

Early Childhood Care and Education Programs: Background and Funding

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Summary

The federal government has a long history of investing in early childhood care and education. As early as the 1930s, the government was supporting nursery schools for low-income children. Over time, the federal role in early childhood care and education has evolved and today's federal investments in this area come in many forms. For instance, such investments

- Stretch across multiple federal agencies and congressional committee jurisdictions. Agencies include the Department of Health and Human Services (HHS), the Department of Education (ED), the Department of the Interior (DOI), the Department of Agriculture (USDA), and the Internal Revenue Service (IRS).
- Vary from targeted to flexible funding streams, from grant programs to tax provisions. Some programs exclusively offer early childhood services (e.g., Head Start), while others are broad-based funding streams for which such services are among many allowable uses (e.g., Temporary Assistance for Needy Families).
- Often have differing policy goals, target populations, program services, and administrative rules. Some target a particular service (e.g., home visiting, child care), while others target a particular population (e.g., special needs children, working parents). Many programs target low-income families, but some programs and tax provisions also benefit middle- and upper-income families.

Currently, some of the largest federal investments in targeted early childhood programs come from HHS, through programs such as Head Start (\$8.6 billion in FY2015) and the Child Care and Development Block Grant (\$5.4 billion in combined mandatory and discretionary funding in FY2015). Two child care-related tax provisions (combining to account for an estimated \$5.5 billion in FY2015) and the USDA's Child and Adult Care Food Program (estimated at \$3.1 billion in FY2015) also provide substantial financial contributions to federal early childhood initiatives. By comparison, funding for targeted early childhood programs at ED and DOI tends to be lower, on average, typically falling below the billion dollar mark for any one program.

In recent years, both Congress and the Obama Administration have demonstrated interest in early childhood issues. The President has proposed the creation of new early childhood programs (e.g., Preschool for All), as well as reforms to existing programs. In some cases, these proposals have been taken up by Congress, leading to new funding for early childhood initiatives in annual appropriations acts (e.g., Preschool Development Grants). However, over the same period, some early childhood programs have seen funding decreases (e.g., the Individuals with Disabilities Education Act (IDEA) preschool program) or been eliminated altogether (e.g., Even Start).

Of note, several early childhood care and education programs are due for possible reauthorization in the 114th Congress, including Head Start, mandatory child care funding authorized in Section 418 of the Social Security Act, and the IDEA Part C early intervention program for infants and toddlers. In addition, the 114th Congress may consider early childhood care and education issues in the context of possible reauthorization of the Elementary and Secondary Education Act. Congress may also take an interest in the Administration's implementation of the reauthorization law (P.L. 113-186) for the Child Care and Development Block Grant (CCDBG) that was enacted in November 2014, substantively overhauling existing program rules for the first time since 1996.

Contents

Introduction.....	1
Report Roadmap	1
Current and Historical Funding Levels.....	2
FY2016 President’s Request.....	2
Funding History.....	3
Program Summaries.....	4
Targeted Programs	5
Head Start.....	5
Child Care and Development Block Grant (CCDBG)	5
Maternal, Infant, and Early Childhood Home Visiting (MIECHV)	6
IDEA Part C and Section 619.....	7
Child Care Access Means Parents in School (CCAMPIS).....	8
Indian Family and Child Education (FACE)	8
Preschool Development Grants (PDG)	8
Child and Adult Care Food Program (CACFP).....	9
Tax Provisions	9
Child and Dependent Care Tax Credit (CDCTC).....	9
Dependent Care Assistance Program (DCAP)	10
Related Programs.....	13
Temporary Assistance for Needy Families (TANF).....	13
Social Services Block Grant (SSBG).....	13
Elementary and Secondary Education Act (ESEA) Title I, Part A.....	14
Striving Readers	14
Promise Neighborhoods.....	15

Tables

Table 1. Funding Levels for Selected Early Childhood Programs, FY2015-FY2016 President’s Request.....	2
Table 2. Federal Funding for Selected Early Childhood Care and Education Programs and Tax Provisions, FY2010-FY2015	3
Table 3. Characteristics of Selected Early Childhood Care and Education Programs and Tax Provisions	11

Appendixes

Appendix A. Programs Not Currently Funded	16
Appendix B. Acronyms Used in This Report	19

Contacts

Author Contact Information.....	20
Acknowledgments	20

Introduction

Federal investments in early childhood care and education come in many forms. These investments stretch across multiple federal agencies and congressional committee jurisdictions. They vary from targeted to flexible funding streams, from grant programs to tax provisions. Some programs primarily or exclusively provide early childhood services (e.g., Head Start), while others are broad-based, flexible funding streams for which early childhood services are among many allowable uses (e.g., Temporary Assistance for Needy Families). These federal programs often have differing policy goals, target populations, program services, and administrative rules. For instance, some programs target a particular service (e.g., child care, home visiting), while others target a particular population (e.g., special needs children, working parents). In many cases, federal programs target low-income families, but certain programs and child care-related tax provisions benefit middle- and upper-income families as well.

In recent years, both Congress and the Obama Administration have demonstrated interest in early childhood care and education issues. In annual President's budget submissions, for instance, the Obama Administration has proposed the creation of new early childhood programs (e.g., Preschool for All), as well as reforms to existing programs. In some cases, these proposals have been taken up by Congress, leading to new funding for certain early childhood initiatives in annual appropriations acts (e.g., Preschool Development Grants). However, during this same timeframe, some early childhood programs have experienced decreased funding (e.g., the Individuals with Disabilities Education Act (IDEA) preschool program) or have been eliminated altogether (e.g., Even Start).

Of note, several early childhood care and education programs are due for possible reauthorization in the 114th Congress, including Head Start, mandatory child care funding authorized in Section 418 of the Social Security Act, and the IDEA Part C early intervention program for infants and toddlers. In addition, the 114th Congress may consider early childhood care and education issues in the context of possible reauthorization of the Elementary and Secondary Education Act. Congress may take an interest in the Administration's implementation of the reauthorization law (P.L. 113-186) for the Child Care and Development Block Grant (CCDBG) that was enacted in November 2014, substantively overhauling existing program rules for the first time since 1996.

Report Roadmap

This report begins with information on current and historical funding levels for a selection of early childhood care and education programs and tax provisions. **Table 1** presents information on the FY2016 Obama Administration's budget request for such programs, while **Table 2** provides a six-year funding history (FY2010-FY2015) for these early childhood care and education programs and tax provisions.

The funding section is followed by a series of program summaries (see **Table 3** for a comparison of basic characteristics for selected programs). The program summaries have been organized into three categories: (1) targeted programs that exclusively or primarily provide early childhood services, (2) tax provisions that support the child care expenses of working families, and (3) certain broad-based and flexible programs that may be used to support early childhood care and education. **Appendix A** of this report provides some additional information on early childhood programs that do not currently receive federal funding. **Appendix B** presents a list of abbreviations and acronyms used throughout the report.

Readers should note that program summaries in this report are not meant to be comprehensive. In many cases, other Congressional Research Service (CRS) reports are referenced as sources for more detailed information about individual programs.

Dollar and Percentage Changes in this Report

Funding amounts displayed in this report are typically rounded to the nearest million or billion (as labeled). Dollar changes and percentage changes discussed in the text of this report are generally based on unrounded amounts.

Current and Historical Funding Levels

FY2016 President's Request

The Obama Administration released its FY2016 budget request on February 2, 2015. The President generally requested increases from FY2015 levels for early childhood care and education programs (see **Table 1**). At the U.S. Department of Health and Human Services (HHS), for instance, the request called for a \$1.5 billion increase in funding for Head Start (+18% from FY2015) and a \$4.0 billion increase in combined mandatory and discretionary funding for the CCDBG (+75% from FY2015). At the U.S. Department of Education (ED), the President proposed to triple funding for Preschool Development Grants (+200% from FY2015).

In addition, the Obama Administration once again requested \$1.3 billion in mandatory funds to establish a new federal-state partnership to provide high-quality preschool for all four-year-olds from low- and moderate-income families. This “Preschool for All” program would incentivize state expansion of (1) publicly funded high-quality preschool for four-year-olds from families with income at or below 200% of the federal poverty line, (2) full-day kindergarten programs, and (3) other publicly funded high-quality early childhood programs for children under the age of four. Similar proposals were included in the Obama Administration’s budget requests for FY2014 and FY2015.

**Table 1. Funding Levels for Selected Early Childhood Programs,
FY2015-FY2016 President's Request**

(Dollars in millions)

Program	Federal Agency	FY2015 Enacted	FY2016 Request	% Change
Head Start	HHS	8,598	10,118	18%
CCDBG	HHS	2,435	2,805	15%
CCDBG—mandatory	HHS	2,917	6,582	126%
MIECHV—mandatory	HHS	400	500	25%
IDEA Infants and Toddlers	ED	439	504	15%
IDEA Preschool Grants	ED	353	403	14%
Child Care Access Means Parents in School (CCAMPIS)	ED	15	15	0%
Preschool Development Grants	ED/HHS ^a	250	750	200%
Preschool For All Proposal—mandatory	ED	—	1,300	—

Program	Federal Agency	FY2015 Enacted	FY2016 Request	% Change
Indian Family and Child Education (FACE)	DOI	16	16	1%
Child and Adult Care Food Program (CACFP)—mandatory	USDA	3,132	3,241	3%
Child and Dependent Care Tax Credit (CDCTC)—mandatory	IRS	4,510	4,590	2%
Dependent Care Assistance Program Tax Exclusion (DCAP)—mandatory	IRS	940	1,000	6%

Source: Table prepared by the Congressional Research Service (CRS), based on data provided in agency budget justifications, operating plans, or Office of Management and Budget (OMB) President's budget materials. Funding levels are displayed in budget authority, except for CACFP (obligations, excluding commodities) and tax provisions (expenditures). All amounts are discretionary, unless otherwise noted.

Notes: HHS = U.S. Department of Health and Human Services. CCDBG = Child Care and Development Block Grant. MIECHV = Maternal, Infant, and Early Childhood Home Visiting. IDEA = Individuals with Disabilities Education Act. ED = U.S. Department of Education. DOI = Department of the Interior. USDA = U.S. Department of Agriculture. IRS = Internal Revenue Service.

- a. Annual appropriations acts appropriated these funds to ED, but directed ED to administer the program jointly with HHS.

Funding History

For context, **Table 2** provides historical funding levels for selected early childhood care and education programs (and related tax provisions) from FY2010 through FY2015, the most recent year for which funding has been appropriated. There have been some changes in programs receiving funding during this timeframe, with some programs receiving funding for the first time (e.g., Preschool Development Grants) and others seeing their funding terminated altogether (e.g., Even Start).

Table 2. Federal Funding for Selected Early Childhood Care and Education Programs and Tax Provisions, FY2010-FY2015

(Nominal dollars in millions)

Program or Tax Provision	Federal Agency	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Head Start	HHS	7,234 ^a	7,560	7,969	7,573 ^b	8,598	8,598
CCDBG	HHS	2,127	2,223	2,278	2,206	2,358	2,435
CCDBG—mandatory	HHS	2,917	2,917	2,917	2,917	2,917	2,917
MIECHV—mandatory	HHS	100	250	350	380	371	400
Even Start	ED	66	0	0	0	0	0
IDEA Infants and Toddlers	ED	439	439	443	420	438	439
IDEA Preschool Grants	ED	374	373	373	353	353	353
CCAMPIS	ED	16	16	16	15	15	15
Race to the Top—Early Learning Challenge	ED/HHS ^c	n/a ^d	500	133	370	0	0
Preschool Development Grants	ED/HHS ^c	n/a	n/a	n/a	n/a	250	250

Program or Tax Provision	Federal Agency	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
FACE	DOI	15	15	15	15	15	16
CACFP—mandatory ^e	USDA	2,543	2,732	2,846	3,083	3,112	3,132
CDCTC—mandatory ^f	IRS	3,470	4,200	3,410	4,160	4,420	4,510
DCAP—mandatory ^f	IRS	1,220	840	1,360	880	890	940

Source: Prepared by CRS based on data in agency budget justifications, operating plans, or President's budget materials by the Office of Management and Budget (OMB). All amounts are discretionary budget authority, except as noted.

Notes: HHS = U.S. Department of Health and Human Services. CCDBG = Child Care and Development Block Grant. MIECHV = Maternal, Infant, and Early Childhood Home Visiting program. IDEA = Individuals with Disabilities Education Act. ED = U.S. Department of Education. CCAMPIS = Child Care Access Means Parents in School. FACE = Indian Family and Child Education. DOI = U.S. Department of the Interior. CACFP = Child and Adult Care Food Program. USDA = U.S. Department of Agriculture. CDCTC = Child and Dependent Care Tax Credit. IRS = Internal Revenue Service. DCAP = Dependent Care Assistance Program Tax Provision. n/a = not applicable. The table displays selected programs and tax provisions that received funding in at least one year from FY2010-FY2015. Amounts for mandatory programs were generally provided via direct spending budget authority in authorizing laws. Amounts for discretionary programs were provided by annual appropriations acts and exclude supplemental appropriations. Discretionary amounts reflect across-the-board rescissions, where appropriate, including in FY2011 (0.2%), FY2012 (0.189% for HHS and ED programs, 0.16% for DOI), and FY2013 (0.2%). Non-exempt mandatory amounts reflect sequestration in FY2013-FY2015, while non-exempt discretionary amounts reflect sequestration in FY2013 only. Amounts reflect transfers or reprogramming, where appropriate.

- This amount reflects a \$1.103 million transfer from Head Start to the HHS Health Resources and Services Administration, pursuant to the HHS Secretary's 1% transfer authority in Division D, Title II, Sec. 206 of the Consolidated Appropriations Act, 2010 (P.L. 111-117).
- In addition to amounts shown here, Head Start received \$95 million, post-sequestration, from the Disaster Relief Appropriations Act, 2013 (P.L. 113-2) for costs associated with the effects of Hurricane Sandy.
- Annual appropriations acts appropriated these funds to ED, but directed ED to administer the program jointly with HHS.
- Race to the Top (RTT) was first authorized and funded by Title XIV, Sec. 14006 of the American Recovery and Reinvestment Act (ARRA; P.L. 111-5). However, ARRA did not initially authorize or appropriate RTT funds for early learning challenge (ELC) grants. RTT-ELC grants were first funded in FY2011.
- CACFP amounts for FY2010-FY2014 are actual obligations (excluding commodities) reported in subsequent President's budgets (e.g., FY2014 actuals are from the *Analytical Perspectives* volume of the FY2016 budget). FY2015 reflects estimated obligations (excluding commodities), as reported in the FY2016 request.
- Amounts reflect expenditures reported in the *Analytical Perspectives* volumes of subsequent President's budgets (e.g., CDCTC = \$3.47 billion for tax year 2009 (FY2010), as reported in the FY2012 request).

Program Summaries

This section presents brief descriptions of a selection of early childhood and related programs and tax provisions currently receiving federal funding. (**Appendix A** presents similar summaries of early childhood programs that were funded in the recent past, but do not currently receive federal funding.) The programs are divided into three sections:

- The “Targeted Programs” section describes programs that exclusively or primarily provide early childhood care and education services.

- The “Tax Provisions” section describes two provisions in the tax code that largely support child care expenses of working families.
- The “Related Programs” section describes several programs that are more broad-based and flexible in nature, but that may be used to support early care and education.

To allow for easier comparison across programs, **Table 3** presents some basic program data for the targeted programs and tax provisions described in this section. This table highlights how even these targeted programs experience wide variations in funding, federal eligibility rules, and participation.

Targeted Programs

Head Start

Head Start has provided comprehensive early childhood education and development services to low-income children since 1965. The program seeks to promote school readiness by enhancing the social and cognitive development of children through the provision of educational, health, nutritional, social, and other services. In general, children are eligible for Head Start if their family’s income does not exceed the official poverty level or the family is receiving public assistance.¹ Most children served in Head Start programs are three- and four-year olds, but in 1994 Head Start was expanded to include an Early Head Start program, which serves children from birth to three years of age. In addition, since FY2014 annual Head Start appropriations have reserved a portion of funds for Early Head Start-Child Care Partnerships. Through these partnerships, Early Head Start providers partner with center-based and family child care providers who agree to meet Head Start program performance standards.

At the federal level, Head Start is administered by HHS, which awards Head Start funds directly to local grantees rather than through states. Programs are locally designed and are administered by a network of roughly 1,600 public and private nonprofit and for-profit agencies. Head Start agencies are required to comply with detailed federal performance standards. Head Start was last reauthorized by the Improving Head Start for School Readiness Act of 2007 (P.L. 110-134). This law authorized the program through the end of FY2012 (September 30, 2012), meaning that Head Start is currently due for possible reauthorization.

For more information on Head Start, see CRS Report RL30952, *Head Start: Background and Funding*, by Karen E. Lynch.

Child Care and Development Block Grant (CCDBG)

The CCDBG is the primary source of federal grant funding dedicated to child care subsidies for low-income working families. The CCDBG has two funding streams:

¹ Grantees may fill up to 35% of their slots with children whose family income is between 100% and 130% of the poverty line, *provided such children are not given higher priority* than children who are homeless or living below poverty. Grantees may also fill up to 10% of their slots with children meeting no income or other eligibility criteria.

- Discretionary funding is authorized by the CCDBG Act of 1990, which was reauthorized through 2020 by the CCDBG Act of 2014 (P.L. 113-186). There are no state maintenance-of-effort (MOE) or matching requirements.
- Mandatory funding is authorized by Section 418 of the Social Security Act, which is due for possible reauthorization.² Mandatory (or “entitlement”) child care funding is generally appropriated directly by authorizing statute, meaning that these funds are not typically part of the annual appropriations process. States must meet MOE and matching requirements to receive their full allotments.

At the federal level, these child care funding streams are jointly administered by HHS—and are commonly referred to as the Child Care and Development Fund (CCDF). The funds are allocated to states, according to separate formulas, and are used to subsidize the child care expenses of low-income working families with children under age 13 (and sometimes older children in special circumstances). Federal law stipulates that eligible families are those with a family income below 85% of the state median income, but in practice most states set income eligibility levels below the federal threshold. Child care services are provided to families on a sliding fee scale 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. In addition to supporting direct services for children, states must use a portion of their CCDBG funds (both mandatory and discretionary) to improve the quality and availability of child care (e.g., by supporting training and professional development).

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

CCDBG Reauthorized

The CCDBG Act of 2014 (P.L. 113-186) reauthorized the CCDBG through FY2020. This law substantially amended the previous CCDBG Act, strengthening requirements related to health and safety, licensing, enforcement, and quality of care. For instance, under the reauthorized CCDBG Act

- states must establish and enforce minimum health and safety standards covering 11 broad areas, such as the prevention and control of infectious diseases, building and premises safety, and emergency preparedness;
- all providers receiving CCDF funds must complete pre-service and ongoing training on health and safety topics;
- states must set age-specific standards for group size limits and child-to-provider ratios;
- states must conduct pre-licensure and annual unannounced licensing inspections for all licensed CCDF providers, as well as annual inspections for unlicensed (or “license-exempt”) CCDF providers;
- states must establish qualifications and training for licensing inspectors and set inspector-to-provider ratios;
- states must conduct criminal background checks on applicable child care providers and staff members; and
- minimum state spending on general quality activities increases incrementally from 4% of CCDF spending under prior law to 9% by FY2020, plus states must spend an additional 3% on quality activities for infants and toddlers.

Maternal, Infant, and Early Childhood Home Visiting (MIECHV)

The MIECHV program supports home visiting services for families with young children who reside in communities that have concentrations of poor child health and other risk indicators.

² Mandatory child care funding was most recently extended temporarily through the end of FY2015 by P.L. 113-235.

Home visits are conducted by nurses, mental health clinicians, social workers, or paraprofessionals with specialized training. Generally, they visit the homes of eligible families on a regular basis (e.g., weekly or monthly) over an extended period (e.g., six months or longer) to provide support to caregivers and children, such as guidance on creating a positive home environment and referrals to community resources. Families participate on a voluntary basis.

At the federal level, the program is jointly administered by the Health Resources and Services Administration (HRSA) and the Administration for Children and Families (ACF) at HHS.³ MIECHV funding is provided primarily to states and territories to administer home visiting programs, and funds are awarded on both a formula and a competitive basis. The majority of funding (a minimum of 75%) must be used to support home visiting models that have shown sufficient evidence of effectiveness.⁴

The Patient Protection and Affordable Care Act (ACA; P.L. 111-148) established the MIECHV program under Title V of the Social Security Act. The program receives mandatory appropriations directly from its authorizing statute. Mandatory MIECHV funding was extended through FY2017 by the Medicare Access and CHIP Reauthorization Act of 2015 (P.L. 114-10).

For more information, see CRS Report R43930, *Maternal and Infant Early Childhood Home Visiting (MIECHV) Program: Background and Funding*, by Adrienne L. Fernandes-Alcantara.

IDEA Part C and Section 619

IDEA is the main federal statute governing special education for children from birth through age 21. The majority of IDEA funding goes to school-age children via grants to states. However, IDEA also authorizes two state grant programs for young children:

- IDEA Part C serves infants and toddlers with disabilities; and
- IDEA Part B Section 619 serves preschool-aged children with disabilities.

The Part C Infants and Families Program serves disabled children from birth through two years of age. To receive a Part C grant, states must create and maintain a “statewide, comprehensive, coordinated, multidisciplinary, interagency system that provides early intervention services for infants and toddlers with disabilities and their families.” Part C services focus on children experiencing developmental delay with respect to physical, mental, or other capacities, as well as the families of such children. Part C early intervention services are designed to ensure that all infants and toddlers with developmental delays are identified and evaluated. At this point, an individualized family services plan is tailored to the unique needs of the child and the child’s family. Early intervention services are to be provided, to the maximum extent feasible, in “natural environments,” including the child’s home, and with other infants and toddlers who are not disabled.

³ HHS has located the program’s main homepage at <http://mchb.hrsa.gov/programs/homevisiting/> and hosts a separate website for tribal MIECHV programs at <http://www.acf.hhs.gov/programs/ecd/home-visiting/tribal-home-visiting>.

⁴ HHS created the Home Visiting Evidence of Effectiveness (HomVEE) project to identify home visiting models that have shown sufficient evidence of effectiveness (see at <http://homvee.acf.hhs.gov/>).

For more information, see CRS Report R43631, *The Individuals with Disabilities Education Act (IDEA), Part C: Early Intervention for Infants and Toddlers with Disabilities*, by Kyrie E. Dragoo.

IDEA Part B authorizes services to school-aged children with disabilities as young as age three. States receiving IDEA Part B state grants are also eligible for additional Section 619 Preschool Grants if they offer free appropriate public education to all disabled children ages three to five within the state. (That is to say, Section 619 is not so much a separate program as it is a supplemental funding stream for children in the preschool age group.) In recent years, all states have qualified for and received preschool grants under this section. In general, the provisions, requirements, and guarantees under the Part B state grants program for school-age children also apply to Section 619 preschool-aged children.

For more information, see CRS Report R41833, *The Individuals with Disabilities Education Act (IDEA), Part B: Key Statutory and Regulatory Provisions*, by Kyrie E. Dragoo.

Child Care Access Means Parents in School (CCAMPIS)

CCAMPIS is authorized under the Higher Education Act amendments of 1998.⁵ The 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.

Indian Family and Child Education (FACE)

The Bureau of Indian Education (BIE) at the U.S. Department of the Interior administers an early childhood development program, commonly called FACE.⁶ The FACE program provides grants to tribes and tribal organizations for services to Indian children under the age of six and their parents. FACE programs may serve children and families in home- and center-based settings. Activities may include parenting skills-building, adult education, home visiting, and preschool services. FACE grants are distributed by formula among applicant tribes and tribal organizations with 500 or more members.

Preschool Development Grants (PDG)

The Preschool Development Grants program is intended to expand access to high-quality preschool for low-income four-year-olds.⁷ This competitive grant program has been funded in annual appropriations acts since FY2014, most recently under broad authorities of Title V-D of the ESEA.⁸ Annual appropriations acts have provided these funds to ED, but directed ED to administer the program jointly with HHS. The program is divided into two components:

⁵ For more information, visit <http://www2.ed.gov/programs/campisp/index.html>.

⁶ BIE's early childhood development program is authorized at 25 U.S.C. 2019. More information about the program can be found on the BIE website at <http://bie.edu/Programs/FACE/>.

⁷ For more information, see <http://www2.ed.gov/programs/racetothetop-earlylearningchallenge/index.html>.

⁸ The FY2014 appropriations law previously funded Preschool Development Grants under broad Race to the Top authorities established by the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5).

- *Development Grants* are intended to help states with limited or no state-funded preschool to build the necessary capacity to establish high-quality preschool programs in high-need communities.
- *Expansion Grants* are designed to support states with existing capacity in expanding access to high-quality programs in high-need communities.

Of note, ED has defined the term “high-quality preschool program” in the *Federal Register* for purposes of the Preschool Development Grants program. This federal definition addresses staff qualifications and professional development, child-to-staff instructional ratios, class size, length of day, inclusive classrooms, evidence-based curricula aligned with early learning standards, individualized accommodations, adequacy of staff salaries, ongoing program evaluation, on-site access to comprehensive services, and evidence-based health and safety standards.⁹

For more information, see CRS Report R44008, *Preschool Development Grants and Race to the Top-Early Learning Challenge Grants: A Primer*, by Kyrie E. Dragoo and Gail McCallion.

Child and Adult Care Food Program (CACFP)

The CACFP provides federal funds (and in some cases commodity foods) for meals and snacks served in licensed child care centers, family and group day care homes, afterschool programs, and Head Start centers.¹⁰ Children under age 12, children under 18 in eligible afterschool programs, migrant children under age 15, and children with disabilities of any age may participate, although most participants are preschoolers. 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 the care provider’s income or the average income of the community in which the home is located. The CACFP is an annually appropriated open-ended entitlement, administered by the Department of Agriculture.

For more information on CACFP, see CRS Report R43783, *School Meals Programs and Other USDA Child Nutrition Programs: A Primer*, by Randy Alison Aussenberg. For a summary of the CACFP provisions in the 2010 reauthorization, see CRS Report R41354, *Child Nutrition and WIC Reauthorization: P.L. 111-296*, by Randy Alison Aussenberg.

Tax Provisions

Child and Dependent Care Tax Credit (CDCTC)

The CDCTC, which is authorized by Section 21 of the Internal Revenue Code, is a non-refundable tax credit for employment-related expenses incurred for the care of a dependent child under age 13 or a disabled dependent or spouse. As a tax *credit*, the CDCTC directly reduces the amount of income tax owed. However, *non-refundable* tax credits cannot be greater than the

⁹ Department of Education and Department of Health and Human Services, “Application for New Awards; Preschool Development Grants—Development Grants,” 79 *Federal Register* 48858-48859, August 18, 2014. See also ED and HHS, “Applications for New Award; Preschool Development Grants—Expansion Grants,” 79 *Federal Register* 48879, August 18, 2014.

¹⁰ As the program name indicates, CACFP also provides meals for adults. However, the majority of funding is spent in child care settings. In FY2012, roughly 96% of funds were used for child care and 4% for adult daycare.

taxpayer's income tax liability, meaning that low-income taxpayers with little or no income tax liability generally receive little or no benefit from the credit.

Under current law, the maximum credit rate equals 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).¹¹ The maximum credit rate applies to taxpayers with adjusted gross incomes of \$15,000 or less. The credit rate decreases by one percentage point for each additional \$2,000 increment (or portion thereof) in income until the rate reaches the floor of 20% for taxpayers with incomes over \$43,000.¹²

For more information, see CRS Report RS21466, *Dependent Care: Current Tax Benefits and Legislative Issues*, by Noah P. Meyerson.

Dependent Care Assistance Program (DCAP)

Under Section 129 of the Internal Revenue Code, taxpayers can exclude from their income up to \$5,000 of dependent care expenses associated with an employer-provided dependent care assistance program (DCAP). As with the CDCTC, expenses must be employment-related and for the care of a dependent child under age 13 or a disabled dependent or spouse.

Payments may be made directly by employers, may be reimbursable to employees, or may be made through salary reduction agreements.¹³ Under a salary reduction agreement, the employee agrees that a specified amount be set aside for the employer's DCAP.

The exclusion from income for employer-provided DCAPs does not directly reduce tax liability but instead reduces a taxpayer's taxable income, thereby reducing both income taxes and payroll taxes. The reduction in tax liability equals the qualifying expenses multiplied by the taxpayer's marginal tax rate. For example, if a taxpayer's marginal tax rate (the highest tax rate that applied to taxable income) was 25% and \$1,000 of qualifying expenses were excluded from taxable income, the tax liability would be reduced by \$250.

For more information, see CRS Report RS21466, *Dependent Care: Current Tax Benefits and Legislative Issues*, by Noah P. Meyerson.

¹¹ The current parameters were originally set by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA; P.L. 107-16) and became effective in 2003. These parameters were later made permanent by the American Taxpayer Relief Act of 2012 (ATRA; P.L. 112-240), which was signed into law by President Obama on January 3, 2013. Before 2003, the maximum credit rate was 30% instead of 35%; the limits on qualifying expenses were \$2,400 for one dependent and \$4,800 for two or more dependents.

¹² These provisions were also made permanent by ATRA (P.L. 112-240).

¹³ For instance, employers may include dependent care assistance as a nontaxable benefit available through a "cafeteria" plan authorized by Section 125 of the Internal Revenue Code. In such cases, employees agree to set aside a portion of their salary on a pre-tax basis to pay for dependent care expenses.

Table 3. Characteristics of Selected Early Childhood Care and Education Programs and Tax Provisions

Program or Provision	Federal Agency	Type of Funding	FY2015 (millions)	Target Population (Federal Eligibility Rules)	Age Group Served	Participants
Head Start (incl. EHS)	HHS	Discretionary	\$8,598	In general, family income may not exceed 100% FPL. Child is categorically eligible if homeless, in foster care, or on public assistance.	HS = children from birth to compulsory school age and their parents; EHS = children ages 0-2 and pregnant women	FY2014: 927,275 funded enrollment slots (87% in HS, 13% in EHS)
CCDBG	HHS	Mandatory & Discretionary	\$2,917 \$2,435	Under federal law, family income may not exceed 85% SMI, but states may set this lower. In general, parents must be working or in school or training.	Children ages 0-12 (in general)	FY2013: 1.45 million children in average month (66% ages 0-5)
MIECHV	HHS	Mandatory	\$400	States must prioritize families meeting certain criteria (e.g., low-income), but the law does not require that all participants meet these criteria.	Children from birth to kindergarten entry and their parents or caregivers; pregnant woman and expectant fathers	FY2014: 115,545 parents and children
IDEA Part C: Infants/Toddlers	ED	Discretionary	\$439	Child must meet IDEA's definition of <i>infant or toddler with a disability</i> and state's definition of <i>developmental delay</i> .	Children ages 0-2 (in general)	FY2014: 340,000 children
IDEA Sec. 619: Preschool	ED	Discretionary	\$353	Child must meet IDEA's definition of <i>child with a disability</i> and require special services to benefit from a public education.	Children ages 3-5	FY2014: 744,741 children
CCAMPIS	ED	Discretionary	\$15	Children of low-income postsecondary students. Parent must be eligible for a federal Pell grant.	Not specified (funds may support care for infants through school-age)	FY2013: 7,566 students
Preschool Dev't Grants	ED	Discretionary	\$250	In general, family income may not exceed 200% FPL.	Children age 4 (in general)	FY2014: 33,000 children
FACE	DOI	Discretionary	\$16	Indian parents and children served through a Bureau of Indian Education-funded school.	Prenatal through age 5 (in general)	2014: 2,116 children and 2,217 adults
CACFP	USDA	Mandatory	\$3,132	Children in certain child care settings. Elderly or disabled in adult day care. Generally low-income.	Children ages 0-12 (in general); elderly or disabled adults	FY2014: 3.6 million children and adults daily
CDCTC	IRS	Mandatory	\$4,510	Taxpayers with dependent care expenses.	Dependent children 0-12; spouse or dependent who is incapable of self-care	2012: 6.3 million tax filers
DCAP	IRS	Mandatory	\$940	Taxpayers with expenses associated with employer-provided dependent care assistance.	Dependent children 0-12; spouse or dependent who is incapable of self-care	2010: 1.2 million tax filers

Source: Prepared by CRS. Funding is shown in budget authority, except for CACFP (obligations) and tax provisions (expenditures). Participation data are from FY2016 budget justifications or IRS Statistics of Income, with the exception of Preschool Development Grants, which is an estimate from an ED press release (12-10-14).

Notes: HS = Head Start. FPL = Federal Poverty Line. EHS = Early Head Start. CCDBG = Child Care and Development Block Grant. SMI = State Median Income. MIECHV = Maternal, Infant, and Early Childhood Home Visiting Program. IDEA = Individuals with Disabilities Education Act. CACFP = Child and Adult Care Food Program. CDCTC = Child and Dependent Care Tax Credit. DCAP = Dependent Care Assistance Program. Federal eligibility rules and target populations identified in this table are meant to be illustrative, not comprehensive. Several programs have additional eligibility requirements (or exceptions to requirements identified here) and several programs allow older children to be served in certain circumstances.

Related Programs

Temporary Assistance for Needy Families (TANF)

TANF was created by the 1996 welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) as a broad-based block grant to states. At the federal level, the program is administered by HHS. TANF funds are intended to help states address the root causes and effects of childhood economic disadvantage. States use these funds to provide a wide range of benefits and services. The program is most commonly associated with basic cash assistance for needy families with children. (Such benefits are generally subject to time limits and work requirements.) In addition, states use TANF funds for a number of other activities, including child care, preschool, and child welfare-related services.

Since its inception, mandatory federal funding for the basic TANF block grant has totaled \$16.5 billion annually. TANF spending on child care is tracked separately from other TANF expenditures (this is not true for TANF spending on preschool). In FY2013, the most recent year for which data are available, HHS reported that states spent about \$1.1 billion in federal funds and \$2.5 billion in state maintenance-of-effort or related funds to support child care directly within TANF programs. In addition, the law gives states the authority to transfer up to 30% of their TANF allotments to the CCDBG. Such transfers must be spent according to CCDBG Act rules (as opposed to TANF rules). In FY2013, states transferred nearly \$1.4 billion in federal TANF funds to the CCDBG, representing about 8% of the FY2013 TANF allotment.¹⁴

For more background information, see CRS Report R40946, *The Temporary Assistance for Needy Families Block Grant: An Overview*, by Gene Falk. See also, CRS Report RL32760, *The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions*, by Gene Falk. 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.

Social Services Block Grant (SSBG)

The SSBG is an annually appropriated entitlement to states, with allocations based on population size.¹⁵ The SSBG is administered by HHS and is permanently authorized by Title XX, Subtitle A, of the Social Security Act. The SSBG is a flexible source of funding that states use to support a wide variety of social services activities. States have broad discretion over the use of these funds. In general, there are no federal income eligibility requirements, targeting provisions, service mandates, or match requirements.

Since FY2002, annual appropriations laws have funded the SSBG at \$1.7 billion, though this amount has been reduced by sequestration in FY2013-FY2015.¹⁶ In FY2012, the most recent year

¹⁴ FY2013 TANF financial data are available <http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2013>.

¹⁵ Note that the SSBG also provides grants to Puerto Rico, Guam, the Virgin Islands, and Northern Mariana Islands based on their share of Title XX funds in FY1981. Grants to American Samoa are based on the relative size of their population compared to the population of the Northern Mariana Islands.

¹⁶ Sequestration is a spending reduction process by which certain budgetary resources are canceled to enforce budget (continued...)

for which SSBG expenditure data are available, the largest expenditures for services under the SSBG were for child care, child welfare-related services (including foster care and protective services), and special services for the disabled.¹⁷ Approximately 11% of total SSBG expenditures (\$296 million) went toward child care services in that year.

For more information, see CRS Report 94-953, *Social Services Block Grant: Background and Funding*, by Karen E. Lynch.

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

Title I, Part A, of the ESEA is the largest federal education program serving disadvantaged children. Most local educational agencies (LEAs) in the nation receive Title I-A grants, which may be used to provide supplementary educational and related services to low-achieving and other students attending schools with relatively high concentrations of students from low-income families. Title I-A primarily serves school-age children, but LEAs may choose to use some of their Title I-A funds for preschool services. Reliable data on Title I-A preschool expenditures are not available because spending on preschool services is not tracked separately from spending on other program activities. However, ED has previously estimated that spending on preschool instruction accounted for roughly 2% of Title I-A spending.¹⁸ As a point of reference, 2% of the FY2015 Title I-A appropriation (\$14.4 billion) would be \$288 million. Data from consolidated state performance reports suggest that preschoolers account for less than 3% of the children served by Title I-A annually.¹⁹

For more background on ESEA Title I-A, see CRS Report RL33960, *The Elementary and Secondary Education Act, as Amended by the No Child Left Behind Act: A Primer*, by Rebecca R. Skinner.

Striving Readers

The Striving Readers program provides competitive grants to eligible entities to improve literacy instruction in high-need schools.²⁰ The program is administered by ED and is funded under broad

(...continued)

policy goals. Under the Budget Control Act of 2011 (BCA; P.L. 112-25), as amended, nonexempt nondefense mandatory spending programs, like the SSBG, are scheduled to be sequestered annually through FY2024.

¹⁷ U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Community Services (OCS), *Social Services Block Grant Program Annual Report 2012*, <http://www.acf.hhs.gov/programs/ocs/resource/ssbg-2012-annual-report>.

¹⁸ This estimate was calculated based on data on pp. 65-66 of U.S. Department of Education, *State and Local Implementation of the No Child Left Behind Act: Volume VI – Targeting and Uses of Federal Education Funds*, 2009, <http://www2.ed.gov/rschstat/eval/disadv/nclb-targeting/nclb-targeting.pdf>. ED notes that this report may underestimate the amount actually spent on preschool services, as the totals do not include non-personnel expenditures.

¹⁹ Calculated by CRS using data in Consolidated State Performance Reports available at <http://www2.ed.gov/admins/lead/account/consolidated/index.html>. Note that this estimate includes preschool-aged children participating in the following Title I-A programs, as reported by states: (1) public targeted assistance programs, (2) public schoolwide assistance programs, (3) private programs, and (4) local neglected programs. Typically, children in schoolwide assistance programs represent the largest share of preschool children “participating” in Title I-A. This is important because schools receiving schoolwide assistance typically report all students as “participating” in the Title I-A program, though not all students necessarily benefit directly from Title I-A services.

²⁰ For more information, visit <http://www2.ed.gov/programs/strivingreaders-literacy/index.html>.

authorities within Title I-E of the ESEA (Sec. 1502). The first appropriation for this program (\$25 million) was provided in FY2005 and explicitly targeted literacy skills of middle school and high school students. Starting in FY2010, annual appropriations laws have expanded the program to support comprehensive literacy development, including pre-literacy skills, for students from birth through grade 12. In addition, annual appropriations acts since FY2010 have required state educational agencies that receive Striving Readers grants to ensure that at least 15% of funds be reserved for children from birth through age five. In FY2015, the Striving Readers program received a total of \$160 million.

Promise Neighborhoods

The Promise Neighborhoods program provides competitive grants to support communities in developing and implementing comprehensive neighborhood plans to combat poverty and improve educational and life outcomes for children. These neighborhood plans may support a continuum of services from early learning to college and career.²¹ They may cover a range of issues, from improving a neighborhood's health, safety, and stability to expanding access to learning technology and Internet connectivity and boosting family engagement in student learning. At present, it is not entirely clear how much of the funding for Promise Neighborhoods has been directed toward early childhood care and education activities. The Promise Neighborhoods program is administered by ED and has been funded since FY2010 under broad authorities within Title V of the ESEA. In FY2015, Promise Neighborhoods received a total of \$57 million.

²¹ Promise Neighborhoods grantees are not required to focus specifically on early childhood, but many of the current grantees selected "comprehensive local early learning networks" as a competitive priority on their applications.

Appendix A. Programs Not Currently Funded

Race to the Top-Early Learning Challenge (RTT-ELC)

Race to the Top (RTT) was first authorized in FY2009 under the State Fiscal Stabilization Fund in the American Recovery and Reinvestment Act (ARRA; P.L. 111-5). Initially, the RTT program was designed to provide competitive grants to states implementing certain specified K-12 education reforms. The FY2009 law did not explicitly authorize or designate RTT funding for early childhood activities. However, the FY2011 appropriations law (P.L. 112-10) subsequently amended the initial RTT program, authorizing ED to reserve a portion of RTT funds for competitive grants to states for the improvement of early childhood care and education.²² The appropriations law specified that ED should jointly administer this new program with HHS. Under this new authority, ED established the Race to the Top-Early Learning Challenge (RTT-ELC) grant program to support states in (1) establishing statewide data systems; (2) aligning high-quality standards across programs; (3) implementing statewide early learning standards; (4) improving the early childhood workforce; and (5) measuring children's outcomes and progress across developmental domains. In each of FY2011-FY2013, ED reserved a portion of its total RTT funds for RTT-ELC grants, including \$500 million in FY2011, \$133 million in FY2012, and \$370 million in FY2013. Over the course of this three-year period, 20 states received one or more RTT-ELC grant. No new funding has been provided for the RTT-ELC since FY2013.

For more information, see CRS Report R44008, *Preschool Development Grants and Race to the Top-Early Learning Challenge Grants: A Primer*, by Kyrie E. Dragoo and Gail McCallion.

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

Even Start programs, authorized by ESEA Title I, Part B, Subpart 3, were intended to integrate early childhood education, adult basic education, and parenting skills education into a unified family literacy program. These programs provided grants to states, which then distributed the funds to eligible entities (consisting of a local education agency (LEA) in collaboration with a community based organization). Even Start services generally served children ages 0-7 and their parents. Even Start services were required to 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 was first authorized in 1989 and grew rapidly in its first years. However, evaluations suggested the program had not been effective in improving child and adult learning outcomes. Even Start funding subsequently declined from a high of \$250 million in FY2002 to \$66 million in FY2010, the last year in which the program received annual appropriations.²³

²² For more information, see <http://www2.ed.gov/programs/racetothetop-earlylearningchallenge/index.html>.

²³ The Obama Administration requested no funding for Even Start in its FY2010 and FY2011 budget proposals. The first four continuing resolutions for FY2011 (P.L. 111-242, P.L. 111-290, P.L. 111-317, and P.L. 111-322) temporarily maintained pro-rated Even Start funding at the FY2010 rate of \$66 million. However, the fifth FY2011 CR (P.L. 112-4) provided no funding for Even Start and no funding for this program has been appropriated since.

For more information, see CRS Report RL30448, *Even Start Family Literacy Programs: An Overview*, by Gail McCallion. See also CRS Report RL33071, *Even Start: Funding Controversy*, by Gail McCallion.

Early Reading First

The Early Reading First program, authorized by ESEA Title I, Part B, Subpart 2, supported local efforts to enhance the school readiness of young children—particularly those from low-income families—through scientific research-based strategies and professional development designed to enhance the verbal skills, phonological awareness, letter knowledge, and pre-reading skills of preschool age children. The program authorized ED to award competitive grants for up to six years at a time to eligible LEAs or to public or private organizations located within eligible LEAs. The FY2009 Omnibus (P.L. 111-8) maintained the FY2008 funding level of \$113 million for the Early Reading First program. President Obama's FY2010 budget requested \$163 million for the program, an increase of \$50 million over FY2009 funding. However, the FY2010 Consolidated Appropriations Act (P.L. 111-117) provided no funding for Early Reading First. Instead, Congress expanded the mission of the Striving Readers Program from focusing solely on improving adolescent literacy, to improving the literacy and pre-literacy skills of students from preschool through high school.²⁴ The FY2010 Consolidated Appropriation increased funding for Striving Readers to \$250 million (an increase of about \$215 million from FY2009) and reserved about 15% (or \$37.5 million) for children ages 0-5. No funding has been requested for Early Reading First since the FY2010 President's budget, and no funding has been appropriated for this program since FY2009.

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

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.²⁵ Funding in FY2006 and FY2007 remained stable at approximately \$14.5 million, but FY2007 was the last year in which funds were appropriated.

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. When funded, the program provided grants to communities to enhance school readiness for children under five, specifically supporting efforts to improve children's cognitive, physical, social, and emotional development. Although authorized at \$600 million, FY2003 funding for the program was set at \$25 million; FY2004 funding was set at \$34 million (despite President Bush's FY2003 budget

²⁴ The Striving Readers program began as a competitive grant literacy program for students in middle school, but was refocused on broader literacy programs for preschool through 12th grade as part of the reorganization in FY2010.

²⁵ For more information, visit <http://www2.ed.gov/programs/eceducator/index.html>.

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.

Appendix B. Acronyms Used in This Report

ACA	Patient Protection and Affordable Care Act (P.L. 111-148)
ACF	Administration for Children and Families (at HHS)
ARRA	American Recovery and Reinvestment Act (P.L. 111-5)
ATRA	American Taxpayer Relief Act of 2012 (P.L. 112-240)
BIE	Bureau of Indian Education (at DOI)
CACFP	Child and Adult Care Food Program
CCAMPIS	Child Care Access Means Parents in School
CCDBG	Child Care and Development Block Grant
CCDF	Child Care and Development Fund
CDCTC	Child and Dependent Care Tax Credit
CRS	Congressional Research Service
DCAP	Dependent Care Assistance Program (in context of tax exclusion)
DOI	U.S. Department of the Interior
ED	U.S. Department of Education
EGTRRA	Economic Growth and Tax Relief Reconciliation Act of 2001 (P.L. 107-16)
EHS	Early Head Start
ESEA	Elementary and Secondary Education Act
FACE	Indian Family and Child Education Program
FPL	Federal Poverty Line
HHS	U.S. Department of Health and Human Services
HRSA	Health Resources and Services Administration (at HHS)
HS	Head Start
IDEA	Individuals with Disabilities Education Act
IRS	Internal Revenue Service (at U.S. Department of the Treasury)
LEAs	Local Educational Agencies
MIECHV	Maternal, Infant, and Early Childhood Home Visiting Program
MOE	Maintenance-of-Effort (spending requirements)
OMB	Office of Management and Budget
PDG	Preschool Development Grants
RTT	Race to the Top
RTT-ELC	Race to the Top—Early Learning Challenge Grants
SMI	State Median Income
SSBG	Social Services Block Grant
TANF	Temporary Assistance for Needy Families
USDA	U.S. Department of Agriculture

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