ASPE ASSISTANT SECRETARY FOR PLANNING AND EVALUATION | OFFICE OF HUMAN SERVICES POLICY

BRIEF
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Over the Past 10 Years, Head Start Administrative Spending Remained Relatively Steady and Always Below the 15 Percent Statutory Ceiling

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KEY POINTS

- The Head Start Act sets a ceiling of 15 percent for development and administrative costs.
- The Head Start Act gives the HHS Secretary the flexibility to determine that administrative expenses are excessive below the 15 percent ceiling.
- Administrative expenses do not include program costs, which are those directly related to the provision of program component or direct service functions. Indirect costs comprise a large share of administrative expenses.
- In Fiscal Year 2025 (FY25), nearly one third of all grants (31.4 percent) operate at or below 10 percent administrative costs. Administrative spending as a share of total costs did not vary substantially by grant size.
- Across Head Start programs, the share of overall spending on administrative expenses remained relatively stable from FY16 to FY25, ranging from 10.9 percent to 11.2 percent.
- The 15 percent ceiling for Head Start sits at the high end of administrative limits used across related programs. Other federal human services and early childhood programs generally set a 5 percent or 10 percent administrative expense limit.
- Every dollar spent on general administrative expenses is a dollar unavailable for core program functions like classroom instruction or comprehensive services for children and families.

BACKGROUND

Head Start provides comprehensive early learning and development, health, and family well-being services to children ages birth to five years. Head Start Preschool serves children ages 3 to 5 and their families, and Early Head Start serves children birth to age 3 and expectant mothers.

OHS awards about $11.9 billion in grant funding directly to about 1,600 public agencies, private nonprofit and for-profit organizations, Tribal governments, and school systems to operate Head Start programs in local communities.[1] Head Start is a federal-to-local program, meaning funds flow directly from the federal government to local grant recipients.

The Head Start Act sets a ceiling for development and administrative costs at 15 percent.[2] In addition, the current Head Start Program Performance Standards (HSPPS) establish regulations for program administration and grants management, including limitations on development and administrative costs. Section 1303.5 of the HSPPS re-states the Act in that "costs to develop and administer a Head Start program cannot exceed 15 percent of the total approved program costs," inclusive of both federal costs and the non-federal match.[3]

The Head Start Act allows HHS to determine excessive administrative costs

The Head Start Act sets a ceiling for development and administrative costs at 15 percent but gives the Secretary of the U.S. Department of Health and Human Services (HHS) the flexibility to determine that administrative expenses are excessive even below the 15 percent threshold. Section 644(b)[4] of the Head Start Act states:

> (b) Except as provided in subsection (f) of this section, no financial assistance shall be extended under this subchapter in any case in which ***the Secretary determines that the costs of developing and administering a program assisted under this subchapter exceed 15 percent of the total cost***s, including the required non-Federal contributions to such costs, of such program. The Secretary shall establish by regulation, criteria for determining:
>
> > (1) the costs of developing and administering such program; and
> >
> > (2) the total costs of such program. In any case in which the Secretary determines that the cost of administering such program ***does not exceed 15 percent of such total costs but is, in the judgment of the Secretary, excessive***, the Secretary shall forthwith require the recipient of such financial assistance to take such steps prescribed by the Secretary as will eliminate such excessive administrative cost, including the sharing by one or more Head Start agencies of a common director and other administrative personnel. The Secretary may waive the limitation prescribed by this subsection for specific periods of time not to exceed 12 months whenever the Secretary determines that such a waiver is necessary in order to carry out the purposes of this subchapter.

Administrative expenses are distinct from costs to provide direct services to children and families

Administrative expenses ***do not*** include program costs, which are those directly related to the provision of program component or direct service functions (Table 1). Program costs include staff, training, Head Start centers' rent and utilities, educational materials, classroom supplies, children's transportation or meals, and expenses related to program staff functions like fringe benefits.[5] Administrative expenses include administrative and executive personnel's salaries and benefits and expenses related to those positions (e.g., travel); organization-wide planning costs; accounting, auditing, and human resources; rent, maintenance, and operation of administrative space; and membership dues for states' Head Start associations. Indirect costs comprise a large portion of administrative costs.

To ensure fiscal compliance, Head Start requires recipients to distinguish development and administrative costs from program costs and to allocate dual-benefit and indirect costs between the two categories.

Table 1. Allowable Program Expenses and Administrative Expenses

Allowable Program/Direct Service Expenses	Development and Administrative Expenses
Salaries and benefits for teachers and staff providing direct service to children and families	Administrative and executive personnel's salaries and benefits
Classroom supplies	Expenses related to administrative staff's functions (e.g., travel)
Children's transportation	Organization-wide planning costs

Children's meals	Accounting, auditing, and human resources
Head Start centers' rent and utilities	Rent, maintenance, and operation of administrative space
Educational materials	Membership dues for states' Head Start associations

Note: This list was provided by the HHS Administration for Children and Families. It is not an exhaustive list of allowable program expenses or development and administrative expenses.

NEARLY ONE THIRD OF ALL HEAD START PROGRAMS CURRENTLY OPERATE AT OR BELOW 10 PERCENT ADMINISTRATIVE COSTS

In FY25, the share of spending on administrative expenses across all Head Start grants – combining both Head Start Preschool and Early Head Start – was 11.2 percent.[i] Nearly one-third of all grants (31.4 percent) operate at or below 10 percent administrative costs. A higher percentage of Early Head Start programs have administrative costs below 10 percent compared to Head Start Preschool programs (Table 2).

Some programs operate with even lower administrative cost shares. About 3.8 percent of all grants currently operate at or below a 5 percent administrative cost threshold. Approximately 8 percent of all grants operate with administrative costs between 5 and 7.5 percent, and about 19.7 percent of all grants operate with administrative costs between 7.5 and 10 percent. About one-third of all grants operate with administrative costs between 10 and 12.5 percent and another one-third between 12.5 and 15 percent.

Grantees in both Head Start Preschool and Early Head Start show a sharp concentration of administrative spending just below the 15 percent statutory ceiling. For example, about 8.5 percent of all grants report administrative costs between 14.5 and 15 percent alone — a narrow half-point band that captures a disproportionate share of grants. A small percentage of all grants have administrative costs above 15 percent.[ii]

Table 2. Percent of Early Head Start and Head Start Preschool Grants at Administrative Cost Thresholds, FY25

% Administrative Costs	Early Head Start	Head Start Preschool
At or below 10%	38.7%	28.9%
At or below 5%	7.4%	3.0%
5 to 7.5%	11.7%	6.7%
7.5 to 10%	19.5%	19.3%
10 to 12.5%	27.7%	30.9%
12.5 to 15%	30.5%	37.6%

Administrative spending does not appear to vary substantially based on grant size, as measured by funded enrollment. Across all Head Start grants (combining Head Start Preschool and Early Head Start), the share of administrative spending was 11.3 percent for small grants, 11.4 percent for medium grants, 11.0 percent for large grants, and 11.2 percent for very large grants. Table 3 presents administrative spending by grant size separately by Early Head Start and Head Start Preschool.

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[i] All analyses in this brief are original analysis by authors based on internal Head Start program and fiscal data.

[ii] The Head Start Act allows the HHS Secretary to waive the 15 percent cap for up to 12 months.

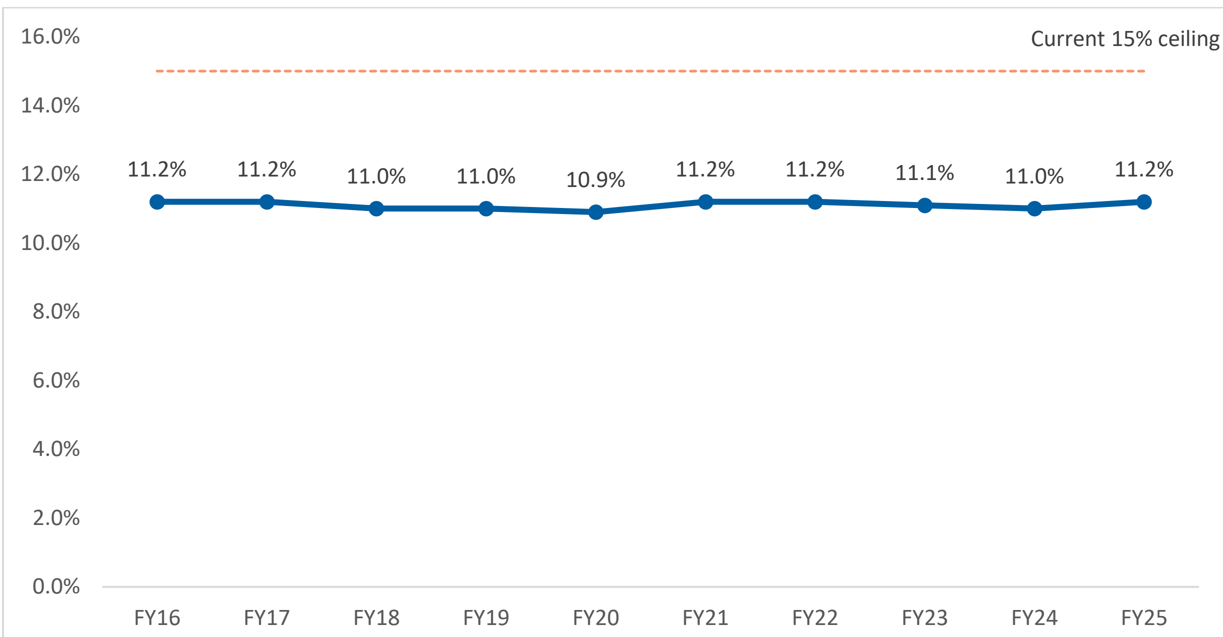
Table 3. Administrative Spending by Grant Size in Early Head Start and Head Start Preschool, FY25

Grant Size	Early Head Start % Administrative Costs (n)	Head Start Preschool % Administrative Costs (n)
Small (fewer than 300 children)	10.7% (1,182)	11.6% (889)
Medium (300-599 children)	10.8% (89)	11.7% (263)
Large (600-1,199 children)	9.9% (10)	11.1% (113)
Very large (more than 1,200 children)	12.0% (3)	11.4% (42)

HEAD START SPENDING ON ADMINISTRATIVE EXPENSES HAS REMAINED STABLE OVER TIME

At the national level, the share of spending on administrative expenses has remained relatively constant since FY16, ranging from 10.9 percent to 11.2 percent (Figure 1). Over the past 10 years, administrative spending has consistently operated below the 15 percent ceiling identified in statute and regulation.

Figure 1. National Share of Head Start Administrative Expenses, FY16 to FY25



Early Head Start programs tend to have a lower percentage of spending on administrative expenses compared to Head Start Preschool programs (Table 4). Since FY16, Early Head Start spending on administrative expenses ranged from 10.3 percent to 10.8 percent, while Head Start Preschool spending on administrative expenses ranged from 11.1 percent to 11.5 percent.

Table 4. Early Head Start and Head Start Preschool Administrative Expenses, FY16 to FY25

Fiscal Year	Early Head Start	Head Start Preschool
FY16	10.3%	11.5%
FY17	10.5%	11.4%
FY18	10.4%	11.3%
FY19	10.4%	11.2%
FY20	10.3%	11.1%
FY21	10.8%	11.4%
FY22	10.6%	11.4%
FY23	10.6%	11.3%
FY24	10.6%	11.1%
FY25	10.7%	11.4%

HEAD START ALLOWS A HIGHER CEILING ON ADMINISTRATIVE EXPENSES COMPARED TO OTHER HHS PROGRAMS

Other HHS human services and early childhood programs generally set a 5 percent or 10 percent administrative expense limit (Table 5). The 15 percent ceiling for Head Start sits at the high end of administrative limits used across related programs. The second-largest HHS early childhood program (after Head Start), the Child Care and Development Block Grant (CCDBG), limits State and Territory administrative activities to 5 percent, though allows up to 15 percent for Tribes. In a federal block grant, the state carries the administrative burden. The Maternal, Infant, and Early Childhood Home Visiting (MIECHV) program, a formula grant program administered by the HHS Health Resources and Services Administration (HRSA), uses a 10 percent default with a limited exception up to 15 percent for specified circumstances.

Table 5. Administrative Expenses Cap in Select HHS Human Services Programs

Federal Program	HHS Agency/Office	Administrative Expenses Cap	Authority
Child Care and Development Block Grant (CCDBG)	ACF/Office of Child Care	5% - States and Territories; 15% - Tribes	42 U.S.C. § 9858c(c)(3); 45 C.F.R. § 98.54(a); 45 C.F.R. § 98.83(i)
Community Services Block Grant (CSBG)	ACF/Office of Community Services	5% of allotment or $55,000, whichever is greater	42 U.S.C. § 9907(b)(2)
Family Violence Prevention and Services Act (FVPSA) – State Formula Grants	ACF/Family and Youth Services Bureau	5%	42 U.S.C. § 10406(c)(1)
Low Income Home Energy Assistance Program (LIHEAP)	ACF/Office of Community Services	10% - States and Territories; Special calculation rules - Tribes	42 U.S.C. § 8624(b)(9)(A); 45 C.F.R. § 96.88(b)
MaryLee Allen Promoting Safe and Stable Families (Title IV-B, Subpart 2)	ACF/Children's Bureau	10%	42 U.S.C. § 629d(d)
Stephanie Tubbs Jones Child Welfare Services (Title IV-B, Subpart 1)	ACF/Children's Bureau	10%	42 U.S.C. § 624(e)

Temporary Assistance for Needy Families (TANF)	ACF/Office of Family Assistance	15% - States; Individually negotiated* - Tribes	42 U.S.C. § 604(b)(1); 45 C.F.R. § 286.50
Maternal, Infant, and Early Childhood Home Visiting (MIECHV)	HRSA/Maternal and Child Health Bureau	10%; exception up to 15%	42 U.S.C. § 711(d)(6)(A); 42 U.S.C. § 711(d)(6)(B)(i)
Title V Maternal and Child Health Services Block Grant	HRSA/Maternal and Child Health Bureau	10%	42 U.S.C. § 704(d)
Community Mental Health Services Block Grant	SAMHSA	5%	42 U.S.C. § 300x-5(b)
Substance Use Prevention and Treatment Block Grant	SAMHSA	5%	42 U.S.C. § 300x-31(b)(2)

Note: The administrative cap limits apply to the prime grant recipient.
*Statute sets a 35% cap for Tribes in year 1 of the grant, a 30% cap in year 2, and a 25% cap in subsequent grant years.

CONCLUSION

Since FY16, Head Start programs have consistently operated with administrative spending below the 15 percent ceiling identified in statute and regulation. Some programs operate with even lower administrative cost shares. In FY25, nearly one third of all grants operate at or below 10 percent administrative costs. Administrative spending also did not appear to vary substantially based on program size in FY25. While it is possible that smaller grants, or those that are funded to serve fewer children, may have less ability to spread fixed administrative costs across a budget – making a lower administrative cost cap more burdensome for them compared to larger grants – available data does not suggest significant differences in administrative spending by grant size.

The 15 percent Head Start development and administrative limit is a ceiling; the Head Start Act authorizes HHS to determine that administrative costs are excessive even when they are below 15 percent. Given constrained budgets, every dollar spent on general administrative expenses is a dollar unavailable for core program functions like classroom instruction or comprehensive services for children and families.

REFERENCES

[1] Office of Head Start. *About the Office of Head Start.* U.S. Department of Health and Human Services, Office of Head Start. https://acf.gov/ohs/about
[2] 42 U.S.C § 9839
[3] 45 C.F.R. § 1303.5
[4] 42 U.S.C § 9839
[5] Office of Head Start. *Fiscal Management: Administrative Cost Limitations.* U.S. Department of Health and Human Services, Office of Head Start. https://headstart.gov/fiscal-management/article/administrative-cost-limitations

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