

# Estimates of Child Care Eligibility & Receipt for Fiscal Year 2020

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## KEY POINTS

- In 2020, 10.9 million children were eligible for child care subsidies under federal rules; under state rules – which can be more restrictive – 7.5 million were eligible.
- Two million children received subsidies, representing 18 percent of those eligible under federal rules and 26 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 \$13.3 billion<sup>1</sup> to subsidize child care for working families with low incomes in 2020. Roughly three-quarters of this funding was from the Child Care and Development Fund (CCDF), which in FY2020 includes funding from the CARES Act (Public Law 116-136), while the remaining one-quarter came from other government funding streams related to 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**, 10.9 million children were eligible for child care subsidies in an average month in 2020 (Figure 1);<sup>2</sup> this number is updated by the office of the Assistant Secretary for Planning and Evaluation (ASPE) annually. That represents 21 percent of the total 52.0 million children who were ages 0 through 12 in 2020. 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>).

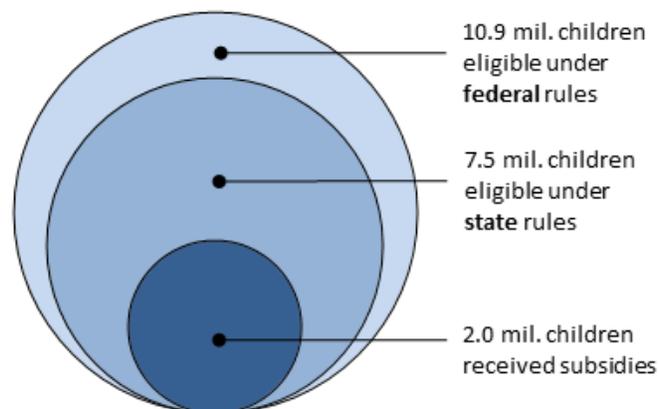
<sup>1</sup> The estimated \$13.3 billion includes: expenditures on direct child care services of \$9.9 billion in federal and state CCDF funds, which includes \$1.3 billion in CARES funding (see Table 1b in <https://www.acf.hhs.gov/occ/data/ccdf-expenditures-gy-2020-9-30-2020-tables-1b-10b>) and \$1.4 billion in TANF transfers; \$1.4 billion in TANF funding spent directly on child care services; \$1.7 billion in “excess TANF 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.

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

- 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 2020, 85 percent of average SMI for three-person families was \$62,301.
- 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**, 7.5 million children were eligible for subsidies. We used state rules as of October 1, 2020, including those that were newly implemented following flexibilities provided in the CARES Act (see “Method Note” box for more details). That represents 14 percent of the total 52.0 million children who are ages 0 through 12 in 2020, 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 \$43,642, equivalent on average to 60 percent of the SMI for three-person families.<sup>7</sup>

### METHOD NOTE: POLICIES DURING THE COVID-19 PANDEMIC

This analysis used the same microsimulation methods used for prior publications on subsidy eligibility. Following the beginning of the COVID-19 Public Health Emergency first declared on January 31, 2020, and starting in the spring of 2020, many child care facilities were closed to limit the spread of the virus. In addition, many states made changes to their eligibility policies in 2020 in response to the COVID-19 pandemic. For this analysis, we used state policies as of October 1, 2020, including policies that may have been temporary in nature but were in place on October 1, 2020. One pandemic-related rule change we did not model is that while some states expanded eligibility to essential workers without regard to income eligibility, our model does not identify essential workers. Therefore, essential workers with incomes above the respective income eligibility thresholds were not considered eligible in our model, even though they may have been eligible for and receiving subsidies.

Also, estimates of subsidy receipt used preliminary FY2020 estimates, which were the latest available (in past years, this analysis has used final fiscal year estimates).

<sup>4</sup> COVID-relief funding expanded services to children of essential workers regardless of their income, however, states differed in how these children were reflected in their administrative data which leads to an unknown amount of error in the estimate of children receiving services. 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, 2017 (5-year estimates): <https://www.acf.hhs.gov/ocs/policy-guidance/liheap-im-2019-02-state-median-income-estimates-fy-2019>

<sup>6</sup> For this eligibility estimate, “working” is defined as employed one hour or more in a month. The majority (91 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> Minton, Dwyer, and Kwon (2022). *Key Cross-State Variations in CCDF Policies as of October 1, 2020: The CCDF Policies Database Book of Tables*.

## CHANGE IN THE ELIGIBILITY ESTIMATE FROM 2019 TO 2020: PARENTAL EMPLOYMENT LOSS AND INCREASED INCOME ELIGIBILITY THRESHOLDS

The number of children federally eligible for CCDF dropped from 12.5 million in 2019 to 10.9 million in 2020, a 13 percent decline; state eligibility estimates dropped from 8.7 million children in 2019 to 7.5 million in 2020, a 14 percent decline. This decline in the number of children eligible for child care reflects the historic and widespread job loss which occurred in 2020.<sup>8</sup> (Note that job search for current program participants is a qualifying activity in all states, with the allowable period ranging from 30 days to through the end of the 12-month eligibility period.)<sup>9,10</sup>

The decline in the number of eligible families occurred despite increases in states' income eligibility thresholds and other changes in state child care policies that actually made eligibility rules more generous. Forty-five states increased their income eligibility thresholds for initial eligibility, with a median increase of 7.8 percent from 2019 to 2020 (during this period inflation was 1.2 percent).<sup>11</sup> Additionally, 23 states expanded their job search eligibility policies in response to the COVID-19 pandemic.<sup>12</sup> Had household characteristics (including unemployment rates) remained unchanged from 2019 to 2020, four percent *more* households would have been eligible (under state rules) for subsidies in 2020 than in 2019 (instead of the 14 percent decline that was observed). Put differently, had states not changed their rules in response to COVID-19 and using flexibilities allowed under the CARES Act, even more families would likely have become ineligible.

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

An estimated 2.0 million children<sup>13</sup> received subsidies through CCDF and related government funding streams<sup>14</sup> in an average month in fiscal year 2020 (see Figure 1). The 2.0 million served in 2020 is equal to 18 percent of all children eligible under federal rules and 26 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 22 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, 73 percent of three-year-old children with family incomes below the poverty line received subsidies, while 34 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.

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<sup>8</sup> <https://www.bls.gov/opub/mlr/2021/article/covid-19-ends-longest-employment-expansion-in-ces-history.htm>

<sup>9</sup> Twenty-one states additionally consider job search to be a qualifying activity for initial eligibility, but this is not modeled in TRIM due to the difficulty associated with identifying job searchers.

<sup>10</sup> Minton, Dwyer, and Kwon (2022). *Key Cross-State Variations in CCDF Policies as of October 1, 2020: The CCDF Policies Database Book of Tables*

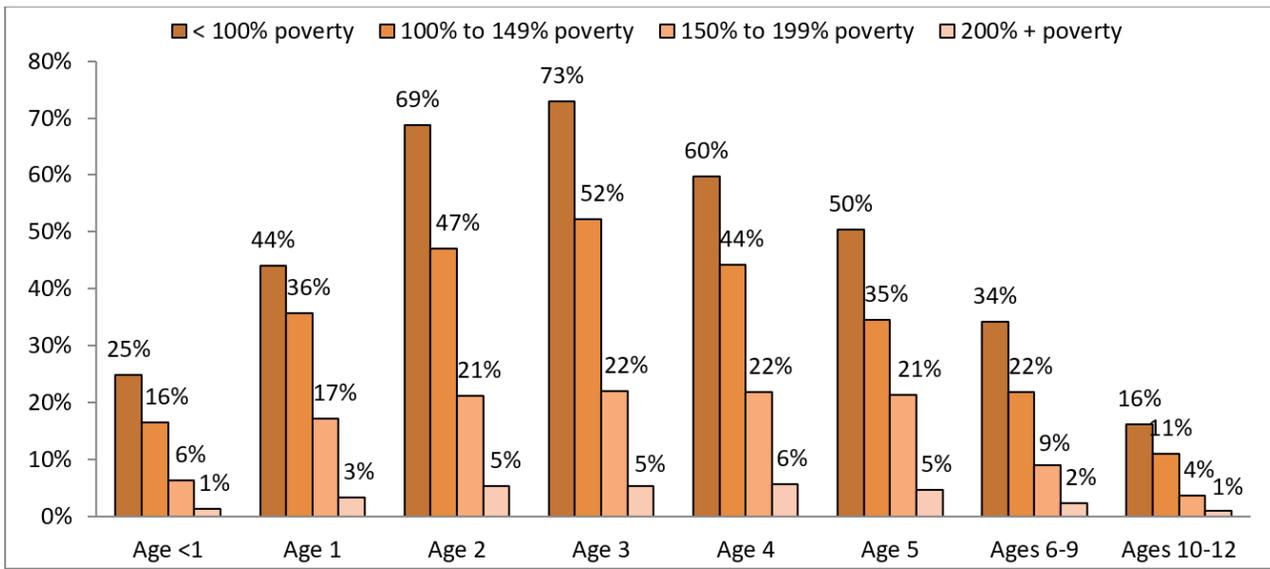
<sup>11</sup> Ibid.

<sup>12</sup> Kwon, Dwyer, and Minton (2022). *Appendix to the 2020 CCDF Policies Database Book of Tables: Child Care Subsidy Policies in Response to the COVID-19 Pandemic from January 2020 to March 2021*

<sup>13</sup> This estimate of receipt excludes about 4,600 children served in U.S. territories, as well as children served through subsidies administered solely by Indian reservations/tribes.

<sup>14</sup> TANF funding spent directly on child care services; "excess TANF MOE"; and Social Services Block Grant expenditures related to child care.

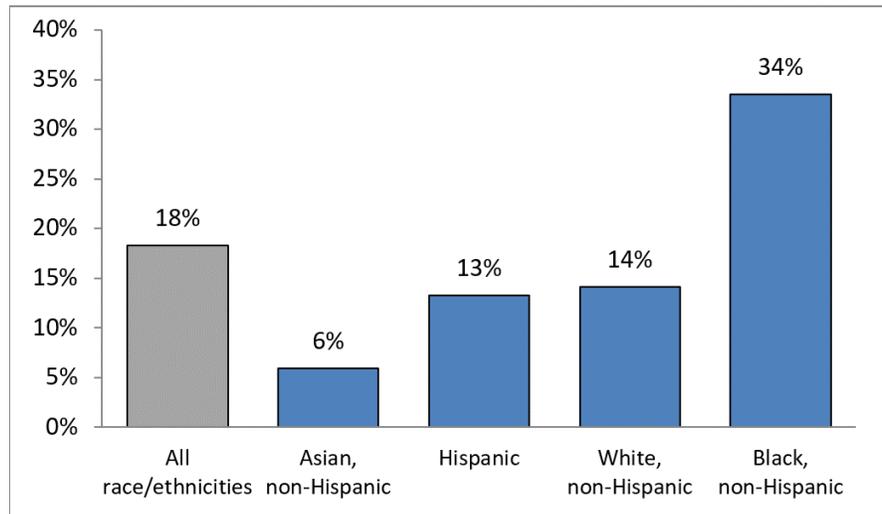
**Figure 2: Percent of federally-eligible children receiving subsidies, for each age and income group**



Note: Poverty figures are based on 2020 poverty thresholds published by the U.S. Census Bureau. For families with one adult and two children, 150 percent of poverty is \$31,278 (\$2,607 monthly).

**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). Thirty-four percent of eligible Black non-Hispanic children received subsidies, compared to six percent of eligible Asian non-Hispanic children, 13 percent of eligible Hispanic children, and 14 percent of eligible White non-Hispanic children.<sup>15</sup>

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



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 other races; and as noted previously, children in households with income below 100 percent of poverty were more likely to receive subsidies. Thirty-two percent of eligible Black non-Hispanic children lived in households with incomes below poverty, compared to 27 percent of eligible Asian non-Hispanic children, 25 percent of eligible Hispanic children, and 17 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>

<sup>15</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 2020**

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	157,220	115,270	199,180	81,540	51,080	111,990
Alaska	25,780	18,950	32,600	26,720	19,770	33,660
Arizona	229,980	176,100	283,870	120,030	80,810	159,250
Arkansas	98,580	71,650	125,510	100,080	72,950	127,210
California*	1,120,990	1,000,480	1,241,500	1,415,050	1,280,180	1,549,920
Colorado	205,010	154,870	255,140	132,330	91,780	172,870
Connecticut	105,470	75,190	135,750	62,830	39,310	86,340
Delaware	43,260	33,520	53,000	31,260	22,930	39,590
DC	15,930	10,680	21,180	12,550	7,880	17,220
Florida	576,400	494,760	658,040	369,970	304,240	435,700
Georgia	385,390	318,680	452,100	200,780	152,190	249,360
Hawaii	41,760	30,140	53,380	42,160	30,490	53,830
Idaho	65,230	48,840	81,630	17,950	9,240	26,670
Illinois	498,710	422,310	575,100	294,890	235,650	354,140
Indiana	262,070	208,100	316,040	102,390	68,240	136,540
Iowa	130,140	98,500	161,780	48,670	29,060	68,280
Kansas	126,560	94,410	158,700	75,200	50,180	100,210
Kentucky	127,170	89,030	165,310	64,020	36,760	91,280
Louisiana	211,120	165,090	257,150	141,230	103,280	179,180
Maine*	35,910	23,990	47,830	42,650	29,700	55,610
Maryland	210,520	161,190	259,850	141,890	101,140	182,630
Massachusetts	215,930	166,970	264,890	118,550	82,000	155,090
Michigan	262,260	207,910	316,600	119,800	82,800	156,800
Minnesota	210,140	161,330	258,940	86,140	54,540	117,750
Mississippi	128,210	98,520	157,890	124,450	95,180	153,710
Missouri	229,450	178,460	280,440	89,960	57,650	122,260
Montana	40,280	31,070	49,500	16,840	10,820	22,860
Nebraska	96,670	74,370	118,970	38,770	24,420	53,120
Nevada	91,950	65,180	118,710	53,690	33,110	74,270
New Hampshire	35,970	25,000	46,940	15,890	8,540	23,240
New Jersey	235,370	182,970	287,760	80,340	49,450	111,230
New Mexico	77,370	57,470	97,260	73,930	54,460	93,390
New York	646,460	558,450	734,460	398,930	329,330	468,530
North Carolina	329,060	266,450	391,670	293,520	234,280	352,750
North Dakota	46,720	37,910	55,530	31,190	23,910	38,470
Ohio	388,080	322,510	453,640	191,530	145,060	238,000
Oklahoma	167,440	125,360	209,520	183,680	139,700	227,660
Oregon	108,820	74,440	143,210	110,800	76,110	145,490
Pennsylvania	414,600	346,500	482,710	254,200	200,530	307,880
Rhode Island	29,630	20,470	38,800	18,650	11,340	25,960
South Carolina	167,670	125,140	210,200	93,300	61,330	125,260
South Dakota	46,180	36,170	56,200	35,480	26,640	44,310
Tennessee	251,560	198,860	304,270	140,770	101,010	180,530
Texas	1,106,430	985,420	1,227,440	969,930	856,350	1,083,500
Utah	94,420	71,920	116,930	71,030	51,440	90,620
Vermont*	18,220	12,460	23,980	19,470	13,520	25,420
Virginia	289,200	230,350	348,050	104,060	68,350	139,760
Washington	218,860	167,720	269,990	123,500	84,840	162,150
West Virginia	43,370	28,830	57,920	22,560	12,010	33,120
Wisconsin	164,740	121,320	208,150	95,400	62,160	128,640
Wyoming	24,080	17,870	30,280	15,930	10,850	21,010

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 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. For example, for its income eligibility threshold, California appears to use 85 percent of SMI from the American Community Survey 1-year estimate, while the estimate of children eligible under federal rules uses 85 percent of SMI from the American Community Survey 5-year estimate.

Notes: Data source is CPS-ASEC data for CY 2020 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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