

# Estimates of Child Care Subsidy Eligibility & Receipt for Fiscal Year 2021

Nina Chien

## KEY POINTS

- In 2021, 11.5 million children were eligible for child care subsidies under federal rules; under state rules – which can be more restrictive – 8.0 million were eligible.
- 1.8 million children received subsidies, representing 15 percent of those eligible under federal rules and 22 percent under state rules.
- Children in deeper poverty were more likely to receive subsidies than those who were less poor.
- Younger children (ages one through five) were more likely to receive subsidies than older, school-aged children.
- Black, non-Hispanic children who were federally eligible for subsidies were more likely to receive subsidies, compared to children of other races and ethnicities who were eligible.

## OVERVIEW AND FUNDING

Child Care and Development Fund (CCDF) subsidies help parents pay for child care so parents can work or participate in education and training activities. The federal government and states spent \$14.2 billion<sup>1</sup> to subsidize child care for working families with low incomes in 2021. Roughly two-thirds of this funding was from the Child Care and Development Fund (CCDF), which in FY2021 included funding from the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (Public Law 116-260) and Supplemental Discretionary Funds in the American Rescue Plan (ARP) Act (Public Law 117-2), while the remaining one-third came from other government funding streams (Temporary Assistance for Needy Families (TANF) and the Social Services Block Grant). CCDF and TANF include both federal and state funding.

## WHO IS ELIGIBLE FOR CHILD CARE SUBSIDIES?

Under *federal rules*, 11.5 million children were eligible for child care subsidies in an average month in 2021 (Figure 1);<sup>2</sup> this number is updated by the office of the Assistant Secretary for Planning and Evaluation (ASPE) annually. That represents 22 percent of the total 51.5 million children who were ages 0 through 12 in 2021.

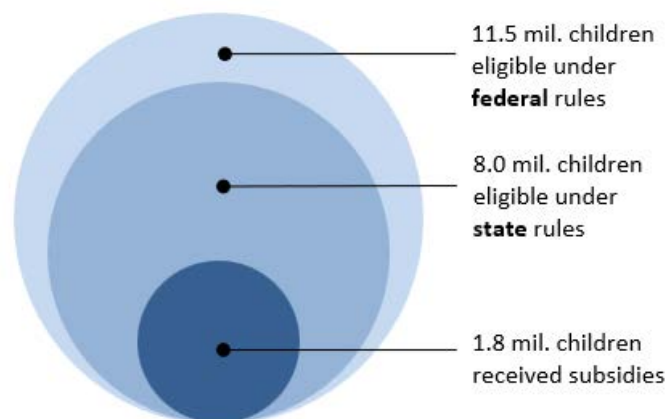
<sup>1</sup> The estimated \$14.2 billion includes: expenditures on direct child care services of \$10.8 billion in federal and state CCDF funds, which includes \$1.2 billion in TANF transfers; \$1.4 billion in TANF funding spent directly on child care services; \$1.7 billion in “excess TANF Maintenance of Effort (MOE)”; and \$0.3 billion in Social Services Block Grant expenditures related to child care. Some states spend additional amounts for child care, beyond match and maintenance and effort requirements, that are not reported to the federal government and therefore not reflected in these amounts.

<sup>2</sup> The eligibility estimates were produced using the Transfer Income Model (TRIM), a micro-simulation model developed and maintained by the Urban Institute under contract with ASPE. TRIM is based on the Annual Social and Economic Supplement of the Current Population Survey (CPS-ASEC). TRIM compares family income and work status data from the CPS against CCDF rules to generate estimates of children and families eligible for subsidies.

Federal eligibility rules are:

- The child must be under age 13 (or be under age 19 if the child has a disability or is in foster care<sup>3</sup>).
- The child’s family income must be less than 85 percent of the state median income (SMI) for a family of the same size in their state.<sup>4,5</sup> In FY 2021, 85 percent of average SMI for three-person families was \$65,338.
- The child’s parents must be working, searching for work, or participating in education or training activities.<sup>6</sup>

**Figure 1: Number of children eligible under federal and state rules and number receiving subsidies**



Under **state rules**, 8.0 million children were eligible for subsidies. That represents 15 percent of the total 51.5 million children who are ages 0 through 12 in 2021, and 69 percent of children eligible under federal rules. States have flexibility within the federal CCDF eligibility parameters to set income eligibility thresholds, co-payment fees, maximum reimbursement rates to providers, and other criteria. Based on state rules, the average income eligibility limit (for initial service receipt) for a three-person family across all states and D.C. was \$46,465, equivalent on average to 61 percent of the SMI for three-person families.<sup>7</sup>

## THE NUMBER OF CHILDREN ELIGIBLE INCREASED FROM 2020 TO 2021

Following large declines in eligibility from 2019 to 2020 due to widespread job loss from the COVID-19 pandemic, the number of children eligible for child care subsidies under state rules increased from 2020 (7.5 million) to 2021 (8.0 million); but that number still fell short of the number that were eligible in 2019 (8.7 million). Under federal rules, the number of children eligible also increased from 2020 (10.9 million) to 2021 (11.5 million), but also still fell short of the number eligible in 2019 (12.5 million). Microsimulation methods were used to determine that the increase from 2020 to 2021 is primarily explained by demographic changes related to eligibility in the U.S. population (and less so by changes in state eligibility rules). For example, the unemployment rate fell from 10.2 percent in July of 2020 to 5.4 percent in July of 2021.<sup>8</sup>

<sup>3</sup> Children who are under age 19 and physically or mentally incapable of caring for themselves, or are under court supervision, are eligible.

<sup>4</sup> States have flexibility to decide what family income is countable for purposes of determining a child’s eligibility. For example, states could disregard TANF payments or exclude income from some adult family members (e.g., an adult sibling or an aunt). As a result, some states may serve children in families with unadjusted incomes greater than 85 percent of the state median income, as defined in this factsheet. Families must also pass an assets test (\$1 million).

<sup>5</sup> The state median incomes used for this factsheet come from the American Community Survey, 2018 (5-year estimates): <https://www.acf.hhs.gov/ocs/policy-guidance/liheap-im-2020-02-state-median-income-estimates-optional-use-fy-2020-and>

<sup>6</sup> For this eligibility estimate, “working” is defined as employed one hour or more in a month. The majority (93 percent) of federally-eligible children come from families where the single parent or both parents were employed at least 20 hours per week or were in school/training activities. Job search eligibility is simplified in this model as three months of continued eligibility for families who—just prior to the period of job search—were receiving CCDF assistance.

<sup>7</sup> Kwon, Dwyer, Todd, and Minton (2023). *Key Cross-State Variations in CCDF Policies as of October 1, 2021: The CCDF Policies Database Book of Tables*: <https://www.acf.hhs.gov/opre/report/key-cross-state-variations-ccdf-policies-october-1-2021-ccdf-policies-database-book>

<sup>8</sup> <https://data.bls.gov/timeseries/LNS14000000>

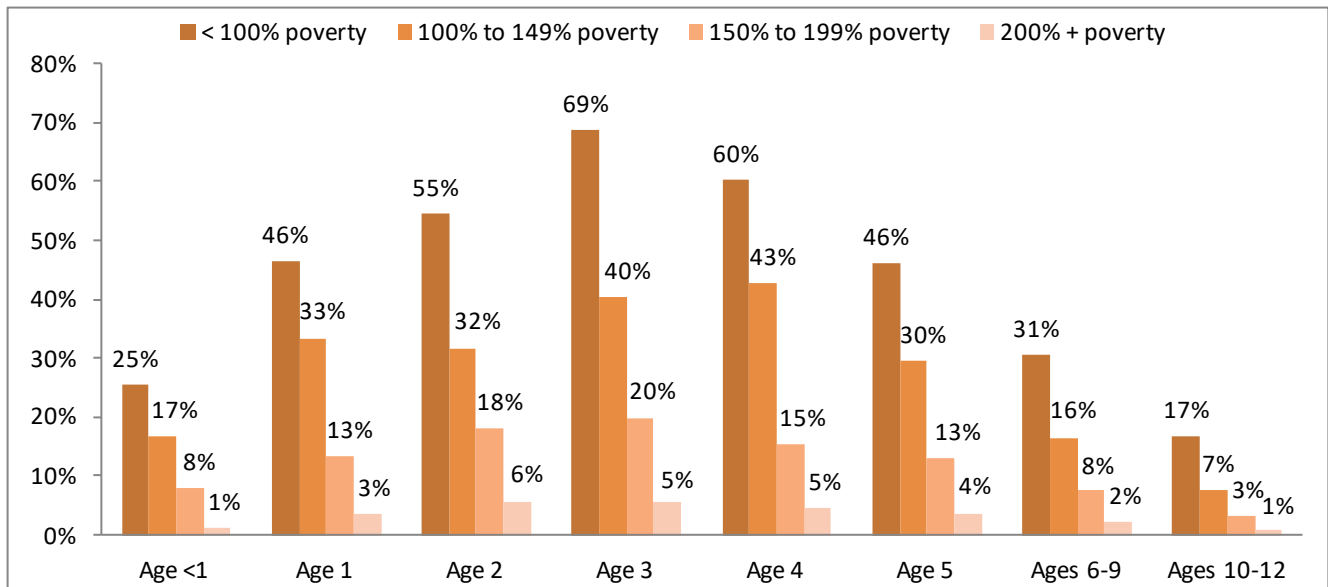
## AMONG CHILDREN WHO ARE FEDERALLY ELIGIBLE, WHO IS MOST LIKELY TO RECEIVE SUBSIDIES?

An estimated 1.8 million children<sup>9</sup> received subsidies through CCDF and related government funding streams<sup>10</sup> in an average month in fiscal year 2021 (see Figure 1). This is equal to 15 percent of all children eligible under federal rules and 22 percent of all children eligible under state rules.

**Children in deeper poverty were more likely to receive subsidies than children who were less poor, among all children who were federally eligible** (see Figure 2). For example, 60 percent of eligible 4-year-old children with family incomes below the poverty line received subsidies, while only 15 percent with family incomes between 150 and 199 percent of poverty received subsidies.

**Younger children ages one through five were more likely to receive subsidies compared to older, school-age children.** For example, 69 percent of three-year-old children with family incomes below the poverty line received subsidies, while 31 percent of six-to-nine-year-old children with family incomes below the poverty line received subsidies. This pattern is observed across all income levels.

**Figure 2: Percent of federally-eligible children receiving subsidies, for each age and income group**



Note: Poverty figures are based on 2021 poverty thresholds published by the U.S. Census Bureau. For families with one adult and two children, 150 percent of poverty is \$32,747 (\$2,729 monthly).

<sup>9</sup> This estimate of receipt excludes about 5,800 children served in U.S. territories (because territories are not included in the eligibility estimate, which is developed using the CPS), as well as children served through subsidies administered solely by Indian reservations/tribes.

<sup>10</sup> TANF funding spent directly on child care services; “excess TANF MOE”; and Social Services Block Grant expenditures related to child care.

**Black non-Hispanic children who were federally eligible for subsidies were more likely to receive subsidies, compared to children of other races and ethnicities who were eligible** (see Figure 3).

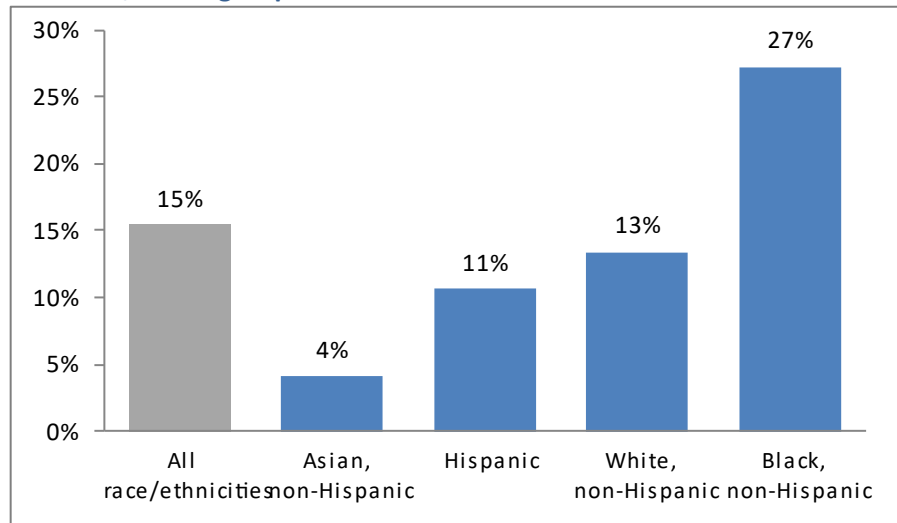
Twenty-seven percent of eligible Black non-Hispanic children received subsidies, compared to four percent of eligible Asian non-Hispanic children, 11 percent of eligible Hispanic children, and 13 percent of eligible White non-Hispanic children.<sup>11</sup>

Among other possible reasons, this may be partially because

eligible Black non-Hispanic children were more likely to be living in deeper poverty than eligible children of some other races; and as noted previously, children in households with income below 100 percent of poverty were more likely to receive subsidies. Twenty-five percent of eligible Black non-Hispanic children lived in households with incomes below poverty, compared to 15 percent of eligible Asian non-Hispanic children, 24 percent of eligible Hispanic children, and 15 percent of eligible White non-Hispanic children.

Reports for prior years can be found at: <https://aspe.hhs.gov/estimates-child-care-eligibility-and-receipt>

**Figure 3. Percent of federally-eligible children receiving subsidies, for each race/ethnic group**



<sup>11</sup> Due to insufficient sample size, estimates could not be computed for federally-eligible children who were American Indian/Alaskan Native.

**APPENDIX TABLE: NUMBER OF CHILDREN POTENTIALLY ELIGIBLE FOR CHILD CARE SUBSIDIES BY STATE, CALENDAR YEAR 2021**

State	Estimate of Children Eligible under Federal Parameters (Family Incomes < 85% SMI)			Estimate of Children Eligible under State-Defined Rules		
	Estimate	95% Confidence Interval (Low-High)		Estimate	95% Confidence Interval (Low-High)	
Alabama	212,430	162,880	261,980	148,740	107,000	190,480
Alaska	28,170	20,900	35,450	26,710	19,620	33,810
Arizona	210,140	157,470	262,810	96,550	60,560	132,540
Arkansas	126,360	95,360	157,360	94,140	67,230	121,040
California*	1,270,130	1,139,370	1,400,890	1,532,960	1,389,810	1,676,110
Colorado	195,690	145,610	245,770	107,470	70,070	144,880
Connecticut	144,820	108,770	180,860	94,180	64,890	123,460
Delaware	45,060	34,910	55,210	26,210	18,390	34,020
DC	14,090	9,040	19,140	10,920	6,470	15,380
Florida	791,720	694,470	888,960	441,950	368,680	515,210
Georgia	465,050	390,470	539,630	232,350	179,030	285,660
Hawaii	50,010	37,060	62,960	43,200	31,130	55,270
Idaho	51,850	36,850	66,850	23,070	12,990	33,150
Illinois	367,970	300,560	435,380	240,060	185,330	294,790
Indiana	238,300	185,620	290,980	47,760	23,840	71,690
Iowa	142,050	108,350	175,760	35,770	18,560	52,980
Kansas	109,560	78,900	140,210	78,620	52,510	104,740
Kentucky	165,260	121,040	209,480	111,420	74,880	147,960
Louisiana	151,260	111,190	191,330	116,880	81,520	152,250
Maine*	40,470	27,570	53,380	41,130	28,120	54,140
Maryland	307,950	247,480	368,410	194,520	145,990	243,050
Massachusetts	267,430	211,980	322,890	141,980	101,200	182,770
Michigan	345,380	281,940	408,830	138,200	97,640	178,760
Minnesota	222,390	171,150	273,630	117,970	80,300	155,650
Mississippi	139,630	108,050	171,210	139,520	107,950	171,080
Missouri	234,430	181,800	287,060	127,560	88,390	166,740
Montana	35,920	27,010	44,830	22,740	15,610	29,870
Nebraska	86,680	65,040	108,320	34,510	20,670	48,360
Nevada	76,220	51,270	101,180	56,860	35,240	78,490
New Hampshire	36,650	25,330	47,960	15,810	8,320	23,290
New Jersey	291,420	232,020	350,820	101,690	66,220	137,150
New Mexico <sup>a</sup>	64,000	45,450	82,550	103,450	80,100	126,800
New York	643,370	553,650	733,100	368,550	300,140	436,960
North Carolina	373,280	305,320	441,240	306,500	244,710	368,280
North Dakota	43,550	34,840	52,260	25,090	18,400	31,790
Ohio	446,110	374,470	517,740	207,550	158,170	256,940
Oklahoma*	127,980	90,200	165,760	145,080	104,950	185,220
Oregon	124,350	86,870	161,820	60,450	34,110	86,780
Pennsylvania	401,070	332,590	469,550	212,880	162,610	263,150
Rhode Island	34,970	24,820	45,120	14,770	8,110	21,430
South Carolina	175,270	130,880	219,650	112,790	76,960	148,620
South Dakota	38,580	29,180	47,980	28,910	20,730	37,090
Tennessee	274,490	218,330	330,640	170,050	125,510	214,600
Texas*	1,097,260	974,120	1,220,400	1,145,800	1,020,080	1,271,520
Utah	98,060	74,640	121,490	91,790	69,110	114,480
Vermont*	15,420	9,990	20,850	16,510	10,900	22,120
Virginia	273,560	215,030	332,100	89,600	55,730	123,480
Washington	168,860	122,820	214,890	116,560	78,180	154,950
West Virginia	43,380	28,520	58,250	17,110	7,710	26,520
Wisconsin	190,290	142,730	237,860	87,200	54,710	119,690
Wyoming	20,310	14,470	26,150	12,380	7,790	16,980

See notes on following page.

\*The estimate of children eligible under state rules may be larger than the estimate of children eligible under federal rules for the following reasons: the state uses a different source for SMI (e.g., a different year; or the 1-year ACS instead of the 5-year ACS) than that used by TRIM for the federal estimate; the state disregards some income sources; the state excludes some family members from the assistance unit.

<sup>a</sup>New Mexico sets a state income eligibility threshold above the federal limit of 85 percent SMI. Children who are above the federal income eligibility threshold are paid for out of state funds; these children are not included in the estimate of children served in this factsheet.

Notes: Data source is CPS-ASEC data for CY 2021 combined with estimates from TRIM3's modeling of CCDF eligibility. This population also includes children ages 13 to 18 who receive SSI according to TRIM3's simulation of SSI.

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### ABOUT THE AUTHOR

*Nina Chien* is a Senior Social Science Analyst in the Office of Human Services Policy in the Office of the Assistant Secretary for Planning and Evaluation.

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