

## Spending Update Hannah Matthews

Families rely on child care to go to work and school and to help their children learn and develop the skills they need to thrive. Quality child care is expensive and low-income earners need help meeting the high costs of care. The federal Child Care and Development Block Grant (CCDBG) provides funds to states to help low-income families afford child care and improve the quality of child care.

CCDBG is currently funded at \$5 billion (see Figure 1).<sup>1</sup> Because CCDBG funds are available for several years after they are awarded, annual CCDBG *spending* is often higher than annual *funding* as states spend funds from several years' appropriations.

In addition to CCDBG funds, states use funds from the federal Temporary Assistance for Needy Families (TANF) block grant to provide child care assistance. States have the option of spending TANF funds directly on child care, or transferring TANF funds to CCDBG.

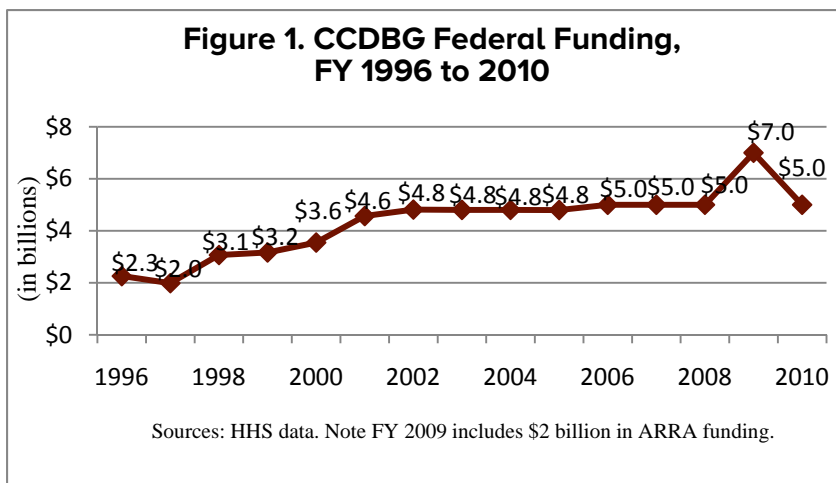
States report spending in the CCDBG and TANF programs to the U.S. Department of Health and Human Services (HHS). This paper provides information on CCDBG and TANF child care funds that were spent from FY 2008, covering the period of October 1, 2007 to September 30, 2008, the most recent available data, as well as national trends in child care spending in recent years. This paper is based on information that states report to the federal government and may differ from analyses based on state fiscal year expenditures.

According to CCDBG law, states have several years to obligate and liquidate CCDBG funds.<sup>2</sup> Therefore, portion of changes in spending in any state may reflect the timing of expenditures (in one federal fiscal year or another) and not necessarily real changes in the level of expenditures.

## Key Developments in 2008 Child Care Spending

To calculate overall child care spending, we tally all funds a state spent during federal fiscal year 2008—including funds appropriated and spent in 2008 and those appropriated in prior years and spent in 2008.<sup>3</sup> Total child care spending (including federal and state CCDBG and TANF-related funds) decreased by \$403 million, or 3 percent, in 2008 to \$12.6 billion (see Figure 2). Total spending in 2008 included:

- \$9.2 billion in CCDBG funds—including liquidated TANF transfers to CCDBG, state



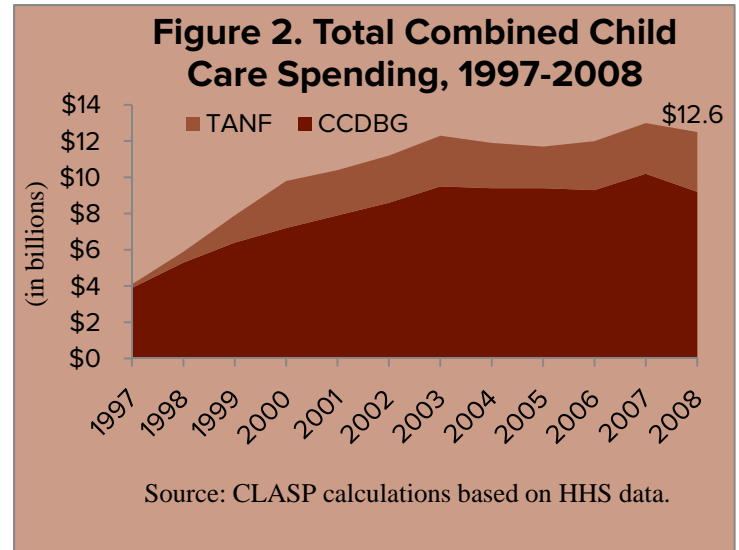
CCDBG MOE funds, and CCDBG funds appropriated in prior years but spent in 2008;<sup>4</sup>

- \$1.6 billion in TANF funds spent directly on child care; and
- \$1.7 billion in additional state TANF MOE funds.<sup>5</sup>

## Spending patterns show great variation among states.

There was great variation in spending among states (see Appendix for state-by-state information). Seventy-two percent of the decrease in spending in 21 states was attributed to California (\$846 million). Twenty-six percent of the increase in spending in 30 states was attributed to New York (\$195 million). Overall changes in child care spending were the result of increases or decreases in either CCDBG and/or TANF spending in states.

- Six states increased spending by more than 20 percent: Colorado (23 percent, or \$24 million), Georgia (38 percent, or \$79 million), Kentucky (68 percent, or \$75 million), Nevada (30 percent, or \$13 million), New York (25 percent, or \$195 million), and Oregon (22 percent, or \$19 million).
- Eighteen states increased spending in both 2007 and 2008: Alabama, Colorado, Connecticut, Indiana, Kansas, Louisiana, Minnesota, Montana, New Hampshire, New Jersey, North Dakota, Ohio, Pennsylvania, South Carolina, Utah, Vermont, Wisconsin, and Wyoming.
- Twelve states increased spending for the third consecutive year: Alabama, Connecticut, Indiana, Kansas, Montana, New Jersey, North Dakota, Ohio, Pennsylvania, Utah, Vermont, and Wisconsin.



- Six states made cuts of 20 percent or more: Arizona (20 percent, or \$40 million), Arkansas (40 percent, or \$50 million), California (29 percent, or \$846 million), Maine (32 percent, or \$15 million), Delaware (30 percent, or \$16 million), and Rhode Island (23 percent, or \$15 million).
- Eight states made cuts in both 2007 and 2008: Alaska, the District of Columbia, Idaho, Maine, Michigan, Rhode Island, Virginia, and Washington.
- Four states made cuts for the third consecutive year: Alaska, Idaho, Michigan, and Rhode Island.

## CCDBG Spending

**CCDBG expenditures decreased nationally.** In 2008, CCDBG expenditures decreased to \$9.2 billion—\$6.8 billion in federal funds and \$2.4 billion in state matching and MOE funds (including expenditures of funds appropriated in prior years).

Twenty-four states increased CCDBG spending, while 27 states decreased CCDBG spending. States drew down all available federal dollars with two exceptions: Georgia left \$1,113 in federal match and Idaho left \$4.7 million in federal match. These funds by law were returned to the Treasury and reallocated in 2009. Spending on quality initiatives increased slightly to \$672 million, or 7 percent of CCDBG expenditures.<sup>6</sup>

## TANF Spending

### **More TANF funds were used for child care.**

Federal TANF funds used for child care increased in FY 2008, for the second year in a row.

Nationally, states used approximately \$3.3 billion in TANF funds for child care in 2008, approximately \$121 million more than in the previous year, or a 4 percent increase. States may spend TANF funds directly on child care, usually in the form of vouchers given to parents; they may also choose to transfer up to 30 percent of their annual TANF block grant to the Child Care and Development Block Grant (CCDBG) or to a combination of CCDBG and the Social Services Block Grant (SSBG).

TANF funds spent directly on child care increased from \$1.2 billion in 2007 to \$1.6 billion in 2008. TANF transfers to CCDBG decreased from \$2 billion in 2007 to \$1.7 billion in 2008. Only Massachusetts transferred the maximum amount of 30 percent of TANF funds. An additional eight states transferred between 25 to 29 percent of their TANF funds to a combination of CCDBG and SSBG: Delaware, Florida, Idaho, Iowa, Kansas, Louisiana, Vermont, and Washington (see Table 1).

States are required to meet a maintenance-of-effort (MOE) requirement in the TANF program. States spent \$2.6 billion in state MOE funds on child care

in 2008. This was an increase of \$65 million compared to 2007. It may be that all, or a portion, of the increase in state MOE spending reflects accounting issues, rather than a real change in spending, however it is not possible to determine through available national data. A portion of TANF MOE funds spent on child care may also be directed toward states' CCDBG MOE requirement. States are permitted to count child care expenditures toward both CCDBG MOE and TANF MOE requirements. CLASP analysis excludes funds that “double counted” as CCDBG and TANF MOE and only includes excess TANF MOE spending.

## Children Served

According to preliminary data, the average monthly number of children receiving CCDBG-funded assistance (including TANF transfers) fell from 1.7 million in 2007 to 1.6 million in 2008.<sup>7</sup> This would be the smallest number of children served through CCDBG this decade. A majority of states (29) served fewer children in 2008 than in 2007, while 19 states served more children.

States do not report to the federal government the number of children served in direct TANF-funded child care. HHS estimates that 2.5 million children received child care assistance through all sources, including CCDBG, TANF, and SSBG in 2008. HHS estimates an annual cost per child based on state-reported administrative data on the average monthly amount paid to providers and the average family co-payment for care. The average cost per child is applied to all TANF-related funds as there is no quality requirement for TANF-funded child care.<sup>8</sup> According to this estimate, approximately 900,000 children were served with TANF direct, excess TANF MOE, and SSBG funds in 2008.

In 2009, child poverty rose to nearly 21 percent, the highest level since 1997. An additional 21 percent of the country's children live in households with incomes between 100 and 200 percent of poverty.<sup>9</sup> While data is not yet available, poverty rates are expected to be higher yet in 2010 due to the economic recession.<sup>10</sup>

Child care needs also grew during the recession as more families struggled to maintain household budgets. In 2008, HHS estimates that 17 percent of eligible families received child care assistance. While American Recovery and Reinvestment Act (ARRA) funds distributed in 2009 helped more families maintain subsidies, it may be that the grim economic reality made even more families eligible for assistance. Future CCDBG funding will determine whether the number of children served goes forward in a negative or positive trend.

<sup>5</sup> This excludes \$916 million that may be "double counted" as CCDBG MOE and TANF MOE. Total TANF MOE spent on child care was \$2.6 billion in 2008.

<sup>6</sup> States are required to spend a minimum of 4 percent of CCDBG funds on quality initiatives. Compliance with this requirement is assessed at the end of the liquidation period.

<sup>7</sup> U.S. Department of Health and Human Services, Administration for Children and Families, Child Care and Development Fund Statistics, *FY 2008 CCDF Data Tables (Preliminary Estimates)* and *FY 2007 CCDF Data Tables*, <http://www.acf.hhs.gov/programs/ccb/data/index.htm>.

<sup>8</sup> Previously, HHS used expenditure data to calculate a cost per child used to estimate the number of children served with TANF funds. As this methodology has changed, the total number of children served is not comparable to previous years.

<sup>9</sup> U.S. Census Bureau, Current Population Survey, 2010 Annual Social and Economic Supplement..

<sup>10</sup> Arloc Sherman, Robert Greenstein, Danilo Trisi and Paul N. Van de Water, *Poverty Rose, Median Income Declined, and Job-Based Health Insurance Continued to Weaken in 2008 Recession Likely to Expand Ranks of Poor and Uninsured in 2009 and 2010*, Center on Budget and Policy Priorities, 2009, <http://www.cbpp.org/cms/index.cfm?fa=view&id=2914>.

<sup>1</sup> A one-time appropriation of \$2 billion for CCDBG was included in the American Recovery and Reinvestment Act. States have until September 30, 2010 to obligate these funds and an additional year to spend them.

<sup>2</sup> See Hannah Matthews, *CCDBG: What's in the law?* Center for Law and Social Policy, 2009, <http://www.clasp.org/publications/ccdbginbrief.pdf>.

<sup>3</sup> CCDBG is comprised of several funding streams, each with its own expenditure rules; all funds are not required to be spent in the year they are awarded. For a description of CCDBG funding streams see CLASP's *Notes on Child Care Spending Analysis*, [http://www.clasp.org/publications/ccspending\\_notes.pdf](http://www.clasp.org/publications/ccspending_notes.pdf). Analysis of expenditure data based on state fiscal years may differ from the analysis presented here. CLASP analysis is based on U.S. Department of Health and Human Services, Administration for Children and Families *CCDF Expenditure Data*, <http://www.acf.hhs.gov/programs/ccb/data/index.htm> (Spending from All Appropriation Years) and *TANF Financial Data*, <http://www.acf.hhs.gov/programs/ofs/data/index.html> (Tables, A, B and C).

<sup>4</sup> To calculate state expenditures on child care, we sum all funds a state spent during federal fiscal year 2008, including funds appropriated in prior years.

**Table 1. FY 2008 TANF Transfers**

State	Percent of FY 2008 Grant Transferred to CCDBG	Percent of FY 2008 Grant Transferred to SSBG	Total Percent of FY 2008 Grant Transferred
Alabama	13%	7%	20%
Alaska	13%	5%	18%
Arizona	0%	9%	9%
Arkansas	8%	1%	9%
California	0%	9%	9%
Colorado	11%	6%	17%
Connecticut	0%	10%	10%
Delaware	17%	8%	25%
Dist. of Columbia	0%	3%	3%
Florida	18%	9%	27%
Georgia	0%	1%	1%
Hawaii	8%	4%	12%
Idaho	22%	4%	26%
Illinois	0%	7%	7%
Indiana	13%	1%	14%
Iowa	17%	8%	25%
Kansas	19%	6%	25%
Kentucky	23%	0%	23%
Louisiana	19%	8%	27%
Maine	-1%	5%	4%
Maryland	3%	7%	10%
Massachusetts	20%	10%	30%
Michigan	13%	9%	22%
Minnesota	9%	3%	12%
Mississippi	14%	7%	21%
Missouri	10%	10%	20%
Montana	10%	3%	13%
Nebraska	18%	0%	18%
Nevada	0%	3%	3%
New Hampshire	7%	4%	11%
New Jersey	15%	3%	18%
New Mexico	19%	0%	19%
New York	14%	5%	19%
North Carolina	13%	3%	16%
North Dakota	1%	0%	1%
Ohio	0%	4%	4%
Oklahoma	11%	6%	17%
Oregon	0%	0%	0%
Pennsylvania	17%	4%	21%
Rhode Island	12%	7%	19%

<b>South Carolina</b>	0%	3%	3%
<b>South Dakota</b>	0%	5%	5%
<b>Tennessee</b>	17%	0%	17%
<b>Texas</b>	0%	4%	4%
<b>Utah</b>	0%	5%	5%
<b>Vermont</b>	19%	10%	29%
<b>Virginia</b>	10%	9%	19%
<b>Washington</b>	23%	2%	25%
<b>West Virginia</b>	0%	7%	7%
<b>Wisconsin</b>	20%	4%	24%
<b>Wyoming</b>	0%	3%	3%
<b>U.S.</b>	8%	6%	14%





# Child Care Assistance in 2008

September 2010

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## Appendix. State Child Care Expenditures (CCDBG and TANF Combined) and Monthly Average Number of Children Served (CCDBG), 2007-2008

See [CLASP Website: In the States](#) for state spending and participation data from 2001 to 2008.

State	Total Child Care Spending (TANF and CCDBG) FY 2007	Total Child Care Spending (TANF and CCDBG) FY 2008	Dollar Change	Percent Change	Average Monthly Number of Children Served (CCDBG only) FY 2007	Average Monthly Number of Children Served (CCDBG only) FY 2008 <sup>1</sup>	Change in Number of Children Served
Alabama+	\$120,850,808	\$125,356,509	\$4,505,701	4%	31,700	31,900	200
Alaska*	\$40,838,184	\$36,110,183	-\$4,728,001	-12%	3,800	3,500	-300
Arizona	\$197,434,582	\$157,792,082	-\$39,642,500	-20%	29,900	29,500	-400
Arkansas	\$124,397,571	\$74,034,396	-\$50,363,175	-40%	4,700	3,200	-1,500
California	\$2,934,255,528	\$2,087,896,330	-\$846,359,198	-29%	144,500	104,900	-39,600
Colorado+	\$102,612,472	\$126,213,787	\$23,601,315	23%	16,500	18,900	2,400
Connecticut+	\$170,064,642	\$188,136,372	\$18,071,730	11%	9,700	9,400	-300
Delaware	\$52,836,875	\$37,137,528	-\$15,699,347	-30%	7,000	6,000	-1,000
D.C.*	\$79,589,201	\$70,278,057	-\$9,311,144	-12%	3,900	1,600	-2,300
Florida	\$698,356,218	\$698,740,567	\$384,349	0%	108,900	101,000	-7,900
Georgia	\$211,371,278	\$290,822,017	\$79,450,739	38%	53,600	54,000	400

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Hawaii	\$55,879,785	\$50,237,361	-\$5,642,424	-10%	10,000	10,400	400
Idaho*	\$32,474,316	\$29,571,547	-\$2,902,769	-9%	8,700	7,900	-800
Illinois	\$677,880,050	\$715,476,815	\$37,596,765	6%	76,200	68,300	-7,900
Indiana+	\$169,475,945	\$189,173,776	\$19,697,831	12%	35,200	36,100	900
Iowa	\$125,289,357	\$107,679,219	-\$17,610,138	-14%	17,900	15,300	-2,600
Kansas+	\$96,301,945	\$102,255,227	\$5,953,282	6%	22,500	21,500	-1,000
Kentucky	\$110,995,263	\$185,950,471	\$74,955,208	68%	29,400	31,200	1,800
Louisiana+	\$138,429,486	\$148,090,386	\$9,660,900	7%	44,800	45,300	500
Maine*	\$45,533,345	\$30,954,775	-\$14,578,570	-32%	5,600	3,100	-2,500
Maryland	\$153,049,496	\$144,507,594	-\$8,541,902	-6%	23,900	24,400	500
Massachusetts	\$500,334,201	\$434,338,304	-\$65,995,897	-13%	28,600	23,100	-5,500
Michigan*	\$461,721,336	\$432,080,311	-\$29,641,025	-6%	75,500	70,900	-4,600
Minnesota+	\$191,588,785	\$207,369,765	\$15,780,980	8%	25,600	24,800	-800
Mississippi	\$92,609,539	\$81,993,801	-\$10,615,738	-11%	30,600	25,400	-5,200
Missouri	\$184,314,464	\$189,561,721	\$5,247,257	3%	38,100	35,900	-2,200
Montana	\$27,464,732	\$28,293,004	\$828,272	3%	4,500	4,500	0
Nebraska	\$81,359,682	\$81,228,369	-\$131,313	0%	14,900	11,200	-3,700
Nevada	\$44,508,956	\$57,761,989	\$13,253,033	30%	6,100	6,300	200
New Hampshire+	\$33,375,592	\$36,687,634	\$3,312,042	10%	7,600	7,700	100
New Jersey+	\$235,204,987	\$263,455,279	\$28,250,292	12%	35,100	35,800	700
New Mexico	\$85,797,349	\$78,158,710	-\$7,638,639	-9%	21,300	18,700	-2,600
New York	\$780,141,750	\$974,806,179	\$194,664,429	25%	115,500	116,400	900
North Carolina	\$431,709,898	\$427,079,532	-\$4,630,366	-1%	64,200	58,000	-6,200
North Dakota+	\$12,889,583	\$14,092,312	\$1,202,729	9%	3,800	4,100	300
Ohio+	\$611,942,431	\$623,645,274	\$11,702,843	2%	54,300	48,800	-5,500
Oklahoma	\$155,373,130	\$181,894,714	\$26,521,584	17%	24,100	24,700	600



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Oregon	\$83,838,129	\$102,553,346	\$18,715,217	22%	19,600	22,700	3,100
Pennsylvania+	\$598,381,429	\$708,639,288	\$110,257,859	18%	95,700	98,100	2,400
Rhode Island*	\$63,892,776	\$49,008,221	-\$14,884,555	-23%	7,700	6,000	-1,700
South Carolina+	\$79,898,473	\$83,023,704	\$3,125,231	4%	20,500	21,300	800
South Dakota	\$14,003,346	\$16,406,279	\$2,402,933	17%	5,100	5,100	0
Tennessee	\$223,002,325	\$226,628,436	\$3,626,111	2%	40,400	42,700	2,300
Texas	\$583,638,359	\$575,469,964	-\$8,168,395	-1%	132,000	120,500	-11,500
Utah+	\$64,528,456	\$67,017,952	\$2,489,496	4%	12,600	12,500	-100
Vermont+	\$34,656,636	\$36,492,750	\$1,836,114	5%	6,100	3,500	-2,600
Virginia*	\$189,047,597	\$184,506,015	-\$4,541,582	-2%	24,400	23,900	-500
Washington*	\$308,813,588	\$286,725,963	-\$22,087,625	-7%	54,100	48,400	-5,700
West Virginia	\$53,589,373	\$55,905,477	\$2,316,104	4%	9,300	8,300	-1,000
Wisconsin+	\$362,172,621	\$381,699,859	\$19,527,238	5%	25,700	28,000	2,300
Wyoming+	\$17,519,811	\$18,698,993	\$1,179,182	7%	4,400	4,400	0
<b>U.S. Total<sup>2</sup></b>	<b>\$12,967,340,476</b>	<b>\$12,563,850,693</b>	<b>-403,489,783</b>	<b>-3%</b>	<b>1,706,600</b>	<b>1,600,300</b>	<b>-106,300</b>

<sup>+</sup> State increased spending in FY 2007 and 2008.

<sup>\*</sup> State decreased spending in FY 2007 and 2008.

<sup>1</sup> FY 2008 participation data are preliminary.

<sup>2</sup> Total spending figures include U.S. territories and therefore do not equal the sum of state expenditures shown here.