



# Child Care Assistance in 2007

September 21, 2009

## Spending Update Hannah Matthews

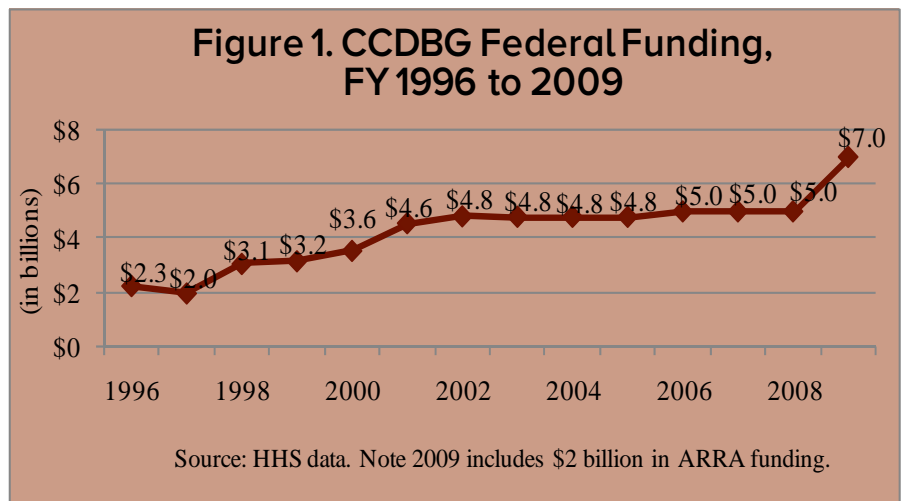
Every day millions of families rely on child care to help them go to work and school and to help their children learn and develop the skills they need to thrive. Quality child care is expensive and low-income earners need help meeting the high costs of care. In February, Congress recognized the vital importance of child care assistance in helping low-income families obtain jobs and remain in the workforce by including \$2 billion for the Child Care and Development Block Grant (CCDBG) in the American Recovery and Reinvestment Act (ARRA). CCDBG is the largest federal source of funding to states for child care assistance and serves children birth through age 13.<sup>1</sup> ARRA child care funds are one-time funds to help states recover from the economic crisis by creating new jobs and serving more families.<sup>2</sup>

In March, Congress completed an outstanding appropriations bill for fiscal year 2009, which began October 1, 2008. In the FY 2009 Omnibus Appropriations Act, CCDBG received a small increase of \$65 million. This was the first increase in annual CCDBG Discretionary funding since 2002. Excluding ARRA funds, CCDBG is currently funded at \$5 billion. In FY 2009, states will receive a total of \$7 billion in federal funds, including ARRA funds (see Figure 1). In addition, states are expected to contribute an additional \$2.2 billion in state match and maintenance of effort (MOE). Because CCDBG funds are available for several years after they are awarded, annual CCDBG *spending* is often higher than annual allocations 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). The latest year HHS has released spending information for CCDBG and TANF is from FY 2007, covering the period of October 1, 2006 to September 30, 2007.<sup>3</sup> This paper provides information on CCDBG and TANF child care funds that were spent during that time period 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.



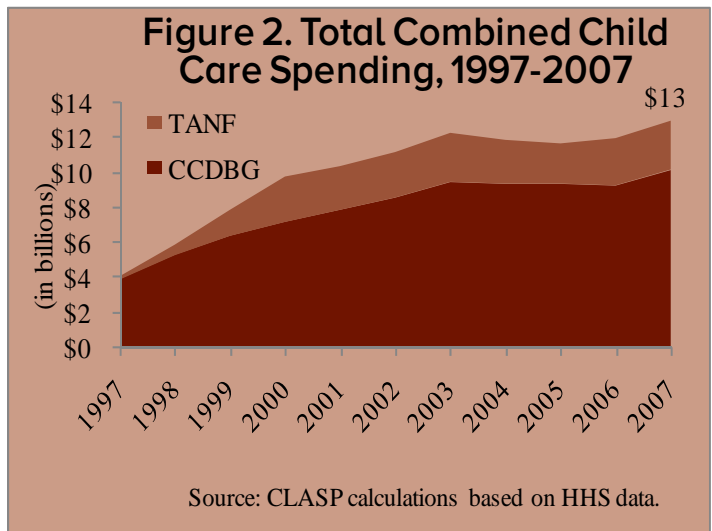
## Key Developments in 2007 Child Care Spending

To calculate overall child care spending, we sum all funds a state spent during federal fiscal year 2007—including funds appropriated and spent in 2007 and those appropriated in prior years and spent in 2007.<sup>4</sup> Total child care spending (including federal and state CCDBG and TANF-related funds) increased by \$993 million, or 8 percent, in 2007 to nearly \$13.0 billion (see Figure 2). This increase is attributed to an increase in CCDBG expenditures in one state, California, and an increase in state TANF MOE funds in two states, California and Massachusetts.<sup>5</sup> If California is excluded from the national figures, national spending from 2006 to 2007 remained near flat. Total spending in 2007 included:

- \$10.2 billion in CCDBG funds—including liquidated TANF transfers to CCDBG, state CCDBG MOE funds, and CCDBG funds appropriated in prior years but spent in 2007;<sup>6</sup>
- \$1.2 billion in TANF spent directly on child care; and
- \$1.6 billion in additional state TANF MOE funds.<sup>7</sup>

### Spending patterns show great variation among states.

There was great variation in FY 2007 in spending among states (see Appendix for state-by-state information). Thirty-one states increased overall child care spending, while 20 states made cuts.<sup>8</sup> Sixty percent of the increase in spending in 31 states was attributed to California (\$862 million), while 29 percent of the decrease in 20 states was in New York (\$122 million). Overall changes in child care spending were the result of increases or decreases in either CCDBG and/or TANF spending.



- Eight states increased spending by 20 percent or more: Arizona (26 percent, or \$41 million), Arkansas (49 percent, or \$41 million), California (42 percent, or \$862 million), Connecticut (20 percent, or \$29 million), Hawaii (29 percent, or \$13 million), Iowa (26 percent, or \$26 million), Nebraska (29 percent, or \$19 million), and New Hampshire (21 percent, or \$6 million).
- Twenty states increased spending in both 2006 and 2007: Alabama, Arizona, Arkansas, California, Connecticut, Indiana, Iowa, Kansas, Maryland, Massachusetts, Mississippi, Montana, Nebraska, New Jersey, North Dakota, Ohio, Pennsylvania, Utah, Vermont, and Wisconsin.
- Nine states increased spending for the third consecutive year: Arkansas, Connecticut, Iowa, Kansas, Montana, Nebraska, Ohio, Pennsylvania, and Utah.
- Nine states made cuts of 10 percent or more: the District of Columbia (15 percent, or \$15 million), Georgia (13 percent, or \$30 million), Kentucky (42 percent, or \$82 million), Maine (11 percent, or \$6 million),

Michigan (10 percent, or \$54 million), New York (14 percent, or \$122 million), Rhode Island (15 percent, or \$12 million), South Dakota (16 percent, or \$3 million), and Virginia (16 percent, or \$36 million).

- Nine states made cuts in both 2006 and 2007: Alaska, Idaho, Michigan, Missouri, New York, Oklahoma, Oregon, Rhode Island, and South Dakota.
- Three states made cuts for the third consecutive year: Michigan, New York, and Oklahoma.

## CCDBG Spending

### CCDBG expenditures increased nationally.

In 2007, CCDBG expenditures increased to \$10.2 billion—\$7 billion in federal funds and \$3.2 billion in state matching and MOE funds (including expenditures of funds appropriated in prior years). This increase was the result of increased spending reported by California. If California is excluded from the national figures, overall spending from 2006 to 2007 remained near flat. Half of the states increased CCDBG spending, while the other half of the states decreased CCDBG spending. With the exception of Utah, states drew down all available federal dollars. Utah was the only state to leave \$123,000 in federal match. These funds by law were returned to the Treasury and reallocated in 2008. Spending on quality initiatives remained relatively flat at \$583 million, or 6 percent of CCDBG expenditures.<sup>9</sup>

According to CCDBG law, states have several years to obligate and liquidate CCDBG funds.<sup>10</sup> Between FY 2006 and FY 2007, California's spending in CCDBG increased substantially (\$924 million). However, a portion of this increase reflects the liquidation of funds that were awarded in previous

years. Some 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.

## TANF Spending

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

Federal TANF funds used for child care increased slightly in FY 2007, reversing a six-year trend of decline. Nationally, states used approximately \$3.2 billion in TANF funds for child care in 2007, approximately \$64 million more than in the previous year, or a 2 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 transfers to CCDBG totaled \$2.0 billion and TANF funds spent directly on child care totaled \$1.2 billion. State TANF MOE spent on child care, in excess of a state's fiscal year CCDBG MOE spending, increased from \$1.4 billion to \$1.6 billion. 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. States are permitted to count child care expenditures towards both CCDBG MOE and TANF MOE requirements.

Ten states transferred the maximum amount of 30 percent of TANF funds to CCDBG and SSBG combined: Colorado, Florida, Idaho, Kentucky, Louisiana, Massachusetts, Mississippi, North Carolina, Oklahoma, and Rhode Island. Only Kentucky transferred all 30 percent of its funds to CCDBG alone. An additional 11 states transferred

between 25 to 29 percent of TANF funds to a combination of CCDBG and SSBG (see Table 1).

## Children Served

According to preliminary data, the average monthly number of children receiving CCDBG-funded assistance (including TANF transfers) fell from 1.77 million children in 2006 to 1.70 million in 2007.<sup>11</sup> This would be the smallest number of children served since 2000. Over half (27) of the states served fewer children. This data suggests that the costs of child care are rising in many states. Indeed, the average monthly rate paid to providers nationally, as reported to HHS, increased by 4 percent from 2006 to 2007.<sup>12</sup> However, state data finds that many states have reduced payment rates to providers in recent years, or have rates that are considerably outdated.<sup>13</sup>

States do not report to the federal government the number of children served in TANF-funded child care. Based on expenditure data, CLASP estimates that 2.2 million children received child care through all sources in 2007, or 250,000 fewer children than at the start of the decade.<sup>14</sup> In 2000, only one in seven—or 14 percent—of federally-eligible children received assistance.<sup>15</sup> Yet, between 2000 and 2007, the number of children from birth to age 13 living in low-income households (those earning less than 200 percent of the federal poverty level) grew by nearly 1.2 million children, or 5 percent.<sup>16</sup> In other words, the number of children receiving help has *fallen* while the number of children living in low-income families potentially eligible for assistance has *grown*. The result may be a larger share of unserved children today, as compared to 2000.<sup>17</sup>

<sup>1</sup> See Hannah Matthews, *Child Care and Development Block Grant Participation in 2007*, CLASP, 2008,

[http://www.clasp.org/publications/ccdbgp participation\\_2007.pdf](http://www.clasp.org/publications/ccdbgp participation_2007.pdf).

<sup>2</sup> See CLASP and National Women’s Law Center, *Making Use of Economic Recovery Funds: Child Care Policy Options for States*, 2009,

[http://www.clasp.org/publications/ccdbg\\_arra\\_policies.pdf](http://www.clasp.org/publications/ccdbg_arra_policies.pdf); additional resources on the ARRA and early childhood are available at

[http://www.clasp.org/issues/topic?type=child\\_care\\_and\\_early\\_education&topic=0015](http://www.clasp.org/issues/topic?type=child_care_and_early_education&topic=0015).

<sup>3</sup> For a set of worksheets on TANF spending by state, see [http://clasp.org/publications/state\\_moe\\_fy07.htm](http://clasp.org/publications/state_moe_fy07.htm).

<sup>4</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>5</sup> 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. California reports that changes were made to their expenditure reporting in FY 2007.

<sup>6</sup> To calculate state expenditures on child care, we sum all funds a state spent during federal fiscal year 2007, including funds appropriated in prior years.

<sup>7</sup> This excludes \$895 million that may be “double counted” as CCDBG MOE and TANF MOE. Total TANF MOE spent on child care was \$2.5 billion in 2007.

<sup>8</sup> We count the District of Columbia as a state for the purposes of our analysis.

<sup>9</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>10</sup> See Hannah Matthews, *CCDBG: What’s in the law?*

CLASP, 2009,

<http://www.clasp.org/publications/ccdbginbrief.pdf>.

<sup>11</sup> U.S. Department of Health and Human Services, Administration for Children and Families, *FY 2007 CCDF Data Tables (Preliminary Estimates)*, 2008,

[http://www.acf.hhs.gov/programs/ccb/data/ccdf\\_data/07acf80\\_preliminary/list.htm](http://www.acf.hhs.gov/programs/ccb/data/ccdf_data/07acf80_preliminary/list.htm).

<sup>12</sup> *Ibid.*

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<sup>13</sup> Karen Schulman and Helen Blank, *State Child Care Assistance Policies 2008: Too Little Progress for Children and Families*, National Women's Law Center, 2008, <http://www.nwlc.org/pdf/StateChildCareAssistancePoliciesReport08.pdf>.

<sup>14</sup> CLASP estimates are based on CCDBG and TANF expenditure data and preliminary CCDBG participation data for FY 2007. According to HHS, 2.45 million children received child care assistance from all sources in 2000.

<sup>15</sup> Jennifer Mezey, Mark Greenberg, and Rachel Schumacher, *The Vast Majority of Federally-Eligible Children Did Not Receive Child Care Assistance in FY 2000*, CLASP, 2002, [www.clasp.org/publications/1in7full.pdf](http://www.clasp.org/publications/1in7full.pdf).

<sup>16</sup> Center on Budget and Policy Priorities analysis of March 2001 and 2008 Current Population Survey data.

<sup>17</sup> The precise number of children eligible for child care assistance under federal law is unknown. Under CCDBG, states may provide child care assistance to families with incomes under 85 percent of State Median Income (SMI). While the value of SMI varies across the states, we use the number of low-income families with children under age 14 as a proxy to estimate the possible pool of families eligible for assistance. HHS estimates that a total of 2.5 million children will receive assistance through all sources, including ARRA funds, in 2010.

**Table 1. FY 2007 TANF Transfers**

State	Percent of FY 2007 Grant Transferred to CCDBG	Percent of FY 2007 Grant Transferred to SSBG	Total Percent of FY 2007 Grant Transferred
Alabama	15%	10%	25%
Alaska	19%	10%	29%
Arizona	0%	10%	10%
Arkansas	12%	0%	12%
California	8%	10%	18%
Colorado	20%	10%	30%
Connecticut	0%	10%	10%
Delaware	0%	8%	8%
Dist. of Columbia	20%	4%	24%
Florida	20%	10%	30%
Georgia	8%	6%	14%
Hawaii	11%	10%	21%
Idaho	26%	4%	30%
Illinois	0%	7%	7%
Indiana	16%	1%	17%
Iowa	18%	10%	28%
Kansas	21%	7%	28%
Kentucky	30%	0%	30%
Louisiana	21%	9%	30%
Maine	14%	4%	18%
Maryland	4%	10%	14%
Massachusetts	20%	10%	30%
Michigan	15%	9%	24%
Minnesota	18%	0%	18%
Mississippi	20%	10%	30%
Missouri	11%	10%	21%
Montana	20%	5%	25%
Nebraska	29%	0%	29%
Nevada	0%	2%	2%
New Hampshire	17%	8%	25%
New Jersey	17%	4%	21%
New Mexico	27%	0%	27%
New York	15%	5%	20%
North Carolina	26%	4%	30%
North Dakota	0%	0%	0%
Ohio	0%	10%	10%
Oklahoma	20%	10%	30%
Oregon	0%	0%	0%
Pennsylvania	24%	4%	28%
Rhode Island	22%	8%	30%

<b>South Carolina</b>	0%	3%	3%
<b>South Dakota</b>	0%	10%	10%
<b>Tennessee</b>	24%	0%	24%
<b>Texas</b>	0%	6%	6%
<b>Utah</b>	0%	4%	4%
<b>Vermont</b>	19%	10%	29%
<b>Virginia</b>	3%	9%	12%
<b>Washington</b>	27%	2%	29%
<b>West Virginia</b>	0%	10%	10%
<b>Wisconsin</b>	20%	4%	24%
<b>Wyoming</b>	0%	10%	10%
<b>U.S.</b>	12%	7%	19%



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## Appendix. State Child Care Expenditures (CCDBG and TANF Combined) and Monthly Average Number of Children Served (CCDBG), 2006-2007

See CLASP Website: In the States for state spending and participation data from 2001 to 2007.

State	Total Child Care Spending (TANF and CCDBG) FY 2006	Total Child Care Spending (TANF and CCDBG) FY 2007	Dollar Change	Percent Change	Average Monthly Number of Children Served (CCDBG only) FY 2006	Average Monthly Number of Children Served (CCDBG only) FY 2007 <sup>1</sup>	Change in Number of Children Served
Alabama <sup>+</sup>	\$107,992,289	\$120,850,808	\$12,858,519	12%	28,000	31,700	3,700
Alaska*	\$43,662,131	\$40,838,184	(\$2,823,947)	-6%	4,900	3,800	-1,100
Arizona <sup>+</sup>	\$156,537,494	\$197,434,582	\$40,897,088	26%	30,200	29,800	-400
Arkansas <sup>+</sup>	\$83,635,082	\$124,397,571	\$40,762,489	49%	5,600	5,800	200
California <sup>+</sup>	\$2,072,753,408	\$2,934,255,528	\$861,502,120	42%	175,500	147,100	-28,400
Colorado	\$97,015,101	\$102,612,472	\$5,597,371	6%	16,300	16,500	200
Connecticut <sup>+</sup>	\$141,145,101	\$170,064,642	\$28,919,541	20%	10,100	9,700	-400
Delaware	\$51,600,321	\$52,836,875	\$1,236,554	2%	7,500	7,000	-500
D.C.	\$94,081,614	\$79,589,201	(\$14,492,413)	-15%	3,700	3,900	200
Florida	\$707,824,331	\$698,356,218	(\$9,468,113)	-1%	108,600	108,900	300
Georgia	\$241,599,520	\$211,371,278	(\$30,228,242)	-13%	64,600	53,600	-11,000
Hawaii	\$43,423,677	\$55,879,785	\$12,456,108	29%	8,600	10,000	1,400
Idaho*	\$35,734,259	\$32,474,316	(\$3,259,943)	-9%	9,900	8,700	-1,200
Illinois	\$688,303,140	\$677,880,050	(\$10,423,090)	-2%	82,200	76,200	-6,000
Indiana <sup>+</sup>	\$156,766,458	\$169,475,945	\$12,709,487	8%	32,800	35,200	2,400
Iowa <sup>+</sup>	\$99,198,588	\$125,289,357	\$26,090,769	26%	19,400	19,200	-200
Kansas <sup>+</sup>	\$93,108,201	\$96,301,945	\$3,193,744	3%	22,400	22,500	100
Kentucky	\$192,619,580	\$110,995,263	(\$81,624,317)	-42%	28,900	29,400	500





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Louisiana	\$117,784,719	\$138,429,486	\$20,644,767	18%	39,100	44,800	5,700
Maine	\$51,065,191	\$45,533,345	(\$5,531,846)	-11%	5,400	5,800	400
Maryland <sup>+</sup>	\$148,117,116	\$153,049,496	\$4,932,380	3%	22,900	23,900	1,000
Massachusetts <sup>+</sup>	\$426,993,834	\$500,334,201	\$73,340,367	17%	32,100	28,600	-3,500
Michigan*	\$515,846,366	\$461,721,336	(\$54,125,030)	-10%	87,800	75,500	-12,300
Minnesota	\$181,688,493	\$191,588,785	\$9,900,292	5%	27,300	25,600	-1,700
Mississippi <sup>+</sup>	\$77,669,663	\$92,609,539	\$14,939,876	19%	39,100	30,600	-8,500
Missouri*	\$188,698,064	\$184,314,464	(\$4,383,600)	-2%	33,600	31,400	-2,200
Montana <sup>+</sup>	\$25,106,134	\$27,464,732	\$2,358,598	9%	4,800	4,800	0
Nebraska <sup>+</sup>	\$62,902,222	\$81,359,682	\$18,457,460	29%	13,100	14,900	1,800
Nevada	\$46,953,920	\$44,508,956	(\$2,444,964)	-5%	6,000	6,100	100
New Hampshire	\$27,545,172	\$33,375,592	\$5,830,420	21%	7,500	7,600	100
New Jersey <sup>+</sup>	\$232,673,329	\$235,204,987	\$2,531,658	1%	37,900	35,100	-2,800
New Mexico	\$77,417,513	\$85,797,349	\$8,379,836	11%	21,600	21,300	-300
New York*	\$902,469,731	\$780,141,750	(\$122,327,981)	-14%	123,700	115,500	-8,200
North Carolina	\$394,451,961	\$431,709,898	\$37,257,937	9%	79,900	64,200	-15,700
North Dakota <sup>+</sup>	\$12,169,043	\$12,889,583	\$720,540	6%	4,000	3,800	-200
Ohio <sup>+</sup>	\$549,028,200	\$611,942,431	\$62,914,231	11%	39,900	54,600	14,700
Oklahoma*	\$157,473,902	\$155,373,130	(\$2,100,772)	-1%	25,000	22,600	-2,400
Oregon*	\$85,785,165	\$83,838,129	(\$1,947,036)	-2%	20,200	19,600	-600
Pennsylvania <sup>+</sup>	\$571,567,912	\$598,381,429	\$26,813,517	5%	82,800	94,900	12,100
Rhode Island*	\$75,509,738	\$63,892,776	(\$11,616,962)	-15%	7,100	7,700	600
South Carolina	\$73,112,608	\$79,898,473	\$6,785,865	9%	19,700	20,500	800
South Dakota*	\$16,718,220	\$14,003,346	(\$2,714,874)	-16%	4,900	5,100	200
Tennessee	\$230,039,331	\$223,002,325	(\$7,037,006)	-3%	42,500	40,400	-2,100
Texas	\$514,682,268	\$583,638,359	\$68,956,091	13%	126,200	132,000	5,800
Utah <sup>+</sup>	\$61,545,871	\$64,528,456	\$2,982,585	5%	13,000	12,600	-400
Vermont <sup>+</sup>	\$33,187,237	\$33,435,103	\$247,866	1%	6,800	6,100	-700
Virginia	\$224,831,759	\$189,047,597	(\$35,784,162)	-16%	27,900	24,400	-3,500



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Washington	\$321,882,756	\$308,813,588	(\$13,069,168)	-4%	53,200	56,700	3,500
West Virginia	\$55,415,521	\$53,589,373	(\$1,826,148)	-3%	9,300	9,300	0
Wisconsin <sup>+</sup>	\$348,685,402	\$362,172,621	\$13,487,219	4%	29,500	25,700	-3,800
Wyoming	\$17,517,004	\$17,519,811	\$2,807	0%	4,700	4,400	-300
<b>U.S. Total<sup>2</sup></b>	<b>\$11,985,001,177</b>	<b>\$12,967,340,476</b>	<b>\$982,339,299</b>	<b>8%</b>	<b>1,770,100</b>	<b>1,705,200</b>	<b>-64,900</b>

<sup>+</sup> State increased spending in FY 2006 and 2007.

<sup>\*</sup> State decreased spending in FY 2006 and 2007.

<sup>1</sup> FY 2007 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.