1964: Head Start is created as one of many Community Action Agencies (CAAs) under the Community Action Program (CAP). CAP funding is allotted among states using the following needs-based formula:

- One third proportionate to number of public assistance recipients
- One third proportionate to the unemployment rate
- One third proportionate to children under 18 living in families with income below $1000

Two percent of total funds are reserved for U.S. territories.

1967: Head Start is designated as a special CAP. The Director of the Office of Economic Opportunity may choose to allot funds to special CAP either by:

- Implementing the 1964 funding formula, or
- Determining other discretionary criteria, so long as no state receives more than 12.5% of the total funding for that CAP.

1974: Head Start is assigned its own funding formula, separate from other CAAs:

78% of Head Start funding is allotted among states according to the revised needs-based formula:

- One half proportionate to the number of public assistance recipients
- One half proportionate to the number of related children living in families with incomes below the poverty line.
- No state shall receive fewer funds than it received in 1975.

The distribution of funding within each state shall be proportionate to the increase in program costs experienced by each grantee. This stipulation is referred to as a ‘hold-harmless.’

Two percent of total funds are reserved for U.S. territories.

20% of total funds are reserved for discretionary payments.

1977: The Department of Health Education and Welfare does not administer the funds for FY 1978 as intended by the 1974 formula. Instead of treating the 1975 minimum as a hold-harmless, it treats it as a base grant.

Consequently, most funds are allocated according to what the states received in 1975, and only the remainder is allocated by the needs-based formula. In other words, actual state need plays a significantly reduced role in the allocation of funds.

1978: Due to the misinterpretation of the funding formula in 1977, the allocation is amended for FY 1979 such that:

At least 78% of total funding is allotted among the states according to the funding 1974 formula. Funds from the 20% discretionary reserve are to be used, in order of priority:

- To provide funding for Indian and migrant Head Start programs and services for children with disabilities. Indian and migrant programs receive at least the same amount as received nationally in 1978 (hold harmless) and Cost of Living Adjustments (COLA).
- To ensure all states receive at least the same amount as received in FY 1978 (hold harmless).
- To provide technical assistance and training

If funding remains, a state may receive additional funds only if its 1978 hold harmless does not exceed 175% of the funding it received by the needs-based formula.

Two percent of total funds are reserved for U.S. territories and for potential additional funding for states through a complex formula.
Timeline of Changes in Head Start Funding Formula (continued)

1981: The 1978 allocation requirements are complex, and a simpler formula is put into place:
87% of Head Start funds are allotted among states such that:
- Each state receives a base grant equal to the amount received in FY 1981.
- Any remainder is distributed according to the following funding formula:
  - One third proportionate to the number of children under 18 who receive Aid to Families with Dependent Children
  - Two thirds proportionate to the number of children aged five and under who live in families with incomes below the poverty line
13% for the following, in order of priority:
- Indian and migrant programs and services for children with disabilities. Indian and migrant programs will receive at least the same amount as received nationally in FY1981 as well as COLA.
- No more than 0.5% of total funding is allotted to U.S. territories, according to their respective needs.
- Technical assistance and training
- Discretionary payments

1994: Early Head Start (EHS) is established. From 1995-1998, three to five percent of total Head Start funding is allocated to EHS.
No other major changes are made to program funding allocation.

2007: Significant changes made to the formula, as follow:
- Each Head Start and Early Head Start agency in all states and territories receives a base grant in the same amount as received the prior year.
- Each Migrant & Seasonal Head Start (MSHS) and American Indian/Alaska Native (AI/AN) Head Start and Early Head Start agency receives a base grant in the same amount as received the prior year.
Expansion funding for state Head Start agencies is awarded only if monies remain after funding technical assistance and training, research and evaluations, discretionary funds, COLA increases, and special expansion for AI/AN HS and MSHS agencies. Expansion funding then is allotted as follows:
- 0.2% for territories and Palau (HS only)
- 3% for AI/AN Head Start programs
- 4.5% for MSHS programs
- Any remainder is split evenly between state EHS and Head Start agencies with the following formula:
  - 55% is allotted only to those states serving less than 60% of three- & four-year olds in families below the income poverty line; allocation based on ratio of young, low-income children in each state compared to in all states.
  - 45% is allotted among all states based on ratio of young, low-income children in each state compared to in all states.

1981: A few changes are made to the formula, such that:
87% of Head Start funding is allotted among states according to the following formula:
- Each state receives a base grant equal to the amount received in FY 1998.
- Any remainder is distributed proportionate to the number of children under five who live in families with incomes below the poverty line.
Early Head Start: from 1999-2003, 7.5% to 10% of total Head Start funding is allocated to EHS. This percentage may be reduced in a year when there is not enough funding to reserve the full amount without reducing enrollment or quality for the Head Start programs. However, it cannot be reduced below what was allocated to EHS in the prior year.
No other major changes made to program funding allocation.
Sources & notes:

Diversitydatakids.org created timeline using Head Start legislation as follows:
1 The Community Action Program (CAP) was founded by the 1964 Economic Opportunity Act and is a federal initiative to provide funding and support to programs that work towards the elimination or reduction of poverty, with an emphasis on increasing the capacity and self-sufficiency of low-income individuals, families, and communities.
2 In 1978, Indian and migrant Head Start referred to what are now known as the American Indian/Alaska Native Head Start and Migrant & Seasonal Head Start programs.