

STATE SPENDING UNDER THE FISCAL YEAR 2001 APPROPRIATION FOR
CHILD CARE AND DEVELOPMENT FUND (CCDF)
AS OF 9/30/2001

Background:

Under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, the Child Care and Development Fund makes available to States three child care funding streams: Mandatory, Matching and Discretionary. Each of these funding streams requires that the States meet specific financial requirements.

The **Mandatory** fund is 100 percent Federal funds. No State match is required. Mandatory funds are available until expended. To qualify for its share of the Matching funds, a State must obligate its Mandatory funds by the end of the Federal Fiscal Year (FFY).

The **Matching** fund must be matched by a State at its applicable Federal Medical Assistance Percentage (FMAP) rate. In order to receive Matching funds a State must (1) obligate its Mandatory funds by 9/30; and (2) expend State funds equal to its State Maintenance of Effort (MOE) level. Matching funds must be fully expended in two years.

The **Discretionary** fund is 100 percent Federal funds. No State match is required. Discretionary funds must be obligated in two years and the obligations liquidated in the subsequent year. In FFY 2001, Congress earmarked specific amounts of the Discretionary fund for (1) Child Care Quality Improvement Activities (\$172.6 million); (2) Infant and Toddler Quality Improvement (\$100 million); and (3) Child Care Resource and Referral and School Age Care (\$19.1 million).

FFY 2001 Highlights:

This summary provides information obtained from State financial reports submitted for the FFY 2001 CCDF appropriation (October 1, 2000-September 30, 2001). The FFY 2001 State reports detail expenditures from each of the CCDF funding streams (Mandatory, Matching, and Discretionary), as well as funds transferred from the Temporary Assistance for Needy Families (TANF) program to CCDF in FFY 2001, for administration, quality activities including Congressionally mandated earmarks, and direct and non-direct services. States continue to report on their expenditures of FFY 2001 funds until expended; therefore, these numbers are subject to annual updates. To see a complete picture of total child care expenditures during FFY 2001 from all sources, click on the following [web link](#). Note: This summary does not include expenditures in FFY2001 from funds appropriated in prior fiscal years.

Total Expenditures – In FFY 2001, States expended a total of \$5.8 billion of FFY 2001 combined Federal and State funds, which includes both CCDF and TANF transfers into CCDF. An additional \$1.7 billion was expended in “direct spending for child care services” under the TANF program. Expenditures of Federal CCDF funds were \$3.9 billion and State Matching and MOE funds were \$1.9 billion.

Maintenance of Effort. To be entitled to Matching funds, States must expend State funds for child care at a level at least equal to the greater of FFY 1994 or FFY 1995 Title IV-A child care program expenditures. All States reported spending State funds at the required MOE levels. Ten States reported spending a total of \$215 million over the required MOE level. It is possible that the MOE expenditures reported for CCDF may also be reported as part of the State's TANF basic MOE expenditures. (TANF Final Regulations, Section 263.3(a))

Non-Federal Match. States must expend State funds at the applicable 2001 Federal Medical Assistance Percentages rate to be eligible for Federal Matching funds. All States met the required match for the Matching funds expended. (See *Unobligated Balance* paragraph for Matching funds returned for reallocation.)

Temporary Assistance for Needy Families (TANF) Block Grant Transfers. PRWORA of 1996 allows States to transfer portions of their TANF grant to either the CCDF or the Social Services Block Grant. Forty-three States transferred funds to CCDF in amounts ranging from \$520,000 to \$375 million. A total of \$2.0 billion in FFY 2001 Federal TANF funds were transferred to CCDF. The transferred TANF funds equal 31 percent of total CCDF Federal funds (\$6.4 billion including TANF transfers) available to States for FFY 2001. As stipulated in the TANF Final Regulations, States may transfer current year TANF funds only. States are able to transfer TANF funds in the second year of the CCDF obligation period back to the TANF program if not obligated. Therefore, TANF transfer reporting variances between the CCDF and TANF programs are possible.

Direct Services. CCDF spent directly by States on child care services was \$3.7 billion or 79.4 percent of the FFY 2001 total Federal and State CCDF expenditures (excluding MOE). MOE expenditures on direct services were an additional \$1.0 billion or 92.1 percent of total MOE expenditures.

Administrative Costs. By law, no more than five percent of CCDF funds may be used for administrative costs. State administrative expenditures were \$149 million in FFY 2001, or 3.2 percent of FFY 2001 total Federal and State expenditures -- well below the limit. MOE expenditures, which are not included in the five percent calculation, amounted to \$13.4 million for administrative costs.

Quality Services. The statute requires that a minimum of four percent of total CCDF expenditures be spent on quality activities (excluding Earmark funds). Compliance with this requirement is assessed at the end of the liquidation period (9/30/03). State spending on improving the quality of child care services was \$362 million in FFY 2001, or 7.7 percent of FFY 2001 total Federal and State expenditures. An additional \$13.9 million was spent on quality activities from the States' MOE expenditures.

Earmarked Funds. Of the \$291.7 million earmarked, States have spent \$89.2 million. States have until the end of the liquidation period to expend their earmarked funds. Earmarked expenditures include: \$59.1 million on Child Care Quality Improvement Activities; \$22 million

on Infant and Toddler Quality Improvement; and \$8.1 million on Child Care Resource and Referral and School Age Care.

Non-Direct Services. States have spent \$363 million in non-direct services, or 7.7 percent of FFY 2001 total State and Federal expenditures. The breakdown of non-direct services expenditures is \$49 million on child care computer information systems, \$154 million on certificate programs and \$160 million for eligibility determinations and other costs. MOE expenditures on non-direct services were \$59.3 million.

Unobligated Balances. In FFY 2001, States obligated 100 percent of the Federal Mandatory funds. At the end of the year, five States released \$41.1 million, or 3.1 percent in Matching funds for reallocation in FFY 2002. The unobligated balance for the \$3.9 billion of Discretionary funds was \$858 million, or 21.7 percent. States have an additional year to obligate these funds.

Expended Funds. States spent \$1.0 billion, or 86 percent, of FFY 2001 Mandatory funds, and \$966 million, or 72 percent of the Matching funds. States spent \$1.9 billion, or 48 percent of the Discretionary funds.

Unexpended Funds. Seventeen States have a balance of \$167 million of Mandatory funds to expend, and 25 States have \$328 million of Matching funds to expend. Thirty-seven States and Territories have \$1.2 billion of Discretionary funds to expend. States will continue to expend FFY 2001 funds in Fiscal Years 2002 and 2003.