.[103]

NOTE: State-funded prekindergarten programs are not included in the summary of expenditures because of a lack of reliable data from earlier years. These programs, however, may provide the equivalent of child care services that help low-income mothers work.

Conclusion and Implications

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[99]Southern Regional Education Board, *State-supported Prekindergarten in the SREB Region: Growing in Hard Times.*

[100]The National Institute for Early Education Research, *The State of Preschool: 2004 State Preschool Yearbook*. This does not include about $178 million in state-funded Head Start programs.

[101]The National Institute for Early Education Research, *The State of Preschool: 2004 State Preschool Yearbook* stating: "Most states targeted their programs to low-income children and children with other background factors that place them at risk for starting school behind their peers." Regarding eligibility criteria, NIEER notes that "Whereas many states used family income as one of the factors (or the only factor) in determining eligibility, they did not all use the same income cutoff. Commonly used income eligibility cutoffs were the cutoff for free lunch (130 percent of the poverty level), which was used in three states (Iowa, Kansas, and Kentucky), or the cutoff for reduced-price lunch (185 percent of poverty), which was used by 11 state initiatives. Eleven other state initiatives used alternative income criteria, with the cutoff set at levels ranging from 100 percent of poverty for the Head Start models in Delaware, Minnesota, Oregon, and Wisconsin, to 125 percent of state median income in Massachusetts."

[102]The National Institute for Early Education Research, *The State of Preschool: 2004 State Preschool Yearbook*.

[103]The National Institute for Early Education Research, *The State of Preschool: 2004 State Preschool Yearbook*.

Since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act in 1996, combined federal and state child care spending has almost doubled. Between 1997 and 2001, spending under the five major programs—the Child Care and Development Fund, Head Start, Temporary Assistance for Needy Families, the Child and Adult Care Food Program, and the Social Services Block Grant—rose about 69 percent, from about $11.09 billion to about $18.78 billion. (That is an average increase of about 14 percent per year.) Growth then slowed substantially: From 2001 to 2003, expenditures rose by a total of only about 8 percent, from about $18.784 billion to about $20.362 billion—an average increase of about 3 percent per year (see figure 1, page 4). Across the entire seven-year period, spending rose by about 83.6 percent.

If unspent funds from TANF and the CCDF were included in this calculation, the absolute numbers and the percentage increase between 1997 and 2003 would have been larger—with available funding going from about $15.25 billion to about $26.09 billion. But because these funds represent potential funding for child care, not actual spending, they are not included in the total.

State spending on prekindergarten programs, which serve mostly low income children,[104] also increased greatly over the last decade. From the 1991–1992 school year to the 2002–2003 school year, state spending on prekindergarten increased about 262 percent, from about $700 million[105] to about $2.54 billion.[106] In the 2002–2003 school year, the approximately $2.54 billion in state prekindergarten funds served about 740,000 children.[107]

Four smaller programs were also discussed: the 21st Century Community Learning Centers Program, the Individuals with Disabilities Education Act's Special Education Preschool Grants and Grants for Infants and Families, Title I of the Elementary and Secondary Education Act preschool education funds, and Even Start. These programs were not included in the summary of total spending because either they do not provide actual child care (or its equivalent) or the amount spent for child care cannot be determined.

This report concludes, however, that two of these programs, the 21st Century Community Learning Centers Program and Even Start, could be reoriented to provide additional child care support for working families. Between 1997 and 2001, spending under these two programs rose a stunning 718 percent, from about $136 million to about $1.113 billion. From 2001 to 2003

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[104]The National Institute for Early Education Research, *The State of Preschool: 2004 State Preschool Yearbook*, stating: "Most states targeted their programs to low-income children and children with other background factors that place them at risk for starting school behind their peers."

[105]Helen Blank, Karen Schulman, and Danielle Ewen, *Seeds of Success: State Prekindergarten Initiatives 1998-1999*.

[106]The National Institute for Early Education Research, *The State of Preschool: 2004 State Preschool Yearbook*.

[107]The National Institute for Early Education Research, *The State of Preschool: 2004 State Preschool Yearbook*.

spending rose about 9 percent, from about $1.113 billion to about $1.214 billion (see figure 1, page 4 and table 1, page 5).

Five overarching points about federal and state support for child care emerge from the summary:

(1) Following the passage of the 1996 welfare reform law, the growth in child care spending was dramatic, but has slowed in the recent years.

(2) A significant portion of post-welfare-reform funding for child care comes from unspent TANF block grant funds, making their future availability dependent on TANF caseloads remaining substantially lower than their 1994/1995 levels and continued state support of child care over other spending choices.

(3) Despite some streamlining of child care funding, fragmentation of child care programs is still a problem.

(4) Head Start is losing its dominant place in the constellation of federal child care and early childhood programs. In the 1980s and early 1990s, it was by far the largest early childhood program, amounting to nearly half of total spending in some years. By 2003, it was only about 32 percent of total child care spending (see table 1).

(5) As Head Start's growth has slowed, state-funded prekindergarten programs have been expanded and are on track to be the dominant early childhood education program for low-income children.

Appendix A: Sources and Notes for Figures and Tables

Figure 1
Sources:
Child Care Development Fund (CCDF)
For 1980–2000: U.S. House of Representatives, Committee on Ways and Means, *Green Book* (Washington, DC: GPO, various years); For 1992–2000: Melinda Gish, *Child Care: Funding and Spending under Federal Block Grants* (Washington, DC: Congressional Research Service, March 19, 2002); For 2001: U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *FFY 2001 CCDF State Expenditures* (Washington, DC: HHS, 2003), http://www.acf.dhhs.gov/programs/ccb/research/archive/01acf696/tot01exp.htm (accessed December 16, 2003); For 2002: U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *FFY 2002 CCDF State Expenditures* (Washington, DC: HHS, 2003), http://www.acf.dhhs.gov/programs/ccb/research/02acf696/FY02chart.htm (accessed December 16, 2003), and Melinda Gish, *Child Care: Funding and Spending under Federal Block Grants* (Washington, DC: Congressional Research Service, March 19, 2002); And for 2003, U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *FFY 2003 CCDF State Expenditures* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ccb/research/03acf696/table9.htm (accessed January 24, 2005).

Head Start
U.S. Department of Health and Human Services, Administration for Children and Families, Head Start Bureau, *Head Start Fact Sheet* (Washington, DC: HHS, various years).

Temporary Assistance for Needy Families (TANF)
For 1997–2000: Melinda Gish, *Child Care: Funding and Spending under Federal Block Grants* (Washington, DC: Congressional Research Service, March 19, 2002); For 2001–2002: unpublished CRS tables; And for 2003: authors' calculations based on U.S. Department of Health and Human Services, Administration for Children and Families, *Fiscal Year 2003 TANF Financial Data* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ofs/data/tanf_2003.html (accessed April 4, 2005).

Child and Adult Care Food Program (CACFP)
U.S. Department of Agriculture, Food and Nutrition Service, "Child and Adult Care Food Program," (Washington, DC: USDA, undated), http://www.fns.usda.gov/pd/ccsummar.htm (accessed January 19, 2005).

Social Services Block Grant (SSBG)
For 1981–1996: Executive Office of the President, Office of Management and Budget, *Historical Tables: Fiscal Year 2004* (Washington, DC: OMB, 2003), table 12.3; For 1997, The Title XX Coalition, "The Social Services Block Grant: FY 1997 Expenditure Report,"

http://www.thearc.org/ga/ssbg_report.html (accessed December 18, 2003); And for 1998–2003: U.S. Department of Health and Human Services, Administration for Children and Families, "Annual Report on Expenditure and Recipients," *Social Service Block Grant Reports* (Washington, DC: HHS, various years), http://www.acf.hhs.gov/programs/ocs/ssbg/docs/reports.htm (January 21, 2005).

21st Century Community Learning Centers Program
U.S. Department of Education, *Education Department Budget History Table: 1980*–Present (Washington, DC: DOE, 2005), http://www.ed.gov/about/overview/budget/history/edhistory.pdf (accessed January 21, 2005).

Even Start
U.S. Department of Education, "Department of Education Fiscal Year 2004 Congressional Action," (Washington, DC: DOE, 2004), http://www.ed.gov/about/overview/budget/budget04/04action.pdf (accessed January 25, 2005).

Unspent TANF
U.S. Department of Health and Human Services, Administration for Children and Families, "Overview of Federal Funds Available and Spent," *TANF Financial Data* (Washington, DC: HHS, various years), http://www.acf.dhhs.gov/programs/ofs/data/index.html (accessed December 18, 2003).

Unspent CCDF
U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *CCDF State Expenditures* (Washington, DC: HHS, various years), http://www.acf.dhhs.gov/programs/ccb/research/archive/01acf696/tot01exp.htm (accessed December 16, 2003).

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Care Bureau, *FFY 2003 CCDF State Expenditures* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ccb/research/03acf696/table9.htm (accessed January 24, 2005).

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For 1997–2000: Melinda Gish, *Child Care: Funding and Spending under Federal Block Grants* (Washington, DC: Congressional Research Service, March 19, 2002); For 2001–2002: unpublished CRS tables; And for 2003: authors' calculations based on U.S. Department of Health and Human Services, Administration for Children and Families, *Fiscal Year 2003 TANF Financial Data* (Washington, DC: HHS, 2004), http://www.acf.hhs.gov/programs/ofs/data/tanf_2003.html (accessed April 4, 2005).

Child and Adult Care Food Program (CACFP)
U.S. Department of Agriculture, Food and Nutrition Service, "Child and Adult Care Food Program," (Washington, DC: USDA, undated), http://www.fns.usda.gov/pd/ccsummar.htm (accessed January 19, 2005).

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For 1981–1996: Executive Office of the President, Office of Management and Budget, *Historical Tables: Fiscal Year 2004* (Washington, DC: OMB, 2003), table 12.3; For 1997, The Title XX Coalition, "The Social Services Block Grant: FY 1997 Expenditure Report," http://www.thearc.org/ga/ssbg_report.html (accessed December 18, 2003); And for 1998–2003: HHS, Administration for Children and Families, "Annual Report on Expenditure and Recipients," *Social Service Block Grant Reports* (Washington, DC: HHS, various years), http://www.acf.hhs.gov/programs/ocs/ssbg/docs/reports.htm (January 21, 2005).

21st Century Community Learning Centers Program
U.S. Department of Education, *Education Department Budget History Table: 1980*–Present (Washington, DC: DOE, 2005), http://www.ed.gov/about/overview/budget/history/edhistory.pdf (accessed January 21, 2005).

Even Start
U.S. Department of Education, "Department of Education Fiscal Year 2004 Congressional Action," (Washington, DC: DOE, 2004), http://www.ed.gov/about/overview/budget/budget04/04action.pdf (accessed January 25, 2005).

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Notes:
1. The CCDF expenditure data are the amount states actually spent in a given year including funds carried over from a prior year (as opposed to the amount made available or the amount of the year’s allocation that was actually spent).

2. For Head Start, the local grantees are expected to contribute 20 percent of the total state allocation. These contributions may be in cash or in-kind. They are not included in the expenditure calculation.

3. TANF expenditures exclude TANF transfers and TANF MOE expenditures that could also be claimed as CCDF MOE. All CCDF MOE expenditures are deducted, assuming a complete overlap, even though in some states this exaggerates the amount of overlap and, as a result, understates the amount of TANF child care expenditures that could be counted.

4. For 1981–1996, the calculations for SSBG assume that 20 percent of SSBG outlays are for child care. For 1997–2002, expenditures reflect the amount states actually spent in a given year. (Beginning in 1997, SSBG expenditures include TANF transfers into the SSBG.) For 2003, expenditures were estimated to be at the same level as in 2002 because data were not yet available.

5. Unspent TANF includes cumulative unliquidated obligations and the cumulative unobligated balance.

6. Unspent CCDF includes cumulative unliquidated obligations and the cumulative unobligated balance. For FY 2002, this includes unliquidated obligations of $2.152 billion (with $1.696 billion from FY 2002 funds, $442 million from FY 2001 funds and $14 million for FY 2000 funds) and an unobligated balance of $938 million (all from FY 2002 funds).

Figure 2
Sources:
Special tabulations by Richard Bavier, Office of Management and Budget, based on: U.S. Census Bureau, *March 2002 Current Population Survey* (Washington, DC: U.S. Department of Commerce, 2002); U.S. Department of Education, National Center for Education Statistics, *Prekindergarten in U.S. Public Schools: 2000–2001*, NCES 2003-019 (Washington, DC: DOE, 2003), http://nces.ed.gov/pubs2003/2003019.pdf (accessed December 19, 2003; U.S. Census

Bureau, “Table 2: Single Grade of Enrollment and High School Graduation Status for People 3 Years Old and Over, by Age (Single Years for 3 to 24 Years), Sex, Race, and Hispanic Origin: October 2001,” *School Enrollment—Social and Economic Characteristics of Students: October 2001*, *Detailed Tables* (Washington, DC: Census Bureau, undated), http://www.census.gov/population/socdemo/school/cps2001/tab02.pdf (accessed April 25, 2005); Anteon Corporation, *Child Care and Development Fund: Special tabulations of 2001 CCDF data,* prepared for the U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, 2003; and University of Maryland, Welfare Reform Academy, *Child Care Estimator* (College Park: University of Maryland, 2005).