



# Child Care Assistance Spending and Participation in 2014

March 2016

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Quality child care enables parents to work or go to school while providing children with safe and enriching environments where they can learn and thrive. The Child Care and Development Block Grant (CCDBG) is the primary source of federal funding for child care subsidies for low-income families and to improve child care quality for all children. States provide additional funding through matching and maintenance-of-effort (MOE) funds.<sup>1</sup> In addition, states use funds from the Temporary Assistance for Needy Families (TANF) block grant to deliver child care assistance. States can spend TANF funds directly on child care or transfer up to 30 percent of their funds to CCDBG or a combination of CCDBG and the Social Services Block Grant (SSBG). TANF also has a state MOE requirement, which can fund child care assistance.

In November 2014, CCDBG was reauthorized for the first time in nearly 20 years. The bipartisan reauthorization aims to increase the health, safety, and quality of child care and make child care assistance a more stable support for families.<sup>2</sup> A new purpose in the law—and a goal shared by many federal and state policymakers and others—is increasing the number of low-income children accessing quality child care. Implementing new provisions of the law, raising the quality of child care, and helping low-income families access stable child care will require significant new investments in CCDBG.

This brief provides analysis of national trends for spending and participation in CCDBG- and TANF-funded child care in federal fiscal year (FY) 2014—October 1, 2013 to September 30, 2014—based on the most recent state-reported data available from the U.S. Department of Health and Human Services (HHS). This is the last year of data that precedes reauthorization of CCDBG.

## Key Findings<sup>3</sup>

In FY 2014, overall federal and state spending for child care assistance and participation in CCDBG-funded child care was at historically low levels. Expenditures in CCDBG and TANF combined have been near flat since 2012. The number of children served in CCDBG has been steadily declining since 2010.

- **Overall child care assistance spending is at a 12-year low:**
  - Total spending on child care assistance—including combined CCDBG and TANF funds—fell to \$11.3 billion, the lowest level since 2002. Spending was near flat as compared to the previous two years, with a decline of \$103 million from 2013 to 2014.
  - CCDBG spending decreased by about \$239 million from 2013 to 2014.
  - Federal TANF funds used for child care (including transfers and direct spending) increased by \$137 million, reversing a two-year trend of declines, but remaining far below their highest levels reached in 2000.

- The number of children receiving CCDBG-funded child care assistance has reached a 16-year low.
  - About 1.4 million children received CCDBG-funded child care in an average month in 2014, the smallest number of children served in the program since 1998.
  - The number of children receiving CCDBG-funded child care fell by 43,500 from 2013 to 2014.
  - From 2006 to 2014, nearly 364,000 fewer children received CCDBG-funded child care.

## Child Care Assistance Spending

**Total combined child care spending (including federal and state CCDBG and TANF funds) totaled \$11.3 billion in 2014, a decline of \$103 million from the previous year.** This was the lowest level of spending since 2002 (See Figure 1).

Total spending in 2014 included:

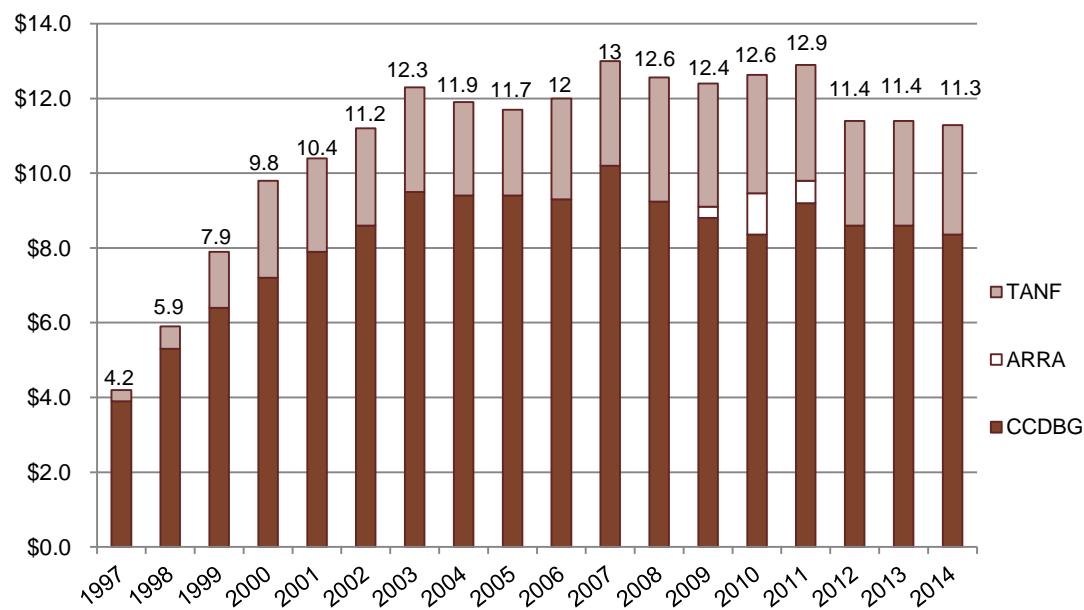
- \$8.4 billion in state and federal CCDBG funds;
- \$1.2 billion in federal TANF funds spent directly on child care;<sup>4</sup> and
- \$1.7 billion in additional state TANF MOE.<sup>5</sup>

We include in our summation all funds a state spent during federal fiscal year 2014, including those appropriated in prior years. By law, states have several years to obligate and liquidate CCDBG funds. Because CCDBG funds are available for several years after they are awarded, and states spend transfers from TANF, annual CCDBG spending is often higher than annual funding as states spend funds from several years' appropriations. In FY 2014, federal funding for CCDBG was \$5.3 billion.

### A total of 24 states spent less on overall (CCDBG and

**TANF) child care assistance in 2014 compared to the previous year.** Arkansas, the District of Columbia, and Kentucky decreased spending by more than 30 percent. West Virginia and Wyoming decreased spending by 20-30 percent. Iowa and North Dakota increased spending by more than 30 percent (see Appendix for 50-state

**Figure 1. Total Combined Child Care Spending (in billions), 1997-2014**



Source: CLASP calculations of HHS data. American Recovery and Reinvestment Act (ARRA) funding included for years 2009-2011.

data). Overall child care spending decreased for three consecutive years, from 2011 to 2014, in nine states: Alabama, Hawaii, Kansas, Kentucky, Louisiana, Michigan, Nevada, West Virginia, and Wyoming.

## CCDBG Funds

**In 2014, CCDBG spending decreased by approximately \$239 million (about 3 percent) from the previous year to \$8.4 billion.**

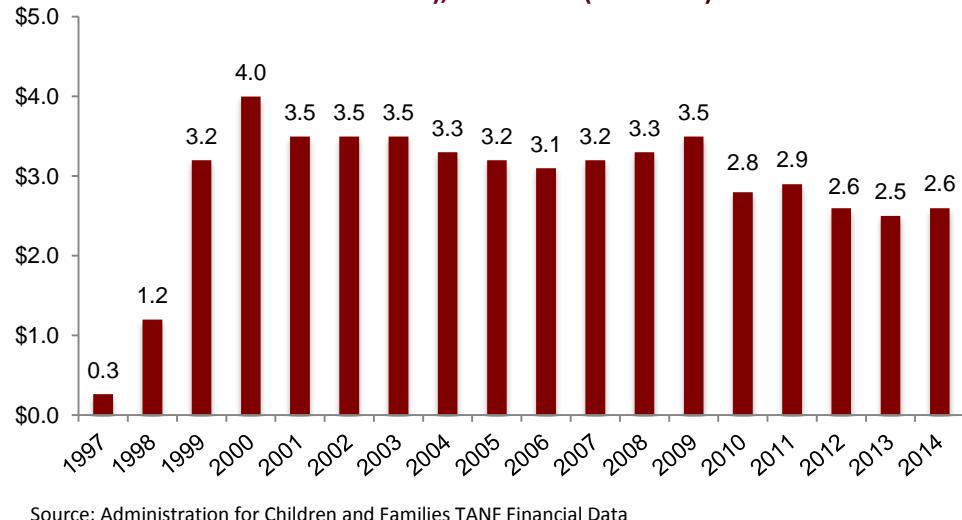
- **In 2014, 29 states spent fewer CCDBG funds than the previous year.** Three states reduced CCDBG expenditures by 30 percent or more: Connecticut, Kentucky, and West Virginia. One state (Nebraska) decreased spending by 20-30 percent. Two states (Iowa and North Dakota) increased spending by more than 30 percent from the previous year. CCDBG spending decreased for three consecutive years, from 2011-2014, in nine states: Alabama, Florida, Kansas, Kentucky, Louisiana, Michigan, Montana, Nevada, and Wyoming.
- **The majority of states met their match and MOE requirements, and some states reported spending above their requirements.** In 2014, four states did not provide enough matching funds to draw down all federal matching funds. These states were: Idaho (released \$9.8 million); Kansas (released \$3.7 million); Maine (released \$4.3 million); and Michigan (released \$9.3 million) for a total of \$27 million to be reallocated to other states in 2015.<sup>6</sup> In 2014, six states reported spending above their MOE requirements for a total of \$26 million in additional MOE: Alaska, Connecticut, New Hampshire, Ohio, Vermont, and Washington. Also, one state (Wyoming) reported spending above its state match requirement by \$320,000.

## TANF Funds

**In 2014, TANF transfers to CCDBG and federal TANF funds used directly for child care increased slightly, reversing a two-year pattern of decline.** From 1997 to 2000, the amount states directed to child care grew from under \$300 million in 1997 to a high of \$4 billion in 2000 (see Figure 2).

- In 2014, TANF direct spending on child care assistance increased from 2013 by \$122 million to \$1.2 billion. TANF transfers to CCDBG increased nominally by \$15 million to \$1.4 billion. In 2014, 18 states spent \$1.7 billion dollars (consistent with the previous year) in TANF

**Figure 2. Federal TANF Funds Used for Child Care (Transfer and Direct), 1997-2014 (in billions)**



Source: Administration for Children and Families TANF Financial Data

MOE dollars in excess of CCDBG MOE. States may claim MOE spending towards both TANF and CCDBG MOE.

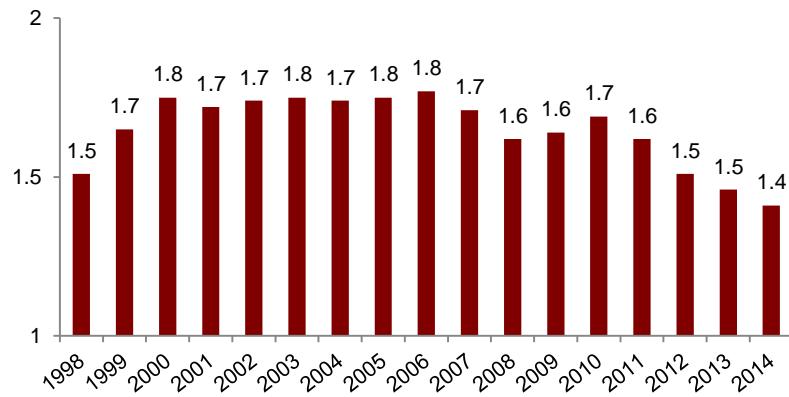
- Nine states transferred 30 percent of their block grant (the maximum amount allowed) to CCDBG or a combination of CCDBG and the Social Services Block Grant (SSBG): Florida, Idaho, Indiana, Iowa, Massachusetts, Mississippi, Montana, Nebraska, and Oklahoma. Seven additional states transferred 25-30 percent of their TANF funds: Minnesota, New Mexico, North Carolina, Pennsylvania, Vermont, Washington, and Wisconsin.

## CCDBG Participation

### Fewer Children Received Child Care Services

In 2014, according to preliminary data, 1.4 million children were served by CCDBG in an average month, the lowest number since 1998. Twenty-four states served fewer children in 2014 compared to the previous year. Since 2006, the number of children receiving CCDBG-funded child care has fallen by nearly 364,000 children (see Figure 3). States do not report to HHS the number of children served directly through TANF funds. According to HHS, 15 percent of children eligible to receive assistance under federal rules were served in 2012 by all sources, including CCDBG and TANF, in the most recent year for which data are available.<sup>7</sup>

**Figure 3. Average Monthly Number of Children Served in CCDBG, Federal FY 1998-2014 (in millions)**



Source: HHS administrative data. FY 2014 data are preliminary.

## Significant New Investments Are Needed

States are currently working to implement the CCDBG Act of 2014. However, the law was not accompanied with a guarantee of new federal funds. While CCDBG has had minimal increases in federal funding in recent years, funding in constant dollars has actually declined by about 10 percent since 2002 (see Figure 4). According to HHS, as funding levels have not kept pace with rising costs of child care, child care subsidy values have declined by about 20 percent.<sup>8</sup> Fewer children receive assistance. In addition, child care subsidy payment rates paid to providers are distressingly low, which limits low-income families' access to quality child care, and state discretionary policies also limit access to child care subsidies for families.<sup>9</sup> Across the country, millions of potentially eligible children in low-income families cannot get help due to insufficient funding; in particular, Latino families have little access to CCDBG-funded child care assistance.<sup>10</sup> While child care continues to be the second largest expenditure for TANF funding nationally (after direct cash assistance), those funds have also lost value after nearly 20 years of flat funding. While recent expenditure data may indicate the

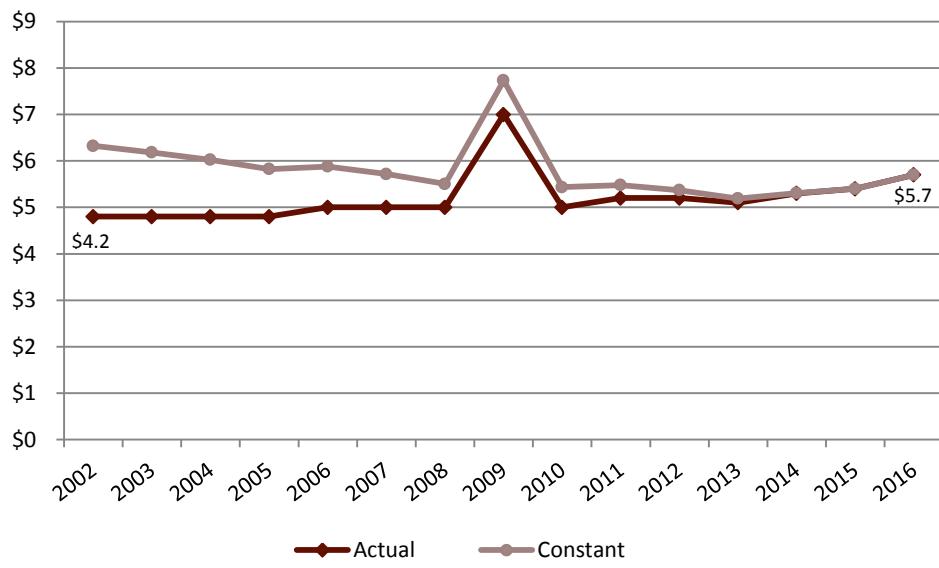
decline in TANF funds for child care has stopped, it is unlikely that TANF will be a significant source of growing child care investments in the future.

States are facing increased, and in some cases significant, costs associated with the new law. In the FY 2016 omnibus spending bill (enacted in December 2015), Congress increased funding for CCDBG by \$326 million. This will provide essential funding for states to begin implementation of the new law. However, far more resources will be needed to implement the law and stem the tide of declining CCDBG participation. Analysis included

in proposed HHS regulations to implement the CCDBG Act estimate the first-year costs of implementation at \$722 million.<sup>11</sup> This amount does not account for the costs of maintaining current caseloads. CLASP estimates that an additional \$503 million would be necessary to prevent additional children from losing child care assistance in 2017.<sup>12</sup> Even further investments will be needed over time to implement additional provisions of the reauthorization and expand assistance for more eligible families.

Overall child care spending is at a 12-year low and has essentially stagnated for three years—despite growing recognition of the importance of access to high-quality child care for low-income children. The number of children receiving assistance has dropped to an all-time low, while 85 percent of children who are potentially eligible to receive child care get no help. At the federal level, discretionary funding caps hinder the ability of Congress to make investments that would help to achieve the vision of the reauthorization. Much greater levels of funding—both mandatory and discretionary—are needed to expand the reach of CCDBG and implement changes that increase the number of low-income children benefitting from high-quality child care.

**Figure 4. CCDBG Federal Funding in Actual and Constant Dollars (in billions), 2002-2016**



Source: CLASP analysis of HHS data. FY 2009 includes \$2 billion ARRA funding. CLASP calculations of constant dollars are based on Consumer Price Index data.

## Endnotes

<sup>1</sup> MOE requires states to continue spending at least the same amount on child care services as they did prior to reauthorization of CCDBG in 1996.

<sup>2</sup> For CLASP resources on CCDBG reauthorization, go to [www.clasp.org/ccdbg](http://www.clasp.org/ccdbg).

<sup>3</sup> CLASP's analysis is based on data reported by the U.S. Department of Health and Human Services, Administration for Children & Families, Office of Child Care, at <http://www.acf.hhs.gov/programs/occ/resource/ccdf-statistics>. Participation data for 2014 is preliminary. Analysis presented here may differ from analyses based on state fiscal year expenditures. In some cases, increases or decreases in spending may reflect the timing of expenditures and not real changes in funding levels.

<sup>4</sup> States also transferred \$1.4 billion in federal TANF funds to CCDBG. Once transferred, these TANF funds are subject to CCDBG rules and reported as CCDBG spending; therefore, we do not include these dollars in our sum of total year spending.

<sup>5</sup> States may claim spending towards both TANF and CCDBG MOE. This figure excludes approximately \$885 million that may be "double counted" as CCDBG MOE and TANF MOE. Total TANF MOE spent on child care was \$2.5 billion in 2014.

<sup>6</sup> In 2013, five states released funds at the end of the fiscal year: Idaho (\$9.9 million); Kansas (\$170,000); Maine (\$4.1 million); Rhode Island (\$500,000); and Utah (\$46,000) for a total of \$14.7 million that was returned to the federal government for redistribution to other states in the next fiscal year.

<sup>7</sup> U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *ASPE Issue Brief: Estimates of Child Care Eligibility and Receipt for Fiscal Year 2012*, 2015, <https://aspe.hhs.gov/sites/default/files/pdf/153591/ChildEligibility.pdf>.

<sup>8</sup> U.S. Department of Health and Human Services, *FY 2017 Administration for Children and Families Justification of Estimates for Appropriations Committees*, 2016, [https://www.acf.hhs.gov/sites/default/files/olab/final\\_cj\\_2017\\_print.pdf](https://www.acf.hhs.gov/sites/default/files/olab/final_cj_2017_print.pdf).

<sup>9</sup> Karen Schulman and Helen Blank, *Building Blocks: State Child Care Assistance Policies 2015*, National Women's Law Center, [http://nwlc.org/wp-content/uploads/2015/11/CC\\_RP\\_Building\\_Blocks\\_Assistance\\_Policies\\_2015.pdf](http://nwlc.org/wp-content/uploads/2015/11/CC_RP_Building_Blocks_Assistance_Policies_2015.pdf).

<sup>10</sup> Stephanie Schmit and Christina Walker, *Disparate Access: Head Start and CCDBG Data by Race and Ethnicity*, 2016, CLASP <http://www.clasp.org/resources-and-publications/publication-1/Disparate-Access.pdf>.

<sup>11</sup> U.S. Department of Health and Human Services, 80 Fed. Reg. 80465 (proposed December 24<sup>th</sup>, 2015), <https://federalregister.gov/a/2015-31883>.

<sup>12</sup> In FY 2014, \$8.4 billion in CCDBG expenditures provided funding for a monthly average of 1.4 million children. Based on an inflation-adjusted per slot rate of \$6,303, we estimate that it would take an additional \$503 million to maintain 1.4 million children in CCDBG-funded child care.

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### Appendix. State Child Care Expenditures (CCDBG and TANF Combined) and Monthly Average Number of Children Served (CCDBG), 2013-2014

| State                | Total Child Care Spending (CCDBG and TANF)<br>FY 2013 | Total Child Care Spending (CCDBG and TANF)<br>FY 2014 | Dollar Change  | Percent Change | Average Monthly Number of Children Served (CCDBG only)<br>FY 2006 | Average Monthly Number of Children Served (CCDBG only)<br>FY 2013 | Average Monthly Number of Children Served (CCDBG only)<br>FY 2014 | Change in Number of Children Served (2006-2014) | Change in Number of Children Served (FY 2013-2014) |
|----------------------|---|---|----------------|----------------|---|---|---|---|--|
| Alabama              | \$99,093,856  | \$96,803,701  | -\$2,290,155   | -2%            | 28,000  | 25,200  | 24,200  | -3,800  | -1,000   |
| Alaska               | \$38,356,223  | \$44,537,302  | \$6,181,079    | 14%            | 4,900   | 3,600   | 3,700   | -1,200  | 100  |
| Arizona              | \$158,471,897   | \$140,265,873   | -\$18,206,024  | -13%           | 30,200  | 20,100  | 21,000  | -9,200  | 900  |
| Arkansas             | \$76,037,580  | \$57,543,272  | -\$18,494,308  | -32%           | 5,600   | 7,800   | 7,800   | 2,200   | 0  |
| California           | \$1,641,391,088                                       | \$1,503,589,559                                       | -\$137,801,529 | -9%            | 175,500   | 111,600   | 111,400   | -64,100   | -200   |
| Colorado             | \$101,538,282   | \$98,887,205  | -\$2,651,077   | -3%            | 16,300  | 15,900  | 16,700  | 400   | 800  |
| Connecticut          | \$112,568,333   | \$98,223,980  | -\$14,344,353  | -15%           | 10,100  | 9,600   | 8,800   | -1,300  | -800   |
| Delaware             | \$78,354,427  | \$80,594,921  | \$2,240,494    | 3%             | 7,500   | 7,700   | 7,400   | -100  | -300   |
| District of Columbia | \$87,966,833  | \$65,234,656  | -\$22,732,177  | -35%           | 3,700   | 1,500   | 1,200   | -2,500  | -300   |
| Florida              | \$649,972,721   | \$639,945,487   | -\$10,027,234  | -2%            | 108,600   | 84,700  | 90,000  | -18,600   | 5,300  |
| Georgia              | \$234,821,097   | \$260,212,120   | \$25,391,023   | 10%            | 64,600  | 55,000  | 61,800  | -2,800  | 6,800  |
| Hawaii               | \$41,734,729  | \$37,498,449  | -\$4,236,280   | -11%           | 8,600   | 9,100   | 7,900   | -700  | -1,200   |
| Idaho                | \$22,939,748  | \$30,760,688  | \$7,820,940    | 25%            | 9,900   | 4,800   | 6,200   | -3,700  | 1,400  |
| Illinois             | \$920,494,718   | \$987,929,172   | \$67,434,454   | 7%             | 82,200  | 53,200  | 54,200  | -28,000   | 1,000  |
| Indiana              | \$197,852,671   | \$225,153,657   | \$27,300,986   | 12%            | 32,800  | 36,600  | 40,200  | 7,400   | 3,600  |
| Iowa                 | \$71,174,110  | \$102,790,664   | \$31,616,554   | 31%            | 19,400  | 15,500  | 17,400  | -2,000  | 1,900  |
| Kansas               | \$83,198,113  | \$74,688,790  | -\$8,509,323   | -11%           | 22,400  | 17,600  | 15,700  | -6,700  | -1,900   |

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| State          | Total Child Care Spending (CCDBG and TANF)<br>FY 2013 | Total Child Care Spending (CCDBG and TANF)<br>FY 2014 | Dollar Change  | Percent Change | Average Monthly Number of Children Served (CCDBG only)<br>FY 2006 | Average Monthly Number of Children Served (CCDBG only)<br>FY 2013 | Average Monthly Number of Children Served (CCDBG only)<br>FY 2014 | Change in Number of Children Served<br>(2006-2014) | Change in Number of Children Served (FY 2013-2014) |
|----------------|---|---|----------------|----------------|---|---|---|--|--|
|                |   |   |                |                |   |   |   |  |  |
| Kentucky       | \$171,677,462   | \$104,093,204   | -\$67,584,258  | -65%           | 28,900  | 19,100  | 9,500   | -19,400  | -9,600   |
| Louisiana      | \$94,833,220  | \$88,579,264  | -\$6,253,956   | -7%            | 39,100  | 24,000  | 19,100  | -20,000  | -4,900   |
| Maine          | \$21,563,006  | \$22,626,572  | \$1,063,566    | 5%             | 5,400   | 1,500   | 2,600   | -2,800   | 1,100  |
| Maryland       | \$125,684,455   | \$132,549,602   | \$6,865,147    | 5%             | 22,900  | 17,300  | 18,300  | -4,600   | 1,000  |
| Massachusetts  | \$430,416,753   | \$460,369,401   | \$29,952,648   | 7%             | 32,100  | 28,000  | 28,300  | -3,800   | 300  |
| Michigan       | \$187,579,280   | \$174,461,801   | -\$13,117,479  | -8%            | 87,800  | 46,600  | 37,800  | -50,000  | -8,800   |
| Minnesota      | \$190,412,697   | \$255,336,244   | \$64,923,547   | 25%            | 27,300  | 25,700  | 25,000  | -2,300   | -700   |
| Mississippi    | \$78,429,261  | \$70,936,702  | -\$7,492,559   | -11%           | 39,100  | 18,200  | 17,800  | -21,300  | -400   |
| Missouri       | \$161,225,134   | \$161,915,208   | \$690,074      | 0%             | 33,600  | 35,600  | 34,500  | 900  | -1,100   |
| Montana        | \$25,944,087  | \$24,974,786  | -\$969,301     | -4%            | 4,800   | 3,900   | 3,400   | -1,400   | -500   |
| Nebraska       | \$60,745,308  | \$73,514,023  | \$12,768,715   | 17%            | 13,100  | 12,600  | 11,400  | -1,700   | -1,200   |
| Nevada         | \$39,728,403  | \$38,657,485  | -\$1,070,918   | -3%            | 6,000   | 4,000   | 4,100   | -1,900   | 100  |
| New Hampshire  | \$30,347,382  | \$33,095,097  | \$2,747,715    | 8%             | 7,500   | 5,400   | 5,200   | -2,300   | -200   |
| New Jersey     | \$262,630,095   | \$271,429,546   | \$8,799,451    | 3%             | 37,900  | 39,300  | 44,800  | 6,900  | 5,500  |
| New Mexico     | \$72,434,389  | \$61,670,979  | -\$10,763,410  | -17%           | 21,600  | 18,300  | 16,600  | -5,000   | -1,700   |
| New York       | \$981,197,717   | \$831,604,811   | -\$149,592,906 | -18%           | 123,700   | 113,200   | 92,200  | -31,500  | -21,000  |
| North Carolina | \$397,674,787   | \$416,343,409   | \$18,668,622   | 4%             | 79,900  | 64,800  | 65,600  | -14,300  | 800  |
| North Dakota   | \$11,584,127  | \$18,284,966  | \$6,700,839    | 37%            | 4,000   | 2,200   | 3,200   | -800   | 1,000  |
| Ohio           | \$620,989,464   | \$625,475,827   | \$4,486,363    | 1%             | 39,900  | 47,700  | 45,600  | 5,700  | -2,100   |
| Oklahoma       | \$166,344,912   | \$160,351,098   | -\$5,993,814   | -4%            | 25,000  | 24,300  | 24,100  | -900   | -200   |
| Oregon         | \$97,405,754  | \$98,012,098  | \$606,344      | 1%             | 20,200  | 15,000  | 15,600  | -4,600   | 600  |

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| State          | Total Child Care Spending (CCDBG and TANF)<br>FY 2013 | Total Child Care Spending (CCDBG and TANF)<br>FY 2014 | Dollar Change         | Percent Change | Average Monthly Number of Children Served (CCDBG only)<br>FY 2006 | Average Monthly Number of Children Served (CCDBG only)<br>FY 2013 | Average Monthly Number of Children Served (CCDBG only)<br>FY 2014 | Change in Number of Children Served<br>(2006-2014) | Change in Number of Children Served (FY 2013-2014) |
|----------------|---|---|-----------------------|----------------|---|---|---|--|--|
|                |   |   |                       |                |   |   |   |  |  |
| Pennsylvania   | \$621,807,932   | \$641,565,184   | \$19,757,252          | 3%             | 82,800  | 92,400  | 91,400  | 8,600  | -1,000   |
| Rhode Island   | \$44,399,890  | \$47,022,957  | \$2,623,067           | 6%             | 7,100   | 5,600   | 5,700   | -1,400   | 100  |
| South Carolina | \$79,473,880  | \$71,081,783  | -\$8,392,097          | -12%           | 19,700  | 13,800  | 12,000  | -7,700   | -1,800   |
| South Dakota   | \$15,861,531  | \$16,234,497  | \$372,966             | 2%             | 4,900   | 4,900   | 4,300   | -600   | -600   |
| Tennessee      | \$194,136,410   | \$180,655,640   | -\$13,480,770         | -7%            | 42,500  | 38,800  | 32,900  | -9,600   | -5,900   |
| Texas          | \$595,281,204   | \$600,455,532   | \$5,174,328           | 1%             | 126,200   | 113,300   | 112,100   | -14,100  | -1,200   |
| Utah           | \$66,190,091  | \$66,698,484  | \$508,393             | 1%             | 13,000  | 12,300  | 12,200  | -800   | -100   |
| Vermont        | \$40,729,357  | \$39,872,264  | -\$857,093            | -2%            | 6,800   | 4,400   | 4,200   | -2,600   | -200   |
| Virginia       | \$169,938,565   | \$186,841,134   | \$16,902,569          | 9%             | 27,900  | 25,000  | 24,300  | -3,600   | -700   |
| Washington     | \$286,098,194   | \$312,280,713   | \$26,182,519          | 8%             | 53,200  | 41,600  | 42,700  | -10,500  | 1,100  |
| West Virginia  | \$57,690,699  | \$47,430,798  | -\$10,259,901         | -22%           | 9,300   | 7,300   | 7,700   | -1,600   | 400  |
| Wisconsin      | \$305,908,274   | \$350,517,322   | \$44,609,048          | 13%            | 29,500  | 28,800  | 24,300  | -5,200   | -4,500   |
| Wyoming        | \$19,868,668  | \$16,317,471  | -\$3,551,197          | -22%           | 4,700   | 3,900   | 3,600   | -1,100   | -300   |
| United States  | <b>\$11,396,462,283</b>                               | <b>\$11,293,763,400</b>                               | <b>-\$102,698,883</b> | <b>-1%</b>     | <b>1,770,100</b>  | <b>1,449,800</b>  | <b>1,406,300</b>  | <b>-363,800</b>                                    | <b>-43,500</b>                                     |

Source: CLASP analysis of HHS data. Note: U.S. totals include expenditures in U.S. territories and do not equal the sum of state expenditures