



Historical Trends in the Head Start Funding Formula

From Needs-Based to Grant-Based Allocation

Needs-Based Funding Formulas: 1960s-1970s

Head Start's funding formula for grantees has evolved over time. Head Start was originally created in 1964 as a Community Action Program (CAP) and like all CAPs, its funding distribution was based solely on need in each state, as defined by public assistance receipt, unemployment, and child poverty. Ten years later, in 1974, state unemployment was removed from the funding formula, which subsequently defined 'need' by state public assistance receipt and child poverty. In addition a hold harmless clause was instated, guaranteeing that no state would receive less funding than it received in 1975. In practice this meant that funding allocation was based on two factors: a needs-based formula, and a guarantee to states that their funding would not drop below 1975 levels.

Rise of Base-Grant Formulas: 1980s to present

In 1981 the funding formula was significantly modified so that each state would receive a base grant equal to the amount received in 1981. After distribution of base grants, any remaining federal funds were allocated based on state need, as defined by child public assistance receipt (AFDC) and child poverty. From this point on, the majority of Head Start funding was determined by a fixed base grant, and state need played only a secondary role.

This trend was amplified in 2007 when the formula changed again. According to the current formula, each state receives a base grant in the same amount as the prior year, as well as technical assistance and training funding. A small proportion of funding is also set aside for non-program activities such as research and evaluations and state collaboration grants. If any funding remains, the formula prioritizes cost of living adjustments and special expansion of American Indian/Alaska Native and Migrant and Seasonal agencies. Expansion funding based on state needs will be provided to traditional¹ Head Start agencies only if funding remains after all prior items are satisfied. See the [funding formula timeline](#) for more specifics on the formulas.

Consequences for Equity

The Head Start funding formula history demonstrates a shift away from purely needs-based distribution of funds to fixed base grants. The current funding formula is much less responsive to shifts in state needs – resulting in more static funding. In some ways this is helpful to agencies because it provides a degree of stability and predictability. However, the formula does not systematically incorporate state needs or prioritize allocation that helps distribute resources to the most disadvantaged communities.

Sources & notes:

- The Economic Opportunity Act of 1964, Pub. L. No. 88-452, §202, 78 Stat. 508 (1964).
- The Community Services Act of 1974, Pub. L. No. 93-644, §502 & §511, 88 Stat. 2300 (1975).
- The Head Start Act of 1981, Pub. L. No. 97-35, §636, 95 Stat. 499 (1981).

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The Improving Head Start for School Readiness Act of 2007, 42 U.S.C. §9801 *et. seq.* (2007).

¹ There are four types of programs within Head Start: Head Start programs, Early Head Start programs, Migrant & Seasonal Head Start programs or American Indian/Alaska Native Head Start programs. Head Start programs constitute the largest of the four types of programs, and serve children aged three to mandatory school age (usually five). Throughout diversitydatakids, Head Start programs are often referred to as 'traditional' Head Start programs when juxtaposed with any of the other types of programs, for clarity.