



# Child Care Assistance Spending and Participation in 2012

February 2014

## A Record Low

By Hannah Matthews and Stephanie Schmit

Child care subsidies help make quality child care affordable for low-income parents, allowing them to attend work or school to support their families while ensuring their children's healthy development. Access to quality child care is also proven to strengthen families' economic security.<sup>1</sup>

The Child Care and Development Block Grant (CCDBG) is the primary source of federal funding for child care subsidies for low-income working families and to improve child care quality. States contribute in the form of matching funds and maintenance-of-effort (MOE). 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).<sup>2</sup> TANF also has a state MOE requirement.

This brief provides analysis of national trends for spending and participation in CCDBG and TANF child care in 2012, based on the most recent state data available from the U.S. Department of Health and Human Services (HHS).<sup>3</sup>

## Key Findings

A review of the data paints a bleak picture of a program intended to support low-income parents' economic opportunity and their children's development:

- **Child care assistance spending fell to a 10-year low.**
  - Total spending on child care assistance—including combined child care and TANF funds—was \$11.4 billion, the lowest level since 2002.
  - Spending within CCDBG fell to the lowest level since 2002.
  - Federal TANF funds used for child care fell to the lowest level since 1998.
- **The number of children receiving CCDBG-funded child care fell to a 14-year low.**
  - A monthly average of 1.5 million children received CCDBG-funded child care, the smallest number of children served since 1998.
  - About 263,000 fewer children received CCDBG-funded child care in 2012 than in 2006.<sup>4</sup>

## Child Care Assistance Spending at a 10-Year Low

**Total combined child care spending (including federal and state CCDBG and TANF funds) fell from \$12.9 billion in 2011 to \$11.4 billion in 2012**, the most recent year for which data are available (see figure 1). This was the lowest level of spending since 2002. While the bulk of the decline was the result of decreased spending in CCDBG, spending reductions in the TANF program in 2012 and in previous years contributed significantly.

Total spending in 2012 included:

- \$8.6 billion in state and federal CCDBG funds;
- \$1.2 billion in federal TANF funds spent directly on child care;<sup>5</sup> and
- \$1.6 billion in additional state TANF MOE.<sup>6</sup>

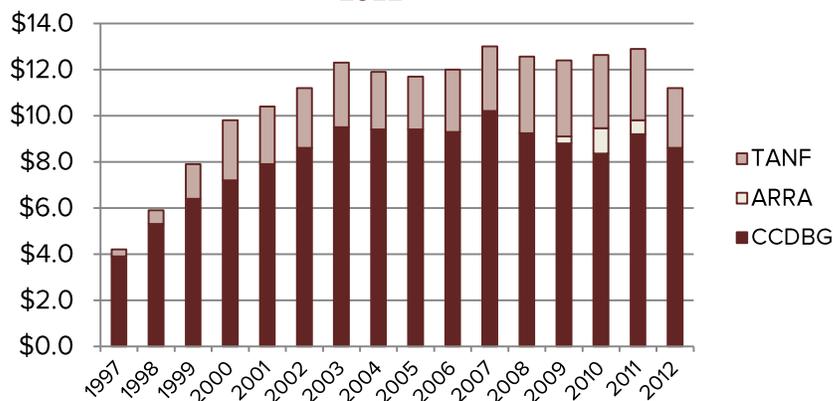
We include in our summation all funds a state spent during federal fiscal year 2012, including those appropriated in prior years. By law, states have several years to obligate and liquidate CCDBG funds. Because CCDBG funds are available for several years after they are awarded, annual CCDBG *spending* is often higher than annual *funding* as states spend funds from several years' appropriations. Analysis presented here may also differ from analyses based on state fiscal year expenditures.

**A total of 38 states spent less on child care assistance in 2012 compared to the previous year.** Seven states decreased spending by 20-29 percent: California, Louisiana, Maine, Michigan, New Jersey, New Mexico, and New York. Three states decreased spending by more than 30 percent: Georgia, North Dakota, and South Carolina. Only one state, Delaware, increased spending by more than 20 percent (see Appendix for state data).

### CCDBG Funds

- **In 2012, CCDBG spending fell by \$1.2 billion from the previous year, to its lowest level since 2002.** Two factors likely contributed to this decline: 1) the depletion of temporary American Recovery and Reinvestment Act (ARRA) funds, which were available to states from 2009-2011; and 2) Fewer transfers from the TANF block grant to CCDBG in

**Figure 1. Total Combined Child Care Spending (in billions), 1997-2012**



Source: CLASP calculations based on HHS data

previous years. Once spent, TANF transfers are reported as CCDBG expenditures.

- In 2012, 38 states decreased total CCDBG spending from the previous year.** Two states (North Dakota and Georgia) decreased spending by more than 30 percent. An additional 8 states decreased spending by 20-30 percent from 2011: Alaska, California, Louisiana, Maine, New Mexico, New York, South Carolina, and Tennessee. Three states (Hawaii, Arizona and Wisconsin) and the District of Columbia increased CCDBG spending by more than 20 percent from the previous year.
- Nearly all states met their match and MOE requirements and some states reported spending above their requirements.** In FY 2012, nine states reported expenditures of approximately \$88.6 million in excess of the MOE requirement: Alaska, Connecticut, Georgia, Kansas, Nebraska, Nevada, New Hampshire, Ohio, and Vermont. Four states (California, Iowa, West Virginia, and Wyoming) and the District of Columbia reported state expenditures of approximately \$55 million in excess of the state match requirement. Two states did not draw down all available federal funds. According to program rules, those funds were reallocated to states the following year. Idaho released \$9.9 million and Utah released \$7 million.

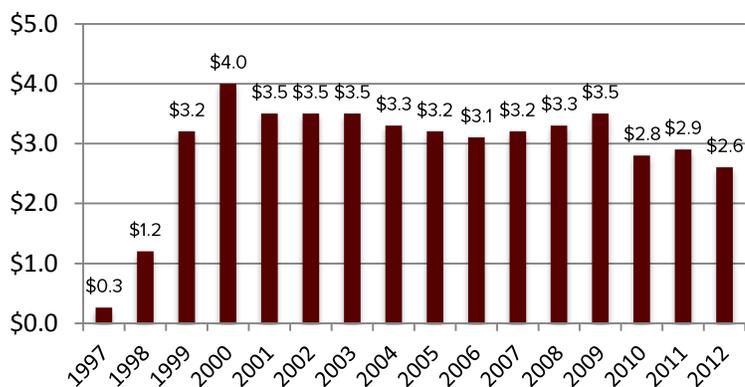
## TANF Funds

- In 2012, federal TANF funds used for child care (transfer and direct) reached the lowest level since 1998.** During the early years of TANF, the amount directed to child care grew from under \$300 million in 1997 to a high of \$4 billion in 2000. That figure then began to fall until reaching \$2.6 billion in 2012 (see figure 3). Thirty states are using fewer TANF funds for child care as compared to 2000, with California accounting for 75 percent of the total drop.

The TANF block grant has not been adjusted for inflation since its creation in 1996, and thus has lost about one-third of its value. States faced particularly tough choices in 2012, with less carryover funds available from the TANF Emergency Fund and some states losing the funds they had previously received from the Supplemental Grants, which Congress failed to fund for the first time. Including state MOE spending, the TANF block grant saw an overall spending decline of \$2 billion.<sup>7</sup>

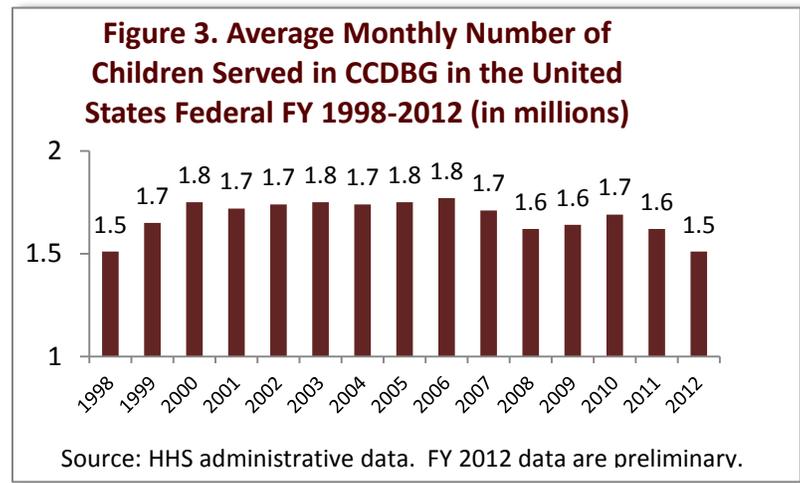
- Most of the decline in TANF child care spending is the**

**Figure 2. TANF Spending on Child Care, 1997-2012 (in billions)**



Source: Administration for Children and Families TANF Financial Data

**result of reduced TANF transfers to CCDBG**, which fell from a high of \$2.4 billion in 2000 to \$1.4 billion in 2012. In 2012, 7 states transferred the maximum amount of 30 percent of their TANF block grant to a combination of CCDBG and SSBG: Alaska, Idaho, Massachusetts, Mississippi, Montana, North Carolina, and Oklahoma.



## Fewer Children Received Child Care Services

In 2012, according to preliminary data, 1.5 million children were served by CCDBG on average each month, the lowest number since 1998. Thirty-three states served fewer children in 2012 as compared to the previous year (see Appendix). Since 2006, the number of children receiving CCDBG-funded child care has fallen by approximately 263,000 children (see figure 3). It is unclear how many children received child care funded directly by TANF because states are only required to report the number of children served by CCDBG. HHS estimated that in 2011, an additional 900,000 children were served in an average month through TANF and SSBG.<sup>8</sup>

According to HHS, 18 percent of children eligible to receive assistance under federal rules were served in 2009.<sup>9</sup> Moreover, sequestration cuts—automatic, across-the-board spending cuts in effect from March through September 2013—were expected to drop another 30,000 children from the program. While these cuts were restored in 2014 (see below), it's likely that fewer children were receiving subsidies in 2013 and that child care assistance may be reaching an even smaller share of the eligible population.

## A Look Ahead: Greater Investments Needed

The most recent child care subsidy expenditure and participation data underscore a trend that must be reversed. A review of state child care assistance policies by the National Women's Law Center finds states at a pivot point. In 2013, families in 27 states found themselves better off under one or more key child care assistance policies than they were last year—but in 24 states, families were doing worse. Many states have lengthy waiting lists for assistance, have set income eligibility so that many low-income parents are shut out, and pay very low rates to child care providers that restrict both access and quality.<sup>10</sup>

In May 2013, HHS proposed the first revision to CCDBG regulations since 1998. Through the proposed regulations, the federal government is seeking to improve quality and increase accountability in the program.

The Senate has also taken action on CCDBG, passing bipartisan legislation to reauthorize the program out of the Subcommittee on Health, Education, Labor and Pensions.<sup>11</sup> Either the release of final rules (anticipated later this year) or a reauthorization would require states to make changes to their programs that would require significant funding. In the absence of new funds, implementing costly standards may require some states to redirect resources and cut back on the number of children receiving child care assistance. This would be in direct opposition to the goals of improving quality of care and the health and safety of children.

In January 2014, Congress passed an omnibus spending bill that included an increase of \$154 million for CCDBG for FY 2014.<sup>12</sup> This boost is extremely important, restoring the sequestration cuts and expanding access for children, but far greater investment—at the federal and state levels—will be needed to sufficiently reverse this troubling trend.

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<sup>1</sup> Matthews, Hannah. “Child Care Assistance: A Program that Works,” 2009, <http://www.clasp.org/resources-and-publications/publication-1/0452.pdf>

<sup>22</sup> SSBG funds are used to support social services directed towards achieving economic self-sufficiency; preventing or remedying neglect, abuse, or the exploitation of children and adults; preventing or reducing inappropriate institutionalization; and securing referral for institutional care, where appropriate. One way that states can promote this use is through spending on child care subsidies.

<sup>3</sup> Spending and participation data from the Department of Health and Human Services is available at <http://www.acf.hhs.gov/programs/occ/data>. Participation data for 2012 is preliminary.

<sup>4</sup> The number of children receiving TANF-funded child care is not available as states are not required to report this information to the federal government. Expenditure data suggests fewer children are getting TANF child care assistance.

<sup>5</sup> States also transferred \$1.4 billion in federal TANF funds to CCDBG. Once transferred, these TANF funds are subject to CCDBG rules and may be spent over several years. When spent, they are reported as CCDBG spending; therefore, we do not include these dollars in our sum of total year spending.

<sup>6</sup> State may claim spending towards both TANF and CCDBG MOE. This figure excludes approximately \$978 million that may be “double counted” as CCDBG MOE and TANF MOE. Total TANF MOE spent on child care was \$2.43 billion in 2012.

<sup>7</sup> Schmit, Stephanie and Hannah Matthews. “TANF Child Care in 2012: How Low Can it Go?” August 20, 2013. <http://www.clasp.org/issues/child-care-and-early-education/in-focus/tanf-child-care-in-2012-how-low-can-it-go>

<sup>8</sup> Administration for Children and Families. *2014 Justification of Estimates for Appropriations Committees*, 2013, [https://www.acf.hhs.gov/sites/default/files/olab/sec2c\\_ccdbg\\_2014cj.pdf](https://www.acf.hhs.gov/sites/default/files/olab/sec2c_ccdbg_2014cj.pdf); Note: In FY 2010, the latest year for which data are available, \$371 million were spent by 37 states for child care services using SSBG funds.

<sup>9</sup> Office of the Assistant Secretary of Research and Evaluation. “Estimates of Child Care Eligibility and Receipt for Fiscal Year 2009.” 2012.

<sup>10</sup> Schulman, Karen and Helen Blank. *Pivot Point: State Child Care Assistance Policies in 2013*, National Women’s Law Center, 2013, [http://www.nwlc.org/sites/default/files/pdfs/final\\_nwlc\\_2013statechildcareassistancereport.pdf](http://www.nwlc.org/sites/default/files/pdfs/final_nwlc_2013statechildcareassistancereport.pdf)

<sup>11</sup> As of date of publication, no action has been taken in the House of Representatives.

<sup>12</sup> Matthews, Hannah. “A Billion Dollar Boost for Child Care and Early Learning.” January 14, 2014.

<http://www.clasp.org/issues/child-care-and-early-education/in-focus/a-billion-dollar-boost-for-child-care-and-early-learning>.



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## Appendix. State Child Care Expenditures (CCDBG and TANF Combined) and Monthly Average Number of Children Served (CCDBG), 2011-2012

State	Total Child Care Spending (CCDBG and TANF) FY 2011	Total Child Care Spending (CCDBG and TANF) FY 2012	Dollar Change	Percent Change	Average Monthly Number of Children Served (CCDBG Only) FY 2011	Average Monthly Number of Children Served (CCDBG Only) FY 2012	Change in Number of Children Served
Alabama	\$115,169,954	\$105,547,486	-\$9,622,468	-8%	27,100	26,000	-1,100
Alaska	\$38,804,144	\$38,884,983	\$80,839	0%	4,200	4,200	0
Arizona	\$148,216,645	\$148,516,933	\$300,288	0%	26,000	27,500	1,500
Arkansas	\$55,774,118	\$61,766,749	\$5,992,631	11%	9,000	7,100	-1,900
California	\$2,001,895,738	\$1,537,215,121	-\$464,680,617	-23%	114,400	101,300	-13,100
Colorado	\$105,587,430	\$98,554,481	-\$7,032,949	-7%	16,900	15,800	-1,100
Connecticut	\$111,199,635	\$117,739,154	\$6,539,519	6%	9,500	9,600	100
Delaware	\$51,331,905	\$66,082,830	\$14,750,925	29%	6,300	7,500	1,200
District of Columbia	\$76,450,124	\$70,546,892	-\$5,903,232	-8%	1,300	1,300	0
Florida	\$713,071,522	\$660,069,141	-\$53,002,381	-7%	92,800	83,600	-9,200
Georgia	\$265,131,113	\$154,132,390	-\$110,998,723	-42%	61,100	45,800	-15,300
Hawaii	\$47,650,087	\$50,256,320	\$2,606,233	5%	8,700	9,300	600
Idaho	\$25,336,598	\$26,200,633	\$864,035	3%	7,000	5,800	-1,200
Illinois	\$919,769,358	\$904,000,868	-\$15,768,490	-2%	63,000	52,800	-10,200
Indiana	\$177,850,820	\$183,988,737	\$6,137,917	3%	32,400	34,200	1,800



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<b>Iowa</b>	\$125,211,235	\$110,999,747	-\$14,211,488	-11%	16,000	15,800	-200
<b>Kansas</b>	\$99,517,032	\$84,801,935	-\$14,715,097	-15%	20,200	19,200	-1,000
<b>Kentucky</b>	\$200,448,751	\$192,323,371	-\$8,125,380	-4%	29,300	26,000	-3,300
<b>Louisiana</b>	\$136,267,228	\$108,757,486	-\$27,509,742	-20%	36,000	28,700	-7,300
<b>Maine</b>	\$36,209,713	\$28,798,099	-\$7,411,614	-20%	2,600	2,700	100
<b>Maryland</b>	\$144,486,823	\$129,795,930	-\$14,690,893	-10%	24,400	18,900	-5,500
<b>Massachusetts</b>	\$475,762,696	\$448,338,580	-\$27,424,116	-6%	28,600	27,900	-700
<b>Michigan</b>	\$244,714,949	\$190,477,039	-\$54,237,910	-22%	52,900	54,200	1,300
<b>Minnesota</b>	\$214,379,255	\$212,139,341	-\$2,239,914	-1%	31,200	25,700	-5,500
<b>Mississippi</b>	\$90,432,738	\$74,446,338	-\$15,986,400	-18%	23,800	19,500	-4,300
<b>Missouri</b>	\$205,210,001	\$201,240,397	-\$3,969,604	-2%	41,800	47,900	6,100
<b>Montana</b>	\$30,775,683	\$28,462,275	-\$2,313,408	-8%	4,500	4,100	-400
<b>Nebraska</b>	\$104,466,089	\$104,760,450	\$294,361	0%	12,300	10,900	-1,400
<b>Nevada</b>	\$61,041,643	\$57,727,870	-\$3,313,773	-5%	7,400	4,800	-2,600
<b>New Hampshire</b>	\$27,704,458	\$29,914,696	\$2,210,238	8%	4,800	5,000	200
<b>New Jersey</b>	\$300,327,888	\$239,744,232	-\$60,583,656	-20%	36,300	31,400	-4,900
<b>New Mexico</b>	\$79,672,090	\$63,284,304	-\$16,387,786	-21%	20,500	19,800	-700
<b>New York</b>	\$1,150,317,803	\$825,690,829	-\$324,626,974	-28%	130,800	122,700	-8,100
<b>North Carolina</b>	\$432,623,868	\$426,440,483	-\$6,183,385	-1%	74,200	77,900	3,700
<b>North Dakota</b>	\$15,907,651	\$10,949,418	-\$4,958,233	-31%	3,700	2,300	-1,400
<b>Ohio</b>	\$639,641,918	\$693,651,110	\$54,009,192	8%	46,600	47,500	900
<b>Oklahoma</b>	\$185,681,713	\$151,521,179	-\$34,160,534	-18%	28,000	24,800	-3,200
<b>Oregon</b>	\$96,107,223	\$86,309,033	-\$9,798,190	-10%	19,000	13,900	-5,100
<b>Pennsylvania</b>	\$734,209,110	\$670,004,154	-\$64,204,956	-9%	99,800	95,600	-4,200
<b>Rhode Island</b>	\$45,665,814	\$44,141,778	-\$1,524,036	-3%	5,500	5,700	200



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<b>South Carolina</b>	\$104,523,405	\$73,560,908	-\$30,962,497	-30%	18,000	15,500	-2,500
<b>South Dakota</b>	\$16,170,318	\$17,728,578	\$1,558,260	10%	5,800	5,400	-400
<b>Tennessee</b>	\$233,257,192	\$191,808,583	-\$41,448,609	-18%	46,100	38,900	-7,200
<b>Texas</b>	\$713,254,806	\$623,707,557	-\$89,547,249	-13%	130,300	122,800	-7,500
<b>Utah</b>	\$70,392,941	\$64,932,852	-\$5,460,089	-8%	11,900	12,500	600
<b>Vermont</b>	\$38,026,311	\$36,110,633	-\$1,915,678	-5%	4,500	4,500	0
<b>Virginia</b>	\$198,109,510	\$184,171,539	-\$13,937,971	-7%	23,300	21,200	-2,100
<b>Washington</b>	\$331,187,144	\$285,608,070	-\$45,579,074	-14%	44,800	39,100	-5,700
<b>West Virginia</b>	\$72,106,268	\$67,866,353	-\$4,239,915	-6%	7,100	8,000	900
<b>Wisconsin</b>	\$292,596,198	\$331,037,830	\$38,441,632	13%	28,500	34,200	5,700
<b>Wyoming</b>	\$23,751,048	\$22,584,544	-\$1,166,504	-5%	5,100	4,700	-400
<b>United States</b>	<b>\$12,918,143,413</b>	<b>\$11,394,483,500</b>	<b>-\$1,523,659,913</b>	<b>-12%</b>	<b>1,623,700</b>	<b>1,507,300</b>	<b>-116,400</b>

Note: U.S. totals include expenditures in U.S. territories and do not equal the sum of state expenditures shown here.