U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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February 15, 2019

The Honorable Lamar Alexander
Chairman
The Honorable Patty Murray
Ranking Member
Committee on Health, Education, Labor and Pensions
United States Senate

The Honorable Robert C. "Bobby" Scott
Chairman
The Honorable Virginia Foxx
Ranking Member
Committee on Education and Labor
House of Representatives

Child Care and Development Fund: Subsidy Receipt and Plans for New Funds

The federal child care subsidy program known as the Child Care and Development Fund (CCDF) is the primary source of federal funding dedicated to assisting low-income families who are working or participating in education and training by increasing their access to quality child care.[1] In fiscal year 2015, the latest year for which data are publicly available, CCDF provided child care assistance to about 1.4 million children each month.[2] Discretionary funding for CCDF is authorized by the Child Care and Development Block Grant (CCDBG) Act of 1990, as amended, and the U.S. Department of Health and Human Services (HHS) administers the funds to states.[3] In addition to authorizing funding, the CCDBG Act of 2014 included various

[1]CCDF is not an entitlement program, which means that states are not required to serve all eligible families who apply for CCDF subsidies; thus some eligible families who apply for subsidies may not receive them. Families who qualify for, but do not receive, CCDF subsidies could still receive public assistance for child care through other federal or state programs such as Head Start or a state's pre-kindergarten program if they meet eligibility requirements. Further, not all eligible families may apply for CCDF subsidies because, as we previously found, several factors influence families' child care decisions that can make it difficult or unappealing to pursue subsidies. See GAO, *Child Care: Access to Subsidies and Strategies to Manage Demand Vary Across States*, GAO-17-60 (Washington, D.C.: Dec. 15, 2016).

[2]At the time of this report's issuance, preliminary 2016 data from the U.S. Department of Health and Human Services also estimated that about 1.4 million children received child care assistance each month.

[3]Discretionary CCDF funds are entirely federal funds that are allocated to states based on a statutory formula. *See*, 42 U.S.C. § 9858m. Under the program, these discretionary funds do not require a state match. CCDF is also made up of mandatory and matching funding, which is authorized under the Social Security Act (42 U.S.C. § 618) and administered by HHS. A portion of the mandatory funding is guaranteed to states, without states having to match the funds with state child care spending. To be eligible for its share of the remaining mandatory funds (matching funds), a state must first spend a designated amount of its own state funds. 42 U.S.C. § 618(a)(2).

requirements for states. Among them, states must spend at least 70 percent of remaining discretionary funds on subsidies for eligible families, after setting aside funds for administrative and quality activities.[4] In fiscal year 2019, states are required to spend at least 8 percent of CCDF funding for "quality activities"—activities that are designed to improve the quality of child care services the state provides—which may include supporting the professional development of the child care workforce and improving the supply and quality of child care programs and services for infants and toddlers.[5] In March 2018, the Consolidated Appropriations Act, 2018 was enacted, which provided $5.2 billion in discretionary CCDF funding for fiscal year 2018, nearly twice the amount provided in fiscal year 2017.[6]

The CCDBG Act of 2014 also included a provision for GAO to review every 2 years the number of families eligible to receive assistance under the CCDBG Act of 1990, as amended, as well as those who have applied for assistance and those who have been placed on a wait list for assistance.[7] To address this provision, this report describes (1) what is known from the most recent data available from HHS about the extent to which eligible children received child care subsidies and their characteristics, and (2) how states plan to use the increase in CCDF funding from the Consolidated Appropriations Act, 2018, including addressing wait lists. The report includes the slides we used to brief your staff in October 2018 (see enclosure I). HHS since updated its data on subsidy receipt in January 2019, and this letter reflects the updated data.

To answer what is known from the most recent data available from HHS about the extent to which eligible children received child care subsidies and their characteristics, we summarized the most recent analysis of CCDF eligibility and subsidy receipt data available from HHS's Assistant Secretary for Planning and Evaluation (ASPE), as reported in *Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2015* (January 2019). According to HHS, the eligibility estimates were produced using the Transfer Income Model (TRIM), a micro-simulation model developed and maintained by the Urban Institute under contract with ASPE. TRIM is based on the Annual Social and Economic Supplement of the Current Population Survey (CPS). TRIM compares family income and work status data from the CPS against CCDF rules to generate estimates of children and families eligible for subsidies.

To answer how states plan to use the increase in CCDF funding from the Consolidated Appropriations Act, 2018, including addressing wait lists, we collected information from state

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[4]42 U.S.C. § 9858c(c)(3)(E)(ii). The CCDBG Act of 1990, as amended, requires states to spend 70 percent of remaining discretionary funds on "direct services," which HHS defines in its grant reporting instructions as "solely…for child care subsidies to eligible children." States may spend no more than 5 percent of CCDF funding on administrative activities. 42 U.S.C. § 9858c(c)(3)(C).

[5]42 U.S.C. § 9858e(a)(2)(A), (b)(1)(A), (b)(4). Under the statute, the minimum percentage states must spend on quality activities increases to 9 percent of CCDF funding for fiscal year 2020 and beyond. In addition, for each fiscal year starting in fiscal year 2017, states must spend at least an additional 3 percent on activities related to the quality of child care for infants and toddlers. 42 U.S.C. § 9858e(a)(2)(B).

[6]Pub. L. No. 115-141. Because funds appropriated under this act are discretionary CCDF funds, states are also required to spend at least 70 percent of the remaining funds on subsidies for eligible families after setting aside funds for quality and administrative activities.

[7]Pub. L. No. 113-186, § 12(a), 128 Stat. 1971, 2001. For the remainder of this report, unless otherwise noted, we refer to the CCDBG Act of 1990, as amended, as "the CCDBG Act."

CCDF administrators in two ways.[8] First, we surveyed CCDF administrators in the 50 states and the District of Columbia (D.C.) using a Word-enabled questionnaire in May and June 2018 and received a 100 percent response rate. We asked CCDF administrators about state child care activities, including those related to CCDBG Act requirements, and any additional purpose for which their state expected to spend at least some of the additional funds from the Consolidated Appropriations Act, 2018. We took several steps to minimize measurement error and data collection and processing errors.[9] Specifically, we pre-tested draft versions of the questionnaire with CCDF administrators in three states to check the clarity of the questions and layout of the questionnaire, and made revisions in response, as appropriate. In addition, we directly extracted respondent data from our questionnaire into a spreadsheet to facilitate analysis, and visually inspected the extracted data for any errors. Second, we conducted semi-structured interviews with CCDF administrators in 15 states, including D.C., in May and June 2018 to collect in-depth information about their plans to use the new funding and the impact on their wait lists, if applicable. We selected states with and without wait list policies that also reflected variation in the level of CCDF funding set aside for quality activities, according to the most recently available data from HHS, and geography (see enclosure III for a list of these states). Through our interviews and follow-up, we obtained information on states' plans for future spending, potential impacts of not having received the new funds, and challenges associated with the funding. While information obtained during these interviews is not generalizable and may be preliminary and subject to change, it provides point-in-time insight into state plans for these funds from a variety of states.

We conducted this performance audit from April 2018 to February 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

States administer the federal CCDF program by providing subsidies to eligible families in the form of certificates or vouchers to use for child care in homes, child care centers, and classrooms, or through grants or contracts to child care providers. States have flexibility to establish specific eligibility criteria within broad federal eligibility rules, according to HHS regulations.[10] For example, under federal eligibility rules, a family's income may not exceed 85 percent of state median income,[11] but most states set their income limits below the federal maximum. As a result, generally, fewer families qualify for subsidies under state eligibility rules than under federal eligibility rules, according to HHS.

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[8]For purposes of this report, we are referring to the increase in CCDF funds appropriated under the Consolidated Appropriations Act, 2018 as "new funds" or "new funding."

[9]Measurement error can include variations in how respondents interpret questions, respondents' willingness to offer accurate responses, and nonresponse error (failing to collect data on answers to individual questions from respondents).

[10]45 C.F.R. §§ 98.16(g)(5), 98.20(b).

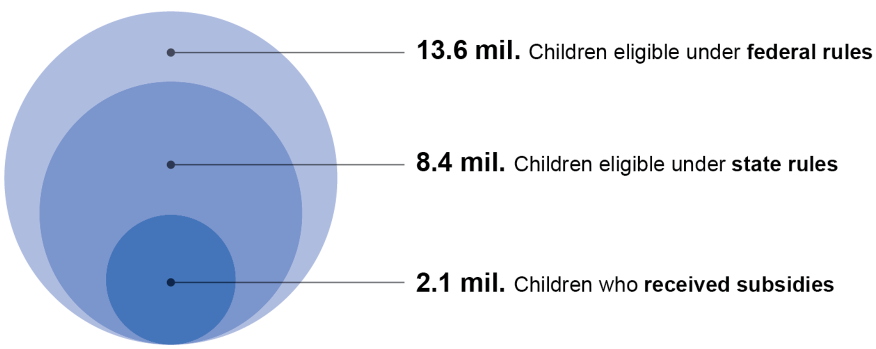
[11]42 U.S.C. § 9858n(4)(B).

The CCDBG Act of 2014 and HHS's final rule implementing the law specify activities that state child care programs are required to or have the option to undertake as part of their CCDF program. These activities fall into four key areas, according to HHS: (1) protecting the health and safety of children in child care; (2) helping parents make informed consumer choices and access information to support child development; (3) supporting equal access to stable, high-quality child care for low-income children; and (4) enhancing the quality of child care and the early childhood workforce. The Act added some specific requirements, such as requirements for comprehensive criminal background checks for child care providers.[12] States may also use CCDF funds for a variety of additional child care activities that are not explicitly required under the act. Enclosure II describes various state child care activities and their related requirements from the CCDBG Act of 2014, where applicable.

HHS Estimated That One-Quarter of Eligible Children Received Subsidies, and They Were Younger and from Lower-Income Families than Other Eligible Children

An estimated one-quarter of children eligible for child care subsidies under state eligibility rules received them (2.1 million of the 8.4 million children in an average month estimated to be eligible under state rules), according to HHS's analysis of data from fiscal year 2015, the most recent year for which such analysis is available.[13] This represented 15 percent of all children estimated to be eligible under federal rules (see fig. 1).

Figure 1: HHS's Estimated Number of Children Eligible Under Federal and State Rules, and Estimated Number Receiving Child Care Subsidies, Fiscal Year 2015



Source: Office of the Assistant Secretary for Planning and Evaluation, Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2015 (Washington, D.C.: January 2019). | GAO-19-222R

[12]Pub. L. No. 113-186, § 7, 128 Stat. 1971, 1990 (adding 42 U.S.C. § 9858f).

[13]This fiscal year 2015 estimate, reported by HHS's Office of the Assistant Secretary for Planning and Evaluation, represents the number of children who received child care subsidies funded through CCDF or related government funding streams, which includes counts of children who receive subsidies funded directly through the Temporary Assistance for Needy Families (TANF) program, the Social Services Block Grant, or state expenditures claimed as TANF maintenance of effort funds. The ASPE estimate was produced using a different methodology than the fiscal year 2015 figure cited earlier in this report: it includes subsidies funded through these additional related government funding streams whereas the 2015 figure, from HHS's Administration for Children and Families, is limited to subsidies funded through CCDF only and reported by states to HHS. Additionally, the ASPE estimate is limited to children in the 50 states and Washington, D.C. only. See ASPE, *Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2015*. Fiscal year 2015 data were not available at the time of our briefing in October 2018. Therefore, the briefing slides in enclosure I reflect data from fiscal year 2013, the most recently available data at that time.

HHS also estimated that, among families who met federal eligibility criteria in fiscal year 2015, children from lower-income families were more likely to receive child care subsidies compared to children from higher-income families. For example, 45 percent of 5-year-olds from families with incomes below the federal poverty line received subsidies, while 11 percent of 5-year-olds with family incomes between 150 and 199 percent of poverty received subsidies. In addition, HHS estimated that, for those eligible under federal rules in fiscal year 2015, preschool-aged children were more likely to receive subsidies compared to older, school-aged children.[14] For example, 51 percent of 3-year-olds from families with incomes below the federal poverty line received subsidies, while 29 percent of 6- to 9-year-old children with family incomes below the poverty line received subsidies.

Almost All States Plan to Spend New Funds on Activities Related to CCDBG Act Requirements, and One-Third to Address Wait Lists, Despite Future Funding Uncertainty

Almost all states (44) reported they expect to spend the new discretionary CCDF funding from the Consolidated Appropriations Act, 2018, on at least one of several state child care activities related to CCDBG Act requirements, according to our survey.[15] The most frequently reported activities were child care provider payment rates and parental copayments (31 states), professional development of the child care workforce (30 states), and consumer education (30 states) (see fig. 3 in enclosure I). For example, under the CCDBG Act, states must certify that their child care provider payment rates are sufficient to ensure that children who are eligible for subsidies have the same access to child care services as children who are not eligible for CCDF subsidies. When determining payment rates for CCDF providers, states are required to consider the costs associated with higher-quality care.[16] Officials in two states told us their states plan to increase payment rates for subsidized child care providers who provide nighttime and weekend care, in an effort to promote access to child care for families with nontraditional work hours. Another state plans to use these funds to increase payment rates for providers of infant and toddler care to increase access for eligible infants and toddlers, according to its CCDF administrator.

Three-quarters of states we surveyed (38) also reported they expect to spend the new funds on at least one additional state child care activity that is not explicitly required.[17] The activities most frequently cited were for a tiered quality rating system (25 states), a child care resource and referral system (20 states), and spending on quality activities beyond the required minimum (20 states) (see fig. 4 in enclosure I). According to HHS, states are required to provide information on child care provider quality, as determined by a quality rating and improvement system or other indicator of quality, if available.[18] Although tiered quality rating systems are not required,

[14] GAO previously found that children who received CCDF subsidies in an average month in 2011-2012 were often younger and from lower-income families when compared to all eligible children. GAO-17-60.

[15] Of the remaining states, six answered “don’t know” for all activities, and one answered either “no” or “don’t know” for all activities.

[16] 42 U.S.C. § 9858c(c)(4)(B)(iii)(II), (c)(5). In setting payment rates, states must ensure equal access for CCDF-eligible children to child care services that are comparable to child care services provided to families who do not receive subsidies. 42 U.S.C. § 9858c(c)(4)(A). HHS suggests states use a benchmark of the 75th percentile of rates reported in the market rate survey for payment rates, while noting there is no specific threshold set for equal access.

[17] Of the remaining states, eight states answered “don’t know” for all optional activities, four states answered either “no” or “don’t know” for all activities, and one state answered “no” for all activities.

[18] 42 U.S.C. § 9858c(c)(2)(E)(i)(II), 45 C.F.R. § 98.33(a)(3).

some state officials we interviewed were planning on using funds to increase reimbursements for high-quality child care providers (which would be determined through a quality rating system), while other state officials planned to use funds on efforts to implement or improve their current tiered quality rating system. According to CCDF administrators from several states, these efforts can incentivize child care providers to increase the quality of their child care services to qualify for higher reimbursements. In the absence of the new funds, officials in one state, for example, said they may have needed to disenroll some families receiving subsidies in order to reallocate needed funds to implement and administer their rating system. Without the new funds, officials in another state said they would not have been able to update the state's tiered quality rating system, which is necessary to create a sufficient financial incentive for child care providers to improve the quality of their service.

Nearly one-third of states (16) reported in our survey that they plan to use new CCDF funds to pay for subsidies for children on their wait lists to receive child care, among other subsidy-related plans.[19] States may use a wait list when they do not have sufficient CCDF funds to provide subsidies to all eligible families that apply.[20] According to our interviews with CCDF administrators, all 5 states that use a wait list might have had to expand their wait lists in the absence of the new funds. For example, one state's CCDF administrator told us the state's wait list may have expanded further without the new funds after already growing following implementation of the 12-month eligibility redetermination requirement, which allowed participating families to continue receiving subsidies for a longer period of time. Without the new funds, another state might have needed to further restrict its priority population for child care subsidies, in effect, reducing the number of families that receive priority, which would contribute to an increase in the size of the state's wait list, according to a state official. Similarly, officials in half of the states we interviewed without wait lists indicated they might have needed to create one had they not received the new funds.

However, several state CCDF administrators expressed uncertainty about their states' plans for using the new CCDF funds in our interviews (conducted in May and June 2018). Officials from more than a third of the states we interviewed (6) said their spending plans were still in flux. In some of these states, officials said they were still developing and reviewing their funding proposals as part of their state's legislative and budgeting process and they were awaiting future legislative approval or spending authorization.[21] For example, in one state, the CCDF

[19]Other subsidy-related areas in our survey in which states reported plans to spend new CCDF funds include provider payment rates and parental copayments (31 states), 12 month eligibility period and graduated phase-out requirements (25 states), and tiered quality rating systems (25 states).

[20]Our survey collected information on whether states planned to spend at least some of the new funds on subsidies for children on a wait list, if applicable in that state. Our survey did not collect information on whether states were using a wait list. The National Women's Law Center reported in 2017 that 19 states used a wait list for CCDF. See National Women's Law Center, *Persistent Gaps: State Child Care Assistance Policies 2017* (Washington, D.C.: October 2017). According to our survey data, 12 of the 19 wait list states in the National Women's Law Center study reported that they would spend at least some of the new funds on subsidies for children on a wait list.

[21]In August 2018, HHS issued a memorandum to states containing guidance on spending the new CCDF funds. According to the memo, states retain flexibility on how to invest funds to best meet their needs, though they were requested to remain mindful of congressional priorities that the funds are intended to increase access to affordable, high-quality child care to more low-income working families. The memo states there were no changes to discretionary spending requirements, aside from the prohibition that no funds made available in the fiscal year 2018 appropriations may be provided to any child care provider if a serious injury or death occurred with that provider due to a substantiated health or safety violation. States have until September 30, 2019, to obligate the new funds and until September 30, 2020, to liquidate them, according to HHS.

administrator said she was awaiting information on how much money the state would receive before she planned to convene stakeholder groups to discuss potential funding proposals. In another state, the CCDF administrator said her office needed to wait for other local budget appropriation decisions before her office could commit the new CCDF funds to specific priorities. Officials in more than half of the states we interviewed also told us they faced challenges making spending decisions because it was unclear to them whether the new funds would be provided on an ongoing basis.[22] For example, CCDF administrators in two states that plan to expand subsidies to children on their wait lists expressed concerns about having to disenroll children from the program if funding is discontinued.

Agency Comments

We provided a copy of this draft report to HHS for review and comment. HHS provided technical comments only, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of the Department of Health and Human Services, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or larink@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in enclosure IV.

Kathryn A. Larin
Director, Education, Workforce, and Income Security Issues

Enclosures – 4

[22]Future funding is subject to the annual appropriations process.

Enclosure I: Briefing to Senate Committee on Health, Education, Labor and Pensions and House Committee on Education and the Workforce, October 24, 2018

GAO

Enclosure I

Child Care and Development Fund (CCDF): Subsidy Receipt and Plans for New CCDF Funds

Briefing to Senate Committee on Health, Education, Labor and Pensions and House Committee on Education and the Workforce

October 24, 2018

Note: Data on subsidy receipt included in this briefing were updated by the Department of Health and Human Services in January 2019. For the most recent data on subsidy receipt, refer to the letter that precedes Enclosure I.

Page 1

Introduction: GAO's Mandate Under the Child Care and Development Block Grant (CCDBG) Act of 2014

- The CCDBG Act of 2014 included a provision for GAO to study the extent of participation in the CCDF program across states, including the number of families receiving subsidies and those placed on wait lists, and publish a report every 2 years.
- GAO's most recent report on this topic, *Child Care: Access to Subsidies and Strategies to Manage Demand Vary Across States* (GAO-17-60), was published in December 2016.
- This briefing provides preliminary information collected for GAO's second report in response to the mandate, which will be issued in winter 2019.

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Objectives

1. What is known from the most recent data available from the U.S. Department of Health and Human Services (HHS) about the extent to which eligible children received child care subsidies and their characteristics?
2. How do states plan to use the increase in CCDF funding from the Consolidated Appropriations Act, 2018, including addressing wait lists?

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Methodology

1. Summarized the most recent HHS analysis of CCDF eligibility and subsidy receipt data as reported in *Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2013* (November 2017).
2. Surveyed CCDF administrators in 50 states and the District of Columbia (D.C.) (100 percent response rate) to collect information about how states expect to use the new CCDF funding from the Consolidated Appropriations Act, 2018.
3. Conducted semi-structured interviews with CCDF administrators in 15 states including Washington, D.C. to collect in-depth information about these states' plans to use the new CCDF funding and the impact of the new funding on their wait lists, if relevant (states were selected, in part, based on the presence or absence of a state wait list policy as of October 1, 2016).
4. Reviewed relevant federal laws and regulations, including the CCDBG Act of 1990, as amended, and the 2016 CCDF Final Rule, as well as HHS guidance memorandum to states on use of new funds.

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Background: CCDF

- CCDF is made up of two funding streams—discretionary funding authorized under the CCDBG Act of 1990, as amended, and mandatory and matching funding authorized under the Social Security Act—administered by HHS at the federal level.
- The CCDBG Act of 2014 reauthorized the CCDBG Act of 1990 and authorized discretionary CCDF funding through fiscal year 2020. The act also includes various requirements states must meet.
    - After setting aside funds for quality and administrative activities, states are required to spend at least 70 percent of their remaining discretionary funds on subsidies for eligible families.
- The Consolidated Appropriations Act, 2018, enacted in March 2018, provided $5.2 billion for the CCDBG Act of 1990, as amended.
    - The law requires that the funds be used to supplement, not supplant, state general revenue funds for child care assistance for low-income families.

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Background: HHS Data

- HHS has published 7 reports on child care eligibility and receipt using data from fiscal years 2003 (issued April 2005), 2005 (issued July 2008), 2006 (issued April 2010), 2009 (issued December 2012), 2011 (issued February 2015), 2012 (issued November 2015), and 2013 (issued November 2017).
- According to HHS, another report will be published sometime in 2019 but no issue date has yet been determined. Accordingly, the most recent data were published by HHS in November 2017 for fiscal year 2013.

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Background: Federal and State Eligibility Rules

- States have the flexibility to establish specific eligibility criteria within broad federal eligibility rules, according to HHS regulations.
- Generally, fewer families qualify for subsidies under state eligibility rules than under federal eligibility rules, according to HHS.

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Background: Activities Related to CCDBG Act Requirements

The CCDBG Act of 2014 and the 2016 final rule included major changes in four key areas, according to HHS:

1. Protecting the health and safety of children in child care.
2. Helping parents make informed consumer choices and access information to support child development.
3. Supporting equal access to stable, high-quality child care for low-income children.
4. Enhancing the quality of child care and the early childhood workforce.

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Background: Additional State Child Care Activities

States may conduct a variety of additional state child care activities that, while not explicitly required by the CCDBG Act of 1990, as amended, may be funded with CCDF funds.

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Objective 1: Eligibility and Receipt of Child Care Assistance Subsidies

- About one-quarter of children eligible for child care subsidies under *state eligibility rules* received them (2.1 million in an average month), according to HHS's analysis of data from fiscal year 2013, the most recent year for which such analysis is available.[1]
- This represents 16 percent of all children estimated to be eligible under *federal rules*.

[1]This fiscal year 2013 estimate, reported by HHS's Office of the Assistant Secretary for Planning and Evaluation, represents the number of children who received child care subsidies funded through CCDF or related government funding streams, which includes counts of children who receive subsidies funded directly through the Temporary Assistance for Needy Families (TANF) program, the Social Services Block Grant, or state expenditures claimed as TANF maintenance of effort funds.

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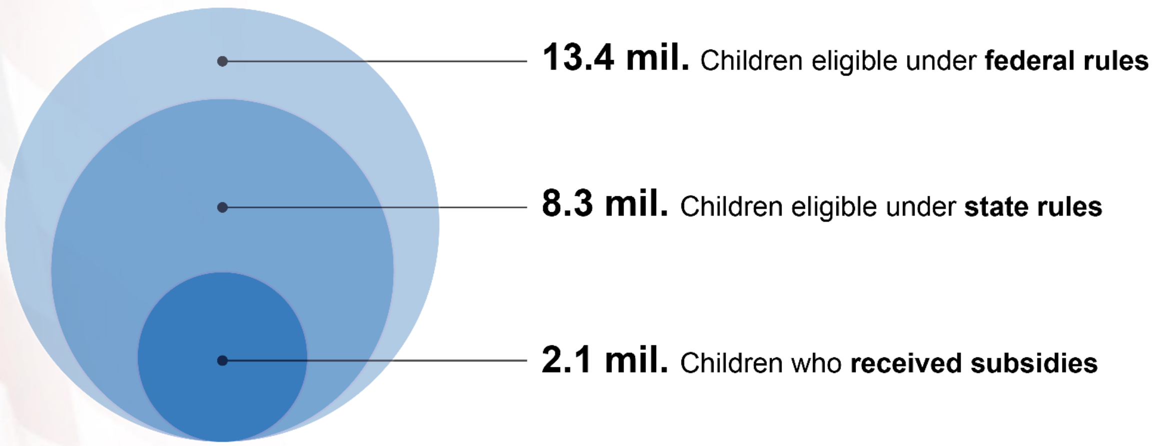
Figure 1: HHS's Estimated Number of Children Eligible Under Federal and State Rules, and Estimated Number Receiving Child Care Subsidies, Fiscal Year 2013



Source: Office of the Assistant Secretary for Planning and Evaluation, *Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2013* (Washington, D.C.: November 2017). | GAO-19-222R

Note: Data on subsidy receipt included in this briefing were updated by the Department of Health and Human Services in January 2019. For the most recent data on subsidy receipt, refer to the letter that precedes Enclosure I.

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Objective 1: Characteristics of Eligible Children Who Received Child Care Subsidies

- HHS estimated that, among families who met federal eligibility criteria in fiscal year 2013:
  - children from lower-income families were more likely to receive child care subsidies compared to children from higher-income families, and
  - preschool-aged children were more likely to receive subsidies compared to older, school-aged children.

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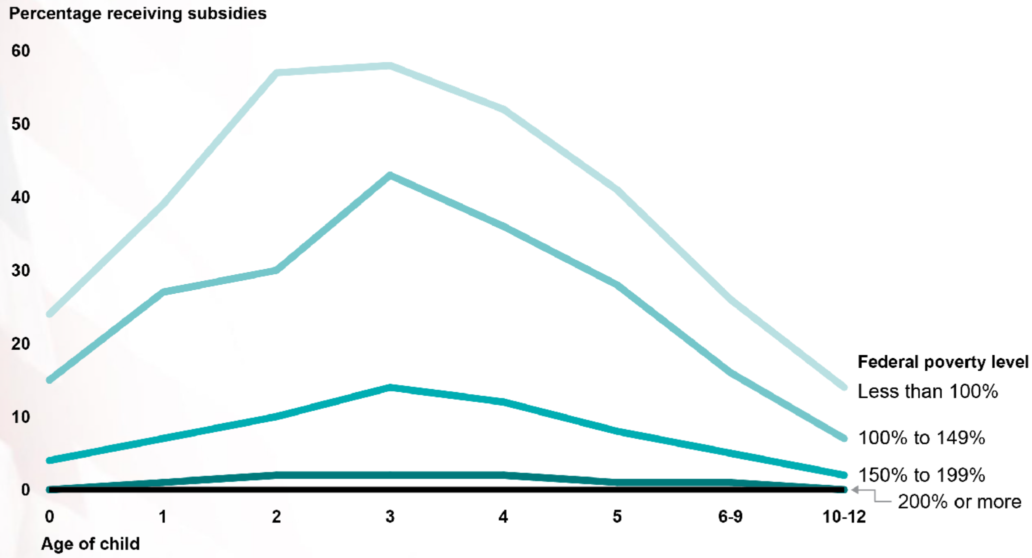
Figure 2: HHS’s Estimated Percentage of Federally-Eligible Children Receiving Subsidies, By Age and Income, Fiscal Year 2013



Source: Office of the Assistant Secretary for Planning and Evaluation, *Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2013* (Washington, D.C.: November 2017). | GAO-19-222R

Note: Poverty figures are based on 2013 poverty thresholds published by the U.S. Census Bureau. For families with one adult and two children, 150 percent of poverty is $28,154 ($2,346 monthly).

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Objective 2: States' Plans for New CCDF Funding

- Results from our survey of CCDF administrators in the 50 states and D.C. show that almost all states (44) plan to spend the new CCDF funding from the Consolidated Appropriations Act, 2018 on at least one activity related to a requirement for all states under the CCDBG Act of 1990, as amended.[2]
- Our results indicate that the most frequently reported activities related to a CCDBG Act requirement for which states plan to spend the new discretionary funds are (1) provider payment rates and parental copayments, (2) professional development, and (3) consumer education.

[2]Responses from remaining states: 6 states answered "don't know" for all spending categories, 1 state answered "no" for 4 categories and "don't know" for 4 categories.

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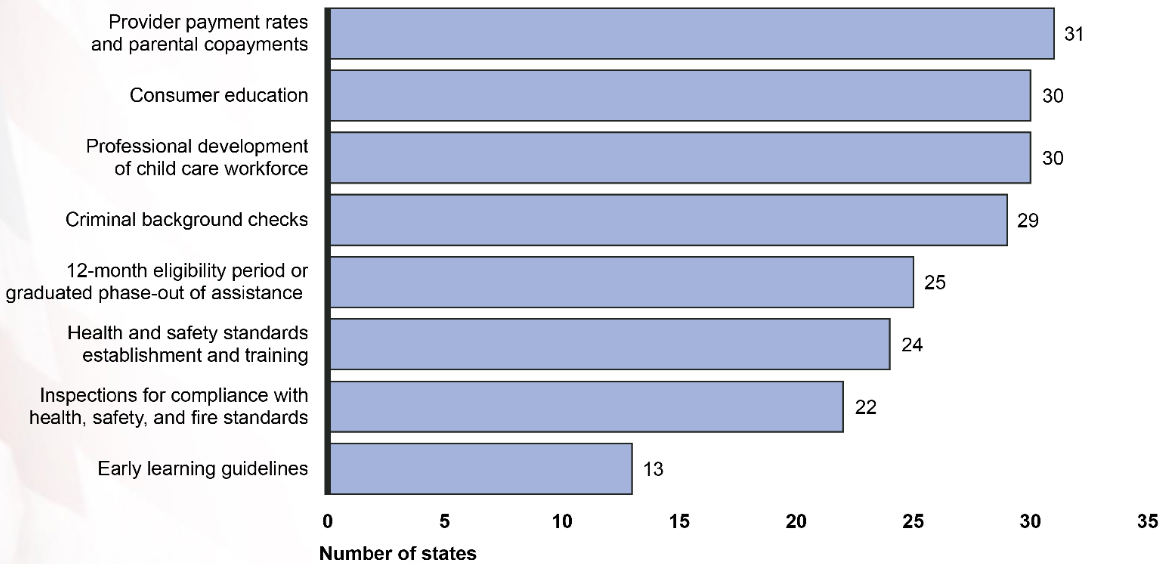
Figure 3: Activities Related to CCDBG Act Requirements States Plan to Fund with New CCDF Funds



Source: GAO survey of CCDF administrators in the 50 states and the District of Columbia. | GAO-19-222R

Note: All states must implement specific requirements related to these categories of activities under the Child Care and Development Block Grant Act of 1990, as amended. In responding to the survey, six states selected "don't know" for all of the requirements.

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GAO

Objective 2: States' Plans for New CCDF Funding

- Results from our survey show that three quarters of states (38) also plan to spend the new CCDF funds on at least one of the following additional state child care activities that are not explicitly required under the CCDBG Act of 1990, as amended. Because these activities are optional, these spending categories may not apply or be relevant to all states.
- Our results indicate that the most frequently reported additional activities for which states plan to spend the new discretionary funds are (1) tiered quality rating system, (2) child care resource and referral system, and (3) quality set-aside beyond the required minimum.

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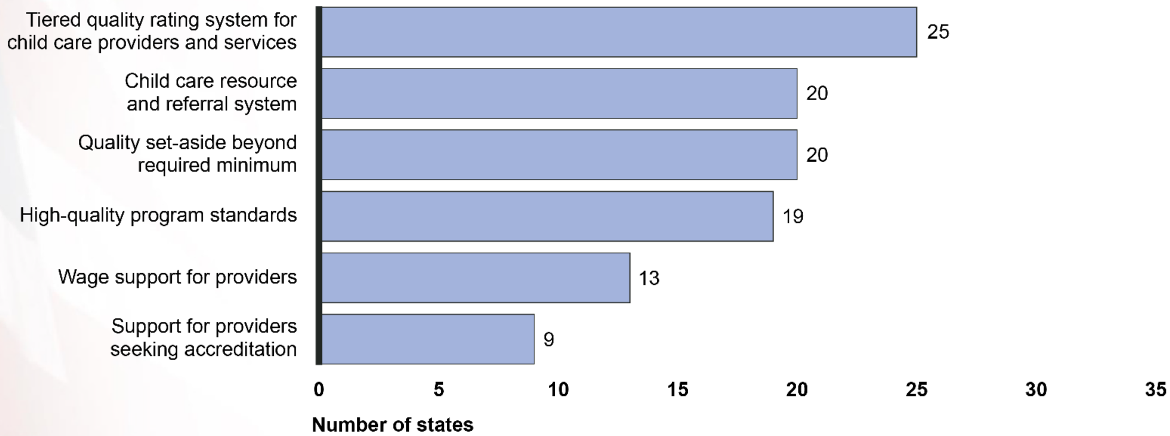
Figure 4: Additional State Child Care Activities States Plan to Fund with New CCDF Funds



Source: GAO survey of CCDF administrators in the 50 states and the District of Columbia. | GAO-19-222R

Note: States are not required to conduct these activities under the Child Care and Development Block Grant Act of 1990, as amended, but they may use CCDF funds to support these activities. In responding to the survey, eight states selected "don't know/not applicable" for all of the activities.

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Objective 2: States Plan to Allocate New CCDF Funds to Subsidies or to Address Wait Lists

- Our results indicate that states plan to spend new funds on subsidies in various ways:
  - subsidies for children on wait lists,
  - provider payment rates and parental co-payments,
  - tiered quality rating system, and
  - 12-month eligibility period and graduated phase-out of assistance.

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Objective 2: Spending Decisions in Some States in Flux

- Our results also suggest that:
  - more than a third of the 15 states we interviewed were still in the process of making decisions about how to spend new funds; and
  - the majority of the 15 states we interviewed face challenges making spending decisions because they do not know if new funding will continue in the future.

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Enclosure II: State Child Care Activities, Including Those Related to Requirements Under the Child Care and Development Block Grant (CCDBG) Act of 1990, as amended, and Relevant Federal Regulations

Shaded activities are those with related requirements from the CCDBG Act of 1990, as amended, and relevant federal regulations.

Category	Activity	Description
Protect the Health and Safety of Children in Child Care	Licensing	States must certify that they have licensing requirements for child care providers, although they may exempt certain types of providers. 42 U.S.C. § 9858c(c)(2)(F), (K).
	Monitoring/Inspections for compliance with health, safety, and fire standards	States must certify that they have policies to annually conduct unannounced inspections of all licensed Child Care and Development Fund (CCDF) providers for compliance with all child care licensing standards, including health, safety, and fire standards, including at least one prelicensure inspection. State licensing inspectors must be trained in the state's health and safety standards and licensing rules and the ratio of licensing inspectors to child care providers must be sufficient to ensure that inspections occur in a timely manner. 42 U.S.C. § 9858c(c)(2)(K)(i).
	Criminal background checks	States must have policies in effect and must conduct comprehensive criminal background checks every 5 years for child care staff of providers that are licensed, regulated, or registered by the state, or that serve children receiving CCDF subsidies. Child care providers receiving CCDF funds are prohibited from employing child care staff who refuse to consent to the check. Providers are also prohibited from employing child care staff who meet one of the disqualifying criteria mentioned in the law, including convictions for specified felonies, or violent misdemeanors committed as an adult against a child. 42 U.S.C. § 9858f.
	Health and safety standards	States must certify that they have health and safety standards that are applicable to CCDF providers, and procedures to ensure that CCDF providers comply with them. States are required to develop health and safety requirements in specific topic areas, such as the use of safe sleeping practices and pediatric first-aid. States must also certify that all CCDF providers will receive minimum health and safety training in these areas, to be completed pre-service or during an orientation period, in addition to ongoing training. 42 U.S.C. § 9858c(c)(2)(H)(ii)(I).
Help Parents Make Informed Consumer Choices and Access Information to Support Child Development	Consumer education	States must certify that they will collect and disseminate information to parents of CCDF-eligible children, the public, and child care providers about the availability of the full diversity of child care services that will promote informed child care choices. States must make public electronically the results of monitoring and inspection reports, as well as information on deaths, serious injuries, and substantiated child abuse for child care providers in the state. 42 U.S.C. § 9858c(c)(2)(E). HHS regulations also specify that states must have a website describing licensing, monitoring, and background check processes, as well as a searchable list of licensed child care providers, along with information about the provider's quality rating, if available. 45 C.F.R. § 98.33.
	Child care resource and referral system[a]	States may develop a child care resource and referral system to support state quality improvement efforts, for example, through local or regional agencies that provide training and professional development, coaching, and technical assistance to child care providers and consumer education to parents. *See*, 42 U.S.C. § 9858e(b)(5).
Support Equal Access to Stable, High-Quality Child Care for Low-Income Children	12-month eligibility period	States must ensure that children who receive CCDF assistance will continue to do so for at least 12 months before their eligibility redetermination, regardless of temporary changes in parents' work or activities and changes in family income, as long as income does not exceed 85 percent of state median income (SMI). 42 U.S.C. § 9858c(c)(2)(N)(i).

Shaded activities are those with related requirements from the CCDBG Act of 1990, as amended, and relevant federal regulations.

Category	Activity	Description
	Graduated phase-out of assistance	States must certify they have policies and procedures to allow for a graduated phase-out of assistance for children whose family income at redetermination exceeds the initial eligibility limit but is below 85 percent of SMI. 42 U.S.C. § 9858c(c)(2)(N)(iv).
	Child care provider payment rates	States must demonstrate that payment (reimbursement) rates for CCDF providers are based on the results of a statistically valid and reliable market rate survey, or alternative methodology, and take into account costs associated with higher-quality care when setting payment rates. States may differentiate provider payment rates according to geographic area, age or needs of the child, and nontraditional care hours, for example, and they are required to reevaluate payment rates at least every 3 years. 42 U.S.C. § 9858c(c)(4)(B).
	Parental copayments	States must provide that they will establish and periodically revise, by rule, a sliding fee scale that provides for cost sharing by families that receive CCDF services. 42 U.S.C. § 9858c(c)(5). Families must contribute to the cost of care based on family size and income. States may exempt families with income at or below the poverty level from copayments, among other categories (families caring for children in protective services or families that meet other conditions established by the state). 45 C.F.R. § 98.45(k).
Enhance the Quality of Child Care and the Early Childhood Workforce	Professional development of the child care workforce	States must describe the training and professional development requirements designed to enable providers to promote the social, emotional, physical, and cognitive development of children, including providing an assurance that these requirements will be conducted on an ongoing basis and provide for a progression of professional development. 42 U.S.C. § 9858c(c)(2)(G).
	Early learning and developmental guidelines	States must provide an assurance that they will develop, maintain, or implement early learning and developmental guidelines for statewide use by child care providers for children from birth to kindergarten entry that cover the essential domains of early childhood development (i.e., cognition, and social, emotional, and physical development). 42 U.S.C. § 9858c(c)(2)(T).
	Quality set-aside	In fiscal year 2019, states must use at least 8 percent of their CCDF funds on at least one of ten specified activities designed to improve the quality of child care services, such as the training and professional development of the child care workforce and evaluating the quality and effectiveness of child care programs. States may elect to spend more than the required minimum on quality activities. The minimum percentage states must spend on quality expenditures has increased in recent years, to a maximum of 9 percent of CCDF funding for fiscal year 2020 and beyond. In addition, beginning in fiscal year 2017, states have been required to spend at least an additional 3 percent on quality expenditures for infants and toddlers.42 U.S.C. § 9858e(a)(2)(A)(ii), (b).
	High-quality program standards	States may support the development or adoption of high-quality program standards relating to health, mental health, nutrition, physical activity, and physical development. 42 U.S.C. § 9858e(b)(9). Standards create a common definition of quality for child care providers and can be used to help inform parents.
	Tiered quality rating systems	States may develop a tiered quality rating system for child care providers and services. 42 U.S.C. § 9858e(b)(3). These systems consist of a systematic approach to assess, improve, and communicate the level of quality in early and school-age care and education programs. Such systems award quality ratings to programs that meet a set of defined program standards, encouraging a path of continuous quality improvement.
	Accreditation of child	States may support child care providers in the voluntary pursuit of

Shaded activities are those with related requirements from the CCDBG Act of 1990, as amended, and relevant federal regulations.

Category	Activity	Description
	care providers	accreditation by a national accrediting body with demonstrated, valid, and reliable program standards of high quality. 42 U.S.C. § 9858e(b)(8). States may incorporate national accreditation systems into their quality rating systems to generally signify achieving higher levels of quality.
	Wage supports for providers	States may provide wage supports and educational scholarships to child care providers. 45 C.F.R. § 98.53(a)(1)(vii).

Source: Child Care and Development Block Grant Act of 1990, as amended; Department of Health and Human Services (HHS) regulations; HHS CCDF Fundamentals Resource Guide; and HHS Form ACF-696. | GAO-19-222R.

Note: The state child care activities included in the table are not comprehensive.

[a]A child care resource and referral system could also be grouped with the activities that enhance the quality of child care and the early childhood workforce.

Enclosure III: List of States Interviewed

Alaska: Child Care Program Office, Division of Public Assistance, Department of Health and Social Services

Colorado: Office of Early Childhood, Department of Human Services

District of Columbia: Division of Early Learning, Office of the State Superintendent of Education

Florida: Office of Early Learning, Department of Education

Illinois: Division of Family & Community Services, Department of Human Services

Indiana: Office of Early Childhood and Out-of-School Learning, Family and Social Services Administration

Michigan: Office of Great Start, Department of Education

Montana: Early Childhood Services Bureau, Department of Public Health and Human Services

New Mexico: Child Care Services Bureau, Children, Youth and Families Department

North Carolina: Division of Child Development and Early Education, Department of Health and Human Services

Oklahoma: Child Care Services, Department of Human Services

Rhode Island: Department of Human Services

South Carolina: Division of Early Care and Education, Department of Social Services

South Dakota: Division of Child Care Services, Department of Social Services

Utah: Office of Child Care, Department of Workforce Services

Enclosure IV: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

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