



# Early Childhood Care and Education Programs: Background and Funding

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## Summary

Federal support for child care and education comes in many forms, ranging from grant programs to tax provisions. Some programs serve as specifically dedicated funding sources for child care services (e.g., the Child Care and Development Block Grant, or CCDBG) or education programs (e.g., the Preschool Grants Program and Infants and Toddlers Program funded under the Individuals with Disabilities Education Act). For other programs (e.g., Temporary Assistance for Needy Families, or TANF), child care is just one of many purposes for which funds may be used. In many cases, federal programs target low-income families in need of child care, but in the case of certain tax provisions, the benefits reach middle- and upper-income families as well. This report provides an overview of federal child care, early education, and related programs, and their current funding statuses.

Funding for many child care, early education, and related programs is provided each year as part of the annual appropriations process for the Departments of Health and Human Services (HHS), and Education (ED). This report briefly summarizes the status of FY2010 appropriations for early childhood programs and the FY2010 President's Budget released on May 7, 2009, by the Barack H. Obama Administration. In addition, this report discusses FY2009 funding developments. The American Recovery and Reinvestment Act (ARRA, P.L. 111-5), signed into law by President Obama on February 17, 2009, bolstered appropriations for several existing streams of federal funding for early childhood care and education programs. The ARRA was rapidly followed by the FY2009 Omnibus Appropriations Act (P.L. 111-8), which President Obama signed on March 11, 2009. Combined, the overall appropriations provided for early childhood care and education programs through these two pieces of legislation exceed the FY2009 funding requested for these programs by President George W. Bush. With few exceptions, President Bush's FY2009 request would have maintained funding for programs discussed in this report at the same level provided in FY2008.

Several early childhood care and education programs have funding authorizations that have already expired or are due to expire soon. The Child Care and Development Block Grant, for instance, expired in FY2002. However, it has continued to be funded through appropriations legislation. Authorization for many programs under the No Child Left Behind Act expired at the end of FY2008, though they have also continued to receive funding. Head Start, however, was reauthorized by the 110<sup>th</sup> Congress in legislation that was signed into law (P.L. 110-134) by the President on December 12, 2007.

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## Introduction

Several federal programs support child care, education, or related services, primarily for low-income working families. In addition, the tax code includes provisions specifically targeted to assist families with child care expenses. This report includes an update on FY2010 funding developments (see **Table 1**) and the status of FY2009 appropriations (summarized in **Table 2**) in the early childhood care and education arena. This report also provides a six-year funding history (see **Table 3**) and brief descriptions of the various related programs and tax provisions. In many cases, other Congressional Research Service (CRS) reports are referenced as sources for more detailed information about individual programs.

Early childhood care and education programs due to be reauthorized in the 111<sup>th</sup> Congress include the Child Care and Development Block Grant (CCDBG) and programs under the No Child Left Behind Act (NCLBA). All of these programs have continued to receive funding. The NCLBA programs include those funded under the Elementary and Secondary Education Act (ESEA) Title I, Part A, as well as Early Reading First and Even Start. Programs for young children contained in the Individuals with Disabilities Education Act (IDEA), i.e., the Preschool Grants program and the Infants and Toddlers program, are not up for reauthorization in the 111<sup>th</sup> Congress. This report does not attempt to cover all issues connected with each of those reauthorizations.

## FY2010 Funding Developments

### FY2010 Appropriations

The full Senate has yet to pass a bill providing FY2010 appropriations for the Departments of Labor, Health and Human Services, and Education (L-HHS-ED). However, on August 4, 2009, the Senate Appropriations Committee reported a bill (S.Rept. 111-66, H.R. 3293) that would provide L-HHS-ED appropriations for FY2010 (see **Table 1**). The Senate Appropriations Committee-passed bill would maintain level funding for most early childhood care and education programs compared to the funding they received under the FY2009 Omnibus Appropriations Act (P.L. 111-8). However, compared to FY2009 Omnibus funding levels, the bill would provide a modest increase to Head Start (+\$122 million) and would eliminate funding for Even Start (-\$66 million). Both the increase to Head Start and the elimination of Even Start align with the Obama Administration's FY2010 budget request. The Senate Appropriations Committee-passed bill would also eliminate a separate authorization for the Early Reading First program. It would instead add early reading programs to an expanded Striving Readers Program; the expanded program would serve children from preschool through adolescence. The Senate Appropriations Committee recommended funding of \$262.9 million for the program in FY2010, an increase of \$227.5 million over FY2009 Omnibus funding levels.

On July 24, 2009, the House passed its FY2010 L-HHS-ED appropriations bill, H.R. 3293 (see **Table 1**). The House-passed bill would maintain level funding for most early childhood care and education programs compared to the funding they received under the FY2009 Omnibus Appropriations Act (P.L. 111-8), but would provide modest increases to three programs compared to their FY2009 Omnibus funding levels: Head Start (+\$122 million), Early Reading First (+\$15 million), and Child Care Access Means Parents in School (+\$1 million). In contrast to the Administration and Senate Appropriations Committee's proposal to eliminate the Even Start

Program, the House would continue the program with level funding (\$66 million) for FY2010. Prior to consideration by the full House, this bill was reported by the House Committee on Appropriations on July 22, 2009 (H.Rept. 111-220).

## **FY2010 Budget Resolution**

On April 2, 2009, the House and Senate each passed versions of a concurrent resolution on the FY2010 budget (H.Con.Res. 85 and S.Con.Res. 13). After resolving the differences between their respective versions, the House and Senate agreed on a conference report to accompany the FY2010 budget resolution (S.Con.Res. 13, H.Rept. 111-89) on April 29. The conference agreement on the budget resolution does not specify funding levels for early childhood care and education programs. However, it does include deficit neutral reserve funds for home visiting programs in both the House and the Senate, and a deficit neutral reserve fund for the enhancement of the dependent care tax credit in the Senate only.<sup>1</sup>

## **Barack H. Obama Administration FY2010 Budget**

Prior to Congress' work on the FY2010 budget resolution, the Obama Administration released an outline of its FY2010 budget on February 26, 2009.<sup>2</sup> More detailed budget proposals were later released by the Obama Administration on May 7 and 12. As displayed in **Table 1**, the FY2010 President's Budget calls for most of the existing early childhood programs to maintain the same level of funding that they received in FY2009; only three of the existing discretionary programs would receive an increase or decrease in funding levels. Specifically, the budget proposes to eliminate funding for Even Start (-\$66 million) and to increase funding for Head Start (+\$122 million) and Early Reading First (+\$50 million).

In addition, the FY2010 President's Budget calls for the creation of several new programs to support the Obama Administration's "Zero to Five" agenda for early childhood care and education. These new programs include

- **Home Visitation:** Capped mandatory funds would provide matching formula grants to states, territories, and tribes to support the establishment and expansion of evidence-based home visitation services for low-income mothers and pregnant women. The initiative would give priority to models that have been rigorously evaluated and shown to have positive effects on critical outcomes for families and children. The program would also include a set-aside of not less than 5% for training and technical assistance, research and evaluation, monitoring, and administrative support.
- **Title I Early Childhood Grants:** Discretionary funds would be awarded by formula to states, who would use funds to provide matching grants to Title I Local Education Agencies (LEAs) that agree to invest American Recovery and Reinvestment Act (P.L. 111-5) funds in early childhood education. This program would provide one year of funding to support the planning and implementation of

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<sup>1</sup> For more information on how deficit neutral reserve funds operate, see CRS Report RL33122, *Congressional Budget Resolutions: Revisions and Adjustments*, by Robert Keith.

<sup>2</sup> For more information about the FY2010 budget cycle, see CRS Report R40558, *Major FY2010 Budget Proposals*, by D. Andrew Austin.

early childhood education initiatives. The Administration proposes to continue funding these initiatives in subsequent years through the Early Learning Challenge Fund.

- **Early Learning Challenge Fund:** Discretionary funds would provide competitive grants to states for development of state plans and statewide infrastructure of integrated early learning supports and services for children from birth through age five in order to raise the quality of publicly funded early learning programs and improve school readiness among children.

In addition, the Obama Administration’s Budget also calls for discretionary funds to support Promise Neighborhoods and Teacher Quality Partnerships. Neither of these initiatives would focus solely on early childhood efforts. However, it is possible that either, or both, of these programs may support some activities related to early childhood care and education.

**Table 1** displays the status of FY2010 appropriations, including the FY2010 budget request from the Obama Administration and the funding levels included in the House-passed and Senate Appropriations Committee-Passed appropriations bills for FY2010.

**Table 1. FY2010 Appropriations: Funding Levels in President Obama’s Budget Request, as well as the House-Passed and Senate Appropriations Committee-Passed L-HHS-ED Appropriations Bills for Early Childhood Care and Education Programs**  
(\$ in millions)

Program/Provision (Federal Admin. Agency)	FY2010 President’s Request	H.R. 3293 House- Passed Bill	H.R. 3293 Senate Appropriations Committee- Passed Bill
<b>Existing Programs</b>			
Child Care and Development Block Grant—discretionary portion (HHS)	2,127	2,127	2,127
Social Services Block Grant (HHS)	1,700	1,700	1,700
Head Start (HHS)	7,235	7,235	7,235
Early Reading First (ED)	163	128	0
Even Start (ED)	0	66	0
Individuals with Disabilities Education Act (IDEA)—Infants and Families (ED)	439	439	439
Individuals with Disabilities Education Act (IDEA)—Preschool Grants (ED)	374	374	374
Child Care Access Means Parents in School (ED)	16	17	16
<b>Newly Proposed Programs for FY2010</b>			
Home Visitation—mandatory funding (HHS)	124	0	0
Title I Early Childhood Grants (ED)	500	0	0
Early Learning Challenge Fund (ED)	300	0	0

**Source:** Prepared by the Congressional Research Service (CRS).

**Notes:** The Elementary and Secondary Education Act (ESEA) Title I, Part A (ED) is not included here because it primarily serves school-age disadvantaged children, and because reliable data on expenditures for preschoolers are not available. However, the U.S. Department of Education has estimated that approximately 2% of Title I, Part A funds are used to support preschool services. These preschool services are not separately funded under Title I, Part A, but rather are spent for this purpose at the discretion of local educational agencies (LEAs). Preschool spending data are not collected. The Obama Administration's FY2010 Budget requests a total of \$12.992 billion for ESEA, Title I, Part A funding in FY2010. The House-passed appropriations bill, H.R. 3293, would fund ESEA, Title I, Part A at \$14.5 billion. The Senate Appropriations Committee-passed bill, H.R. 3293, would fund ESEA, Title I, Part A at \$13.792 billion.

## **FY2009 Funding Developments**

### **George W. Bush Administration FY2009 Budget**

President George W. Bush released his proposed budget for FY2009 on February 4, 2008. President Bush's funding request for most of the early childhood care and education programs discussed in this report mirrored the funding levels provided in FY2008. Exceptions included a proposed \$149 million increase for the Head Start program, and the elimination of the Social Services Block Grant (SSBG). The FY2009 President's Budget originally called for a \$500 million decrease for SSBG in FY2009, however the Bush Administration subsequently submitted two budget amendments to Congress (H.Doc. 110-123 and H.Doc. 110-141), which ultimately reduced the President's proposed FY2009 SSBG funding level to \$0. In addition to the proposed cut for FY2009, the President's Budget also proposed a plan to permanently eliminate the SSBG beginning in FY2010. For FY2009, the Administration again proposed to eliminate the Even Start program. The Early Childhood Educator Professional Development Program received no funding in FY2008 or FY2009. (The Obama Administration proposes no funding for FY2010.)

### **FY2009 Appropriations**

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA, P.L. 111-5), which bolstered appropriations for several existing streams of federal funding for early childhood care and education programs, including the Child Care and Development Block Grant (CCDBG), Head Start, and two programs under the Individuals with Disabilities Education Act (IDEA). The ARRA was followed shortly by the FY2009 Omnibus Appropriations Act (P.L. 111-8), which President Obama signed on March 11, 2009. Combined, the overall FY2009 appropriations provided for early childhood care and education programs through these two pieces of legislation exceeded the FY2009 funding requested for these programs by President George W. Bush. With few exceptions, President Bush's FY2009 request would have maintained funding for programs discussed in this report at the same level provided in FY2008.

Prior to the passage of the FY2009 Omnibus Appropriations Act, Congress had passed two continuing resolutions (CRs) for FY2009 (P.L. 110-329 and P.L. 111-6). Both CRs maintained prior fiscal year funding levels, which were established in the Consolidated Appropriations Act of 2008 (P.L. 110-161). The FY2008 appropriation had applied a cut of 1.74% to all of the discretionary funding streams discussed in this report. This across-the-board reduction was maintained under the FY2009 CRs. The first of the two CRs (P.L. 110-329) was signed into law by President Bush on September 30, 2008, and remained in effect until March 6, 2009. The



second CR (P.L. 111-6) was signed into law by President Obama on March 6, 2009, and lasted until it was superseded by the FY2009 Omnibus on March 11, 2009.

During the summer of 2008, well before the passage of the FY2009 Omnibus, both the House and Senate had started the FY2009 process. On July 8, 2008, the Senate Committee on Appropriations reported S. 3230 (S.Rept. 110-410), its proposal for FY2009 appropriations for the Departments of Labor, Health and Human Services, Education, and Related Agencies (L-HHS-ED). On June 19, 2008, the House L-HHS-ED Appropriations Subcommittee marked up a draft bill and approved it for consideration by the full committee. The House Committee on Appropriations convened a markup session on its draft bill on June 26, 2008, but adjourned before final action.

**Table 2. FY2009 Appropriations: Funding Levels in President George W. Bush's  
FY2009 Request and Subsequent Congressional Actions**  
(\$ in millions)

Program	President's Request FY2009	Senate Appropriations Committee- Passed Bill (S. 3230)	House Appropriations LHE Subcommittee- Passed Bill	American Recovery and Reinvestment Act (P.L. 111-5)	FY2009 Omnibus Appropriations (P.L. 111-8)
CCDBG— discretionary portion (HHS)	2,062	2,137	2,112	2,000	2,127
Social Services Block Grant (HHS)	0 <sup>a</sup>	1,700	1,700	0	1,700
Head Start (HHS)	7,027	7,105 <sup>b</sup>	7,120	2,100	7,113 <sup>c</sup>
Even Start (ED)	0	66	66	0	66
IDEA—Infants and Families (ED)	436	443	436	500	439
IDEA—Preschool (ED)	374	374	374	400	374
Early Reading First (ED)	113	113	113	0	113
Child Care Access Means Parents in School (CAMPIS) (ED)	16	16	17	0	16

**Source:** Prepared by the Congressional Research Service (CRS).

- a. The Bush Administration's FY2009 Budget originally proposed a funding level of \$1.2 billion for the SSBG in FY2009. This amount was subsequently reduced to \$0, as a result of two budget amendments (H.Doc. 110-123 and H.Doc. 110-141) submitted to Congress by the Bush Administration during June and August 2008.
- b. The Head Start appropriation includes advance funding for the next fiscal year. Of the \$7.105 billion appropriated in S. 3230 in FY2009, a total of \$1.389 billion would not become available until the beginning of FY2010.
- c. The FY2009 Omnibus (P.L. 111-8) did not continue the prior practice of providing advance appropriations in the Head Start appropriation. As a result, the full \$7.113 billion included in the Omnibus must be obligated in FY2009. In addition to funds from the Omnibus, FY2009 funding for Head Start also includes \$1.389 billion in funds that were advance appropriated to this account by the Consolidated Appropriations Act of 2008 (P.L. 110-161). Combined, these appropriations make \$8.502 billion available in FY2009.



## Overview of Federal Early Childhood Care and Education Programs and Related Tax Provisions

**Table 3** provides historical funding levels for current early childhood care and education programs (and related tax provisions) from FY2004 through FY2009. Brief descriptions of the programs and provisions highlight the breadth of variation in purpose, target population, and funding for these many early childhood initiatives.

**Table 3. Funding for Federal Early Childhood Care, Education, and Related Programs, FY2004-FY2009**  
(nominal dollars in millions)

<b>Program/Provision (Federal Admin. Agency)</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>
<b>Programs</b>						
CCDBG— discretionary portion (HHS)	2,087 <sup>a</sup>	2,083 <sup>b</sup>	2,062 <sup>c</sup>	2,062	2,062 <sup>d</sup>	2,127 <sup>e</sup>
CCDBG— mandatory portion (HHS)	2,717 <sup>f</sup>	2,717 <sup>f</sup>	2,917 <sup>g</sup>	2,917 <sup>g</sup>	2,917 <sup>g</sup>	2,917 <sup>g</sup>
TANF (HHS)	<sup>fh</sup>	<sup>fh</sup>	<sup>h</sup>	<sup>h</sup>	<sup>h</sup>	<sup>h</sup>
Child and Adult Care Food (USDA)	2,056 <sup>i</sup>	2,134 <sup>i</sup>	2,141 <sup>i</sup>	2,172 <sup>i</sup>	2,245 <sup>i</sup>	2,514 <sup>i</sup>
Social Services Block Grant (HHS)	1,700 <sup>k</sup>	1,700 <sup>k</sup>	1,700 <sup>kl</sup>	1,700 <sup>k</sup>	1,700 <sup>km</sup>	1,700 <sup>k</sup>
Head Start (HHS)	6,775 <sup>an</sup>	6,843 <sup>bn</sup>	6,786 <sup>co</sup>	6,888 <sup>p</sup>	6,878 <sup>dq</sup>	7,113 <sup>r</sup>
Early Reading First (ED)	94 <sup>a</sup>	104 <sup>b</sup>	103 <sup>c</sup>	118 <sup>s</sup>	113 <sup>d</sup>	113
Even Start (ED)	247 <sup>a</sup>	225 <sup>b</sup>	99 <sup>c</sup>	82 <sup>t</sup>	66 <sup>d</sup>	66
IDEA Infants and Families (ED)	444 <sup>a</sup>	441 <sup>b</sup>	436 <sup>c</sup>	436 <sup>t</sup>	436 <sup>d</sup>	439 <sup>u</sup>
IDEA Preschool Grants (ED)	388 <sup>a</sup>	385 <sup>b</sup>	381 <sup>c</sup>	381 <sup>t</sup>	374 <sup>d</sup>	374 <sup>v</sup>
Child Care Access Means Parents in School (ED)	16 <sup>a</sup>	16 <sup>b</sup>	16 <sup>c</sup>	16 <sup>t</sup>	16 <sup>d</sup>	16
<b>Tax Provisions</b>						
Dependent Care Tax Credit (Treasury)	3,207 <sup>w</sup>	3,338 <sup>w</sup>	3,462 <sup>w</sup>	3,487 <sup>w</sup>	3,020 <sup>x</sup>	3,670 <sup>x</sup>
Dependent Care Assistance Program (Treasury)	<sup>y</sup>	<sup>y</sup>	600 <sup>w</sup>	1,170 <sup>z</sup>	940 <sup>x</sup>	1,240 <sup>x</sup>

**Source:** Prepared by the Congressional Research Service (CRS).

**Notes:** This table displays currently funded federal programs and tax provisions only. Programs that were funded in recent years but no longer receive funding are not shown. Two such programs include the U.S. Department of Education's Early Childhood Educator Professional Development Program (funded at roughly \$15 million from FY2004 to FY2007, but not funded since) and the Early Learning Fund from the Early Learning Opportunities Act, administered by the U.S. Department of Health and Human Services (funded at \$34 million in FY2004, \$36 million in FY2005, and not funded since). Also of note, the Elementary and Secondary Education Act (ESEA) Title I, Part A (ED) is not included here because it primarily serves school-age disadvantaged children, and because reliable data on expenditures for preschoolers are not available. However, the U.S. Department of Education has estimated that approximately 2% of Title I, Part A funds are used to support preschool services. These preschool services are not separately funded under Title I, Part A, but rather are spent for this purpose at the discretion of local educational agencies (LEAs). Preschool spending data are not collected. Total ESEA Title I, Part A funding was \$14.49 billion in FY2009; \$14.03 billion in FY2008; \$12.84 billion in FY2007; \$12.74 billion in FY2006; \$12.74 billion in FY2005; and \$12.34 billion in FY2004.

- a. Discretionary programs included in Table 3 were subject to an across-the-board rescission of 0.59% included in P.L. 108-199. For the larger programs, the listed amount reflects the rescission, whereas for the smaller programs, the use of rounding in the table masks the decrease in the actual appropriation.
- b. The omnibus appropriations law (P.L. 108-447) included an across-the-board rescission of 0.8% for the discretionary programs included in Table 3. The numbers in the table reflect the offset. (For the smaller programs, the use of rounding in the table masks the decrease in the actual appropriation.)
- c. This amount reflects the 1% across-the-board rescission that applies to discretionary programs included in this appropriations act (P.L. 109-149).
- d. This amount reflects the 1.747% across-the-board rescission that applies under P.L. 110-161.
- e. In addition to the \$2.127 billion appropriated in the FY2009 Omnibus Appropriations Act (P.L. 111-8), the American Recovery and Reinvestment Act (P.L. 111-5) provided an additional \$2.0 billion in discretionary funding for the CCDBG. In addition, states transferred almost \$2.1 billion of their FY2007 TANF allotments to the CCDBG, representing about 12% of the total FY2007 TANF allotment.
- f. Funding for TANF and the mandatory portion of CCDBG funding for FY2004 and FY2005 was provided (at the FY2002 rates) through a series of temporary extensions.
- g. P.L. 109-171 provides \$2.917 billion for mandatory child care funding in each of fiscal years 2006-2010.
- h. TANF funds (\$16.5 billion annually) may be used for child care, but are not specifically appropriated as such. HHS reports that states spent \$1.17 billion in federal TANF funds for child care within the TANF program in FY2007 (the most recent data available).
- i. Obligations (actual for 2002-2008), Department of Agriculture.
- j. This number represents estimated obligations from the Congressional Budget Office, as of January 29, 2009, and may be subject to change.
- k. Total SSBG appropriation amount shown (excluding supplementals), though not all SSBG funds go toward early childhood care and education activities. In FY2007 (the most recent expenditure data available), \$389 million in SSBG expenditures went toward child care services. In FY2006, the comparable figure was \$220 million; in FY2005, it was \$241 million; and in FY2004, it was \$254 million.
- l. In addition to the \$1.7 billion appropriated in the Labor, HHS, Education law (P.L. 109-149), the Defense Appropriations Act (P.L. 109-148) provided \$550 million in supplemental SSBG funds, specifically targeted for needs arising from the Gulf Coast Hurricanes of 2005.
- m. In addition to the \$1.7 billion appropriated in the Consolidated Appropriations Act of 2008 (P.L. 110-161), the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009 (P.L. 110-329) provided \$600 million in supplemental SSBG funds, specifically targeted toward needs arising from major disasters of 2008 as well as Hurricanes Katrina and Rita.
- n. In FY2004, \$1.4 billion was advance appropriated for the following year. In FY2005, \$1.389 billion of the \$6.843 billion was advance appropriated for FY2006.
- o. Of the \$6.786 billion (post-rescission), \$1.386 billion became available in FY2007. In addition to the amount shown in the table, the Defense Appropriations Act (P.L. 109-148) provided \$90 million in additional funding for Head Start, to be used specifically for grantees serving children displaced by Gulf Coast hurricanes of 2005, and to help with costs of renovating Head Start facilities affected by the storms.

- p. Of the \$6.888 billion, \$1.365 billion became available in FY2008.
- q. Of the \$6.878, \$1.389 billion became available in FY2009.
- r. In addition to the \$7.113 billion appropriated in the FY2009 Omnibus Appropriations Act (P.L. 111-8), the American Recovery and Reinvestment Act (P.L. 111-5) provided an additional \$2.1 billion for Head Start (of which \$1.1 billion was explicitly directed toward Early Head Start expansion). Notably, the FY2009 Omnibus (P.L. 111-8) did not continue the previous practice of providing advance appropriations for the next fiscal year in the Head Start appropriation. As a result, the full \$7.113 billion included in the Omnibus must be obligated in FY2009. In addition to funds from the Omnibus, FY2009 funding for Head Start also includes \$1.389 billion in funds that were advance appropriated to this account by the Consolidated Appropriations Act of 2008 (P.L. 110-161).
- s. Figures taken from the Department of Education table showing “FY2007 CR Operating levels.” The fourth and final continuing resolution (CR) making appropriations for FY2007 was enacted February 15, 2007 (P.L. 110-5).
- t. Figure taken from the Department of Education FY2008 Budget Justification.
- u. In addition to the \$439 million appropriated in the FY2009 Omnibus Appropriations Act (P.L. 111-8), the American Recovery and Reinvestment Act (P.L. 111-5) provided an additional \$500 million for IDEA programs for infants and toddlers.
- v. In addition to the \$374 million appropriated in the FY2009 Omnibus Appropriations Act (P.L. 111-8), the American Recovery and Reinvestment Act (P.L. 111-5) provided an additional \$400 million for IDEA preschool grants.
- w. Prior tax year actual expenditures reported in (Internal Revenue Service) IRS publication 1304 Table 3.3 – in other words, \$3.338 billion in tax credit claimed in tax year 2004.
- x. Amounts reflect estimates for the prior tax year (2007) and current tax year (2008), taken from the FY2010 President’s Budget.
- y. Actual tax expenditures associated with DCAP are not reported/collected on/from tax returns.
- z. Amount reflects estimate for the prior tax year, taken from the FY2009 President’s Budget.

## **Current Programs**

### **Child Care and Development Block Grant (CCDBG)<sup>3</sup>**

The primary federal grant program funding child care is the CCDBG, which was created in 1990 and reauthorized (through FY2002) and substantially expanded in 1996, as part of welfare reform. The CCDBG is overdue for reauthorization, and may be considered for reauthorization by the 111<sup>th</sup> Congress. (Although the 109<sup>th</sup> Congress completed legislation to provide the mandatory funding portion for the CCDBG through FY2010, the CCDBG Act itself, which outlines the rules of the program, and includes the authorization level for discretionary funding, awaits reauthorization. In the meantime, discretionary funding has been provided via the appropriations process.)

The CCDBG is administered by the Department of Health and Human Services (HHS), and provides formula block grants to states, which use the grants to subsidize the child care expenses of families with children under age 13, if the parents are working or in school, and family income is less than 85% of the state median. (In practice, most states establish income eligibility levels that are lower than this federal threshold.) Child care services are provided on a sliding fee scale

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<sup>3</sup> For more information, see CRS Report RL30785, *The Child Care and Development Block Grant: Background and Funding*, by Karen E. Lynch.

basis, and parents may choose to receive assistance through vouchers or certificates, which can be used with a provider of the parents' choice, including religious providers and relatives.

States receiving CCDBG funds must establish child care licensing standards, although federal law does not dictate what these standards should be or what types of providers must be covered. In addition, states must have health and safety requirements applicable to all providers receiving CCDBG subsidies that address prevention and control of infectious diseases, building physical premises safety, and health and safety training for care givers. However, federal law does not dictate the specific contents of these requirements.

The CCDBG is funded through both discretionary and capped entitlement (mandatory) grants (referred to in combination as the Child Care and Development Fund (CCDF)). State maintenance-of-effort (MOE) and matching requirements apply to part of the entitlement funds.<sup>4</sup> States must use at least 4% of their total funds to improve the quality and availability of child care, and according to statute, must target 70% of entitlement funds on welfare recipients working toward self-sufficiency or families at risk of welfare dependency. However, because all families falling below the 85% of state median income requirement can be categorized as "at risk," the 70% targeting of the welfare or at-risk population does not necessarily mean welfare families must be served. In theory, all funds may be used for low-income, non-welfare, working families. However, state plans indicate that many states guarantee child care to welfare families. No more than 5% of state allotments may be used for state administrative costs.

The Consolidated Appropriations Act of 2008 (P.L. 110-161) included \$2.062 billion for the discretionary CCDBG, the same level of funding this program had received since FY2006. The FY2009 Omnibus (P.L. 111-8) provides \$2.127 billion in discretionary funding for CCDBG, representing an increase of about \$65 million above the FY2008 funding level. The ARRA (P.L. 111-5) provided an additional \$2.0 billion in discretionary funds to the CCDBG in FY2009.<sup>5</sup> These funds are available for obligation through FY2010. The ARRA specifies that a sum of approximately \$255 million be reserved, out of the total appropriated to CCDBG, for quality activities; this sum augments the 4% that states are already required to use for such activities. Of the \$255 million, nearly \$94 million is reserved for activities designed to improve the quality of infant and toddler care. The Obama Administration's FY2010 Budget proposes to maintain the FY2009 Omnibus level of \$2.127 billion in discretionary CCDBG funds for FY2010.

Mandatory (or "entitlement") CCDBG funding is pre-appropriated, and does not occur through the annual appropriations process. Beginning in FY2003 through FY2005, a series of funding extensions maintained mandatory child care funding at the FY2002 rate of \$2.717 billion annually. Ultimately, funding for a longer, five-year period (FY2006-FY2010) was included in the Deficit Reduction Act of 2005, a budget spending reconciliation bill (S. 1932), which was signed into law (P.L. 109-171) on February 8, 2006. This law provides \$2.917 billion annually for each of FY2006-FY2010.

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<sup>4</sup> For more detailed information on the CCDF financing structure and early spending trends (through FY2000), see CRS Report RL31274, *Child Care: Funding and Spending under Federal Block Grants*, by Melinda Gish.

<sup>5</sup> For more information, see CRS Report R40211, *Human Services Provisions of the American Recovery and Reinvestment Act*, by Gene Falk et al.

## **Temporary Assistance for Needy Families (TANF)**

TANF, created in the 1996 welfare reform law (P.L. 104-193), provides fixed block grants for state-designed programs of time-limited and work-conditioned aid to needy families with children. The original legislation provided \$16.5 billion annually through FY2002, and after a series of twelve temporary extensions, Congress included several welfare provisions (and mandatory child care funding) in its spending budget reconciliation bill (S. 1932), which was signed into law (P.L. 109-171) on February 8, 2006. The law maintains the TANF block grant at \$16.5 billion for FY2006-FY2010. Child care is one of many services for which states may use TANF funding. In FY2007 (the most recent year for which data are available), HHS reports that states spent about \$1.17 billion in federal TANF funds for child care within the TANF program, and \$2.55 billion in state TANF and separate state program (SSP) MOE funds.<sup>6</sup> In addition, states may transfer up to 30% of their TANF allotments to CCDF, to be spent according to the rules of the child care program (as opposed to TANF rules). The transfer from the FY2007 TANF allotment to the CCDF totaled almost \$2.1 billion, representing 12% of the FY2007 TANF allotment.

## **Child and Adult Care Food Program (CACFP)**

The CACFP provides federal funds (in some case commodities) for meals and snacks served in licensed child care centers, family and group day care homes, and Head Start centers.<sup>7</sup> Child care providers that are exempt from state licensing requirements must comply with alternative state or federal standards. Children under 12, migrant children under 15, and children with disabilities of any age may participate, although most are preschoolers.<sup>8</sup> Eligible providers are usually public and private nonprofit organizations. Subsidies provided to day care centers, including Head Start centers, vary according to the child's family income. Subsidies provided to family and group day care homes vary according to average income of the community in which the home is located. The CACFP is an open-ended entitlement, administered by the Department of Agriculture. Actual obligations came to \$2.245 billion in FY2008. According to the most recent figures, released in the Obama Administration's FY2010 Budget, CACFP obligations are estimated to be \$2.514 billion in FY2009 and \$2.687 billion in FY2010.

## **Social Services Block Grant (SSBG)**

The SSBG is an annually appropriated entitlement to states. Permanently authorized by Title XX of the Social Security Act, the SSBG is a flexible source of funding that states may use to support a wide variety of social services activities. States have broad discretion over the use of these funds. There are no federal income eligibility requirements, targeting provisions, service mandates, or matching requirements. In FY2006, the most recent year for which expenditure data are available, the largest expenditures for services under the SSBG were for foster care services, child care, and special services for the disabled. Approximately 13.7% of total SSBG expenditures (\$389 million) were for child care services in that year, an increase from those made for child

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<sup>6</sup> For more information on states' use of TANF funds, see CRS Report RL32748, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Primer on TANF Financing and Federal Requirements*, by Gene Falk.

<sup>7</sup> For more information, see CRS Report RL33307, *Child Nutrition and WIC Programs: Background and Recent Funding*, by Joe Richardson.

<sup>8</sup> On average, something less than 2% of total funding has gone toward adult food projects.



care in FY2006 (\$220 million). Title XX is a capped entitlement, and state allocations are based on relative population size.<sup>9</sup> It should be noted that although the SSBG has an entitlement ceiling, appropriations may not always abide by it. For example, the ceiling in FY2001 was \$1.7 billion; however, Congress appropriated \$1.725 billion for that year, despite the ceiling.

Base funding for the SSBG has been held steady at \$1.7 billion for the past seven years (most recently, under the FY2009 Omnibus, P.L. 111-8), with states retaining authority to transfer up to 10% of their TANF block grants to the SSBG.<sup>10</sup> However, during these years, Congress has twice provided supplemental funding to the SSBG to support states in responding to significant natural disasters. For instance, Congress appropriated \$600 million in supplemental SSBG funding for necessary expenses resulting from major disasters of 2008 as part of the disaster relief and recovery component of the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009 (P.L. 110-329). In FY2006, Congress provided an additional \$550 million to the SSBG as part of the Defense Appropriations Act (P.L. 109-148), targeting these supplemental funds toward needs arising from the Gulf Coast Hurricanes of 2005. P.L. 110-28, signed into law on May 25, 2007, extended the availability of these funds for expenditure through the end of FY2009, as a good portion remained unspent prior to the end of FY2007, and without legislative action, would have been returned to the Treasury.<sup>11</sup> The Obama Administration's FY2010 Budget proposes to maintain funding for the SSBG at the \$1.7 billion level in FY2010.

## **Head Start**

Head Start provides comprehensive early childhood education and development services to low-income preschool children, on a part- or full-day basis.<sup>12</sup> After unsuccessful attempts in the 109<sup>th</sup> Congress to reauthorize the Head Start program (whose authorization had expired with FY2003), legislation reauthorizing the program through FY2012 was passed by the 110<sup>th</sup> Congress in November 2007. That bill, H.R. 1429/H.Rept. 110-439, was signed into law (P.L. 110-134) by President George W. Bush on December 12, 2007.<sup>13</sup>

While the program was awaiting reauthorization, funding continued to be provided through the appropriations process. Under current law, Head Start funds are provided directly by HHS to local grantees, who must comply with detailed federal performance standards. The available data show funded enrollment for Head Start in FY2007 to have totaled 908,412 children (10% of whom were under age 3, and participated in Early Head Start).

The Consolidated Appropriations Act of 2008 (P.L. 110-161) included \$6.878 billion for the Head Start program, which reflected a decrease of \$10 million compared to the FY2007 funding level.

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<sup>9</sup> Grants to Puerto Rico, Guam, the Virgin Islands, and Northern Marianas are based on their share of Title XX funds in FY1981.

<sup>10</sup> Funds transferred from TANF to SSBG can be used only for children and families whose income is less than 200% of the federal poverty guidelines. Under welfare reform law, states also may use SSBG funds for vouchers for families that are not eligible for cash assistance because of time limits under the welfare reform program, or for children who are denied cash assistance because they were born into families already receiving benefits for another child.

<sup>11</sup> For more information, see CRS Report 94-953, *Social Services Block Grant (Title XX of the Social Security Act)*, by Karen E. Lynch.

<sup>12</sup> For more information, see CRS Report RL30952, *Head Start: Background and Issues*, by Melinda Gish.

<sup>13</sup> For more information on the history of House and Senate provisions leading up to the conference-approved version, see CRS Report RL33968, *Head Start Reauthorization: A Side-by-Side Comparison of House- and Senate-Passed Versions of H.R. 1429 and Current Law*, by Melinda Gish.

The FY2009 Omnibus (P.L. 111-8) provides an increase of nearly \$235 million over FY2008, resulting in an FY2009 funding level of almost \$7.113 billion, including \$2 million reserved for Centers of Excellence in Early Childhood. In addition, Head Start received \$2.1 billion from the ARRA (P.L. 111-5) in FY2009.<sup>14</sup> These funds are available for obligation through FY2010. The ARRA specifies that \$1.0 billion be distributed through the regular Head Start formula (which covers increases for cost-of-living adjustments, quality activities, state advisory councils, and expansions for Head Start and Early Head Start programs). The remaining \$1.1 billion is explicitly directed toward the expansion of Early Head Start programs. HHS estimates that funding increases from the ARRA will expand Head Start and Early Head Start services to approximately 70,000 additional children, 55,000 of whom are infants and toddlers. President Obama's FY2010 Budget requests \$7.235 billion for Head Start, an increase of \$122 million over the amount appropriated under the FY2009 Omnibus. This increase is intended to ensure that Head Start and Early Head Start programs are able to sustain the number of children served in FY2010.

### **Elementary and Secondary Education Act (ESEA) Title I, Part A**

ESEA Title I, Part A, is the largest federal education program serving disadvantaged children, particularly school-age children. After Head Start, it is the largest program providing early education and care to young children. The U.S. Department of Education estimates that approximately 2% of children served by Title I each year are preschoolers. Preschool services are not separately funded under Title I, Part A – such spending occurs if local educational agencies (LEAs) choose to use some of their Title I funds for this purpose. The Consolidated Appropriations Act of 2008 (P.L. 110-161) provided \$14.03 billion for Title I, Part A, an increase of almost \$1.2 billion above the FY2007 level of \$12.84 billion in funding. The FY2009 Omnibus (P.L. 111-8) increased funding to \$14.49 billion. The ARRA provided \$10 billion for ESEA Title I, Part A. President Obama's FY2010 Budget requests \$13.0 billion for ESEA Title I, Part A, a decrease of about \$1.5 billion from FY2009.

### **Early Reading First**

The Early Reading First program, authorized by ESEA Title I, Part B, Subpart 2, supports local efforts to enhance the school readiness of young children—particularly those from low-income families—through scientific research-based strategies and professional development that are designed to enhance the verbal skills, phonological awareness, letter knowledge, and pre-reading skills of preschool age children.<sup>15</sup> The program provides competitive grants to eligible local educational agencies (LEAs) and to public or private organizations or agencies that are located in eligible LEAs. The Department of Education may award grants for up to six years. Early Reading First was funded at a level of \$113 million for FY2008, \$5 million less than the \$118 million provided for FY2007. The FY2009 Omnibus (P.L. 111-8) maintains the FY2008 funding level. President Obama's FY2010 Budget requests \$163 million for the program, an increase of \$50 million over FY2009 funding.

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<sup>14</sup> For more information, see CRS Report R40211, *Human Services Provisions of the American Recovery and Reinvestment Act*, by Gene Falk et al.

<sup>15</sup> For more information, see CRS Report RL31241, *Reading First and Early Reading First: Background and Funding*, by Gail McCallion.



## **The William F. Goodling Even Start Family Literacy Programs (Even Start)**

Even Start programs are authorized by ESEA Title I, Part B, Subpart 3, and are intended to integrate early childhood education, adult basic education, and parenting skills education into a unified family literacy program.<sup>16</sup> These programs provide grants to states which then distribute them to eligible entities (consisting of a local education agency (LEA) in collaboration with a community based organization). Even Start services generally serve children aged 0-7 and their parents. Even Start services must include adult literacy instruction, early childhood education, instruction to help parents support their child's education, participant recruitment, screening of parents, staff training, and home-based instruction.

Even Start, first authorized in 1989, grew rapidly in its first years, but has been subject to increasing criticism in recent years and has seen its funding decline in each year from FY2003 through FY2008. The Education Department's FY2007 CR operating plan provided \$82 million in funding for Even Start, a cut of \$17 million from the FY2006 funding level of \$99 million. As in the FY2007 budget request, the Administration of President George W. Bush requested no funding for the program for FY2008. However, the Consolidated Appropriations Act of 2008 (P.L. 110-161) provided \$66 million for Even Start. The FY2009 Omnibus (P.L. 111-8) maintains the FY2008 funding level. President Obama's FY2010 Budget requests no funding for the program, a decrease of \$66 million from the FY2009 funding level.

In advocating for the elimination of Even Start, the Obama Administration contends that this program has not demonstrated effectiveness in improving child and adult learning outcomes through the integration of the four core services of adult education, parenting education, parent-child activities, and early childhood education. The Administration argues that these conclusions are supported by data from three national evaluations of Even Start.

Advocates of continuing Even Start programs argue that the goal of providing integrated family literacy services to an extremely disadvantaged population is so important that these programs should not be eliminated. Furthermore, they argue that a thorough study of the impact of legislatively mandated quality improvements to Even Start is needed, as well as a concerted effort to improve Even Start through implementation of model programs and technical assistance.

## **Individuals with Disabilities Education Act (IDEA) Programs**

The majority of IDEA funding for special education and related services (approximately 90%) goes to school-age children via grants to states. However, IDEA also authorizes two state grant programs for young children: an early intervention program for infants and toddlers with disabilities (IDEA, Part C) and a preschool program for children with disabilities (IDEA, Part 619).<sup>17</sup> The Infants and Toddlers Program serves disabled children from birth to two years of age, and the Preschool Program generally serves children ages 3 to 5.

The Infants and Toddlers Program requires that states receiving grants create and maintain a "statewide, comprehensive, coordinated, multidisciplinary, interagency system that provides early

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<sup>16</sup> For more information, see CRS Report RL30448, *Even Start Family Literacy Programs: An Overview*, by Gail McCallion, and CRS Report RL33071, *Even Start: Funding Controversy*, by Gail McCallion.

<sup>17</sup> For more information, see CRS Report RL31273, *Individuals with Disabilities Education Act (IDEA): Early Childhood Programs (Section 619 and Part C)*, by Richard N. Apling.

intervention services for infants and toddlers with disabilities and their families.” Services focus on children experiencing “developmental delay” with respect to physical, mental, or other capacities, and their families. Services are detailed for each child and his or her family in an Individualized Family Service Plan. Services are to be provided, to the maximum extent feasible, in “natural environments,” including the home, with other infants and toddlers who are not disabled.

States are eligible for Preschool Program grants under Section 619 of IDEA if they are eligible for grants under IDEA, Part B, grants to states, and they make available free appropriate public education to all disabled children 3 to 5 in the state. In recent years, all states qualified for and received preschool grants under this section. Since Part B grants to states are used to serve children with disabilities as young as three years of age (as well as school-age children), Section 619 is not so much a separate program as it is supplementary funding for services to this age group. In general, the provisions, requirements, and guarantees under the grants to states program that apply to school-age children with disabilities also apply to children in this age group. As a result, Section 619 is a relatively brief section of the law, which deals mostly with the state and substate funding formulas for the grants and state-level activities.

IDEA was reauthorized during the 108<sup>th</sup> Congress. IDEA, Part C, received \$439 million in funding for FY2009, an increase from FY2008 funding of \$436 million. IDEA, Part C, received \$500 million in funding from the ARRA. IDEA, Section 619, was funded at a level of \$374 million for FY2009, the same level it received in FY2008. IDEA, Part 619, received \$400 million in funding from the ARRA.

### **Child Care Access Means Parents in School (CAMPIS)**

Authorized under the Higher Education Act amendments of 1998, and first funded in FY1999 at \$5 million, the CAMPIS program is designed to support the participation of low-income parents in post-secondary education through campus-based child care services. Discretionary grants of up to four years in duration are awarded competitively to institutions of higher education, to either supplement existing child care services, or to start a new program. Funding for FY2009 was \$16 million, compared to \$15.5 million in FY2008.

## **Tax Provisions**

### **Dependent Care Tax Credit (DCTC)**

The DCTC is a non-refundable tax credit for employment-related expenses incurred for the care of a dependent child under 13 or a disabled dependent or spouse, under Section 21 of the tax code.<sup>18</sup> Beginning in tax year 2003, the Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16) increased the maximum credit rate to 35% of expenses up to \$3,000 for one child (for a credit of \$1,050), and up to \$6,000 for two or more children (for a credit of \$2,100). The 35% rate applies to taxpayers with adjusted gross incomes of \$15,000 or less. The rate decreases by 1% for each additional \$2,000 increment (or portion thereof) in income until the rate

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<sup>18</sup> For more information, see CRS Report RS21466, *Dependent Care: Current Tax Benefits and Legislative Issues*, by Christine Scott and Janemarie Mulvey.

reaches 20% for taxpayers with incomes over \$43,000.<sup>19</sup> Under the FY2010 Budget released by the Obama Administration in May 2009, DCTC expenditures for tax year 2008 (fiscal year 2009) are estimated to be \$3.670 billion.

### **Dependent Care Assistance Program (DCAP)**

Under Section 129 of the tax code, payments made by a taxpayer's employer for dependent care assistance may be excluded from the employee's income and, therefore, not be subject to federal income tax or employment taxes.<sup>20</sup> The maximum exclusion is \$5,000. Section 125 of the tax code allows employers to include dependent care assistance, along with other fringe benefits, in nontaxable flexible benefit or "cafeteria" plans. Under the FY2010 Budget released by the Obama Administration in May 2009, DCAP expenditures for tax year 2008 (fiscal year 2009) are estimated to be \$1.240 billion.

## **Programs Funded in Recent Years, But Not Currently Funded**

### **Early Childhood Educator Professional Development**

The Department of Education has provided competitive grants to partnerships to improve the knowledge and skills of early childhood educators who work in communities that have high concentrations of children living in poverty. Funding in FY2006 and FY2007 remained stable at approximately \$14.5 million, but FY2007 was the last year in which funds were appropriated. President Obama's FY2010 Budget does not request any funds for this program for FY2010.

### **Early Learning Fund/Early Learning Opportunities Act Program**

This HHS program (referred to by both names), authorized by the FY2001 Consolidated Appropriations Act (P.L. 106-554), was last funded in FY2005 at \$36 million. The FY2006 Appropriations Act included no funding for this program, nor has there been funding provided through any of the continuing resolutions for fiscal years 2007-2009. When funded, the program provides grants to communities to enhance school readiness for children under five, specifically by funding efforts to improve the cognitive, physical, social, and emotional development of these children. Although authorized at \$600 million, FY2003 funding for the program was set at \$25 million; FY2004 funding was set at \$34 million (despite President George W. Bush's FY2003 budget proposal to eliminate the program); and in FY2005, P.L. 108-199 included \$36 million for the Early Learning Fund. FY2005 was the last year in which this program received funding. President Obama's FY2010 Budget requests no funding for this program for FY2010.

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<sup>19</sup> These provisions are currently schedule to expire on December 31, 2010.

<sup>20</sup> For more information, see CRS Report RS21466, *Dependent Care: Current Tax Benefits and Legislative Issues*, by Christine Scott and Janemarie Mulvey.

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