

**UPDATE ON FISCAL YEAR 1999  
STATE SPENDING UNDER THE CHILD CARE AND DEVELOPMENT FUND  
(CCDF) AS OF 9/30/00**

**Overview:** Under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, States are required to submit quarterly financial reports to HHS detailing how they are spending Federal funds. This document provides information about State expenditures of CCDF funds that were awarded in FY 1999. This information, which reflects State spending through September 30, 2000, is preliminary since States have until September 30, 2001, to spend FY 1999 Discretionary CCDF funds. This information updates previously-released data on expenditures of FY 1999 funds to reflect new State reports. States must continue to report on FY 1999 funds until expended, therefore, these numbers are subject to annual updates and cannot be considered final.

**FY 1999 Highlights**

**Total Expenditures.** States have expended a total (combined Federal and State) of \$8.1 billion. Of that amount, \$6.4 billion were in Federal (CCDF and TANF transfers into CCDF) funds, including \$4.9 billion in FY 1999 CCDF funds and \$943 million in prior year (FYs 1996, 1997 and 1998) CCDF/CCDBG funds. States also expended \$1.7 billion in State dollars (matching and MOE) under CCDF in FY 1999. In addition, direct spending under the Temporary Assistance for Needy Families (TANF) program for child care services totaled \$604 million of Federal funds.

**Maintenance of Effort (MOE).** States are required to continue to spend State funds for child care at a level equal to the greater of their FY 1994 or FY 1995 historic spending levels in the Title IV-A Child Care programs. All States reported that they spent their own funds at the required MOE level of \$887 million in FY 1999. Five States reported spending a total of \$111 million over the required MOE level.

**Non-Federal Match.** The Matching Fund must be matched by State expenditures in excess of the amount required to satisfy the MOE requirement and at the 1999 Federal Medical Assistance Percentage (FMAP) rate. One State chose not to accept its matching allotment. All other States met the required match for the CCDF Matching Fund. Total State expenditures totaled \$1.7 billion which consisted of \$699 million of State match and \$998 million of MOE expenditures or 25.6 percent of total State and Federal expenditures.

**Temporary Assistance to Needy Families (TANF) Block Grant Transfers.** PRWORA authorized States and Territories to transfer portions of their TANF grant to either the Child Care and Development Fund or the Social Services Block Grant. It should be noted that effective October 1, 1999, States could no longer transfer prior year TANF funds. States were awarded \$976 million in discretionary funds and transferred \$2.38 billion from the TANF program into the CCDF discretionary fund, making a total of \$3.35 billion of Federal funds available in the discretionary fund. Forty-four States and two Territories reported transferring funds to the Child Care and Development Fund in amounts ranging from \$30 thousand to \$264 million. The transferred amounts equal 43.5 percent of the total Federal funds made available to States for CCDF in FY 1999.

As reported on the TANF financial reports, States transferred \$2.4 billion from TANF to CCDF in FY 1999, which is more than twice the \$914 million transferred in FY 1998 (transferred dollars are included in the \$4.9 billion above).

NOTE: The transfer amounts reported on the TANF financial reports (\$2.43 billion) are different from the transfer amounts reported on the CCDF financial reports (\$2.38 billion) because of the lag-time in processing a transfer, reporting deadlines and returning transfers to TANF.

*Direct Services.* CCDF expenditures spent by States directly on child care services totaled \$4.6 billion or 82.2 percent of the FY 1999 combined Federal and State CCDF expenditures (excluding MOE).

*Administrative Costs.* By law no more than 5 percent of the CCDF funds may be used for administrative costs. State administrative expenditures amounted to \$135 million, or 2.4 percent of FY 1999 total Federal and State expenditures -- well below the limit.

*Quality Services.* The statute requires a minimum of 4 percent of total expenditures be spent on quality activities. States reported expending \$354 million on improving the quality of child care services, which equates to 6.3 percent of FY 1999 combined Federal and State expenditures.

*Non-Direct Services.* States reported spending a total of \$504 million in non-direct services or 9 percent of total State and Federal expenditures. A breakout of non-direct services expenditures shows that roughly \$26 million was spent on child care computer information systems, \$274 million on certification programs and \$204 million on making eligibility determinations and other costs.

*Unobligated Balances.* States must obligate all of the mandatory fund by the end of the fiscal year in order to be eligible for Federal matching funds. In FY 1999, States obligated 100 percent of the Federal mandatory funds. States also obligated 96.4 percent or \$907 million of Federal matching funds awarded in FY 1999. One State chose not to accept its matching allotment of \$33,424,678 (3.6 percent). At the end of second year of spending, three States did not expend an additional \$2.9 million (3.1 percent) in matching funds. These funds will revert back to the Federal government.

At the end of FY 2000, States left a total of \$37 million or .6 percent of FY 1999 CCDF funds unobligated. Of the \$37 million, four States did not obligate a total of \$36.3 million in the Matching Fund category and \$774,332 in the Discretionary Fund category, which has been recouped.

### Overall Expenditures

**Mandatory** – States have expended \$1.124 billion or 95.5 percent of the \$1.177 billion available. Eight States may continue to spend \$53 million in FY 2001.

**Matching** – States expended \$904 million or 96.1 percent of the \$941 million in Federal funds available. Four States did not expend \$36.3 million in Matching Funds. Those funds were not available for redistribution, therefore, ACF has recovered those funds.

**Discretionary** – States have expended \$2.919 billion or 86.9 percent of the \$3.4 billion available. States have until September 30, 2001 to expend the remaining funds.

TABLE A - - Comparison of Expenditures in Federal Child Care Programs 1/  
(Dollars in millions)

Program	Expended in FY 97			Expended in FY 98			FY 99 Expenditures		
	Federal Share	State Share	Total	Federal Share	State Share	Total	Federal Share	State Share	Total
CCDBG	844	-	844	353	-	353	157	-	157
FFY 97 CCDF	1,681	514	2,195	397	-	397	98	-	98
FFY 98 CCDF	-	-	-	2,738	548	3,286	688	-	688
FFY 99 CCDF	-	-	-	-	-	-	4,876	699	5,538
TANF <u>2/</u>	14	-	14	259	-	259	604	-	604
State MOE		945	945	-	1,031	1,031	-	998	999
<b>TOTAL</b>	<b>\$2,539</b>	<b>\$1,459</b>	<b>\$3,998</b>	<b>\$3,747</b>	<b>\$1,579</b>	<b>\$5,326</b>	<b>\$6,423</b>	<b>\$1,697</b>	<b>\$8,084</b>

1/ Expenditures under CCDF program include TANF transfers.

2/ Expenditures under the TANF program for child care.