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.

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.

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?

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.

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.

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.

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.

Background: Additional State Child Care Activities

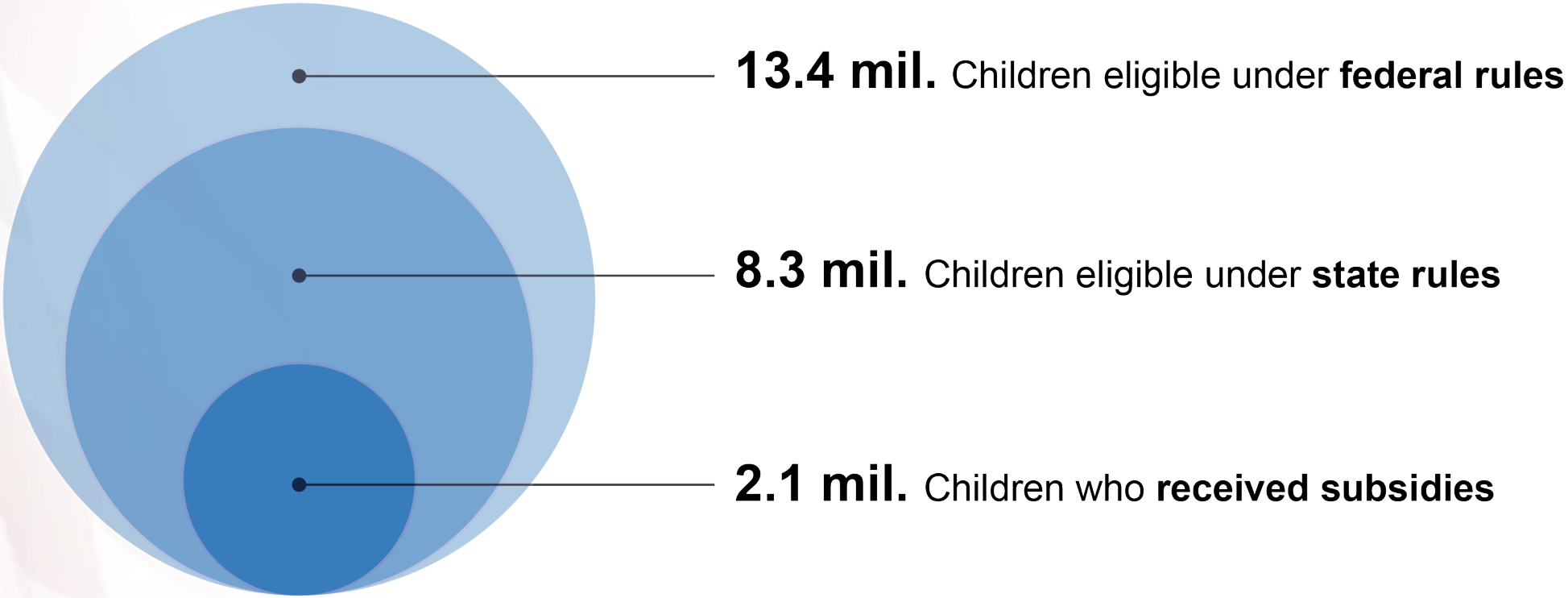
States may conduct a variety of additional state child care activities that, while not explicitly required by the CCDBG Act of 1990, as amended, may be funded with CCDF funds.

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.

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

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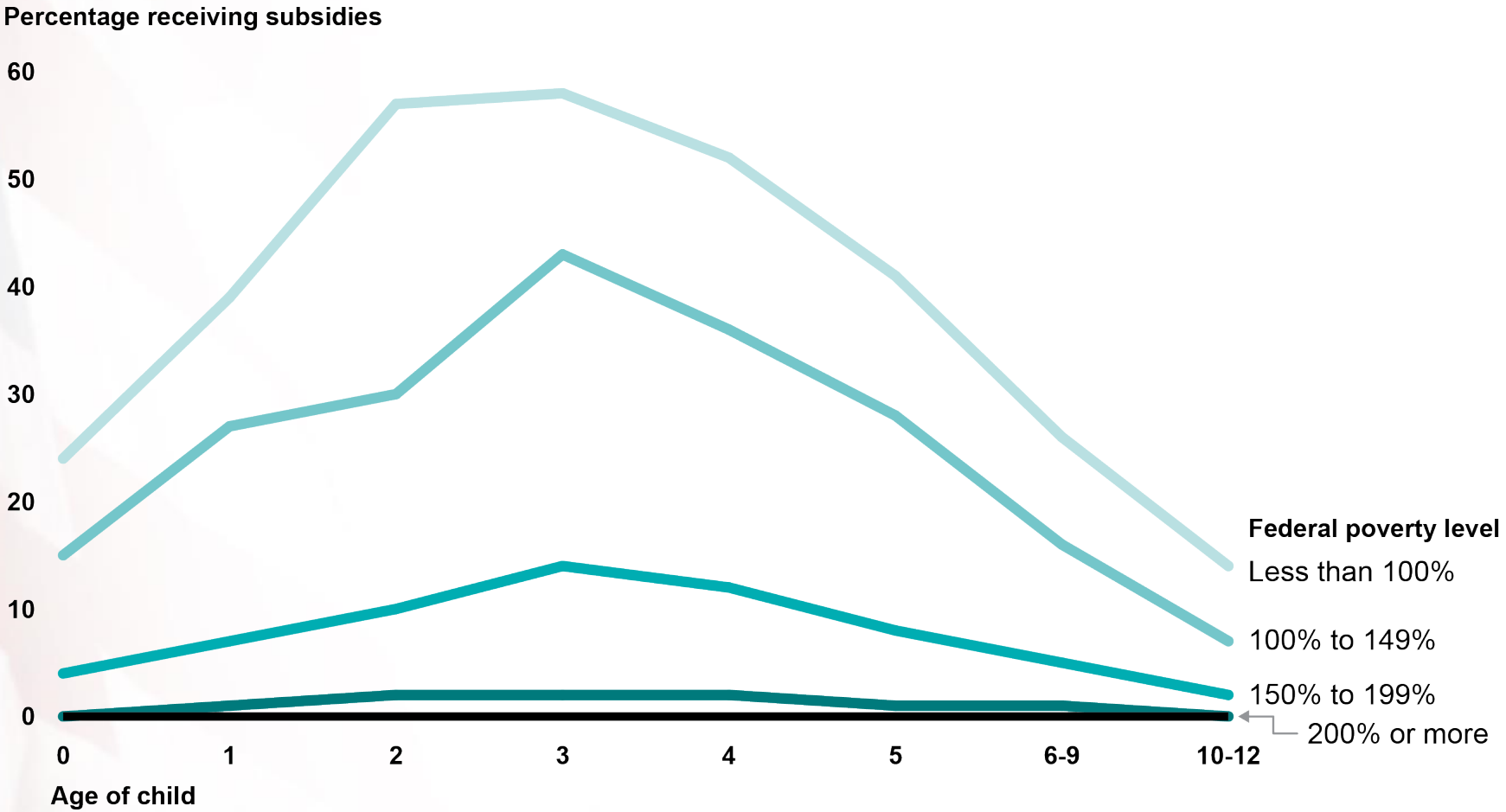
Objective 1: Characteristics of Eligible Children Who Received Child Care Subsidies

- 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.

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

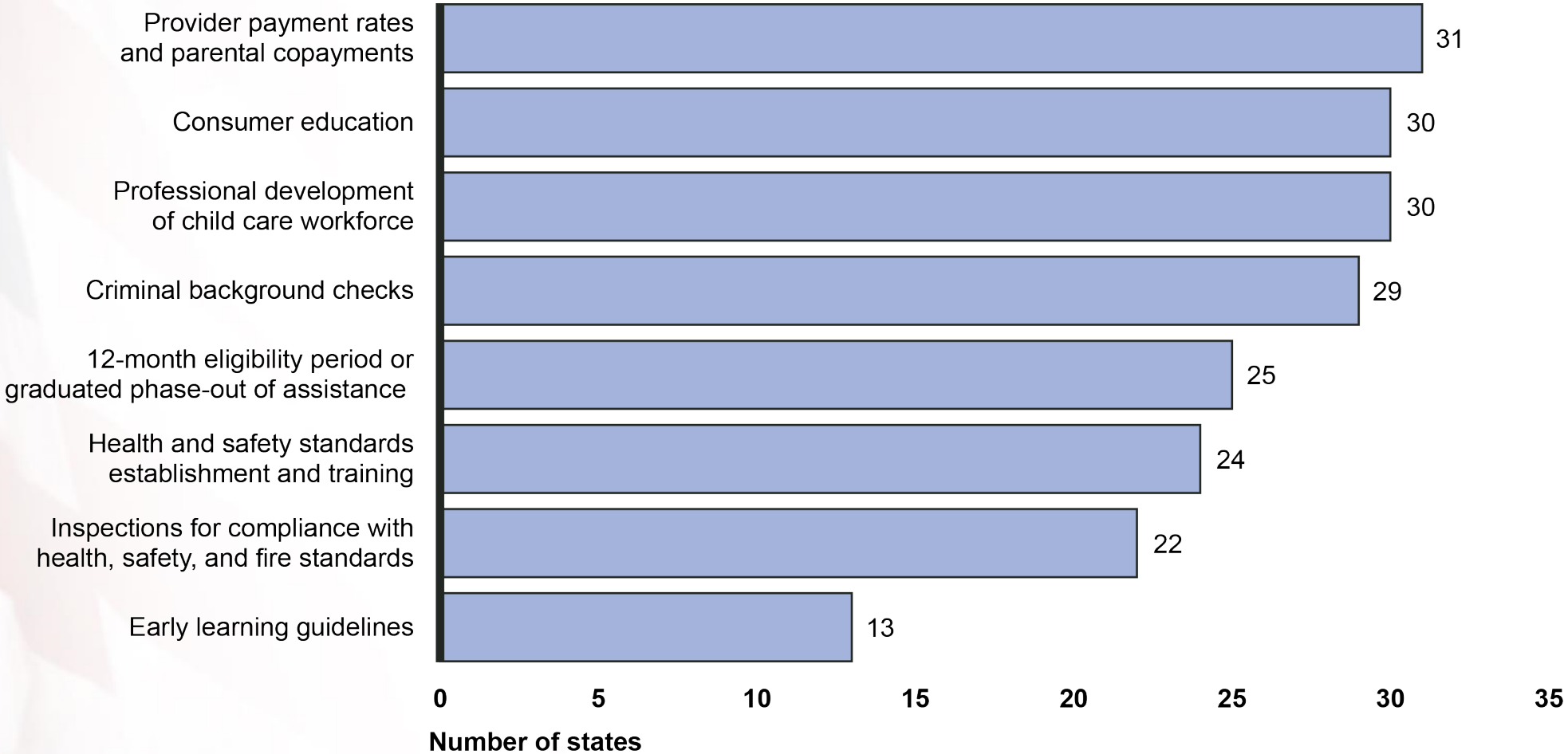
Note: Poverty figures are based on 2013 poverty thresholds published by the U.S. Census Bureau. For families with one adult and two children, 150 percent of poverty is $28,154 ($2,346 monthly).

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.

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



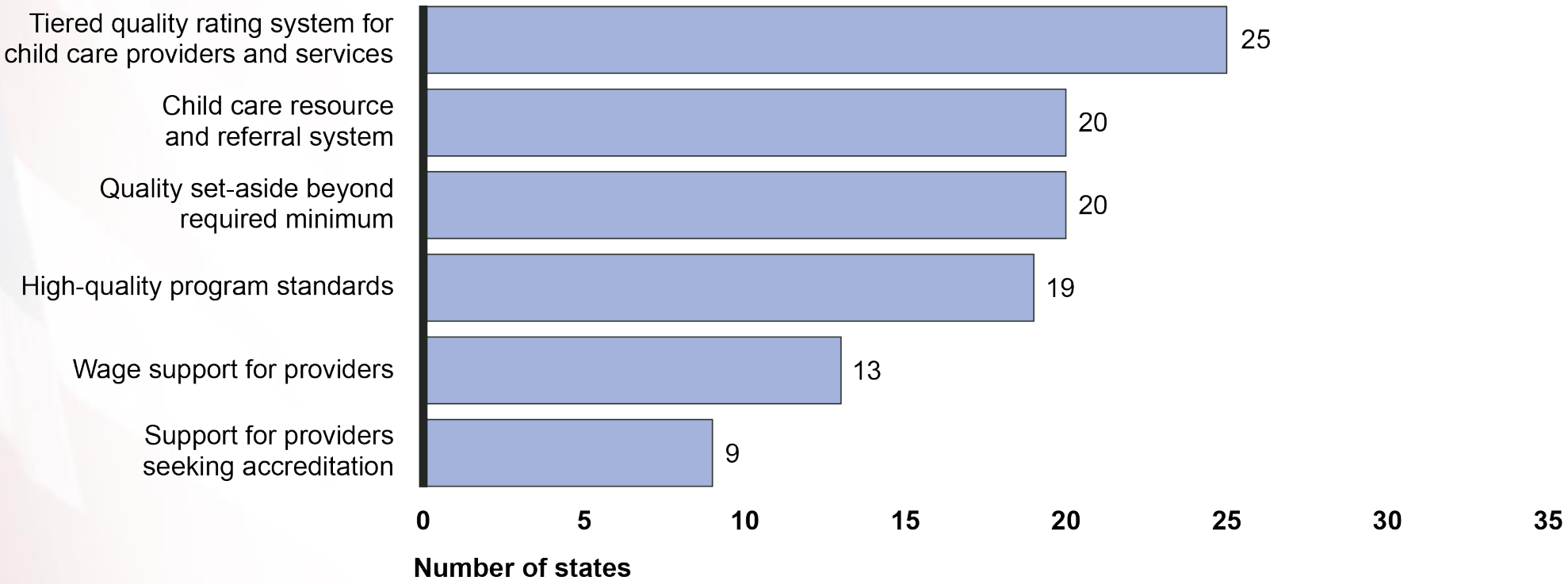
Source: GAO survey of CCDF administrators in the 50 states and the District of Columbia. | GAO-19-222R

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.

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.

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.

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.

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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James-Christian Blockwood, Managing Director, spel@gao.gov
(202) 512-4707, U.S. Government Accountability Office,
441 G Street NW, Room 7814, Washington, DC 20548

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