

## Curriculum and Case Notes

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Editor

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### NONPOOR CHILDREN IN HEAD START: EXPLANATIONS AND IMPLICATIONS

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#### **Abstract**

*According to the Head Start Act (1998), children are income-eligible for the program if their "families' incomes are below the poverty line." There are a number of statutory exceptions to this general rule and, according to the Head Start Bureau, the result is that about 6 percent of the children in the program are not poor. But the major national surveys of Head Start families report that 30 percent or more of Head Start children are not "poor."*

*This paper confirms and explains the high proportion of nonpoor children in Head Start: at enrollment, at least 28 percent are not poor; at midyear, at least 32 percent are not poor; and by the end of the program year, at least 34 percent and perhaps more than 50 percent are not poor. Although the presence of some of these nonpoor children seems to be an appropriate or at least understandable aspect of running a national program with Head Start's current organizational structure, the presence of others seems much less warranted and raises substantial questions of horizontal equity. Moreover, taken together, the large number of nonpoor children suggests that the program is not well targeted to fulfill its mission of providing compensatory services to developmentally disadvantaged children—and reveals the essential ambiguity of Head Start's role in the wider world of early care and education.*

*The income and program dynamics that have led to so many nonpoor children being in Head Start are also at work in many other programs, and, thus, our findings demonstrate the need to understand better how income eligibility is determined across various means-tested programs.*

According to the Head Start Act (1998), children are income-eligible for the program if their “families’ incomes are below the poverty line” (Head Start Act, section 645(a)(1)(A)).<sup>1</sup> In this context, income poverty is being used as a proxy for children who need remedial or compensatory early childhood services. The major national surveys of Head Start families, however, report that 35 percent to 55 percent (and even higher) of the children in Head Start are not “poor.” This paper confirms the essential accuracy of these survey findings and explores the reasons for the high proportion of nonpoor children. The explanations and implications are relevant to means-tested programs in general.

## STATUTORY EXCEPTIONS

Eligibility for Head Start is generally based on poverty status. A number of statutory exceptions, however, authorize the enrollment of nonpoor children into the program, subject to the indicated limitations: nonpoor children who meet specific criteria set by the individual grantees (no more than 10 percent of enrollment) (*Code of Federal Regulations*, title 45, section 1305.4(b)(2)); children living in communities with populations under 1,000 people that have no other preschool program (no more than 49 percent of enrollment) (Head Start Act, section 645(a)(2)); children in Head Start programs operated by Indian tribes (no more than 49 percent of enrollment) (Head Start Act, section 645(d)(1)(C)); children from families eligible for public assistance (or at risk of being eligible without child care) (no limit) (Head Start Act, section 645(a)(1)(A); *Code of Federal Regulations*, title 45, section 1305.2); children in foster care (no limit);<sup>2</sup> children whose family income rises above poverty after enrollment (no limit) (Head Start Act, section 645(a)(2)(B)(ii)); and children reenrolling for a second year even though their family income rose above poverty (no limit) (Head Start Act, section 645(a)(2)(B)(ii)). The children who fall under these exceptions need not be in families with incomes below poverty.

The Head Start Bureau’s only administrative information about the number of nonpoor children in the program comes from its cumulative enrollment data (collected at or before the time of enrollment, at whatever time that happens during the year). According to the bureau, in 2004/2005, about 6 percent of Head Start children were not poor at enrollment, because they were admitted under specific statutory authority to enroll nonpoor children,<sup>3</sup> and about 18 percent were enrolled based on eligibility for public assistance (U.S. Department of Health and Human Services, n.d.[c]).<sup>4</sup>

As we describe below, this is a misleading figure because the Head Start Bureau does not use the Census Bureau’s definition of income for determining poverty status. If it did, it would report a nonpoor enrollment of about 15 to 16 percent. But even that would be an understatement. Four major surveys of Head Start children and their families provide yet higher estimates.

<sup>1</sup> See also, *Head Start Act*, section 637(14), which defines “poverty line” as “the official poverty line (as defined by the Office of Management and Budget).”

<sup>2</sup> Title 45, section 1305.2(l), stating: “For the purpose of eligibility, a child from a family that is receiving public assistance or a child in foster care is eligible even if the family income exceeds the income guidelines.”

<sup>3</sup> This percentage has remained fairly consistent for several years, with the 1998/1999, 2001/2002, and 2002/2003 PIRs all reporting about 7 percent nonpoor enrollment. The 2003/2004 PIR reports about 6 percent nonpoor enrollment.

<sup>4</sup> Since 2001/2002, the PIR has reported about 18 percent enrollment based on public assistance.

## SURVEY ESTIMATES

The Head Start Bureau's Family and Child Experiences Survey (FACES) is conducted on a schedule based on enrollment cohorts of Head Start children. In the fall and the spring, it collects a wide range of longitudinal data on each cohort (Connell, Hailey, O'Brien, D'Elio, Vaden-Kiernan, Magee, 2002).<sup>5</sup> (The 2000 cohort consisted of 2,800 children.) Data are collected during hour-long, in-person interviews at the Head Start facility with the child's primary caretaker. If the primary caretaker is unavailable, FACES interviews the closest alternate caretaker. (For FACES 1997, the most recent year for which we have information about respondents, about 88 percent were mothers, about 5 percent were fathers, and about 4 percent were grandmothers [Connell et al., 2002, Exhibit 2-5].)<sup>6</sup>

According to the most recent FACES report, in October/November 2000 about 35 percent of Head Start children were not poor; by April/May 2001, the figure had risen to about 41 percent nonpoor children (Zill, Resnick, Kim, O'Donnell, Sorongon, Ziv, 2006, p. 9–5), presumably because the families' incomes had risen in the time since the October/November survey. (The fall 1997 figure was about the same as the one in the fall of 2000 [Connell et al., 2002, p. 44].)

In determining poverty status, however, FACES counts the income of all members of the family's household (related or not) (Connell et al., 2002, p. 44), a broader definition of the income unit than that of "family" income used by the Census Bureau to calculate poverty.<sup>7</sup> Adjusting its estimates to conform to the Census Bureau definition of poverty (based on "family" income) would reduce the percentage of nonpoor children in Head Start to about 31 percent in October/November 2000 and to about 38 percent in April/May 2001.

The Department of Education's National Household Education Surveys Program (NHES) is conducted between January and April of each survey year. In 2005, the parents or guardians of 7,209 preschool children were interviewed by phone (U.S. Department of Education, 2006b, p. 3), with a response rate of 58 percent (U.S. Department of Education, 2006a, p. 10, Table 1–3). In 2004/2005, the NHES found that about 55 percent of Head Start children were not poor.<sup>8</sup> However, like FACES, the NHES counts "family household" income (U.S. Department of Education, 2006c, p. 75).<sup>9</sup> Adjusting its estimate to conform to the Census Bureau definition of poverty (based on "family" income) would reduce the percent of nonpoor children to about 52 percent.

The U.S. Census Bureau's Survey of Income and Program Participation (SIPP) contains a "child care module" that collected Head Start data in 1995, 1997, 1999, and 2001. Reported response rates for these SIPPs range from 66 percent

<sup>5</sup> Fall data are collected in October and November. Spring data are collected primarily in April and May, with some data collected in June.

<sup>6</sup> The remaining 3 percent of the respondents are listed as "other."

<sup>7</sup> The Census Bureau uses two major categories of households: "family households" and "nonfamily households." A "family household" is defined as "a household maintained by a householder who is in a family . . . and includes any unrelated people (unrelated subfamily members and/or secondary individuals) who may be residing there." See U.S. Census Bureau, 2004.

<sup>8</sup> Authors' calculation based on U.S. Department of Education, 2005, Public-Use Data File. Unlike the other surveys mentioned, the NHES collects income data within \$5,000 ranges. In 2005, the poverty threshold for a family of two was \$12,830, which means that we do not know exactly how many of the respondents whose incomes were between \$10,000 and \$15,000 fell below that threshold. In the absence of more detailed information, we assume a linear distribution of incomes, estimating that 56.6 percent of them were below poverty and 43.4 percent of them were above.

<sup>9</sup> The term "household" in the NHES is functionally the same as the Census Bureau's "family household." Because the NHES only interviews householders with children, all households referenced in the NHES are family households.

to 79 percent (73 percent in 1995, 79 percent in 1997, 66 percent in 1999, and 76 percent in 2002) (U.S. Census Bureau, 1998, p. 45; U.S. Census Bureau, 2001, pp. 2–17; Benton, 2005). We do not have nonresponse/attrition data for the child care modules, but the rates are presumably higher.

The 1997 SIPP child care module sampled the parents of 20,096 children under age fifteen.<sup>10</sup> SIPP child care data are based on in-person interviews with a child's "designated parent" (or proxies for the parent).<sup>11</sup> According to the SIPP, in 2002 about 61 percent of Head Start children were not poor. (The general inaccuracies of the SIPP's child care data, however, cause us to doubt the accuracy of this figure [see Besharov, Morrow, & Shi, 2006].)

If the results of the Urban Institute's 1990 National Child Care Survey (NCCS) are to be believed, the percentage of nonpoor children in Head Start has risen over the years. The NCCS was conducted from late October 1989 to May 1990 through telephone interviews of children's parents or guardians (Hofferth, Brayfield, Deich, & Holcomb, 1991, p. 17). With a response rate of 57 percent (Hofferth et al., p. 18), the NCCS sampled 4,397 children under age 13 (Hofferth et al., p. 14). Using annual family household income, defined as total income of all members in a family household in the past year (Hofferth et al., p. 7; S. Hofferth, personal communication, December 4, 2006), the Urban Institute found a much lower percentage of nonpoor children in Head Start (35 percent).<sup>12</sup> Making this figure consistent with the Census Bureau's family income definition would reduce the percent of nonpoor children to about 32 percent.

Hence, a reasonable estimate is that, depending on the time of year, between 30 and 50 percent of the children in Head Start are not poor. Rather than attempting to reconcile these results further, the remainder of this paper seeks to explain how so many of the children in Head Start are not poor (see Table 1).

## INCOME UNIT

Eligibility for means-tested benefits is based on the income of the specified recipient (or individual), family, or household unit. The choice can substantially expand or contract eligibility.

The Head Start Act specifies income eligibility based on the "official poverty line (as defined by the Office of Management and Budget)."<sup>13</sup> Under standard rules of statutory interpretation (such as "incorporation by reference"), because Head Start must use the Census Bureau's definition of poverty, it must also use the bureau's definition of income contained within it. Otherwise, the statutory provision is meaningless, a condition the law seeks to avoid.

When the Census Bureau calculates family income, it counts the income of all related (that is, family) members of the household.<sup>14</sup> Hence, if a young mother is

<sup>10</sup> Authors' calculation based on U.S. Census Bureau, Survey of Income and Program Participation (SIPP) 1996 Panel Wave 4 child care module.

<sup>11</sup> The proxy response rates were 40 percent in the 1995 SIPP, 38 percent in the 1997 SIPP, 30 percent in the 1999 SIPP, and 38 percent in the 2002 SIPP. Authors' calculation based on U.S. Census Bureau, the SIPP 1993 Panel Wave 9 child care module, the SIPP 1996 Panel Wave 4 and Wave 10 child care modules, and the SIPP 2001 Panel Wave 4 child care module.

<sup>12</sup> Authors' calculation based on Brayfield, Deich, & Hofferth, 1991, pp. 49 & 144; and U.S. Census Bureau, 1992, with data downloaded from UNICON, CPS Utilities, (CD-ROM).

<sup>13</sup> Head Start Act, section 637(14), which defines "poverty line" as "the official poverty line (as defined by the Office of Management and Budget)"; see also Head Start Act, section 645(a)(1)(A), stating: "Children from low-income families shall be eligible . . . if their families' incomes are below the poverty line."

<sup>14</sup> U.S. Census Bureau, 2004, stating: "A family is a group of two people or more (one of whom is the householder) related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family."

**Table 1.** Nonpoor children in Head Start: Varying estimates.

Name of Survey (Income Definition)	Organization	Period of Survey	Nonpoor percent <sup>1</sup> (Study Definition/ Census Bureau Definition)
Family and Child Experiences Survey (FACES) (Family household income)	USDHHS	Oct.–Nov. 1997	35%/31%
		Oct.–Nov. 2000	35%/31%
		Apr.–Jun. 2001	41%/38%
National Child Care Survey (NCCS) (Family household income)	Urban Institute	Oct. 1989–Jun. 1990	35%/32%
National Household Education Survey (NHES) (Family household income)	USDoE	Jan. 3–Apr. 24, 2005	55%/52%
Program Information Report (PIR) <sup>2</sup> (Subfamily income)	USDHHS	Sep. 1997–99, 2002–04	6–7%/15–16%
Survey of Income and Program Participation (SIPP) (Family income)	US Census Bureau	Oct. 1995–Jan. 1996	48%/48%
		Apr.–Jul. 1997	58%/58%
		Apr.–Jul. 1999	78%/78%
		Feb. 2–May 2, 2002	61%/61%

*Sources and notes:* Connell et al., 2002, p. 47; Zill et al., 2006, p. 9–4; Hofferth, Brayfield, Deich, & Holcomb, 1991, pp. 7–8; authors' calculation based on Brayfield, Deich, & Hofferth, 1991, p. 49 & p. 114, and U.S. Census Bureau, 1992, with data downloaded from UNICON, CPS Utilities (CD-ROM); authors' calculation based on U.S. Department of Education, 2006d; authors' calculations based on U.S. Department of Health and Human Services, n.d.(a) and n.d.(b); U.S. Census Bureau, 2006; authors' calculation based on U.S. Census Bureau, 2005b, 2005c, 2005d, and 2005e.

<sup>1</sup>The first figures in this column are based on survey's definition of income, and the second figures are based on Census Bureau's definition of family income. The five listed surveys use varying definitions of income: the FACES, the NCCS, and the NHES counted the income of all members of the family's household (related or not), applying what the Census Bureau calls a "family household" definition of income; the PIR uses what the Census Bureau calls a "subfamily" definition (a married couple with or without children, or a single parent with one or more own never-married children under 18 years old living in a household) of income; and the SIPP uses the "family" definition (related people living in a household) of income. To make the percents of nonpoor children comparable, we have adjusted them to be the equivalent of using the family definition of income (the second figures).

<sup>2</sup>The PIR data on the enrollment of nonpoor children for 1997 to 1999 were presented in numbers of families; the data for 2002 to 2004 were presented in numbers of children. The PIR did not report such data in 2000 and 2001.

living with her parents, all of their incomes are counted to see if the *family* falls under the poverty line. (Technically, this entails counting the "related subfamily's" income together with that of the "primary family.")

Head Start regulations, however, instruct grantees to count only the mother's income (or that of the mother and the father), rather than that of all related persons in the household.<sup>15</sup> In other words, grantees are instructed to count only the subfamily's

<sup>15</sup> Title 45, section 1305.2(e), stating: "Family means all persons living in the same household who are (1) supported by the income of the parent(s) or guardian(s) of the child enrolling or participating in the program, and (2) related to the parent(s) or guardian(s) by blood, marriage, or adoption."

income (and not include the income of the related primary family in the same household). For clarity, we call the Head Start Bureau's definition of income a "sub-family" definition.

The Head Start Bureau believes that it has legislative authority to adopt this narrower definition of family income<sup>16</sup> and, in what seems to be an insufficiently considered pronouncement, the U.S. Department of Health and Human Services (HHS) Office of the Assistant Secretary for Planning and Evaluation has taken a parallel position.<sup>17</sup> This seems highly questionable, as the frequent use by the Congress and the administration of the phrase "poverty line" (or "official poverty line" in the Head Start Act, section 637(14))<sup>18</sup> presupposes the use of the Census Bureau's definition of family income (because that is the basis of the poverty line). In fact, Head Start regulations specifically reference and apply the Census Bureau's definition of income.<sup>19</sup> Furthermore, in Head Start Bureau publications, the number of eligible children is estimated by using the Census Bureau's count of poor children (within which is embedded the standard definition of family income).

The Head Start Bureau's use of this narrower definition would, frankly, come as a surprise to many people. In fact, until we raised the matter, we doubt that most program officials even realized that the Head Start Bureau had adopted a narrower definition. Similarly, calculations of Head Start coverage performed by both the Government Accountability Office (GAO)<sup>20</sup> and the Congressional Research Service (CRS)<sup>21</sup> use the Census Bureau's family-based count of poor children as the basis for determining the number of Head Start-eligible children—suggesting that these congressional agencies also are not aware of the Head Start practice.

How much of a difference does a subfamily definition of income make? Special tabulations from the 2002 *Current Population Survey (CPS) Annual Social and Economic Supplement* by Richard Bavier of the U.S. Office of Management and Budget indicate that counting the incomes of subfamilies separately from the primary families with which they live would raise the calculated 2001 poverty rate for 3- to

<sup>16</sup> Craig Turner, director of program management, Head Start Bureau, U.S. Department of Health and Human Services, e-mail message to first author, June 22, 2005 stating: "The Secretary has exercised his discretion under Section 645(a)(1) to define such terms as 'family' and 'income' in the regulations. These terms are defined under 45 C.F.R. 1305.2(e) for family and 45 C.F.R. 1305.2(i) for income. The adoption of these regulations is within the Secretary's authority under Section 645(a) of the Head Start Act."

<sup>17</sup> See Annual Update of HHS Poverty Guidelines, 2006, stating: "Note that this notice does not provide definitions of such terms as 'income' or 'family.' This is because there is considerable variation in how different programs that use the guidelines define these terms, traceable to the different laws and regulations that govern the various programs. Therefore, questions about how a particular program applies the poverty guidelines (e.g., Is income before or after taxes? Should a particular type of income be counted? Should a particular person be counted in the family or household unit?) should be directed to the organization that administers the program."

<sup>18</sup> See also Head Start Act, section 645(a)(1)(A).

<sup>19</sup> Title 45, section 1305.2(I), stating: "Income means gross cash income and includes earned income, military income (including pay and allowances), veterans benefits, Social Security benefits, unemployment compensation, and public assistance benefits. Additional examples of gross cash income are listed in the definition of 'income,' which appears in U.S. Bureau of the Census, Current Population Reports, Series P-60-185."

<sup>20</sup> U.S. Government Accountability Office, 2005, which bases its count of eligible children on "administrative and national survey data from the U.S. Census Bureau's Annual Social and Economic Supplement to the Current Population Survey (CPS)."

<sup>21</sup> See Gish, 2005, which bases its count of eligible children on "the percentage of children living in families with annual income below Federal Poverty Income Guidelines"; and Gish, 2006, which bases its count of income eligible children on "the percentage of children living in families with annual 2005 income below Federal Poverty Income Guidelines issued in February 2006."

5-year-olds from about 18 percent to about 20 percent; that is more than a 10 percent increase. Thus, the result of considering only subfamily income is to lower measured “family income” compared to how the Census Bureau would measure it and to increase the number of 3- to 5-year-olds considered eligible for Head Start in 2004 by about 248,000.<sup>22</sup>

The subfamily definition of income makes many better-off families look more needy than they are—and more needy than many who are not in the program. A single mother with a family income just above the poverty line is not eligible for Head Start, whereas a single mother living in a household with a total income of any amount (no matter how high) is eligible—as long as her own personal income is below the poverty line.

The distortion can be significant. Tabulations by Bavier show that, in 1999, the average subfamily income (including cash and noncash income, but excluding medical benefits) of single-mother families that lived with their relatives (about 15 percent of the total) was only \$12,580, but the average total family income of such households was \$57,073 (in 2006 dollars). To be clear, this means that a household with a total income of \$57,000 (or more, because this is an average) would be Head Start-eligible, whereas a small family with a total income of \$20,000 would not.

## INCOME PERIOD

Means-tested eligibility is also based on the period of time the individual or income unit’s income is below the relevant cutoff. For most programs, this is either annual income or current (or monthly) income.

In order to avoid enrolling temporarily poor children (presumably because they do not need a Head Start-like compensatory program), the Head Start Act requires that income eligibility be based on annual income: either the 12 months prior to enrollment or the last complete calendar year before enrollment (“whichever more accurately reflects the needs of the family at the time of application”) (Head Start Act, section 645(a)). (Somewhat inconsistently, income determinations are often made on the basis of weekly or biweekly pay slips.)

Basing eligibility on income in the *prior calendar year* is usually explained as a way to facilitate measuring a full year’s poverty (through tax forms, for example). But it adds a complication—because the family need no longer be in poverty. Many families will have exited poverty in the 8 or even 12 months between the prior calendar year and enrollment. The greater the time period before enrollment that income is measured, the more likely is the family to have left poverty. (Family incomes, of course, can also fall during this period. But for families that were already poor, there would be no change in status.)

Unfortunately, we have no information about the timing of income determinations. So for this analysis, we conservatively assume that 20 percent of new Head Start enrollees were found eligible based on their families’ prior calendar year’s income, and further assume that on average 6 months passed between the end of the previous calendar year and the beginning of the Head Start program year. About 10 percent of these families would have exited poverty. That means that another 2 percent or so of Head Start children would already be nonpoor at enrollment, despite being counted as poor by the Head Start Bureau—and would bring our cumulative total of nonpoor children to about 18 percent (see Table 2).

<sup>22</sup> Authors’ calculation based on U.S. Census Bureau, 2005a.

**Table 2.** Nonpoor children in Head Start at enrollment and midyear: Ages 3–5 (2004/2005).

Income Eligibility	Total Enrollment		Reported as Nonpoor Under Statutory Exceptions (PIR)		Eligible Only Under Subfamily Definition		Nonpoor Eligibility Based on Prior Year's Income		Nonpoor Eligibility Because Income Changes Not Measured		Nonpoor Eligibility Based on Previous Year's Enrollment		Eligibility Based of Lax Income Verification		Poor at Midyear, But Nonpoor at Enrollment		Total Estimated Nonpoor Enrollment		FACES Estimate (April/May)		
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
<i>Head Start's Income Definition</i>																					
At enrollment	818,071	6%	N/A	N/A	16,361	2%	N/A	N/A	N/A	N/A	45,171	6%	40,904	5%	N/A	N/A	149,904	18%	N/A	N/A	
Midyear (Jan./Feb.)	795,504	6%	N/A	N/A	15,910	2%	48,667	6%	43,925	6%	43,925	6%	39,775	5%	14,990	2%	179,445	23%	N/A	N/A	
<i>Census Bureau's Income Definition</i>																					
At enrollment	818,071	6%	81,807	10%	16,361	2%	N/A	N/A	N/A	N/A	45,171	6%	40,904	5%	N/A	N/A	231,711	28%	N/A	N/A	
Midyear (Jan./Feb.)	795,504	6%	79,550	10%	15,910	2%	40,712	5%	43,925	5%	43,925	5%	39,775	5%	14,990	2%	251,041	32%*	300,718	38%	

N/A indicates that the given adjustment is nonapplicable to the given income definition or time period. Calculations of nonpoor children do not include children adjacently eligible for Head Start due to public assistance eligibility or receipt of foster care, although such children may have family incomes above the poverty line.

\* This is a midyear figure (Jan./Feb.). When we project it to match the time period of the FACES survey in the last column, the figure rises to 34 percent.

*Sources and notes:* U.S. Department of Health and Human Services, n.d.(c). "At enrollment" is a series of calculations based on Head Start's funded enrollment. "Midyear" is a series of calculations based on the average of Head Start's end-of-month enrollments to estimate the income profile of Head Start student in January/February. "Total Enrollees" is the total enrollment of 3- to 5-year-olds, separated by applying the PIR's age distribution for cumulative enrollment. "Reported as nonpoor under statutory exceptions" is the percent reported by the PIR as nonpoor at enrollment. "Eligible under subfamily definition" is 10 percent of the enrollees because, as described above, Head Start's subfamily definition of income counts about 10 percent less family income. "Nonpoor eligibility based on prior year's income" adjusts for the rising incomes of those who qualified for Head Start using income from only the previous calendar year. We assume that 20 percent did so, 10 percent of who subsequently exited poverty. "Nonpoor eligibility because income changes not measured" adjusts for the estimated 10 percent of poor children who become nonpoor during the 6-month period after enrollment, taking into account the effects of child turnover. This estimate is based on the total number of enrollees, minus those already nonpoor at enrollment: those reported by the PIR as nonpoor, those eligible only under the subfamily definition of income, those nonpoor who qualified for Head Start using the prior calendar year's income, those in their second year whom we estimate are nonpoor, and those eligible only due to lax income verification. "Nonpoor eligibility based on previous year's enrollment" adjusts for the estimated 20 percent of poor children who become nonpoor each year, applied to the 28 percent of Head Start children enrolled for a second year. "Nonpoor eligibility based on lax income verification" refers to those children who are not income eligible, but qualify due to lax income verification rules and procedures. "Poor at midyear, but nonpoor at enrollment" adjusts for the possibility that children who were not poor at enrollment may become poor during the program year. This column assumes that over a six-month period, 10 percent of those nonpoor at enrollment (excluding those eligible only under a subfamily-oriented definition of income) will become poor. This column is then subtracted from the number of nonpoor children. "N/A" means that the adjustment is *not applicable* to the corresponding income definition or time period. Zill et al., 2006, p. 9–5. "FACES estimate" is the April/May estimate of the proportion of nonpoor children in Head Start, as found by FACES for 2000/2001.



## RECERTIFICATION

Because family incomes can rise and fall, many means-tested programs base eligibility on the applicant's *current* financial needs: eligibility ends as soon as the financial need disappears. Many federal programs recognize that incomes can rise over relatively short periods of time and so require periodic recertifications of income eligibility.

**Income changes during the program year.** Head Start, however, cannot work that way. Head Start enrolls children into a program that has a defined, nine-month curriculum. The curriculum is designed to build skills over the course of those nine months, with children developing and mastering concepts introduced in earlier lessons. So, keeping children in the classroom for the entire nine months of the program (and perhaps the next program year as well) makes pedagogical sense (depending, of course, on one's view of the quality of the curriculum and the importance of experiencing its full content). Although some amount of turnover through the school year is inevitable, the unavoidable disruption that results should surely be minimized. We would not want to see children dropped from the program just because their family incomes rise (although that is precisely what sometimes happens in other federal child care programs). Thus, once Head Start eligibility is established, it lasts through the entire program year.

Nevertheless, the inexorable effect of this rule is to increase the number of nonpoor children in Head Start, as the incomes of many Head Start families rise in the months (or years) after eligibility is established. As a binary measurement of poor versus nonpoor status, the distribution is truncated because rises in income are almost the only income changes that are noted. (Below, we mention the exception to this rule.) After enrollment, some family incomes rise while others fall, but the former far outnumber the latter. This is because there are relatively fewer nonpoor children enrolled, so even if they were to become poor, there are not enough of them to make a very big difference. At the same time, many more enrolled children, originally counted as having incomes under poverty, exit poverty during the year. Because they continue to be eligible for Head Start, their higher incomes raise Head Start's income profile. (Those whose incomes decrease or do not change remain in poverty.)

How large an impact does the passage of time have? The fluidity of poverty status is suggested by the fact that monthly poverty rates are estimated to be from 10 to 25 percent higher than annual ones.<sup>23</sup> Using the Panel Study of Income Dynamics (PSID), Duncan finds that in the early to mid-1980s, the one-year mobility rate out of the bottom decile of income among families with children was about 23 percent (Duncan et al., 1993, pp. 215–234). Similarly, Gottschalk and Danziger find that, according to the PSID, between 1990 and 1991, the one-year mobility rate out of the bottom quintile of income among all families was about 25 percent (Gottschalk & Danziger, 1997). More recent data published by the Survey of Income and Program Participation (SIPP) indicate that between 1996 and 1998, the two-year mobility rate out of poverty among all families was 45 percent (U.S. Census Bureau, 1999a). (The SIPP drop in poverty is significantly larger than the two PSID figures, probably

<sup>23</sup> Cf., Short, 1990, finding that, according to 1985 data from the Survey of Income and Program Participation (SIPP), for all families (with or without children) the average monthly poverty rate (12.9 percent) was about 30 percent higher than their annual poverty rate (9.9 percent); Iceland, 2003, finding that, according to the 1996 SIPP, for all people, the average monthly poverty rate was about 24 percent higher than their annual rate (15.5 percent vs. 12.5 percent); and Bitler, Currie, & Scholz, 2003, pp. 1139–1179, finding that, in 1997 and 1998, using monthly income rather than annual income would have increased the number of people eligible for WIC by 900,000, or about 10 percent.

because it covers two years and because in those two years, according to the U.S. Census Bureau, the poverty rate among all families declined by about 8 percent [U.S. Census Bureau, 1997; U.S. Census Bureau, 1999b].)

Adopting 20 percent as the average year-to-year difference in poverty status, we estimate that in the middle of the first year of enrollment, about 10 percent of Head Start children who were poor at enrollment will have exited poverty. That would add about 7 percentage points to the proportion of Head Start children who are nonpoor.

Just as incomes rise, however, it is reasonable to assume that some portion of the Head Start children who were nonpoor when enrolled could see their families' incomes fall. As a result, some of the 28 percent of Head Start children reported as nonpoor at enrollment will, by midyear, have become poor. We account for this effect by assuming that, just as 20 percent of Head Start children will leave poverty during the year, that same proportion of nonpoor Head Start children enter poverty (with the exception of the nonpoor children in the program, because of the subfamily definition of income). This means that, at midyear, 10 percent of the original 18 percent nonpoor enrollment will become poor, increasing the number of poor children by less than 2 percent.

Child turnover—that is, children leaving Head Start while others enter during the program year—slightly alters these estimates. In 2004/2005, about 31 percent of Head Start children left the program, and only about half of them were replaced (U.S. Department of Health and Human Services, n.d.[c]).<sup>24</sup> It is reasonable to assume that some of the children we have identified as nonpoor are among those who left the program. The children who replaced them are much more likely to be poor. This would have the effect of slightly increasing the proportion of poor children in Head Start. Although we have little information by which to estimate the exact size of this effect, it seems reasonable to assume that the overall proportion of poor children would rise by about 2 percentage points.

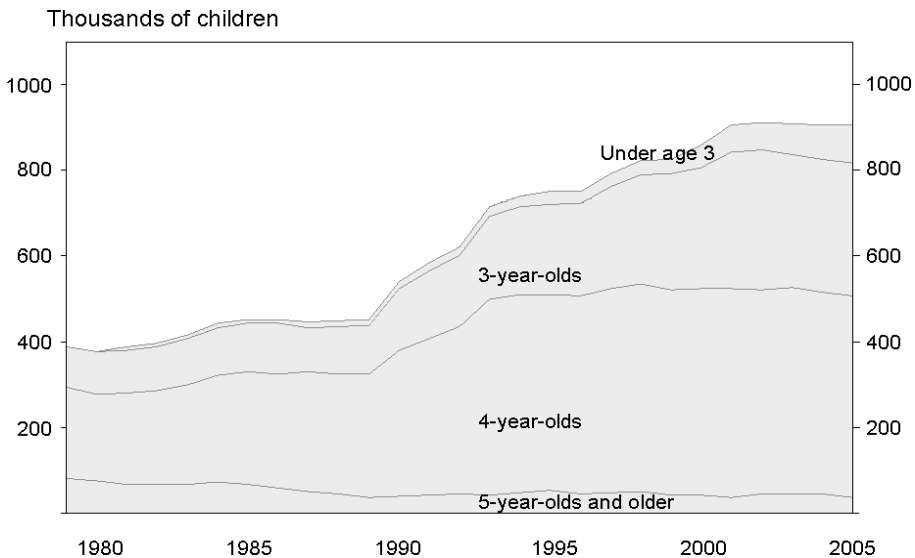
Thus, by midyear, after accounting for turnover, Head Start's one-time income determinations increase the number of nonpoor 3- to 5-year-olds by about 5 percentage points, which bring the cumulative total of nonpoor children to about 23 percent (see Table 2).

**Previous year's enrollment.** From its inception, Head Start's basic target group has been children 3–5 years old. Since at least the late 1970s (as far back as we have found data), the proportion of 5-year-olds has declined (presumably because of the expansion of kindergarten to more children for more hours of the day), while the proportion of 4-year-olds has risen. Then, starting around the mid-1990s, the number of 3-year-olds increased at a much faster rate than the number of 4-year-olds (presumably because of the expansion of child care subsidies for working, low-income mothers and the expansion of prekindergarten programs).

As a result, the proportion of 3-year-olds in Head Start increased (going from 28 percent in 1995 to 34 percent in 2005), while the proportion of 4-year-olds declined (going from 61 percent in 1995 to 52 percent in 2005)<sup>25</sup> (see Figure 1). This has a significant impact on the income profile of Head Start children, because many 3-year-olds stay in the program for a second year, and the Head Start Act allows them to remain in the program without a new determination of income eligibility (Head Start Act, section 645(a)(1)(B)(ii)). In 2004/2005, about 28 percent of all Head Start children were in their second year of enrollment (U.S. Department of Health and Human Services, n.d.[c]). About 20 percent of these children would

<sup>24</sup> The Head Start Bureau refers to the children who have left in midyear as having “dropped out.”

<sup>25</sup> Authors' calculations based on U.S. Department of Health and Human Services, 1999; and U.S. Department of Health and Human Services, 2006a.



Source: U.S. Department of Health and Human Services, various years. No data are available for the years prior to 1979.

**Figure 1.** Head start enrollment by age (1979–2005).

have exited poverty since the previous year's income determination. That adds about 6 percentage points to the proportion of Head Start children who are nonpoor and would bring the cumulative total of nonpoor children to about 28 percent (see Table 2). (In 2004/2005, only about 3 percent of children had been in the program for three years or more [Head Start Act, section 645(a)(1)(B)(ii)]; because of their small number, we ignore them in these calculations. We have no data about children moving from Early Head Start to regular Head Start.)

### ADJUNCTIVE ELIGIBILITY

Means-tested programs often have categorical or “adjunctive” eligibility based on a specific status or participation in another program. Thus, for example, children on Medicaid are eligible for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), as are children on TANF. And Supplemental Security Income (SSI) recipients are similarly eligible for Medicaid and, hence, eligible for WIC.

The Head Start Act establishes several forms of adjunctive eligibility. The major ones are for children from families eligible for public assistance (including TANF, general assistance, and SSI) or in foster care (Head Start Act, section 645(a)(1)(A); *Code of Federal Regulations*, title 45, section 1305.2). According to the CRS, in 2004, about 340,000 nonpoor 3- to 5-year-olds were thus adjunctively eligible for Head Start because they were on TANF and general assistance (together about 142,852 children) or SSI (about 150,544 children) or in foster care (about 49,827 children) (Gish, personal communication, December 5, 2006; see generally, Gish, 2006). How can so many nonpoor children be receiving aid? The most likely reasons are that they are in child-only cases (so that their caretaker's income is not counted), or the welfare agency has based eligibility on monthly, subfamily income.

According to the PIR, about 170,000 3- to 5-year olds were in Head Start because they received public assistance, and 15,000 because they were in foster care (U.S. Department of Health and Human Services, n.d.[c]). Unfortunately, it is not clear whether these children were nonpoor and in Head Start *solely* because they were receiving assistance or whether they were also poor and on assistance.<sup>26</sup> On the one hand, they are in a separate category, suggesting that their Head Start eligibility is based on the receipt of public assistance rather than poverty status. On the other hand, putting qualified children in this category is much easier than performing an actual income determination. Although a significant portion of these children are probably not poor, we have no way of even roughly estimating how many. Hence, to be conservative, we ignore the nonpoor children that are almost certainly in this category.

Even larger is the potential pool of nonpoor children that could be considered eligible for Head Start under the statutory provision that makes families eligible if, “in the absence of child care, [they] would potentially be eligible for public assistance” (Head Start Act, section 645(a)(1)(A); *Code of Federal Regulations*, title 45, section 1305.2). An indication of the breadth of this provision is found in the implementation of the At-Risk Child Care Program (ARCCP), enacted in 1990 and repealed as part of the 1996 welfare reform law. Under a similar provision, eligibility for federal child care assistance was extended to “low-income families who are *not* receiving AFDC, need child care in order to work, and are ‘at risk’ of becoming eligible for welfare if child care were not provided” (U.S. Congress, 1992, p. 951, emphasis in original). As a report of the Office of Inspector General, U.S. Department of Health and Human Services describes, ‘At-risk’ as an amorphous concept that can apply to a wide range of circumstances, particularly when states are given ‘considerable latitude in implementation’” (U.S. Department of Health and Human Services, 1993, p. 2). The same report found that, in 1993, state income eligibility “ceilings for a family of four range[d] from \$17,982 to \$40,491” (about \$25,101 and \$56,546 in 2006 dollars, respectively) (U.S. Department of Health and Human Services, 1993, p. 5). But, as of this writing, it appears that few of these nonpoor children are in Head Start.

## INCOME DETERMINATION

The documentation used by many means-tested programs, including Head Start agencies, to determine family income leaves much room for abuse. Head Start regulations authorize income verification using “any” of the following: “Individual Income Tax Form 1040, W-2 forms, pay stubs, pay envelopes, written statements from employers, or documentation showing current status as recipients of public assistance” (*Code of Federal Regulations*, title 45, section 1305.4(d)).

Only the 1040 or a similar document, however, provides reasonable assurance that a family’s annual income is as claimed. Even multiple pay stubs may not reflect true annual earnings. W-2 forms and December pay stubs capture the full amount of a job’s annual income, but the applicant may have several jobs or have acquired the job mid-year.

Whether or not they are a reasonable accommodation to the realities of program administration and the financial records available to low-income families, such income-verification procedures create substantial ambiguity about the actual incomes of Head Start families. As suggested by a Head Start Bureau report, staff

<sup>26</sup> Craig Turner, Director of Program Management, Head Start Bureau, U.S. Department of Health and Human Services, e-mail message to second author, December 11, 2006, stating that he is “sure there was some crossover” between the PIR’s categories of adjuctively eligible and formally income-eligible children, but that “we do not have data on how much.”

members sometimes pick and choose documentation in order to make otherwise ineligible families appear eligible:

In some of these cases, staff have accepted income information from families without full verification, or staff took an older (and acceptable) piece of documentation that suggested the family was income-eligible, rather than more recent information that would have left the family over the income eligibility threshold and out of Head Start. Staff admitted that they occasionally “bent the rules,” reflecting their need to meet enrollment targets or, in the more likely case, highlighting their desire to help families who they believed were in particular need of Head Start services, but would not have qualified for Head Start under a strict application of the program’s income guidelines. (Connell et al., 2001)

Thus, many Head Start staff members believe the families whose incomes rise and fall around the poverty line need Head Start as much as those formally eligible for the program. As reported by one Head Start contractor:

The focus groups with administrative and field staff invariably spurred passionate discussions about the need to adjust income guidelines upward, arguing that the needs of many families living on incomes above the traditional eligibility cutoff (Federal Poverty Level) were as great as those for families considered to be living in poverty. (Connell et al., 2001)

Remembering the vagaries of income measurement (only some of which are identified in this paper), they have a point. Furthermore, if one believes that children or families would benefit from a particular remedial or supportive program (be it Head Start, WIC, or one of dozens of others), it is understandably difficult to deny the program’s benefits to a child or family just because the family’s income is above some arbitrary income line, especially one that is not adjusted for geographic differences in the cost of living.

Similarly, a recent GAO report documents that some number of families receiving child care subsidies are, in reality, ineligible—with instances of erroneous payments to both providers and individuals (U.S. GAO, 2004). Unfortunately, neither report estimates the extent of such practices.

Although we found no data on the extent to which specific forms of documentation are used (and the extent of lax verification procedures), based on the reported error rates for other means-tested programs,<sup>27</sup> we conservatively estimate that it is about 5 percent.

## **Conclusion and Implications**

This paper confirms survey findings about the high proportion of nonpoor children in Head Start: at least 28 percent are not poor at enrollment; at least 32 percent are not poor at midyear; and by the end of the program year, at least 34 percent and perhaps more than 50 percent are not poor. As we saw, the large number of nonpoor children is the consequence of a combination of statutory provisions, regulations

<sup>27</sup> In the most recent year for which we have such data: the AFDC program reported a 7 percent error rate (1994); the Food Stamp program reported a 6 percent error rate (2004); the Department of Housing and Urban Development’s Rental Assistance Subsidy program reported a 41 percent error rate (2003); the School Meals program reported a 31 percent error rate (2001); and the Supplemental Security Income program reported an 8 percent error rate (2004). Given these error rates, we believe a 5 percent error rate for Head Start to be a conservative estimate. U.S. Department of Health and Human Services, 1997; U.S. Department of Agriculture, 2005; U.S. Department of Housing and Urban Development, 2004; Gleason, Tasse, Jackson, & Nemeth, 2003; Social Security Administration, 2005.

and administrative procedures implementing them, the behavior of individual grantees, and the income dynamics of low-income families.

These findings first should be a caution to researchers who have sought to measure the impact of Head Start on poor children. The high proportion of nonpoor children in the program could understate the program's measured impact (if poor children benefit the most from the program) or could overstate its impact (if nonpoor children benefit the most). A search of the published literature revealed no studies that explored how program impacts had been influenced by Head Start's actual income profile.

These findings also have important policy implications. Although the presence of some of these nonpoor children seems to be an appropriate or at least understandable aspect of running a national program with Head Start's current organizational structure, the presence of others seems much less warranted and raises substantial questions of horizontal equity.

The 10 percent across-the-board allowance for nonpoor children (plus the other provisions about Indian tribes and sparsely populated areas), for example, serves the valid purpose of supplementing Head Start's enrollment in localities that may not have enough poor children to fill a Head Start program. But, in the absence of any guidelines or substantial restrictions, this discretion could easily be abused.

Another major reason for so many nonpoor Head Start children is the happy fact that many families see their incomes rise in the course of the program year. Having such children continue through the program year is pedagogically sound. Given Head Start's nine-month-long developmental and educational curriculum, children should not be added and dropped as family income changes. But can the same be said for a second year of enrollment if the family is no longer poor?

On the one hand, the poverty line is an arbitrary cutoff, and given that income is counted so inconsistently (see generally, Besharov & Germanis, 2004), a family with income only a few dollars above the poverty line has not really escaped financial and social distress. Far from it. On the other hand, sometimes the income rise is quite significant. According to the SIPP, for example, between 1996 and 1999, of the households in the bottom income quintile headed by never-married mothers, about 28 percent moved up one quintile, and about 17 percent moved up two or more quintiles (Iceland, 2003).

For some of the other nonpoor children in the program, no valid policy purpose appears to be served. Head Start's use of the subfamily definition of income is especially problematic. As noted, it can result in families with household incomes over \$50,000 having priority over those with incomes under \$20,000. Then there is the percentage of Head Start children who are not poor and are in the program because of lax or questionable income determinations. In addition, the statutory provision authorizing the enrollment of children whose families would potentially be eligible for public assistance in the absence of child care is a door waiting to be pushed open and could result in a substantial increase of the number of nonpoor children in Head Start.

Moreover, taken together, the large number of nonpoor children suggests that the program is not well targeted to fulfill its mission of providing compensatory services to developmentally disadvantaged children. At first glance, having so many nonpoor children in Head Start might seem harmless and perhaps even progressive: after all, it makes more children eligible for Head Start. But the Head Start program has finite resources and reaches fewer than half of all eligible children (Gish, 2006). As Stipek, Valentine, and Zigler (1979) explain, the income rule is meant to be an "allocation of priority to poor children in a program with limited resources."

Each nonpoor child admitted to the program takes the place of a poor child who is legally eligible for, and presumably in greater need of, the program's early childhood

education services. Put more dramatically, for every one of the 231,000 nonpoor children in Head Start at enrollment, an equal number of poor children are not able to enroll.

To the extent that Head Start is serving families whose incomes are at and somewhat above the poverty line (often called the “near-poor”), it is probably not serving children in “deep poverty,” the term used to denote incomes below half the poverty line, and the long-term poor. In fact, from some published accounts, one gets the sense that program staff members seem reluctant to handle some of the poorest and most dysfunctional families, including those with severe substance abuse problems.<sup>28</sup> Most near-poor children are, frankly, easier to handle than many of the more troubled children who are legally eligible for program.

Likewise, near-poor children usually do not need Head Start’s compensatory services nearly as much as those in deep, long-term poverty. According to *FACES*, in 2003, at least a quarter of Head Start children scored *at or above the national average* on a battery of tests measuring vocabulary and early reading, writing, and math. These children may have been economically disadvantaged, but cognitively they were doing much better than stereotypes would suggest. At the same time, the Head Start children in the lowest quartile performed depressingly worse than the national average in all four categories, scoring in the lowest 2 percent of all preschoolers (U.S. Department of Health and Human Services, 2006b).

Finally, the large number of nonpoor children in Head Start reveals the essential ambiguity of Head Start’s role in the wider world of early care and education. Should Head Start be considered a compensatory program for developmentally disadvantaged children, or as a form of enriched child care? If the former, its already expensive child development services probably need to be intensified and its enrollment carefully targeted, and, if the latter, it is already too expensive to be expanded to many more low-income children—and doing so would probably lead to a dilution of its services.

Addressing the targeting issues identified in this paper will require a clear-eyed evaluation of Head Start’s orientation, funding, and enrollment practices. That may be politically difficult, but without one, it is difficult to see how Head Start can serve the children for whom it was created. For, the issue is not simply one of limiting eligibility for aid, but of targeting aid to those most in need.

Presidents since Jimmy Carter have tried and failed to establish clear (and rational) boundaries between Head Start and subsidized child care for low-income families, and to establish mechanisms to coordinate the two. By documenting the degree of overlap between Head Start and the wider world of early care and education, this paper seeks to encourage renewed efforts to do so.

The larger lesson from this paper’s analysis is that policymakers, administrators, and the public need a better understanding of the nature and application of income-eligibility rules across the panoply of means-tested programs. Details matter. As we have seen, identifiable variations in how and when to measure income can shift eligibility for large numbers of individuals and families. And adjunctive eligibility can expand eligibility in unpredictable ways—often with little apparent relevance to the program’s putative or core mission. All means-tested programs would benefit from a similar examination.

<sup>28</sup> Cf., U.S. Department of Health and Human Services, 1989, p. i, 8, stating: “Grantees report that working with dysfunctional families takes much more staff time and often leads to stress and burnout. . . . About 84 percent noted increased demands on staff time,” and “[w]hile all agreed that Head Start should serve dysfunctional families, some grantees were concerned about the additional demands that these families place on their programs and staff.”

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