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Affording Preschool

Examining Eligibility and Cliff Effects in Early Education and Head Start

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SPECIAL RELEASE

Affording Preschool

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Executive Summary

Child care and preschool are essential services for most families, particularly households with children under the age of 6. High quality care helps provide both the social, emotional, and educational building blocks for young children before entering elementary school, as well as important custodial care for children that allows parents and caregivers to participate in the labor force. However, the cost of preschool or child care can be a tremendous burden on low-, moderate-, and even middle income families.

Head Start is one of the most vital sources of access to preschool services for low-income children and kids with disabilities under the age of 6. Head Start provides high quality preschool, nutrition, and health support to families in poverty and up to 130 percent of the poverty line nationwide, enabling parents of young children to work, and most importantly, giving children the opportunity to get a "head start" on education and be prepared for the expectations and skills needed to do well in school. The Head Start programs provide services to families in the American Indian and Alaska Native Head Start programs, Migrant and Seasonal Head Start programs, Early Head Start which serves infants, expectant families, and toddlers up to age 3, and Head Start program services for preschool children ages 3 through 5. The largest share of those served (67 percent), are kids who are 3 and 4 years old.[i] The positive impacts of the program go far beyond the children and families directly served, providing a large society-wide return on the investment, with long term effects showing increases in college completion and employment levels, reductions in poverty in women and reductions in use of public assistance among men who went through Head Start when they were children.[ii]

This article examines issues of program eligibility and the financial need for early childhood education and care, using four states as case models: Alabama, California, Massachusetts, and North Dakota. These states were specifically chosen because they represent a variety of Head Start regions and are at different ends of the cost of living and household earnings spectrum. Because programs like Head Start are intended for low-income families and households, poverty status is the central determinant of eligibility. A modest increase in family earnings can therefore lead to losing critical services that would still be a core need for a working, low-income family. Social scientists and policy researchers refer to this situation as the "cliff effect". An estimated 11,000 currently eligible families in the four states that were studied were earning at the bottom of the wage scale in their state and a modest wage increase of as little as $1 an hour could lead to losing eligibility to these essential services. In the states studied, between one percent and 10 percent of families currently qualifying for Head Start could be pushed out of eligibility if they got a raise. The larger shares are at risk in the high-wage states, where the minimum wage would likely put you above the federal poverty line, but high cost of living in the state may also mean "poverty-like" conditions for households not technically living in poverty. While Head Start allows up to 10 percent of families to be above the poverty line, it is still capped at 130 percent of the poverty line. For context, the current poverty line for a family of three is $24,860; 130 percent of poverty for a family of three would be $33,576 a year in the continental US. Because this standard is still so far from the incomes which can cover the costs of care, many families which could benefit from Head Start are out of eligibility range.

Child care and preschool are an incredible struggle for families participating in Head Start, which have a wide variety of structures but are most commonly families with a single parent caring for two or more children. Basic household expenditure estimates for these families reveal why: child care is the largest expense of all basic costs for families with one parent and two children. This struggle is the case in both

low and higher wage states, mainly because high wage states have higher overall costs too. Two of the states studied had lower wages, Alabama and North Dakota, and the two other states, Massachusetts and California, had higher minimum wages, but also had higher costs of living. Massachusetts and California have larger shares of workers earning the minimum wage, compared to Alabama and North Dakota. In addition, because the federal poverty line is largely the income eligibility standard for Head Start and it is the same across the continental US, higher-cost, higher minimum-wage states have fewer families that qualify for the program. These states also typically have higher housing costs, and a recent change to eligibility which provides for an income adjustment for housing cost burden increased eligibility in these higher-cost states. However, the states with higher wages still have a smaller share of their low-income families served by Head Start due to the use of the income standard based on the federal poverty line.

Across the nation, regardless of socioeconomic variation, the need for and demand for high quality preschool and child care services outstrips the available budget and seats. More resources are needed for this program, as it contributes so much back to families and the nation as a whole. In addition, given variations in cost-of-living, income, and earning power across states, there is reason to continue to refine eligibility formulas. A recent adjustment accounted for escalating housing costs, enabling more adequate levels of eligibility in states where housing costs are very high. In the future, additional change could account for local earning power, specifically the capacity of minimum wages to cover family budgets for essential expenses, including child care. An adjustment for earning power as well as one accounting for the relationship of child care cost to family budgets in that state could maintain family eligibility where higher wages are required to meet basic needs. In the long run, Head Start is an important program that allows parents to work while setting children up for long range success in learning and ensure the long-term success of those children into adulthood. The resources available should therefore be increased and the barrier of entry should be lowered to help maximize the broader impact on society.

Introduction

Child care and preschool are essential services to most families, particularly households with children under the age of 6. High quality child care helps provide both the social, emotional, and educational building blocks for young children before entering elementary school, as well as important custodial care for children that allows parents and caregivers to participate in the labor force. That said, the cost of child care can be a tremendous burden on low and moderate income families. Even middle income families struggle to pay for care:[iii] in the U.S., families with two children paid between 16 percent and 39 percent of the family median income on child care, depending on region.[iv] This large range of costs across the country shows the variability and differences in the economic picture across states, while illustrating the large expense for many families. Though while the cost of child care and preschool is out of reach for many, across the states the income and cost picture varies widely, making nationwide services to families in some states vastly different in proportion than in others.

One of the most important and largest high-quality preschool options for low-income families is Head Start. Head Start is a federally administered program that provides quality preschool to low-income children under 6, playing a critical role in providing child care and educational support for low income families. These children need access to preschool to be prepared to enter kindergarten and get the most from their education.

Head Start provides high quality preschool, nutrition, and health support to families in poverty, enabling parents of young children to work, and most importantly, giving children the opportunity to get a "head start" and be prepared for the expectations and skills needed to do well in school. Two thirds of those served are kids who are 3 and 4 years old.[v] The positive impacts of the program go far beyond the children and families directly served, providing a large society-wide return on the investment, with long term effects of increases in college completion and employment levels, reductions in poverty in women and reductions in use of public assistance among men who went through Head Start when they were kids.[vi]

There are many low-income working families with difficulty affording housing and food, but earn too much to qualify for Head Start. Family access to Head Start is income-restricted, largely determined by the federal poverty line. As a result, families can fall off the 'benefits cliff' when a modest increase to household income makes them ineligible for essential support services that may actually be worth more than the increase in wages. It is important to note that programs like Head Start help families meet their needs, and allow caregivers to work, while children are under educational supervision.

While public policy makers and advocates have long discussed issues of 'cliff effects' with the social service needs of low- and moderate-income families, the issue came into sharper focus during the pandemic and the ensuing recovery period. The shutdown of schools and child care facilities highlighted the important role these institutions play in allowing parents to participate in the labor market. Moreover, rapid inflation from 2021 to 2023 increased the cost-of-living challenges facing families. These challenges can be particularly acute in high-cost states like Massachusetts. While Massachusetts enjoys some of the highest

wages and median household incomes in the country, the state also experiences high costs to many of the family basic needs, including housing, energy, and child care.

Against this backdrop, the UMass Donahue Institute (UMDI), through its MassBenchmarks journal, undertook a special examination of the challenges in eligibility for families who need government supported services like Head Start to provide both child care and education for their children. Head Start is a national program that primarily serves families at or below the federal poverty line, with exceptions for a limited number of families. For a family of three, the current federal poverty line is $24,860, and 130 percent of the line is $33,576. Variation in local wage levels (such as high wage states or regions) can mean that families in need of services may be ineligible or can lose eligibility after an increase in wages, even if they are living in poverty-like conditions in high-cost states, such as California or Massachusetts. Children in both high-wage, high-cost states and lower-wage, lower-cost states all face the 'cliff effect' which can mean families suddenly lose eligibility for federal programs like Head Start by crossing just over the poverty line. This can have huge impact on labor force participation or other elements of household budgets when benefits, typically worth more than the increase in wages, disappear.

There are over 35 million children under the age of 6 in the U.S. Nearly half of the nation's children, over 16 million kids, are in a preschool or child care setting outside the home.[vii] UMDI studied families with children under 6 in four states–Alabama, California, Massachusetts, and North Dakota–to frame how the challenges facing low income families can look the same or different depending on where people live. These four states were selected as case studies representing different regions of the nation and different socioeconomic conditions. In each state, the financial stretch for parents to afford child care is intense. Though there are many families of all kinds who benefit from Head Start, the most common family structure among those with children under 6 who were income-eligible consisted of a single parent, usually a mother, with two children. We used this family structure and their related budgets as the main comparison examples in the study. In the four states studied the average cost of child care for two children was consistently the largest share of a single-parent, two child household's basic expenses, ranging from one fifth of the family's income, to over a third of their income. Child care actually ranks as the top household cost for these families, ahead of even housing and transportation costs, the second and third most pressing expenses.[viii]

This article is divided into the following four sections on context, cost, benefits, and variation across states relative to earnings potential from wages and attendant variation in the cost of care:

States studied: four states were studied, two high cost/high wage and two with lower wages
Cost pressure: child care and preschool are necessary but weighs heavily on family budgets
Who benefits from Head Start's high-quality preschool and care? Everyone
Head Start-eligible families and cliff effects: families at risk of eligibility loss

Socioeconomic Structures of States Studied

Four states from different regions of the U.S. were selected for study to provide a variety of socioeconomic structures to feature selected states with high basic costs, including child care costs, and higher wages, as well as states where families face lower child care costs but where wages are also lower. Consequently, these are all cases where affording child care and high-quality preschool is a challenge, particularly for families with a single adult income earner.

The states were selected to illustrate the need for free, high-quality preschool for lower-income families across a wide range of socioeconomic circumstances across the state settings. Poverty and educational attainment are tightly connected to incomes, as well as the need for services to increase children's capacity for academic success while supporting employment for their parents with access to free high-quality preschool for children under the age of 6.

State Socioeconomic Context

	Alabama	California	Massachusetts	North Dakota
Share with College Degree	27%	35%	45%	31%
Share in Poverty (Federal Line)	16%	12%	10%	10%
Share under 5 in Poverty*	23%	15%	12%	8%

Sources: US Census Bureau, 2023 ACS 1-year estimates, Educational Attainment, S1501 and Percent in Poverty, S1701.
*Note: *Percent under 6 in poverty not available in premade Census tables, and small sample sizes in some states could cause large MOEs if Public Use Microdata Sample (PUMS) data were utilized to estimate this share.*

States were characterized in groupings of high cost/high-wage and low cost/low-wage using the following data on income and basic expenses (child care and housing, food, utilities, etc.):

Family Expenses and Wage/Cost Characterization by State

	Alabama	California	Massachusetts	North Dakota
Median Family Income	$62,212	$95,521	$99,858	$76,525
Does Minimum Wage Put You Above Federal Poverty Line	**No ($7.25)**	Yes ($16)	Yes ($15)	**No ($7.25)**
Total Basic Costs Single Parent/Two Child Family	$85,500	$128,100	$140,200	$90,200
Cost of Child Care, Two Children (in Basic Costs)	$15,400	$28,900	$38,400	$20,600
Full Time Minimum Wage Yearly Est. Pre-Tax Pay	$15,100	$33,300	$31,200	$15,100
Est. Min. Wage Pay Left after Two-Child Care Cost	**-$300**	$4,400	**-$7,200**	**-$5,500**
Low/High Cost	Low Cost	High Cost	High Cost	Low/Med Cost
Low/High Wage	Low Wage	High Wage	High Wage	Low Wage

Sources: US Census Bureau, 2023 ACS 1-year estimates, Median Family Income, S1903. MIT Living Wage Calculator, Amy K. Glasmeier, Massachusetts Institute of Technology (MIT) February 2024, https://livingwage.mit.edu/ and UMDI calculations.

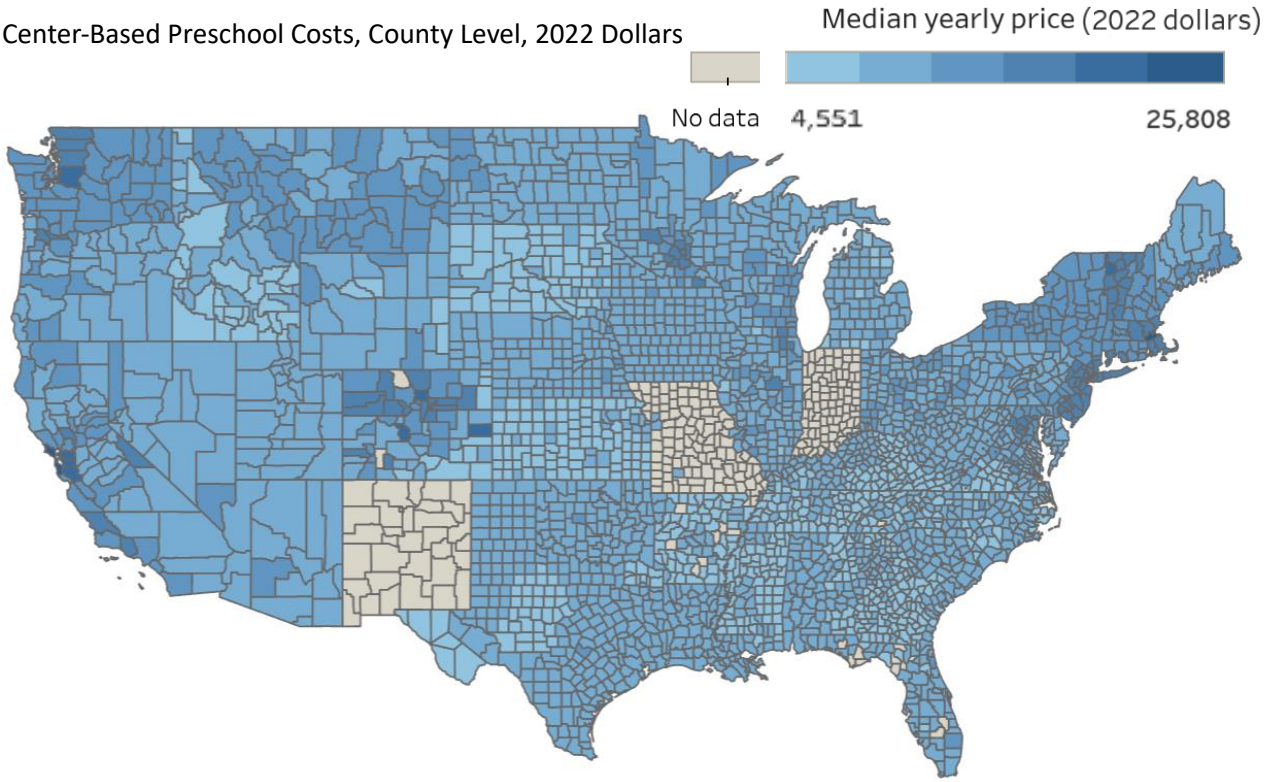
While a wide variety of families in poverty qualify for and benefit from Head Start, the most common family structure is a family with a single working parent with two children, representing a plurality of the eligible families. The information was collected at the state level to understand such families' costs and earnings, and their ability to afford preschool or child care at their income levels. The median family income for families of any size and structure is much higher in Massachusetts and California, and families face higher costs for child care for two children in these states as well. In addition, minimum wages are much higher in these two states than in Alabama and North Dakota, where costs are also lower.

Regardless of these groupings, child care is a budget buster in **all** of the states for families with two children and a single earner. California is the only state studied in which a full-time minimum wage worker would have enough to pay for just child care, and only $4,400 would be left in their budget for all other expenses for the entire year, including food and housing. In Massachusetts, and in the two lower-cost, lower-wage states of Alabama and North Dakota, paying for child care for two children puts a family with one full-time minimum wage earner into debt immediately. The largest debt for single earner families with two kids was in Massachusetts, where child care costs were highest among the states studied, with cost of child care alone putting the family of three into $7,200 of debt, before any other expenses were paid for. Both Alabama and North Dakota have lower median and minimum wages, and while their costs are lower as well, a full-time worker earning minimum wage in Alabama will be in $300 of debt and have nothing for all other expenses after paying for child care for two. In North Dakota, the cost of child care is higher than in Alabama, but lower than the higher-cost states. Meanwhile, wages are lower than in the high-cost, high-wage states, creating a budget deficit for a full-time minimum wage earner which puts the family of three into $5,500 of debt after paying for just child care and none of the other basic expenses for the year. The family budgets used are estimates of family costs created by the MIT Living Wage budget data. More detailed family budgets and the cost of child care across the nation are provided in the following section on cost pressures and family expenditures.

Cost Pressure and Family Budgets

For families with all parents working, child care and preschool are often essential. However, as detailed above, the cost is an incredibly high proportion of families' basic expenditures which necessitates help and support for low-income families. The US Department of Labor extensively studied child care costs at the county level in 2019-2022 and created a series of maps of child care costs. The map of local costs of center-based preschool is shown below.

Center-Based Preschool Costs, County Level, 2022 Dollars



Source: National Database of Child Care Prices, US Department of Labor, Childcare Prices by Age of Children and Care Setting, 2019-2022 (DOL used each state's child care Market Rate Survey 2019-2022, updated to 2022 inflation in 2024). Note: some states' data reflect a single price across all counties, which is likely due to administrative data rather than representing complete evenness, and other states did not report data that DOL could access. https://www.dol.gov/agencies/wb/topics/childcare/price-by-age-care-setting-2022

Cross-State Socioeconomic Conditions, Cost Comparisons and Budget Shares

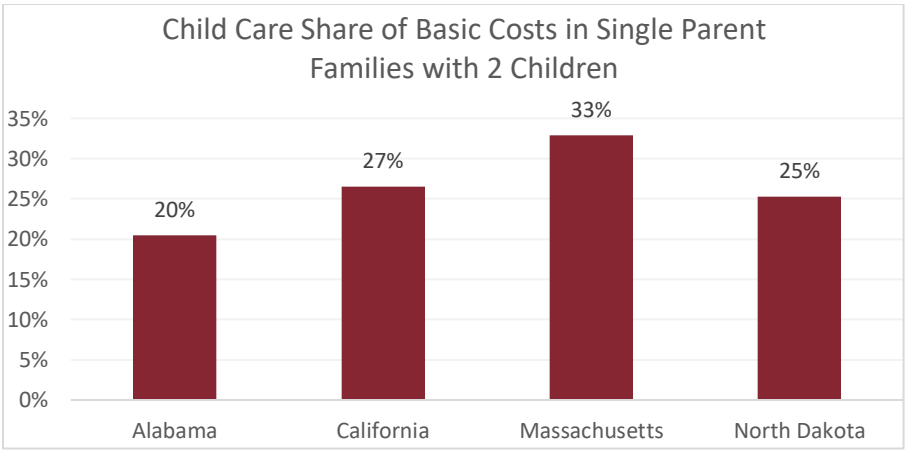
As is shown in the following section on Head Start-Eligible Family Profiles, in the states studied, most qualified families had at least one working adult and were more often headed by a single parent. Most commonly, qualified families have more than one child. Family expenditures from the MIT Living Wage Calculator show the child care portion of family budgets are the largest of all their basic expenditures in each of the four states studied for a family with one adult working full time and two children, with the exception of California, where child care costs were tied with housing. In all four states, housing and

transportation were the next highest basic costs. In the higher-wage, high-cost states of California and Massachusetts, child care costs and housing were followed by costs for transportation in third place, and in the lower-wage, comparatively lower-cost and proportionately less densely-populated states of Alabama and North Dakota (and ones without robust public transit options), transportation costs followed child care costs, but were still closely followed by housing expenses in the basic budgets of single parent, two child families (as shown in the following chart/tables). It is important to note that the MIT Living Wage numbers represent an estimate by researchers of the average costs in these categories for specific family structures, in this case costs faced by single parent, two child families. It was created at MIT by determining expenses families of a variety of structures face and serves as a benchmark of average costs of what a family would spend in these different basic expense categories. A living wage would be enough money for each of these things. In reality, most of these family types are below these incomes, so they are not spending the amounts shown on these categories. These figures illustrate what makes "getting by" so difficult because for each state, the living wage is far from what most lower-income families are earning.

Basic Expenses for Single Parent, Two Child Families, Rounded to Nearest 1,000

Living Wage Budgets (MIT Calculator)	Alabama	AL %	California	CA %	Massachusetts	MA %	North Dakota	ND %
Food	$9,000	12%	$10,000	9%	$11,000	9%	$9,000	11%
Child Care	$15,000	20%	$29,000	27%	$38,000	33%	$21,000	25%
Medical	$8,000	11%	$8,000	8%	$8,000	7%	$9,000	11%
Housing	$13,000	17%	$29,000	27%	$28,000	24%	$11,000	14%
Transportation	$15,000	20%	$16,000	14%	$14,000	12%	$16,000	19%
Civic Engagement	$5,000	6%	$7,000	6%	$7,000	6%	$6,000	8%
Internet and Cellphone	$2,000	2%	$2,000	1%	$2,000	2%	$1,000	2%
Other Necessities	$7,000	10%	$9,000	8%	$8,000	7%	$8,000	10%
Annual taxes	*$10,000*		*$19,000*		*$24,000*		*$9,000*	
Required annual income after taxes	***$75,000***		***$109,000***		***$117,000***		***$81,000***	

Source: MIT: Amy K. Glasmeier, Living Wage Calculator, Massachusetts Institute of Technology (MIT) February 2024 https://livingwage.mit.edu/ Notes: Numbers have been rounded to the nearest thousand. Civic Engagement includes: Audio & visual equipment, services; Pets; Toys, Playground equipment; Reading; Education. Other Necessities includes: Apparel & services; Housekeeping supplies; Personal care products & services; Household furnishings



Source: MIT: Amy K. Glasmeier, Living Wage Calculator, MIT, February 2024 https://livingwage.mit.edu/

Who Benefits from Head Start Programs? Everyone

Who is Directly Served by Head Start Programs

Head Start serves families under the federal poverty level with children under the age of 6 and kids with disabilities. Head Start provides high quality preschool, nutrition, and health support to families in poverty, enabling parents of young children to work, and most importantly, giving children the opportunity to get a "head start" and be prepared for the expectations and skills needed to do well in school. The Head Start programs provide services to families in the American Indian and Alaska Native Head Start programs, Migrant and Seasonal Head Start programs, Early Head Start services for infants, expectant families, and toddlers up to age 3, and Head Start program services for preschool children ages 3 through 5. The largest share of those served, two thirds, are children who are 3 and 4 years old.[ix] Impacts also go far beyond the families directly served with society-wide returns on investment as well.

Families with Children in the U.S.

Less than one quarter of households in the US with their own children present have kids under 6, the age for Head Start or Early Head Start (children under 3). This is consistent across the four states studied as well as across the nation. In 2023, Head Start served 778,420 children and expectant U.S. families.[x]

Families Eligible

Based on estimates for the four states studied, about one tenth or fewer of the families with children under age 6 are in poverty, therefore qualifying for Head Start. The federal government also allows for 10 percent of recipient families to have incomes under 130 percent of the federal poverty line to be served under particular circumstances, for example families with children with documented disabilities[xi] or who are experiencing homelessness. As of this year, the income standard now also considers the family's housing cost burden. For the first time, families' housing cost burden (paying more than 30 percent of their income for housing) is now subtracted from household income to see if they meet an adjusted poverty line income test. This adjustment is most meaningful in higher wage, high-cost states, where relatively "poor" households in the state may be well above the federal poverty line but have great difficulty meeting the full cost of family needs in a high-cost state.

Broad Head Start Impacts and Benefits

Head Start positively impacts not just the participating children and their families, but has large long-term payoffs for the nation, with a high return on the investment in the program. The benefits of Head Start help the family and the child with nutrition, care, and socialization while in the program. Looking further out, Head Start is also educating children in key skill areas for their success in kindergarten and beyond. Long-term, all of the country benefits: effects on Head Start children show an increase in their college completion by 39 percent, increased employment levels, and a 32 percent reduction in poverty in women who went through Head Start in childhood, as well as a 42 percent reduction in use of public assistance among men who went through Head Start in childhood, among other long term benefits to society, shown in a study published in 2022.[xii]

Head Start-Eligible Families and Cliff Effects

Eligibility

To estimate who could experience cliff effects, and how many families might be affected, eligible families were estimated by applying Head Start eligibility rule determinations to Census Bureau 5-Year ACS estimate data. To qualify for Head Start, households must have a child under 6 years old, who are in poverty or who have an exception such as for homelessness or disabilities, and make less than the federal poverty line based on their family size. While there are a broad variety of families in the program, the most common family structure of eligible parents is a single mother who has two young children. In the states studied, the share of eligible families with a single wage earner ranged from 52 percent of income-eligible families (having at least one child under 6 at 100 percent of the poverty line) in California to 75 percent of eligible families in Alabama. Eligible families usually have at least one worker.

Housing Costs and Eligibility

Most participant families are renters, some of whom pay large shares of their income for housing. For this reason, income qualification now also allows the addition of families who are pushed under the poverty line threshold based on their housing cost burden: households are considered housing cost burdened in any housing, rented or owned, that costs over 30 percent of income. Housing costs above 30 percent of household income are subtracted from their income and tested against the federal poverty line. In addition, up to ten percent of the Head Start seats can be above the poverty line up to 130 percent of the poverty line.

In states with high housing costs, such as Massachusetts and California, many low-wage families are housing cost burdened, which is defined by Housing and Urban Development (HUD) as paying more than 30 percent of their incomes for housing. As a result, over 15 percent of eligible families in these states qualify for Head Start under the new income calculation adjustment. This calculation allows families that are housing cost burdened the portion of their payments for housing that exceed 30 percent of their income, potentially bringing them under the adjusted poverty threshold. In contrast, families in lower-wage, lower-cost states such as Alabama and North Dakota that were eligible typically qualify for Head Start on income alone.

Head Start Eligibility Source	Alabama (n = 150)	California (n = 611)	Massachusetts (n = 97)	North Dakota (n = 14*)
Income eligible	100%	85%	81%	100%*
Housing adjustment eligible	0%	15%	19%	0%*

Source: Census Bureau, 2023 ACS PUMS 1-year estimates, UMDI calculations
**In ND, due to low sample sizes causing high margins of error, results must be interpreted with caution.*
In each state "n" denotes the unweighted count of eligible families in the sample.

To estimate the need for Head Start compared to how many seats were available, the number of income eligible children was estimated at the poverty line, accounting for housing cost burden. To match Head Start eligibility rules which allow ten percent of seats to serve children with additional needs above the poverty line, ten percent of the total was added to this estimate and then compared to the number of

funded seats available. In 2023, slightly more participants were able to be served than the number of funded seats, due to mid-year turnover of participants, but this represented a very small amount: only about one in 50 seats were used twice in a year due to turnover. Overall, this estimate of the share of qualified participants may actually underestimate the need, as it does not account for qualified expectant families' need.

The results, displayed in the following table, show that there are not enough Head Start seats to meet all the need for preschool for poor children who qualify. Across the states studied, the percent of estimated income-eligible families varied from around double the number of funded seats to within 10 percent below the total estimated number of children in need. Though it ranges widely across states, all states are estimated to have far more income-eligible children than funded Head Start seats to meet the need. For example, the range of the number of funded slots compared to the estimated number of income-eligible families was under 60 percent in Alabama, up to 92 percent in California, but not up to the full number eligible in any of the states studied. This underscores the present need for more funding for Head Start overall.

Eligible Children and Uptake of Head Start

Eligible Children under 6	Alabama	California	Massachusetts	North Dakota	*US*
Number Children under 6	351,617	2,509,485	411,253	56,329	*22,103,041*
% Population under 6	7.1%	6.6%	6.1%	7.5%	*6.8%*
Estimated Eligible under 6	19,113	75,738	14,168	N/A*	*Not Estimated**
Funded Seats	12,440	76,251	10,868	2,633	*778,420*
% Served of Eligible‡	59%	92%	70%	N/A*	*Not Estimated**

Sources: US Census, ACS S0901 and DP02, and PUMS 1-Year, 2023; US Health and Human Services, Administration for Children and Families Office of Head Start, Head Start Program Facts: Fiscal Year 2023, accessed 1/6/2024, https://eclkc.ohs.acf.hhs.gov/sites/default/files/pdf/hs-program-fact-sheet-2023.pdf

Notes: UMDI Estimate of Income Eligible Children is calculated on ACS PUMS data on Children under 6 at 100 percent of the Federal poverty line, less the portion of income going to pay for housing above 30 percent of the household income. This estimate of qualified participants does not account for services rendered to expectant families.

‡The percent served is calculated by taking the estimated income eligible under 6 and following the additional Head Start eligibility rules by adding an additional 10 percent eligible to account for participants from households with incomes from 100 percent to 130 percent of the Federal poverty line who have a specific documented disability or who are homeless or have other qualifying characteristics, then calculating the proportion of funded seats in relation to this need.

In 2023, slightly more participants were able to be served than the number of funded seats, due to mid-year turnover of participants. However, the proportion is around one more participant served for every 50 seats: in 2023, participants used 102.8 percent of funded seats.

*N/A: North Dakota PUMS data not included due to small sample size in PUMS data.

*Not Estimated: US total unavailable because income-eligible children count was calculated using PUMS only for selected states.

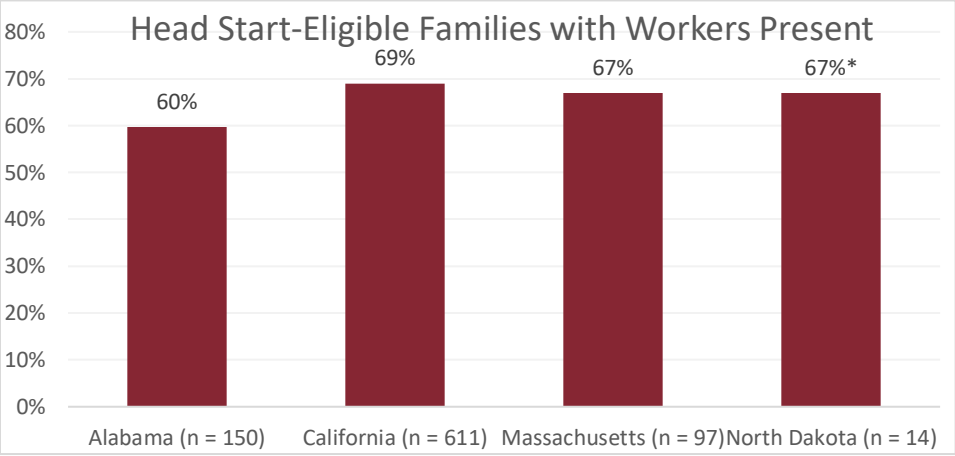
The resulting estimated outcomes from this analysis are conservative estimates. There are some limitations to this approach to identifying eligibility based on the assumptions and data used in this method. There may be additional eligible families excluded from this estimate, because a few other detailed eligibility criteria for families take into account factors that make families eligible for services, but are not observable in available data. These characteristics include exceptions for programs for expectant families, as well as a set proportion of allowable income eligibility exceptions to ensure programs can serve children with documented qualifying disabilities. Homeless children are also eligible regardless of reported income. As noted previously, these exceptions allow income flexibility up to 30 percent above the federal poverty line for up to 10 percent of those served. Through the full period studied ending in 2023, Migrant and Seasonal

farm worker and American Indian or Alaskan Native Head Start programs shared the same income eligibility requirements and exceptions but also have respective agricultural employment or tribal membership standards, and as of 2024, children from birth to age 5 who are from families with incomes below the poverty guidelines were eligible.

Consideration of the 'Benefits Cliff'

In addition to the need for more funded Head Start slots, there are additional aspects of family need relative to Head Start eligibility. For example, changes in income levels can cause previously income-eligible families to fall off the 'benefits cliff', losing eligibility when their income rises slightly above the cutoff. For lower income workers whose children have no known qualifying disabilities and are not homeless, state minimum wage increases can put a family just above the line of qualifying for Head Start.[xiii] This issue is particularly pertinent for residents of high cost/high-wage states with higher minimum wage levels which are required to enable families to cover basic living expenses.

Of the four states studied, between one percent and 10 percent of families who currently qualify for Head Start would be pushed out of eligibility if the state minimum wage increased, or they received a raise, with the larger shares occurring in states with higher base wages. An estimated 11,000 families in the four states studied earned minimum wage and would lose eligibility if their wages increased by $1 an hour. This would cost families without child care alternatives an added expenditure of thousands of dollars. Otherwise, working parents may need to drop out of the workforce or rely on family and friends for care. Any of these approaches are likely to interfere with parents' long-term efforts to build and maintain careers and move up the income ladder. Given potential negative impacts on eligibility, considerations of the earning power of minimum wages and the level of child care costs in the state could be an additional adjustment to consider in future Head Start eligibility formulations.



Source: Census Bureau, 2023 ACS PUMS 1-year estimates, UMDI calculations

**Due to low sample sizes causing high margins of error, results must be interpreted with caution, counts have been suppressed. In each state "n" denotes unweighted count of eligible families in the sample.*

Eligible Families at Risk of the Cliff Effect if Their State Minimum Wage Changes

Eligible Family Percentages by State	Alabama (n = 150)	California (n = 611)	Massachusetts (n = 97)	North Dakota (n = 14*)
Eligible families with at least one worker (est.)	60%	69%	67%	67%*
Eligible families headed by a single parent (est.)	84%	57%	69%	56%*
Share possibly affected by state min. wage change	2%	10%	7%	1%*

Source: Census Bureau, 2023 ACS PUMS 1-year estimates, UMDI calculations

**In ND, due to low sample sizes causing high margins of error, results must be interpreted with caution. In each state "n" denotes the unweighted count of eligible families in the sample.*

Eligible Family Counts by State	Alabama (n = 150)	California (n = 611)	Massachusetts (n = 97)	North Dakota (n = 14*)
Total estimated number of eligible families	*19,113*	*75,738*	*14,168*	*N/A**
Eligible families with at least one worker (est.)	11,404	52,452	9,432	N/A*
Eligible families headed by a single parent (est.)	16,059	43,048	9,725	N/A*
Families possibly affected by wage change	456	7,868	943	N/A*

Source: Census Bureau, 2023 ACS PUMS 1-year estimates, UMDI calculations

**In ND, due to low sample sizes causing high margins of error, counts have not been made available, in order to support caution in interpretation. In each state "n" denotes the unweighted count of eligible families in the sample.*

Conclusion

To recap, cost pressures are intense for families with children of preschool age: child care and preschool are a large proportion of family budgets and can be the largest basic expense in family budgets for some, while being indispensable both for the care of children whose parents work, and for child education, development, and nutrition and health care. Meanwhile, the success and productivity of adults who were Head Start children illustrate that the nation benefits from Head Start, along with the families directly served. This program produces dividends well beyond the social investments put into it, yet there are fewer available seats than needed for all who qualify. Ensuring Head Start for all who need it would provide return on investment for the nation, not just in allowing parents to work but also because of the later-in-life payoffs of adults who have graduated.

In addition, the variations in cost-of-living, income, and earning power across states show there is reason for future refinement of eligibility formulas, while expanding this crucial resource to all the families which need it. Because local earning power and costs range widely, it would be reasonable to change eligibility formulas to match family budgets for essential expenses, including child care, based on local economic conditions. An adjustment for earning power accounting for the relationship of child care cost to family budgets in that state could maintain family eligibility where higher wages are required to meet basic costs. Meanwhile, Head Start should be expanded to meet as much of the need as possible to allow more families to work while creating more of the returns to society it has shown to produce.

Ultimately though, in states with lower and higher wages, costs, and socioeconomic contexts, while it adds up to different numbers, they all get to the same issues – the high costs of care for families in states with different wages remain very high shares of the family budget across the state differences. States with higher minimum wages have more workers at and close to that wage, and with the federal poverty line as an income standard, fewer of the families in these states qualify. Meanwhile, in states at the highest and the lowest minimum wages, the share of income needed for child care is still overwhelmingly the largest part of families' basic budgets.

Because this crucial resource supports working parents' employment while meeting essential health and development needs of children to become productive adults, above all, the need for Head Start is evident as it remains a struggle to afford quality preschool everywhere.

Appendix I: PUMS Methodology and Wage Tables

PUMS Analysis Methodology

2023 1-year PUMS estimates were pulled directly from the Census Bureau via the API for Alabama, California, Massachusetts, and North Dakota. Each state dataset was filtered to only include households that meet the following criteria:

1. There is a child present in the household that is under 6 years of age,
2. The annual household income is less than 100 percent of the federal poverty level based on household size **OR** the annual household income adjusted to account for housing cost burden is less than 100 percent of the federal poverty level based on household size.

The housing cost burden adjustment was calculated by determining the dollar amount of annual housing costs, either rent or owner cost, that exceeds 30 percent of the annual household income and subtracting that amount from the household income to create an adjusted annual household income. The remaining sample was then weighted based on Census household weights and categorized for presentation.

25 States raised their minimum wages from 2023 to 2024:

States That Have Raised Minimum Wage Since 2023	Prior Wage	2024 Wage
Alaska	$10.85	$11.73
Arizona	$13.85	$14.35
California	$15.50	$16.00
Colorado	$13.65	$14.42
Connecticut	$15.00	$15.69
Delaware	$11.75	$13.25
Hawaii	$12.00	$14.00
Illinois	$13.00	$14.00
Maine	$13.80	$14.15
Maryland	$13.25	$15.00
Michigan	$10.10	$10.33
Minnesota	$10.59	$10.85
Missouri	$12.00	$12.30
Montana	$9.95	$10.30
Nebraska	$10.50	$12.00
New Jersey	$14.13	$15.13
New York	$14.20	$15.00
Ohio	$10.10	$10.45
Rhode Island	$13.00	$14.00
South Dakota	$10.80	$11.20
Vermont	$13.18	$13.67
Washington	$15.74	$16.28

Source: https://www.convenience.org/Media/Daily/2024/Jan/5/1-States-Raise-Minimum-Wage_HR January 4, 2024

Wage Levels by State with Living Wage as Estimated by the MIT Living Wage Calculator:

State	Alabama	California	Massachusetts	North Dakota
Living Wage	$41.11	$61.58	$67.41	$43.37
Federal Poverty line 1 adult, 2 kids	*$12.41*	*$12.41*	*$12.41*	*$12.41*
Minimum Wage	$7.25	$16.00	$15.00	$7.25

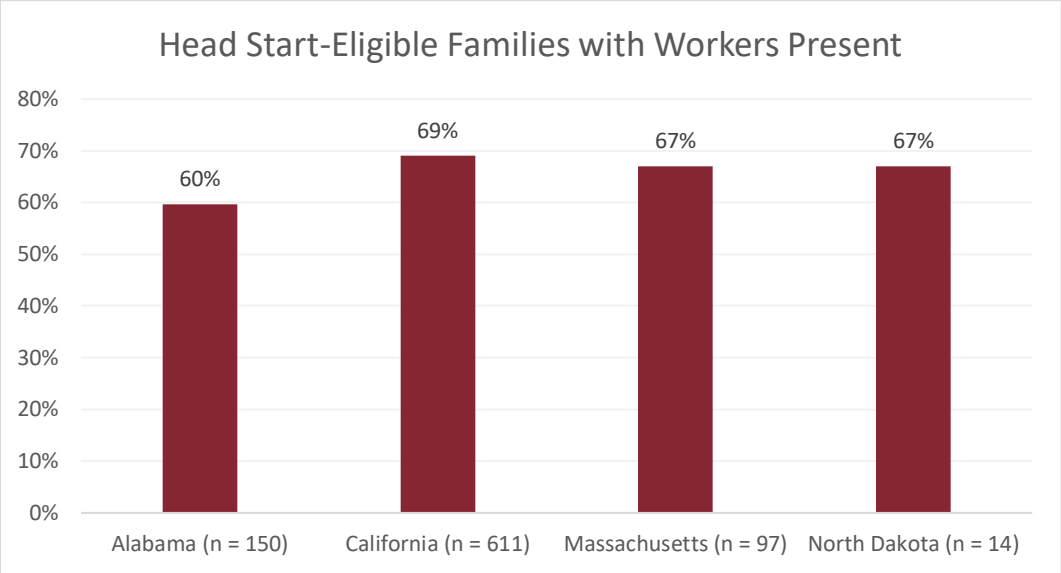
Source: MIT: Amy K. Glasmeier, Living Wage Calculator, Massachusetts Institute of Technology, February 2024 https://livingwage.mit.edu/

Appendix II: Cross-State Eligible Family Comparisons, Budgets

Percentages by State	Alabama (n = 150)	California (n = 611)	Massachusetts (n = 97)	North Dakota (n = 14*)
Eligible families with at least one worker (est.)	60%	69%	67%	67%*

Source: Census Bureau, 2023 ACS PUMS 1-year estimates, UMDI calculations

**Due to low sample sizes causing high margins of error, results must be interpreted with caution. In each state "n" denotes the unweighted count of eligible families in the sample.*



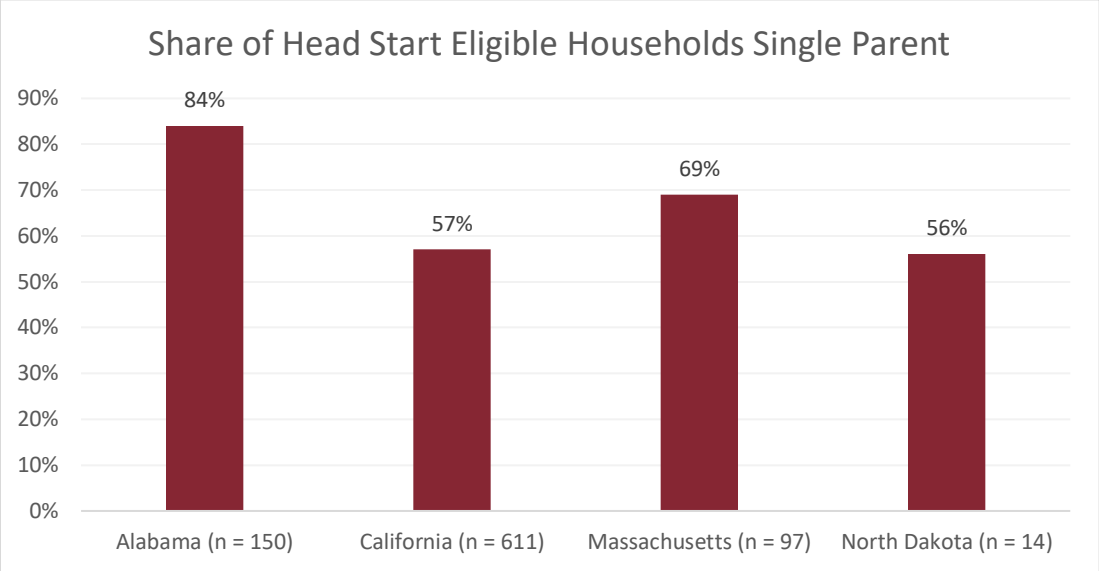
Source: Census Bureau, 2023 ACS PUMS 1-year estimates, UMDI calculations

**Due to low sample sizes causing high margins of error, results must be interpreted with caution. In each state "n" denotes the unweighted count of eligible families in the sample.*

Percentages by State	Alabama (n = 150)	California (n = 611)	Massachusetts (n = 97)	North Dakota (n = 14*)
Eligible families headed by a single parent (est.)	84%	57%	69%	56%*

Source: Census Bureau, 2023 ACS PUMS 1-year estimates, UMDI calculations

**Due to low sample sizes causing high margins of error, results must be interpreted with caution. In each state "n" denotes the unweighted count of eligible families in the sample.*



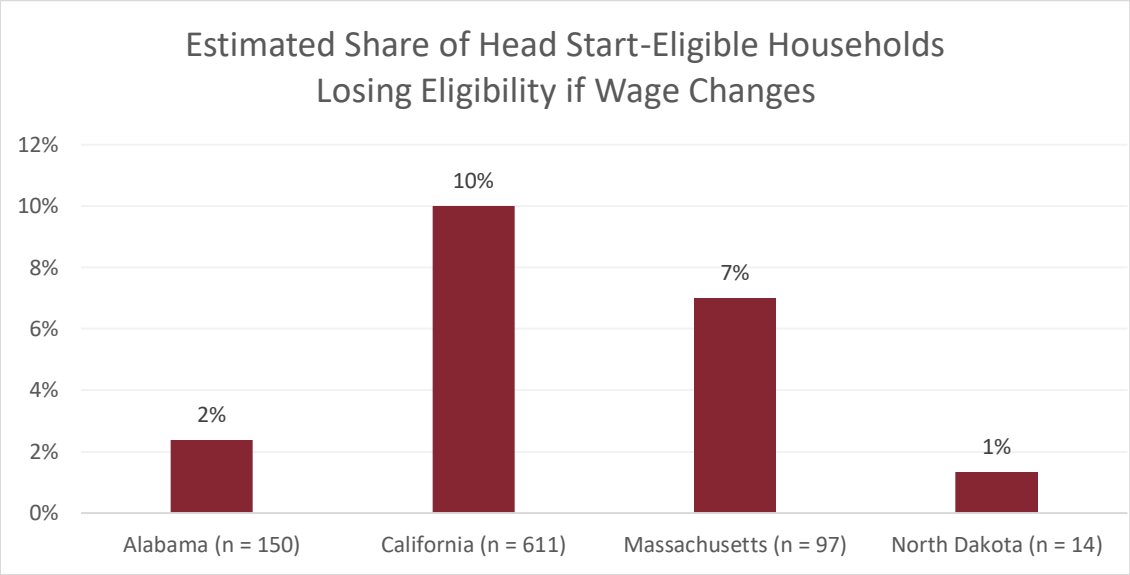
Source: Census Bureau, 2023 ACS PUMS 1-year estimates, UMDI calculations

**Due to low sample sizes causing high margins of error, results must be interpreted with caution. In each state "n" denotes the unweighted count of eligible families in the sample.*

Percentages by State	Alabama (n = 150)	California (n = 611)	Massachusetts (n = 97)	North Dakota (n = 14*)
Share possibly affected by state min. wage change	2%	10%	7%	1%*

Source: Census Bureau, 2023 ACS PUMS 1-year estimates, UMDI calculations

**Due to low sample sizes causing high margins of error, results must be interpreted with caution. In each state "n" denotes the unweighted count of eligible families in the sample.*



Source: Census Bureau, 2023 ACS PUMS 1-year estimates, UMDI calculations

**Due to low sample sizes causing high margins of error, results must be interpreted with caution. In each state "n" denotes the unweighted count of eligible families in the sample.*

Basic Expense Shares for Single Parent, Two Child Families, Rounded to Nearest 1,000

Living Wage Budgets (MIT Calculator)	Alabama	California	Massachusetts	North Dakota
Food	12%	9%	9%	11%
Child Care	20%	27%	33%	25%
Medical	11%	8%	7%	11%
Housing	17%	27%	24%	14%
Transportation	20%	14%	12%	19%
Civic Engagement	6%	6%	6%	8%
Internet and Cellphone	2%	1%	2%	2%
Other Necessities	10%	8%	7%	10%

Source: MIT: Amy K. Glasmeier, Living Wage Calculator, Massachusetts Institute of Technology (MIT) February 2024 https://livingwage.mit.edu/ Notes: Numbers have been rounded to the nearest thousand. Civic Engagement includes: Audio & visual equipment, services; Pets; Toys, Playground equipment; Reading; Education. Other Necessities includes: Apparel & services; Housekeeping supplies; Personal care products & services; Household furnishings

Child Care Expense Shares for Single Parent, Two Child Families, Rounded to Nearest 1,000

Living Wage Budgets (MIT Calculator)	Alabama	California	Massachusetts	North Dakota
Child Care	20%	27%	33%	25%

Source: MIT: Amy K. Glasmeier, Living Wage Calculator, Massachusetts Institute of Technology (MIT) February 2024 https://livingwage.mit.edu/ Notes: Numbers have been rounded to the nearest thousand. Civic Engagement includes: Audio & visual equipment, services; Pets; Toys, Playground equipment; Reading; Education. Other Necessities includes: Apparel & services; Housekeeping supplies; Personal care products & services; Household furnishings
Note: While this is repetitive of the child care row in the prior table, it has been included in support of the graph in the body of the report for screen readers and other accessibility services.

Endnotes

[i] https://eclkc.ohs.acf.hhs.gov/program-data/article/head-start-program-facts-fiscal-year-2023 **Head Start Program Facts 2023** "Head Start programs cumulatively served 799,901 children ages birth to 5 and pregnant women and pregnant people throughout the 2022–2023 program year. Note that cumulative enrollment refers to the actual number of children, pregnant women, and pregnant people that Head Start programs served throughout the entire program year, inclusive of enrollees who left during the program year and the enrollees who filled those vacancies. Due to turnover, more children and expectant families may receive Head Start services cumulatively throughout the program year, all of whom are reported in the PIR, than indicated by the funded enrollment."

[ii] "Head Start increased the human capital and economic self-sufficiency of disadvantaged children. An index of adult human capital rose by 18 percent of a standard deviation among Head Start participants relative to children born in the same county who were age six when the program began. Participating children achieved 0.65 more years of education, were 2.7 percent more likely to complete high school, and were 8.5 percent more likely to enroll in college. College completion rates rose by 12 percentage points among participating children, an increase of 39 percent. In addition, Head Start increased economic self-sufficiency in adulthood by 9 percent of a standard deviation—gains driven by increases in the extensive and intensive margins of employment and reductions in adult poverty and public assistance receipt. Children participating in Head Start were 4 percentage points more likely to work as adults; they also worked two more weeks per year and three more hours per week on average as adults. Although changing selection into paid employment masks changes in wage earnings, participation in Head Start appears to have reduced men's public assistance receipt (e.g., disability insurance) by 4.8 percentage points (42 percent) and adult poverty rates among women by 4.4 percentage points (32 percent)" Bailey et al., Page 2, Am Econ Rev. Author manuscript; available in PMC 2022 April 12. (Am Econ Rev. 2021 December; 111(12): 3963–4001. doi:10.1257/aer.2018180) Published in final edited form as: Am Econ Rev. 2021 Dec;111(12):3963–4001. doi: 10.1257/aer.20181801 **Prep School for Poor Kids: The Long-Run Impacts of Head Start on Human Capital and Economic Self-Sufficiency**‡ Martha J Bailey [1], Shuqiao Sun [2], Brenden Timpe [3], PMCID: PMC9005064 NIHMSID: NIHMS1785620 PMID: 35418710

[iii] Casey Eggleston, Yeris H. Mayol Garcia, Mikelyn Meyers, and Yazmin Garcia Trejo. US Census Bureau, Nov. 29, 2023 **About 1 in 5 Parents Relied on a Relative for Child Care**

[iv] Adam Grundy, supervisory statistician, U.S. Census Bureau, Economic Management, est. from Department of Labor child care cost data (https://www.dol.gov/agencies/wb/topics/childcare/median-family-income-by-age-care-setting) for a post in the Census Bureau's America Counts: Stories series, "**Rising Cost of Child Care Services a Challenge for Working Parents**" from January 9, 2024, accessed December, 2024 https://www.census.gov/library/stories/2024/01/rising-child-care-cost.html

[v] https://eclkc.ohs.acf.hhs.gov/program-data/article/head-start-program-facts-fiscal-year-2023 **Head Start Program Facts 2023** "Head Start programs cumulatively served 799,901 children ages birth to 5 and pregnant women and pregnant people throughout the 2022–2023 program year. Note that cumulative enrollment refers to the actual number of children, pregnant women, and pregnant people that Head Start programs served throughout the entire program year, inclusive of enrollees who left during the program year and the enrollees who filled those vacancies. Due to turnover, more children and expectant families may receive Head Start services cumulatively throughout the program year, all of whom are reported in the PIR, than indicated by the funded enrollment."

[vi] "Head Start increased the human capital and economic self-sufficiency of disadvantaged children. An index of adult human capital rose by 18 percent of a standard deviation among Head Start participants relative to children born in the same county who were age six when the program began. Participating children achieved 0.65 more years of education, were 2.7 percent more likely to complete high school, and were 8.5 percent more likely to enroll in college. College completion rates rose by 12 percentage points among participating children, an increase of 39 percent. In addition, Head Start increased economic self-sufficiency in adulthood by 9 percent of a standard deviation—gains driven by increases in the extensive and intensive margins of employment and reductions in adult poverty and public assistance receipt. Children participating in Head Start were 4 percentage points more likely to work as adults; they also worked two more weeks per year and three more hours per week on average as adults. Although changing selection into paid employment masks changes in wage earnings, participation in Head Start appears to have reduced men's public assistance receipt (e.g., disability insurance) by 4.8 percentage points (42 percent) and adult poverty rates among women by 4.4 percentage points (32 percent)" Bailey et al., Page 2, Am Econ Rev. Author manuscript; available in PMC 2022 April 12. (Am Econ Rev. 2021 December; 111(12): 3963–4001. doi:10.1257/aer.2018180) Published in final edited form as: Am Econ Rev. 2021 Dec;111(12):3963–4001. doi: 10.1257/aer.20181801 **Prep School for Poor Kids: The Long-Run Impacts of Head Start on Human Capital and Economic Self-Sufficiency**‡ Martha J Bailey [1], Shuqiao Sun [2], Brenden Timpe [3], PMCID: PMC9005064 NIHMSID: NIHMS1785620 PMID: 35418710

[vii] US Census Bureau, **Phase 4.2 Cycle 09 Household Pulse Survey: August 20 – September 16** Household Pulse Detailed Tables, Educational Table 1, estimated from totals, released Oct. 3, 2024.

[viii] MIT. *Amy K. Glasmeier, Living Wage Calculator, Massachusetts Institute of Technology, Feb. 2024 https://livingwage.mit.edu/*

[ix] https://eclkc.ohs.acf.hhs.gov/program-data/article/head-start-program-facts-fiscal-year-2023 **Head Start Program Facts 2023** "Head Start programs cumulatively served 799,901 children ages birth to 5 and pregnant women and pregnant people throughout the 2022–2023 program year. Note that cumulative enrollment refers to the actual number of children, pregnant women, and pregnant people that Head Start programs served throughout the entire program year, inclusive of enrollees who left during the program year and the enrollees who filled those vacancies. Due to turnover, more children and expectant families may receive Head Start services cumulatively throughout the program year, all of whom are reported in the PIR, than indicated by the funded enrollment."

[x] In 2023, Head Start had funded slots for over three quarters of a million children and expectant families (778,420) https://eclkc.ohs.acf.hhs.gov/sites/default/files/pdf/hs-program-fact-sheet-2023.pdf. Note, a larger number, 799,901, were actually served higher than the number of funded slots because of turnover freeing up slots within the year. Funds have been somewhat reallocated since 2019, when nearly a million children and expectant families were served, with 2019 numbers for comparison available in https://eclkc.ohs.acf.hhs.gov/sites/default/files/pdf/no-search/hs-program-fact-sheet-2019.pdf.

[xi] "…eligibility criteria include having been evaluated to have one of the qualifying disabilities and who require special education services because of the disability can qualify for services under IDEA [the Individuals with Disabilities Education Act]. The categories of disabilities are; autism, deaf/blind, deafness, hearing impaired, mental retardation, multiple disabilities, orthopedic impairment, serious emotional disturbance, specific learning disabilities, speech or language impairment, traumatic brain injury, visual impairment including blindness, and other health impairment." From InfoUSA, US Department of State, Education of Children with Disabilities: An Evolving 'Idea' January 2025, https://usinfo.org/enus/education/overview/idea.html See also https://headstart.gov/publication/services-children-who-do-not-qualify-idea-fact-sheet

[xii] "Head Start increased the human capital and economic self-sufficiency of disadvantaged children. An index of adult human capital rose by 18 percent of a standard deviation among Head Start participants relative to children born in the same county who were age six when the program began. Participating children achieved 0.65 more years of education, were 2.7 percent more likely to complete high school, and were 8.5 percent more likely to enroll in college. College completion rates rose by 12 percentage points among participating children, an increase of 39 percent. In addition, Head Start increased economic self-sufficiency in adulthood by 9 percent of a standard deviation—gains driven by increases in the extensive and intensive margins of employment and reductions in adult poverty and public assistance receipt. Children participating in Head Start were 4 percentage points more likely to work as adults; they also worked two more weeks per year and three more hours per week on average as adults. Although changing selection into paid employment masks changes in wage earnings, participation in Head Start appears to have reduced men's public assistance receipt (e.g., disability insurance) by 4.8 percentage points (42 percent) and adult poverty rates among women by 4.4 percentage points (32 percent)" Bailey et al., Page 2, Am Econ Rev. Author manuscript; available in PMC 2022 April 12. (Am Econ Rev. 2021 December; 111(12): 3963–4001. doi:10.1257/aer.2018180) Published in final edited form as: Am Econ Rev. 2021 Dec;111(12):3963–4001. doi: 10.1257/aer.20181801 **Prep School for Poor Kids: The Long-Run Impacts of Head Start on Human Capital and Economic Self-Sufficiency**[†] Martha J Bailey [1], Shuqiao Sun [2], Brenden Timpe [3,] PMCID: PMC9005064 NIHMSID: NIHMS1785620 PMID: 35418710

[xiii] The federal minimum wage hasn't changed in over 15 years and stands at $7.25 an hour, $2.15 for tipped workers, but the majority of states have increased their minimum wages to above the federal level in the last decade,xiii 25 of which were updated in the last year,xiii and 20 of which are indexed to inflation so they will go up nominally every year. Seven states' workers are at federal minimum wage because they do not have a differing state minimum wage. The four states selected do not have wages indexed to inflation, and two have no state minimum and so are at the federal level of $7.25.
The federal minimum wage is below the poverty level for most families: the federal poverty line for a the most common structure of income-eligible family, a single parent working full time with two children, is $12.50 an hour. As a result, states with their own minimum wages have many fewer families with full-time workers below the federal poverty level, though it does still happen primarily through layoff, seasonal work, having additional family members, or tipped restaurant workers.xiii States with higher minimum wages also have larger shares of workers at or near minimum wage, while states with the federal minimum wage have smaller shares of workers at or near that lower wage. As a result, a slightly smaller share of families in higher wage states are income eligible for Head Start, and wage changes for minimum wage workers in states with higher wages make for proportionately more families at risk of losing Head Start. If the minimum wage was raised in the states studied, an estimate of approximately 456 families in Alabama, or 2 percent of those eligible, would lose their eligibility; approximately 7,868families in California (a larger number due in part to being one of the most populous states in the nation) or 10 percent of those eligible, would lose their eligibility; 943families in Massachusetts, or 7 percent of those eligible, would lose their eligibility, and approximately one percent of those families who were income eligible in North Dakota would lose eligibility (see tables following those below entitled "Eligible Families at Risk of the Cliff Effect if Their State Minimum Wage Changes"). "Currently, 34 states, territories and districts have minimum wages above the federal minimum wage of $7.25 per hour. Five states have not adopted a state minimum wage: Alabama, Louisiana, Mississippi, South Carolina and Tennessee. Two states, Georgia and Wyoming, have a minimum wage below $7.25 per hour. In all seven of these states, the federal minimum wage of $7.25 per hour applies." [xiii] *National Conference of State Legislatures https://www.ncsl.org/labor-and-employment/state-minimum-wages*