



# The Child Care and Development Block Grant: Background and Funding

**Karen E. Lynch**  
Analyst in Social Policy

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## Summary

The Child Care and Development Block Grant (CCDBG) provides subsidies to assist low-income families in obtaining child care so that parents can work or participate in education or training activities. Discretionary funding for this program is authorized by the Child Care and Development Block Grant Act of 1990 (as amended), which is currently due for reauthorization. Mandatory funding for child care subsidies authorized in Section 418 of the Social Security Act (sometimes referred to as the “Child Care Entitlement to States”) is also due for reauthorization in the 112<sup>th</sup> Congress. In combination, these two funding streams are commonly referred to as the Child Care and Development Fund (CCDF). The CCDF is the primary source of federal funding dedicated solely to child care subsidies for low-income working and welfare families.

The CCDF is administered by the Office of Child Care at the U.S. Department of Health and Human Services (HHS), and provides block grants to states, according to a formula, which are used to subsidize the child care expenses of working families with children under age 13. In addition to providing funding for child care services, funds are also used for activities intended to improve the overall quality and supply of child care for families in general.

Discretionary child care funds are subject to the annual appropriations process. A Full-Year Continuing Appropriations Act for FY2011, H.R. 1, passed the House on February 19, 2011. If enacted, this bill would provide \$2.088 billion in discretionary CCDBG funding for FY2011, a decrease of \$39 million from the level funded by the FY2010 Consolidated Appropriations Act (P.L. 111-117) and \$839 million below the Obama Administration’s FY2011 request of \$2.927 billion. In the absence of enacted full-year appropriations legislation, Congress has passed a series of continuing resolutions (CR) to provide funding for FY2011, the most recent of which, P.L. 112-4, is scheduled to expire on March 18, 2011. This fifth CR for FY2011 funds the CCDBG at the rate of \$2.126 billion, which is \$1 million less than each of the four previous FY2011 CRs and \$801 million below the Obama Administration’s FY2011 Budget request. This is \$1 million below the level of annual discretionary funding the CCDBG received in both the FY2010 Consolidated Appropriations Act (P.L. 111-117) and the FY2009 Omnibus Appropriations Act (P.L. 111-8). The American Recovery and Reinvestment Act (P.L. 111-5) appropriated an additional \$2.000 billion in one-time discretionary CCDF funding in FY2009.

The mandatory child care funding was directly appropriated (or pre-appropriated) for fiscal years 1997 through 2002 by the 1996 welfare reform law (P.L. 104-193), which enacted the mandatory component of the CCDF. Temporary extensions provided mandatory CCDF funding into FY2006. On February 8, 2006, a spending budget reconciliation bill was enacted into law (P.L. 109-171), increasing mandatory child care funding by \$1 billion over five years (for a total amount of \$2.917 billion for each of fiscal years 2006 to 2010). The Claims Resolution Act of 2010 (P.L. 111-291) provided a one-year extension of mandatory child care funding at the FY2010 level of \$2.917 billion. Without legislative action, the authorization and funding for mandatory child care will expire at the end of FY2011.

The Obama Administration’s FY2012 Budget was released on February 14, 2011. The Budget calls for a \$1.3 billion increase in child care subsidy funding in FY2012 (of which \$800 million would be discretionary and \$500 million would be mandatory). The Budget also calls for both the mandatory and discretionary child care funding streams to be fully reauthorized in FY2012.

## Contents

Introduction .....	1
A Brief Legislative History .....	1
Child Care Programs Prior to 1996.....	2
Child Care Reforms of 1996.....	2
Authorization Status of Child Care Programs .....	4
HHS Announces New Office of Child Care .....	4
Program Rules and Benefits .....	5
Goals .....	5
Eligible Children and Families .....	5
Methods of Payment for Child Care Subsidies.....	6
Parental Co-payments .....	6
Provider Payment Rates .....	7
Activities to Improve Child Care Quality and Availability .....	7
Limitations on Use of Funds .....	8
State Application and Plan.....	8
Parental Choice.....	8
Parental Access .....	9
Parental Complaints .....	9
Consumer Education Information.....	9
Licensing and Regulation.....	9
Health and Safety Requirements.....	9
Restriction Against Supplanting State Funds.....	10
Funding .....	10
FY2012 President’s Budget.....	10
Proposed Discretionary and Mandatory Funding Levels .....	10
FY2012 Reauthorization Proposal .....	10
FY2011 Appropriations.....	11
Discretionary Funding.....	11
Mandatory Funding.....	12
FY2011 President’s Budget .....	13
Proposed Discretionary and Mandatory Funding Levels .....	13
Reauthorization Proposal .....	13
Recent Discretionary Appropriations .....	13
FY2010 Appropriations.....	14
FY2010 President’s Budget .....	14
FY2009 Appropriations.....	14
ARRA Implementation.....	15
FY2009 President’s Budget.....	15
Recent Mandatory Pre-appropriations .....	15
Additional Funding History.....	16
Allocation of Funds.....	18
Discretionary Funds .....	18
Mandatory Funds .....	18
Transfer of Funds from TANF .....	21
Federal Enforcement .....	21

Program Integrity and Accountability .....	21
State Error Rate Reporting .....	22
Error Rate Methodology.....	23
Recent Error Rate Findings .....	23
What Happens When Erroneous Payments Are Uncovered? .....	23
2007 Final Rule on State Match Requirements .....	24
Data Collection .....	24
Religious Providers .....	25
Indian Tribes and Tribal Organizations .....	26
Quality Rating and Improvement Systems .....	26

## **Figures**

Figure 1. Child Care Programs Before and After Welfare Reform in 1996.....	3
----------------------------------------------------------------------------	---

## **Tables**

Table 1. Funding Trends in the CCDF, FY1997-FY2011.....	16
Table 2. FY2010 CCDF Allocations .....	19
Table A-1. FY2009 CCDF Allocations .....	28

## **Appendixes**

Appendix. FY2009 CCDF Allocations (Including ARRA).....	28
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## **Contacts**

Author Contact Information .....	30
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## Introduction

The Child Care and Development Block Grant (CCDBG) provides subsidies to assist low-income families in obtaining child care so that parents can work or participate in education or training activities. Discretionary funding for this program is authorized by the CCDBG Act, which is currently due for reauthorization. Mandatory funding for child care subsidies, authorized in Section 418 of the Social Security Act (sometimes referred to as the “Child Care Entitlement to States”), is also due for reauthorization. In combination, these two funding streams are commonly referred to as the Child Care and Development Fund (CCDF). While this term is not found in statute, it can serve as a useful catch-all when discussing the complex financing structure underlying federal support directly targeted to child care subsidies. For the purposes of this report, the term CCDBG will refer specifically to the discretionary funding stream, while the term CCDF will refer to the jointly administered funding streams.

The CCDF is administered by the Department of Health and Human Services (HHS) and provides block grants to states, according to a formula, which are used to subsidize the child care expenses of working families with children under age 13. In addition to providing funding for child care services, funds are also used for activities intended to improve the overall quality and supply of child care for families in general. The CCDF is the primary source of federal funding dedicated solely to child care subsidies for low-income working and welfare families.<sup>1</sup>

The FY2011 funding level for the CCDF has not yet been finalized. The Claims Resolution Act of 2010 (P.L. 111-291) provided \$2.9 billion in mandatory child care funding for FY2011, but discretionary CCDBG funding has been subject to a series of continuing resolutions, the most recent of which (P.L. 112-4) is scheduled to expire on March 18, 2011. The first four continuing resolutions for FY2011 maintained discretionary CCDBG funding at the FY2010 rate of \$2.127 billion, while the fifth continuing resolution (P.L. 112-4) funds the CCDBG at the rate of \$2.126 billion. A Full-Year Continuing Appropriations Act, H.R. 1, passed the House on February 19, 2011. If enacted, this bill would reduce FY2011 discretionary CCDBG funding to \$2.088 billion, representing a decrease of \$39 million from FY2010. The FY2010 funding level for the CCDF was approximately \$5.0 billion, which included \$2.1 billion in discretionary funds and \$2.9 billion in mandatory funds. The Obama Administration’s FY2012 Budget, released in February 2011, requested over \$6.3 billion for FY2012 (\$2.927 billion in discretionary funds and \$3.417 billion in mandatory funds), an increase of \$1.3 billion over the FY2010 funding level.

## A Brief Legislative History

The current structure of federal child care programs and funding is most easily understood by tracing its evolution from the system that existed prior to 1996, when the welfare reform law (P.L. 104-193) simultaneously repealed, created, and consolidated federal child care programs (see **Figure 1**).

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<sup>1</sup> The second-largest source of federal support for child care is the Dependent Care Tax Credit, which is a nonrefundable tax credit used to offset some of the child care expenses of working families with children under 13.

## **Child Care Programs Prior to 1996**

Before 1996, four separate federal programs specifically supported child care for low-income families. Three were associated with the cash welfare system, then Aid to Families with Dependent Children (AFDC). At that time, families on AFDC were entitled to free child care. In addition, families who had left the AFDC rolls with employment were entitled to 12 months of “transitional” subsidized child care. The third AFDC-related child care program targeted families who, without a child care subsidy, would be “at risk” of qualifying for AFDC. These three programs operated under three separate sets of rules, and targeted three separate populations. Critics argued that mothers navigating their way through the welfare system faced unnecessary complexity that could be alleviated with a more unified child care program.

All three of the AFDC-related child care programs were funded with mandatory money, and fell under the same congressional committee jurisdiction (the Ways and Means Committee in the House, and the Finance Committee in the Senate). AFDC Child Care and Transitional Child Care were both open-ended federal entitlements (i.e., there was no limit on program funding), with the federal share of payments to states based on the state’s Medicaid matching rate. The AFDC At-Risk program, on the other hand, was not open-ended, but was instead authorized as a “capped entitlement” to the states at an annual level of \$300 million.

The fourth pre-1996 child care program for low-income families was the CCDBG. Established in the CCDBG Act of 1990 (a component of the Omnibus Budget Reconciliation Act, P.L. 101-508), the CCDBG was designed to support child care for low-income families who were not connected to the AFDC welfare system. The CCDBG subsidized child care for children under age 13 whose working family income did not exceed 75% of state median income (SMI), adjusted for family size. In addition, it provided funds for activities to improve the overall quality and supply of child care. Unlike the AFDC-related programs, the CCDBG was funded with discretionary funds appropriated as part of the annual appropriations process. Authorizing legislation fell under the jurisdiction of the Education and Labor Committee in the House (later renamed the Committee on Education and the Workforce) and the Labor and Human Resources Committee in the Senate (later renamed the Committee on Health, Education, Labor and Pensions).

## **Child Care Reforms of 1996**

The 1996 welfare reform law (P.L. 104-193) repealed AFDC and its three associated child care programs. Like cash welfare, child care was no longer an individual entitlement to welfare families. Instead of preserving three separate programs, the new law created a consolidated block of mandatory funding under Section 418 of the Social Security Act. Like the earlier three programs, this new block of funding was largely targeted toward families on, leaving, or at risk of receiving welfare (now Temporary Assistance for Needy Families, or TANF).<sup>2</sup> However, unlike the three AFDC-related child care programs, each of which was administered under its own set of rules, the 1996 law instructed that the new mandatory funding be transferred to each state’s lead

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<sup>2</sup> Section 418 of the Social Security Act requires that states spend at least 70% of their mandatory child care funds on families receiving TANF assistance, families attempting to transition from TANF to work, or those “at-risk” of welfare dependency. However, because the at-risk group is not defined as a distinct group from other working poor families (the targeted group for CCDBG discretionary funds), the 70% target could, in practice, be met by spending all funds on low-income working families with no connection to TANF (i.e., the requirement could be met by spending all of the “earmarked” funds on “at-risk” families).

agency managing the CCDBG, and be administered according to CCDBG rules. The law authorized and appropriated funding for the new mandatory child care program through FY2002.

In addition to creating the new block of mandatory child care funding, the 1996 welfare reform law reauthorized the CCDBG through FY2002. This law also substantially amended the CCDBG by modifying program rules such as income eligibility requirements, which were expanded from 75% of SMI (under pre-1996 law) to 85% of SMI (under the 1996 law).

The child care provisions in the 1996 law were designed to achieve several purposes. As a component of welfare reform, the child care provisions were intended to support the overall goal of promoting self-sufficiency through work. However, separate from the context of welfare reform, the legislation attempted to address concerns about the effectiveness and efficiency of child care programs. The previous four separate child care programs (the original CCDBG and the three AFDC programs) had different rules regarding eligibility, time limits on the receipt of assistance, and work requirements. Consistent with other block grant proposals considered in the 104<sup>th</sup> Congress, the child care provisions in P.L. 104-193 were intended to streamline the federal role, reduce the number of federal programs and conflicting rules, and increase the flexibility provided to states.

**Figure 1. Child Care Programs Before and After Welfare Reform in 1996**

Child Care System Prior to 1996 Welfare Law: Four Separate Programs		Child Care Post-1996 An Expanded, Unified CCDBG
<b>1. AFDC Child Care</b> – Families on welfare entitled to free child care.  <b>2. Transitional Child Care</b> – Families who left the welfare rolls with employment entitled to 12 months of subsidized child care.  <b>3. At-Risk Child Care</b> – States entitled to capped funds for low-income families not on welfare but at-risk of being eligible without subsidized care.	3 programs, 3 sets of rules, 3 target populations  Mandatory Funds  Committee Jurisdiction - Ways and Means - Finance	<ul style="list-style-type: none"> <li>– Repealed the 3 AFDC-related child care programs.</li> <li>– Created 1 unified child care program, with 1 set of program rules, serving low-income families, regardless of welfare status.</li> <li>– Created a consolidated block of mandatory funding under the Social Security Act. (Deficit Reduction Act extended this funding for FY2006-10.)</li> <li>– Mandatory funds remain under Ways &amp; Means and Finance jurisdiction, but are administered under CCDBG rules (which are under Education and the Workforce and HELP jurisdiction).</li> </ul>
<b>4. CCDBG of 1990</b> -- Child care subsidy program for low-income working parents at or below 75% of State Median Income	Discretionary Funds, subject to appropriations  Committee Jurisdiction - Education and the Workforce - Health, Education, Labor and Pensions (HELP)	<ul style="list-style-type: none"> <li>– CCDBG reauthorized and amended:               <ul style="list-style-type: none"> <li>• Discretionary funding authorized at \$1 billion through FY2002.</li> <li>• (FY09 appropriation=\$2.1 billion)</li> <li>• Income eligibility limit increased to 85% of State Median Income.</li> </ul> </li> <li>– Discretionary funding and CCDBG program rules maintain separate committee jurisdiction from the mandatory funding.</li> </ul>

**Source:** Prepared by the Congressional Research Service (CRS).



## **Authorization Status of Child Care Programs**

The CCDBG Act has not been reauthorized since the 1996 welfare reform law (P.L. 104-193), which authorized the program through the end of FY2002. Although the program's authorization has expired, the CCDBG has continued to receive discretionary funding in each year since FY2002 through the annual appropriations process.

The 1996 welfare reform law (P.L. 104-193) authorized and directly appropriated (or pre-appropriated) mandatory child care funding for each of FY1997 through FY2002. Temporary extensions provided mandatory child care funding into FY2006, when a spending budget reconciliation bill was enacted into law (P.L. 109-171), reauthorizing and increasing mandatory child care funding by \$1 billion over five years (for a total amount of \$2.917 billion for each of FY2006 to FY2010). The authorization and pre-appropriations for mandatory child care funding were set to expire at the end of FY2010, but the Claims Resolution Act of 2010 (P.L. 111-291) provided a one-year extension (through September 30, 2011) of mandatory child care funding at the FY2010 level of \$2.917 billion. Without legislative action, the authorization and funding for mandatory child care will expire at the end of FY2011.

## **HHS Announces New Office of Child Care**

At the federal level, the CCDF is administered by the Administration for Children and Families (ACF) within HHS. In October 2010, HHS announced the creation of a new Office of Child Care at ACF with responsibility for administering the CCDF. The new office reports directly to the Assistant Secretary for Children and Families. According to an ACF press release, this reorganization was intended to “elevate child care issues within ACF” and to “facilitate direct collaboration” with other key early childhood programs and agencies (e.g., Head Start).<sup>3</sup> In the press release, Acting Assistant Secretary for Children and Families David A. Hansell noted that early childhood development is a “key priority” for the Obama Administration. Hansell stated, “The creation of an Office of Child Care will strengthen the quality of child care and maximize the program’s effectiveness in achieving its dual goals of supporting employment for low-income families and promoting healthy development and school success for children.”<sup>4</sup>

Prior to the October 2010 reorganization, the CCDF was administered by the Child Care Bureau as a subcomponent of the larger Office of Family Assistance at ACF, which administers the federal TANF program. The Child Care Bureau had been part of the Office of Family Assistance since 2006. When moving the Child Care Bureau into the Office of Family Assistance in 2006, an ACF publication noted that this organizational decision reflected the “close coordination necessary” between child care programs and TANF.<sup>5</sup> Previously, the Child Care Bureau had been part of the Administration for Children, Youth, and Families (ACYF) since 1995.

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<sup>3</sup> HHS Press Release, October 4, 2010, [http://www.acf.hhs.gov/news/press/2010/office\\_child\\_care.html](http://www.acf.hhs.gov/news/press/2010/office_child_care.html).

<sup>4</sup> Ibid.

<sup>5</sup> Children’s Bureau Express, Vol. 7, No. 4, May 2006, <http://cbexpress.acf.hhs.gov/index.cfm?event=website.viewArticles&issueid=74&sectionid=1&articleid=1141>.



## Program Rules and Benefits

Federal law requires states to designate a lead agency to administer the CCDF. The responsibilities of the lead agency are to administer federal funds, develop a state plan, and coordinate services with other federal, state, or local child care and early childhood development programs. States have tremendous flexibility in the design and operation of their child care policies, but federal law establishes program goals and a set of requirements that states must meet in order to receive CCDF funds.

## Goals

The 1996 law established five goals for the CCDF. They include (1) allowing states maximum flexibility in developing their child care programs; (2) promoting parental choice; (3) encouraging states to provide consumer education information to parents; (4) helping states to provide child care to parents trying to become independent of public assistance; and (5) helping states to implement health, safety, licensing and registration standards established in state regulations.

## Eligible Children and Families

Federal law states that children eligible for services under the CCDF are those whose family income does not exceed 85% of the state median. However, states have the discretion to adopt income eligibility limits below this federal maximum, and all do. According to a summary of state plans submitted to HHS, state income eligibility limits are expected to range from 37% to 83% of SMI in FY2011.<sup>6</sup> Because child care funding is not an entitlement for individuals, states are not required to aid families even if their incomes fall below the state-determined eligibility threshold. Federal law does, however, require states to give priority to families defined in their state plan as “very low income.”

To be eligible for CCDF funds, children must be less than 13 years old and be living with parents who are working or enrolled in school or training, or be in need of protective services. States must use at least 70% of their total mandatory CCDF funds for child care services for families who are receiving public assistance under TANF, families who are trying to become independent of TANF through work activities, and/or families who are at risk of becoming dependent on public assistance. In their state plans, states must demonstrate how they will meet the specific child care needs of these families. Of their remaining child care funds (including discretionary CCDBG funds), states must ensure that a substantial portion is used for child care services to eligible families other than welfare recipients or families at risk of welfare dependency.

Preliminary HHS program data (the most recent available) indicate that about 1.6 million children received child care subsidies funded by the CCDF in an average month in FY2009.<sup>7</sup> This would

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<sup>6</sup> National Child Care Information and Technical Assistance Center (NCCIC), *Child Care and Development Fund Report of State and Territory Plans FY 2010–2011*, U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, Child Care Bureau, p. 27, <http://nccic.acf.hhs.gov/files/resources/sp1011full-report.pdf> (hereinafter, *CCDF Report of State and Territory Plans FY2010-FY2011*). Note that the SMI year used ranged across states from 2000 to 2010.

<sup>7</sup> CCDF administrative data can be found online at <http://www.acf.hhs.gov/programs/ccb/data/index.htm>.

represent a slight increase of about 6,700 children compared to FY2008, should the preliminary FY2009 report hold true after all data are finalized.<sup>8</sup>

## **Methods of Payment for Child Care Subsidies**

Parents of children eligible to receive subsidized child care must be given maximum choice in selecting a child care provider. Parents must be offered the option to enroll their child with a provider that has a grant or contract with the state to provide such services—to the extent that such services are available<sup>9</sup>—or parents may receive a certificate that can be used to purchase child care from a provider of the parents' choice. A child care certificate (also sometimes referred to as a voucher) is an authorization form, letter, voucher, or other disbursement document authorizing child care payments for the provider of the parents' choice. The certificate may be in the form of a check or other disbursement directly to the parent, but must be used for child care services only. Under limited circumstances, payments can also be provided in the form of cash. The 1996 law expanded the definition of "child care certificate" to allow the vouchers or disbursements to be used as a deposit for child care services, if such deposits are required for other children cared for by the same provider.

## **Parental Co-payments**

The CCDBG Act generally requires that families contribute to the cost of care on a sliding fee scale basis. However, federal regulations allow states to waive child care fees for families with incomes at or below the poverty guidelines. According to a summary of state plans submitted to HHS, nearly all states anticipated waiving fees for some or all families with incomes at or below the poverty level.<sup>10</sup> In addition, federal regulations allow states to waive, on a case-by-case basis, contributions from eligible families whose children are in protective services or in foster care (or whose children may need such services).<sup>11</sup> HHS has suggested that a family's fee should be no more than 10% of its income.<sup>12</sup> States may use this 10% limit as a guide in deciding the amount of the fee, but are not required to do so. Federal statute requires that states take family size and income into account when establishing co-payments, but states may also take other factors into account, such as the number of children in care, whether care is full-time or part-time, or cost of care. States have flexibility in establishing rules for counting income.

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<sup>8</sup> See Table 1 of the preliminary FY2008 CCDF data tables and Table 1 of the Final FY2007 data tables, both available online at <http://www.acf.hhs.gov/programs/ccb/data/index.htm>.

<sup>9</sup> 45 C.F.R. § 98.30(a)(1) states that a grant or contracted child care slot must be offered to parents "if such services are available." However, 45 C.F.R. § 98.30(a)(2) requires that parents be offered a child care certificate (or voucher) "any time that child care services are made available to a parent."

<sup>10</sup> *CCDF Report of State and Territory Plans FY2010-FY2011*, p. 34. According to this summary of state plans, only four states (Illinois, Maine, New Hampshire, and Wyoming) planned to offer no waivers whatsoever with respect to copayments from families at or below poverty during FY2010 and FY2011.

<sup>11</sup> *CCDF Report of State and Territory Plans FY2010-FY2011*, p. 34. According to this summary of state plans, only 13 states (Alabama, Delaware, Georgia, Louisiana, Michigan, Missouri, Montana, New Mexico, Nevada, Ohio, Oklahoma, Texas, and Washington) planned to offer case-by-case waivers for child protective purposes.

<sup>12</sup> U.S. Department of Health and Human Services, Administration for Children and Families, 63 *Federal Register* 39960, July 24, 1998.

## **Provider Payment Rates**

States must establish payment rates for child care services that are sufficient to ensure equal access for eligible children to comparable child care services provided to children whose families are not eligible for subsidies. Essentially, payment rates are reimbursement rate ceilings (that is, the maximum rate providers can receive for child care services through CCDF). Providers are paid either the state's established payment rate (i.e., reimbursement rate ceiling) or the actual fee that providers charge to nonsubsidized parents, whichever is the lesser of the two. When determining payment rates, states are not required to consider variations in costs based on child care settings, age groups, and special needs (this was required prior to the 1996 law); however many state plans do link payment rates to such characteristics and/or to regional variation. Some state plans also link payment rates to quality of care provided. That is, some states may pay a higher rate to a provider with a better quality rating than they pay to providers who fail to meet specified quality standards.<sup>13</sup>

States are required to conduct a local market rate survey every two years to assess the price of child care being charged. Federal regulations suggest that states establish payment rates equal to at least the 75<sup>th</sup> percentile of the market rate to ensure equal access for eligible families. (That is, HHS recommends that states set their payment rate ceiling at a level that, on average, equals or exceeds the rate charged by three out of every four providers who responded to the local market rate survey.) However, federal law does not require that payments be set at this rate, nor that states use the most current market survey when setting rates. Instead, states must include a summary of the facts they used in determining the sufficiency of their payment rates to ensure equal access when they submit their state plans. According to a summary of state plans submitted to HHS, state payment rates in FY2011 are expected to range (roughly) from the 8<sup>th</sup> percentile of the current market rate survey to the 100<sup>th</sup> percentile across the country, with the majority of states (42) using a tiered reimbursement system (i.e., issuing higher reimbursements rates to providers based on certain criteria, such as meeting high quality standards, offering care during non-traditional hours, or special populations).<sup>14</sup>

## **Activities to Improve Child Care Quality and Availability**

Federal law requires that no less than 4% of expenditures made from states' CCDF allotments (discretionary and mandatory) be spent on activities designed to (1) provide consumer education to parents and the public, (2) increase parental choice, and (3) otherwise improve the quality and availability of child care (such as resource and referral services). States use quality funds for a variety of activities, including professional development, licensing and monitoring, and improving provider compensation.<sup>15</sup> In addition, federal appropriations frequently target portions of discretionary CCDBG funds toward quality improvement activities, including specific quality set-asides in areas such as infant and toddler care, school-aged child care, and child care resource and referral services.

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<sup>13</sup> For example, North Carolina has a five-star rated license system for child care facilities based on program standards and staff education. Each star level is associated with a different market rate, and as providers increase their star rating they qualify for higher payment rates.

<sup>14</sup> *CCDF Report of State and Territory Plans FY2010-FY2011*, pp. 23-26.

<sup>15</sup> For more information on what states are doing with quality funds, see Chapter 2, pp. 36-47, of the *CCDF Report of State and Territory Plans FY2010-FY2011*.

## **Limitations on Use of Funds**

Although the CCDF is a fairly flexible funding source for states, there are some limitations on use of funds. For instance, federal regulations prohibit states from expending more than 5% of aggregate CCDF funds from each fiscal year's allotment on administrative costs. However, regulations also specify that costs considered to be an "integral part of service delivery" should be excluded from the 5% administrative cap. These activities include eligibility determination (and redetermination), the establishment and maintenance of computerized child care information systems, and determination of erroneous payments (including case reviews and the preparation of error rate reports).

In addition, the CCDBG Act prohibits the use of federal funds for the purchase or improvement of land or buildings, with a limited exception for sectarian organizations. The amendments of 1996 also added an exception for Indian tribes and tribal organizations with respect to construction, though this is subject to the Secretary's approval. Finally, the law states that, in general, no federal CCDF funds be used for any sectarian purpose or activity, including sectarian worship or instruction (more detail on this in the section on "Religious Providers").

## **State Application and Plan**

To receive federal funding for child care, states must submit an application and plan to HHS. After an initial three-year plan, required by the original CCDBG Act in 1990, states are now required to submit plans that cover a two-year period. State plans include detailed information on many components of CCDF program administration, including state decisions about child and family income eligibility criteria, state priorities in children served, sliding fee scales, provider payment rates, and specific quality improvement initiatives. In addition, state plans must certify, or assure, that their programs will include certain elements related to parental choice, parental access, parental complaints, consumer education information, licensing and regulation, and health and safety requirements.

## **Parental Choice**

Parents of children eligible to receive subsidized child care must be given the option to enroll their child with a provider that has a grant or contract with the state program to provide such services (when available<sup>16</sup>), or to receive a child care certificate or voucher that can be used with a provider of the parents' choice. State plans must include a detailed description of how this parental choice provision is implemented. In addition, they must assure that the value of child care certificates will be commensurate with the subsidy value of child care services provided under a grant or contract, and that their payment rates for all subsidies will be sufficient to ensure equal access for eligible children to comparable child care services provided to children whose families are not eligible for subsidies. States may not significantly restrict parental choice among the various types of child care providers, which range from child care centers to family homes. Under the CCDBG Act, eligible child care providers can include individuals, age 18 and older,

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<sup>16</sup> 45 C.F.R. § 98.30(a)(1) states that a grant or contracted child care slot must be offered to parents "if such services are available." However, 45 C.F.R. § 98.30(a)(2) requires that parents be offered a child care certificate (or voucher) "any time that child care services are made available to a parent."

who provide child care services for their grandchildren, great grandchildren, siblings (if the provider lives in a separate residence), nieces, or nephews.

## **Parental Access**

States must have procedures to ensure that child care providers receiving subsidies will give parents unlimited access to their children and to providers while the children are in care. State plans must include a detailed description of these procedures.

## **Parental Complaints**

States are required to maintain a record of substantiated complaints made by parents, and to make information about these complaints publicly available upon request. The state plan must include a detailed description of how this record is maintained and made available.

## **Consumer Education Information**

Under the CCDBG Act, states must collect and disseminate, to parents of eligible children and to the general public, consumer education information that will promote informed child care choices. At a minimum, the information must include information about the full range of providers available, and health and safety requirements.

## **Licensing and Regulation**

States must have in effect licensing requirements applicable to child care services provided within the state, and state plans must include a detailed description of these requirements and how they are effectively enforced. Federal law does not dictate what these licensing requirements should be or what types of providers they should cover. The 1996 law specifies that this provision shall not be construed to require that licensing requirements be applied to specific types of providers. The conference report on the 1996 law further states that the legislation is not intended to either prohibit or require states to differentiate between federally subsidized child care and nonsubsidized child care with regard to the application of specific standards and regulations.

## **Health and Safety Requirements**

States must have in effect, under state or local law, health and safety requirements that are applicable to child care providers; and states must have procedures in effect to ensure that subsidized child care providers (including those receiving child care certificates) comply with applicable health and safety requirements. States must have health and safety requirements in the following areas: prevention and control of infectious diseases (including immunization), building and physical premises safety, and health and safety training. In addition, state plans must assure that children receiving services under the CCDF are age-appropriately immunized, and that the health and safety provisions regarding immunizations incorporate (by reference or otherwise) the latest recommendation for childhood immunizations of the state public health agency.

## **Restriction Against Supplanting State Funds**

HHS requires states to assure that discretionary CCDBG funds will be used to supplement, not supplant, state general revenue funds for child care assistance for low-income families. While this is not a requirement in the CCDBG Act or accompanying regulations, federal appropriation laws typically make this stipulation. For instance, this stipulation was included in the FY2010 Consolidated Appropriations Act (P.L. 111-117).

## **Funding<sup>17</sup>**

### **FY2012 President's Budget**

#### **Proposed Discretionary and Mandatory Funding Levels**

On February 14, 2011, the Obama Administration released its FY2012 Budget, which requested \$2.927 billion in discretionary CCDBG funds, an increase of \$800 million over the FY2010 funding level (P.L. 111-117).<sup>18</sup> In addition, the FY2012 President's Budget requested a \$500 million increase in mandatory child care funds, for a proposed FY2012 funding level of \$3.417 billion for the mandatory portion of the CCDF. Combined, these two increases would represent an additional \$1.3 billion in child care funding for FY2012, for a total CCDF funding level of \$6.344 billion. HHS estimates that this would allow the CCDF to serve about 220,000 more children than would otherwise be served.<sup>19</sup> (However, this figure is only an estimate; states have flexibility in how to use CCDF funding and could opt to raise the average size of child care subsidies or improve program quality rather than use funds to serve more children.)

The FY2012 President's Budget also called for additional increases in mandatory CCDF funds in future years: +\$200 million in FY2013 (for a total mandatory funding level of \$3.617 billion in FY2013) and +\$50 million in FY2014 (for a total mandatory funding level of \$3.667 billion in FY2014 and beyond). All told, the Budget proposes to increase mandatory CCDF funds by \$7.2 billion over 10 years (FY2012-FY2021).

#### **FY2012 Reauthorization Proposal**

The FY2012 President's Budget calls for a full reauthorization of both the mandatory and discretionary CCDF funding streams, keeping in mind that the authorization for the CCDBG Act

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<sup>17</sup> For a detailed discussion of child care funding history and the financing of the CCDF, see CRS Report RL31274, *Child Care: Funding and Spending under Federal Block Grants*, by Melinda Gish.

<sup>18</sup> Of the \$2.927 billion, the President's Budget proposes the following set-asides: \$373 million (up from \$271 million in FY2010) for quality improvement activities, of which \$137 million (up from almost \$100 million in FY2010) would be for activities that improve the quality of infant and toddler care; \$26 million (up from \$19 million in FY2010) for child care resource and referral and school-age activities, of which \$1 million (the same level as FY2010) would be to fund the Child Care Aware toll-free hotline; and \$9.9 million (the same level as FY2010) for research, demonstration, and evaluation activities.

<sup>19</sup> U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), FY2012 Justification of Estimates for the Appropriations Committees, p. 49, <http://www.acf.hhs.gov/programs/olab/budget/2012/cj/CCDF.pdf> (cited hereafter as FY2012 ACF Congressional Justification).



(i.e., discretionary funding) expired in FY2002 and the one-year extension of Section 418 of the Social Security Act (i.e., mandatory funding) is set to expire at the end of FY2011.

The FY2012 President's Budget outlined five broad principles for CCDF reauthorization:

- **Improving Quality:** The Administration's proposal would require states to spend more than 4% of their CCDF funds on quality activities (an increase from the current law requirement of *at least* 4%), though the Budget does not specify how much more than 4% would be required. The proposal also indicates that quality funds would be used to support state implementation of Quality Rating and Improvement Systems (QRIS) to encourage providers to meet quality benchmarks (see the section on "Quality Rating and Improvement Systems" for more details on QRIS).
- **Expanding Access:** The Administration estimates that their proposal would increase the number of children served by 220,000.<sup>20</sup>
- **Promoting Continuity of Care:** The Administration's proposal would establish longer eligibility periods for families receiving child care subsidies (currently, eligibility periods are established by states).
- **Ensuring Program Integrity:** The Administration's proposal calls for additional resources for program integrity activities (roughly 0.25% of all CCDF funds provided in a given year).<sup>21</sup>
- **Streamlining Resources for Early Childhood Development Programs:** The Administration's proposal broadly notes an interest in removing barriers to coordination and collaboration across early childhood programs, as well as an interest in encouraging states to assess and track school readiness.

## FY2011 Appropriations

### Discretionary Funding

H.R. 1, the Full-Year Continuing Appropriations Act of 2011, was passed by the House on February 19, 2011. If enacted, this bill would provide \$2.088 billion in discretionary CCDBG funding, a decrease of roughly \$39 million from the FY2010 funding level of \$2.127 billion.<sup>22</sup> The bill includes language stipulating that none of the \$2.088 billion shall be for the Child Care Aware toll-free hotline (which is typically funded under this appropriation at the level of \$1 million annually). HHS has estimated that roughly 165,000 children would lose federal subsidies if the CCDBG is funded at the level proposed in H.R. 1.<sup>23</sup>

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<sup>20</sup> FY2012 ACF Congressional Justification, p. 49, <http://www.acf.hhs.gov/programs/olab/budget/2012/cj/CCDF.pdf>.

<sup>21</sup> Specifically, the Budget calls for increasing the amount of annual CCDF funding that can be reserved for training and technical assistance from 0.25% (as established in federal regulations at 45 C.F.R. § 98.60(b)(1)) to 0.50%, using the increase to support program integrity activities. This change could be made through regulatory or legislative action.

<sup>22</sup> In recent years, federal appropriations bills have targeted portions of discretionary CCDBG funding toward quality improvement activities, including specific set-asides for infant and toddler care, school-aged child care, and child care resource and referral services. H.R. 1 includes no such set-asides and, in fact, explicitly prohibits use of funds for the Child Care Aware Hotline.

<sup>23</sup> CRS correspondence with HHS, February 24, 2011.



In the absence of enacted full-year appropriations for FY2011, discretionary child care funding has been subject to a series of continuing resolutions. On March 2, 2011, President Obama signed into law the fifth continuing resolution (CR) for FY2011 (H.J.Res. 44, P.L. 112-4), which provides funding through March 18, 2011. This fifth CR for FY2011 (P.L. 112-4) funds the CCDBG at the rate of \$2.126 billion, which is \$1 million less than each of the four previous FY2011 CRs (P.L. 111-322, P.L. 111-317, P.L. 111-290, P.L. 111-242), all of which maintained CCDBG funding at the FY2010 level of \$2.127 billion. P.L. 112-4 stipulates that no funds shall be for the Child Care Aware toll-free hotline, which is typically funded at \$1 million. The first CR for FY2011 was signed into law on September 30, 2010, and remained in effect until December 3, 2010. The second CR was signed into law on December 4, 2010, and remained in effect until December 18, 2010. The third CR was signed into law on December 18, 2010, and remained in effect until December 21, 2010. The fourth CR was signed into law on December 22, 2010, and remained in effect until March 2, 2011.

HHS has estimated that roughly 160,000 children will lose subsidies in FY2011 if the annual funding level remains at the current CR level of \$2.127 billion.<sup>24</sup> In part, this is because the current CR does not include funding to sustain CCDBG increases provided by the American Recovery and Reinvestment Act (ARRA, P.L. 111-5) for FY2009 and FY2010.

Prior to the passage of the first CR, both the House and Senate had initiated the FY2011 appropriations process for the Departments of Labor, Health and Human Services, and Education, and Related Agencies (L-HHS-ED) in the 111<sup>th</sup> Congress. The Senate Subcommittee on L-HHS-ED Appropriations marked up and approved its proposal for FY2011 L-HHS-ED funding on July 27, 2010. The full Senate Appropriations Committee subsequently reported on the proposed FY2011 funding bill (S.Rept. 111-243, S. 3686) on August 2, 2010. This bill would have funded the discretionary CCDBG at \$3.127 billion, an increase of \$1.0 billion over the FY2010 funding level and an increase of \$200 million over the Obama Administration's request for FY2011.

Separately, the House Subcommittee on L-HHS-ED Appropriations marked up and approved its proposal for FY2011 appropriations on July 15, 2010. However, the full House Appropriations Committee took no action on this legislation. Although no formal FY2011 L-HHS-ED bill was reported in the House prior to the end of the 111<sup>th</sup> Congress, the L-HHS-ED Subcommittee released a summary table indicating that the bill approved in subcommittee mark-up would have included \$2.827 billion in discretionary CCDBG funding (i.e., roughly \$700 million above the FY2010 funding level and \$100 million below the Obama Administration's FY2011 request).<sup>25</sup>

## **Mandatory Funding**

In November 2010, Congress passed the Claims Resolution Act of 2010 (H.R. 4783), which the President signed into law (P.L. 111-291). This bill included a one-year extension of mandatory child care funding at the level of \$2.917 billion. This is the same level of mandatory child care funding that has been provided since FY2006. Without legislative action, the authorization and funding for mandatory child care will expire at the end of FY2011.

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<sup>24</sup> Ibid.

<sup>25</sup> Available on the minority House L-HHS-ED Subcommittee website at [http://democrats.appropriations.house.gov/images/stories/pdf/lhhse/FY2011\\_LHHS\\_Summary\\_Tabel-07.15.2010.pdf](http://democrats.appropriations.house.gov/images/stories/pdf/lhhse/FY2011_LHHS_Summary_Tabel-07.15.2010.pdf).

Prior to the enactment of P.L. 111-291, Congress provided mandatory child care funding in the first FY2011 continuing resolution (P.L. 111-242). The CR provided mandatory child care funding at a prorated FY2010 level until being superseded by the enactment of P.L. 111-291.

## **FY2011 President's Budget**

### **Proposed Discretionary and Mandatory Funding Levels**

In February 2010, the Obama Administration released its FY2011 Budget, which requested \$2.927 billion in discretionary CCDBG funds, an increase of \$800 million over the FY2010 funding level (P.L. 111-117).<sup>26</sup> In addition, the FY2011 President's Budget requested an \$800 million increase in mandatory child care funds, for a proposed FY2011 funding level of \$3.717 billion for the mandatory portion of the CCDF. Combined, these two increases would have meant an additional \$1.6 billion in child care funding for FY2011, for a total CCDF funding level of \$6.644 billion. HHS estimated that this would allow the CCDF to serve about 235,000 more children than would otherwise be served.<sup>27</sup> (However, this figure was only an estimate; states have flexibility in how to use CCDF funding and could opt to raise the average size of child care subsidies or to improve program quality, rather than using funds to serve more children.)

The FY2011 President's Budget also called for all mandatory CCDF funds to be annually indexed for inflation beginning in FY2012. HHS estimated that this would increase mandatory CCDF funds by nearly \$11 billion over nine years (FY2012-FY2020).

### **Reauthorization Proposal**

The FY2011 President's Budget also called for reauthorization of the CCDBG Act and Section 418 of the Social Security Act. The Budget included broad principles for reauthorization similar to those included in the FY2012 budget (discussed above). These principles emphasized improving quality, expanding access, promoting continuity of care, strengthening program integrity, and improving coordination across early childhood programs through alignment of program goals and priorities. The FY2011 Budget's reauthorization proposal also acknowledged the Obama Administration's interest in expanding professional development opportunities for the child care workforce and improving the monitoring of child care providers to ensure that children are in safe and healthy environments.

## **Recent Discretionary Appropriations**

Discretionary CCDBG funds are subject to the annual appropriations process. The 1996 amendments to the CCDBG Act authorized funding through FY2002 at an annual authorization

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<sup>26</sup> Of the \$2.927 billion, the President's Budget proposes the following set-asides: \$373 million (up from \$271 million in FY2010) for quality improvement activities, of which \$137 million would be for activities that improve the quality of infant and toddler care (up from almost \$100 million previously); \$26 million (up from \$19 million) for child care resource and referral and school-age activities; and \$1 million (the same level as FY2010) to fund the Child Care Aware toll-free hotline.

<sup>27</sup> U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), FY2011 Justification of Estimates for the Appropriations Committees (hereinafter, FY2011 ACF Congressional Justification), p. 43, <http://www.acf.hhs.gov/programs/olab/budget/2011/CCDF.pdf>.

level of \$1 billion. Actual appropriations have surpassed the authorized level, reaching approximately \$2.1 billion in each of fiscal years 2002 through 2010 (see **Table 1**). In years since FY2002, appropriations have been made without an authorization level.

## **FY2010 Appropriations**

On December 16, 2009, President Obama signed the Consolidated Appropriations Act, 2010, into law as P.L. 111-117. The measure provided \$2.127 billion in discretionary funds for the CCDBG, reflecting the conference report (H.Rept. 111-366) filed on the bill, H.R. 3288, on December 8, 2009. The House and Senate agreed to the conference report on December 10 and December 13, respectively.

Prior to the passage of H.R. 3288, both the House and Senate had initiated the Labor-HHS-Education (L-HHS-ED) appropriations process for FY2010. Although the full Senate did not pass a bill to provide L-HHS-ED appropriations for FY2010, the Senate Appropriations Committee did report such a bill (S.Rept. 111-66, H.R. 3293) on August 4, 2009, which sought to maintain funding for the CCDBG at the \$2.127 billion level. Meanwhile, on July 24, 2009, the House passed its FY2010 L-HHS-ED appropriations bill, H.R. 3293, which also sought to maintain funding for the CCDBG at \$2.127 billion. Prior to consideration by the full House, this bill was reported by the House Committee on Appropriations on July 22, 2009 (H.Rept. 111-220).

## **FY2010 President's Budget**

In May 2009, the Obama Administration released the detailed FY2010 Budget. The request proposed to maintain discretionary CCDBG funding at \$2.127 billion in FY2010, the same level of funding it had received under the omnibus appropriation in FY2009 (P.L. 111-8).<sup>28</sup>

## **FY2009 Appropriations**

President Obama signed the FY2009 Omnibus Appropriations Act (P.L. 111-8) into law on March 11, 2009. The FY2009 Omnibus funded the discretionary CCDBG at an annual level of \$2.127 billion in FY2009, an increase of \$65 million above the funding level proposed in the FY2009 budget request submitted by President Bush.

Prior to the passage of the FY2009 Omnibus Appropriations Act, Congress had passed two CRs for FY2009 (P.L. 110-329 and P.L. 111-6). Both CRs funded the discretionary CCDBG at \$2.062 billion, the level it had received in FY2008. The first of the two CRs (P.L. 110-329) was signed into law by President Bush on September 30, 2008, and remained in effect until March 6, 2009. The second CR (P.L. 111-6) was signed into law by President Obama on March 6, 2009, and lasted until it was superseded by the FY2009 Omnibus on March 11, 2009.

In addition to annual appropriations contained in the FY2009 Omnibus, the CCDBG received \$2.0 billion in discretionary funds from the American Recovery and Reinvestment Act (ARRA) in FY2009. The ARRA was signed into law by President Obama on February 17, 2009 (P.L. 111-5). The ARRA specified that the CCDBG funds should be used to supplement, not supplant, state

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<sup>28</sup> The Obama Administration's FY2010 Budget also proposes maintaining mandatory CCDF funding at its pre-appropriated level of \$2.917 billion in FY2010.

general revenue spending on child care assistance for low-income families. The ARRA also specified that a sum of approximately \$255 million be reserved, out of the total appropriated to CCDBG, for activities designed to (1) provide comprehensive consumer education to parents and the public, (2) increase parental choice, and (3) improve quality and availability of child care (such as resource and referral services). This sum augmented the amount that states were already required by law to use for such activities (not less than 4% of the total amount received by each state). Of the \$255 million, nearly \$94 million was reserved for activities designed to improve the quality of infant and toddler care.

## **ARRA Implementation**

CCDF funding appropriated in the ARRA was made available for obligation by HHS through the end of FY2010. However, HHS opted to provide states with their full allocations in FY2009, nearly doubling discretionary CCDF allotments to states for that fiscal year. (The **Appendix** includes state-by-state funding allocations from both the FY2009 Omnibus and the ARRA in **Table A-1**.) CCDF grantees were required to obligate, or commit, their ARRA funds by the end of FY2010 (September 30, 2010), but have until the end of FY2011 (September 30, 2011) to expend their ARRA awards.<sup>29</sup>

States have reported spending the majority of CCDF ARRA funding on direct services. For instance, states have used these funds to lower parental co-payments, increase payment rates to child care providers, expand income eligibility thresholds, and add or extend eligibility to parents searching for jobs. Some states have also reported using ARRA funds to avoid, shorten, or eliminate waiting lists for eligible children. Data reported by HHS in February 2011 indicate that since FY2009, states have spent enough ARRA funding on direct services to support child care subsidies for an estimated 252,000 children (cumulative).<sup>30</sup> Notably, these data capture both new children who were added to the caseload with ARRA funds and children who were already receiving subsidies (but who may have lost their subsidies in the absence of ARRA). In addition to spending on direct services, states have used ARRA funds to expand investments in quality activities. For instance, states have used ARRA funds to create or expand Quality Rating and Improvement Systems, support programs targeted to infants and toddlers, and improve state and local health and safety standards.

## **FY2009 President's Budget**

Prior to the enactment of the ARRA or the FY2009 Omnibus Appropriations Act, the Bush Administration released its proposed budget for FY2009 on February 4, 2008. The Bush Administration's Budget proposed maintaining both the discretionary and mandatory portions of the CCDF at current levels (\$2.062 billion and \$2.917 billion respectively).

## **Recent Mandatory Pre-appropriations**

The 1996 welfare reform law provided pre-appropriated mandatory CCDF funding to states from FY1997 to FY2002. The annual amounts of mandatory funding were \$1.967 billion in FY1997;

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<sup>29</sup> Quarterly CCDF ARRA expenditure data are available online at <http://www.acf.hhs.gov/programs/occ/initiatives/arra/index.htm>.

<sup>30</sup> FY2012 ACF Congressional Justification, p. 52, <http://www.acf.hhs.gov/programs/olab/budget/2012/cj/CCDF.pdf>.

\$2.067 billion in FY1998; \$2.167 billion in FY1999; \$2.367 in FY2000; \$2.567 billion in FY2001; and \$2.717 billion in FY2002. Because these funds were directly appropriated by the welfare reform law, the mandatory funding for CCDF did not go through the annual appropriations process. Mandatory CCDF funding was extended through FY2005 (at the FY2002 rate of \$2.717 billion annually) via a series of continuing resolutions; welfare reauthorization legislation was debated in each of these years, without reaching fruition. Finally, on February 8, 2006, a spending budget reconciliation bill (S. 1932, The Deficit Reduction Act), which included mandatory child care funding provisions, was passed into law (P.L. 109-171). The law pre-appropriated \$2.917 billion annually for each of FY2006-FY2010.

## Additional Funding History

Beginning in FY1997, the treatment of CCDBG funding in the appropriations process was changed to reflect states' actual obligation of money for the program. Prior to FY1997, the funds appropriated for the CCDBG only became available for obligation by the states in the last month of the year in which they were appropriated. As a result, most of a given year's appropriation was actually obligated during the next fiscal year. With the enactment of the FY1997 appropriations law, that practice was changed so that the CCDBG was officially advance funded by an entire year. In other words, the FY1997 appropriation became available for obligation at the beginning of FY1998 (rather than the end of FY1997). As a result of this change, only \$19 million was appropriated in FY1997 specifically for FY1997; this amount was added to funds previously appropriated and available for obligation at the end of FY1996. The bulk of the FY1997 appropriation—\$937 million—was to become available in FY1998. This practice of advance funding continued in FY1999-FY2001, and is shown in **Table 1**.

**Table 1. Funding Trends in the CCDF, FY1997-FY2011**

(dollars in millions)

Fiscal Year	Discretionary Funding			Mandatory Funding	Total
	Advance Appropriation from Prior Year	Same Year's Appropriation	All Available Funds for FY		
1997	0 <sup>a</sup>	19 <sup>a</sup>	19 <sup>a</sup>	1,967	1,986 <sup>a</sup>
1998	937	66	1,002	2,067	3,069
1999	1,000	0	1,000	2,167	3,167
2000	1,183	0	1,183	2,367	3,550
2001	1,183	817	2,000	2,567	4,567
2002	0	2,100	2,100	2,717	4,817
2003	0	2,086 <sup>b</sup>	2,086 <sup>b</sup>	2,717 <sup>c</sup>	4,803 <sup>b</sup>
2004	0	2,087 <sup>d</sup>	2,087 <sup>d</sup>	2,717 <sup>e</sup>	4,804 <sup>d</sup>
2005	0	2,083 <sup>f</sup>	2,083 <sup>f</sup>	2,717 <sup>g</sup>	4,800 <sup>f</sup>
2006	0	2,062 <sup>h</sup>	2,062 <sup>h</sup>	2,917 <sup>i</sup>	4,979
2007	0	2,062 <sup>i</sup>	2,062 <sup>i</sup>	2,917 <sup>i</sup>	4,979
2008	0	2,062 <sup>k</sup>	2,062 <sup>k</sup>	2,917 <sup>i</sup>	4,979
2009	0	2,127 <sup>l</sup>	2,127 <sup>l</sup>	2,917 <sup>i</sup>	5,044 <sup>m</sup>

Fiscal Year	Discretionary Funding			Mandatory Funding	Total
	Advance Appropriation from Prior Year	Same Year's Appropriation	All Available Funds for FY		
2010	0	2,127	2,127	2,917 <sup>i</sup>	<b>5,044</b>
2011	0	TBD <sup>n</sup>	TBD <sup>n</sup>	2,917 <sup>o</sup>	<b>TBD</b>

**Source:** Prepared by the Congressional Research Service (CRS) using annual U.S. Department of Health and Human Services, Administration for Children and Families budget justifications and appropriations legislation for relevant years.

**Notes:** TBD = To Be Determined.

- a. What appears in the table to be limited discretionary CCDBG funding in FY1997, and consequently, in total funding, actually reflects a shift to advance appropriating of funds for the following fiscal year. The FY1997 appropriation law provided \$956 million for CCDBG, with only \$19 million available immediately during FY1997, and the remainder available on Oct. 1, 1997 (the first day of FY1998). In earlier years the funds appropriated for CCDBG became available for obligation only in the last month of the given fiscal year, and therefore most of the appropriation for a given year (\$935 million in FY1996) was actually obligated in the following fiscal year.
- b. The figure shown reflects the 0.65% “across-the-board” cut included in the Consolidated Appropriations Resolution, 2003 (P.L. 108-7).
- c. P.L. 108-40 extended mandatory funding for the CCDF through the final quarter of FY2003, at the FY2002 rate.
- d. The figure shown reflects the 0.59% “across-the-board” cut included in the Consolidated Appropriations Act, 2004 (P.L. 108-199).
- e. P.L. 108-262 extended mandatory funding for the CCDF through Sept. 30, 2004, at the FY2002 rate (which was also maintained during FY2003).
- f. The figure shown reflects the 0.8% “across-the-board” cut included in the Consolidated Appropriations Act, 2005 (P.L. 108-447).
- g. P.L. 108-308 extended (and maintained) mandatory funding for the CCDF through Mar. 31, 2005, at the FY2002 rate. P.L. 109-19 extended (and maintained) the funding through Sept. 30, 2005.
- h. The figure shown reflects the 1% “across-the-board” cut included in the FY2006 Defense Appropriations Act (P.L. 109-148) that applies to discretionary programs funded by P.L. 109-149. Prior to the rescission, funding was set at \$2.083 billion. In FY2006, the Secretary of HHS invoked his authority (per section 2008 of the L-HHS-ED and Related Agencies Appropriation Act of 2006) to transfer a portion of the CCDBG appropriation—\$1.417 billion—to the Centers for Medicare and Medicaid. This transfer is not reflected above; when including it, total FY2006 discretionary CCDBG funding would round to \$2.061 billion.
- i. The Deficit Reduction Act (S. 1932/P.L. 109-171), provides \$2.917 billion in mandatory CCDF funding for each of FY2006-FY2010.
- j. FY2007 funding was provided via four continuing resolutions, the last of which was P.L. 110-5.
- k. This amount reflects the 1.747% across-the-board cut included in the Consolidated Appropriations Act of 2008 (P.L. 110-161).
- l. In addition to the \$2.127 billion appropriated in the FY2009 Omnibus Appropriations Act (P.L. 111-8), the American Recovery and Reinvestment Act (P.L. 111-5) provided an additional \$2.0 billion in discretionary funding for the CCDBG.
- m. This amount does not include funding appropriated by the American Recovery and Reinvestment Act (P.L. 111-5), which provided \$2.0 billion to the CCDBG, for a total of \$7.044 billion in FY2009 CCDF funds.
- n. The first four continuing resolutions for FY2011 maintained discretionary funding at the FY2010 rate of \$2.127 billion. The fifth CR for FY2011 (P.L. 112-4) reduced the rate of discretionary funding to \$2.126 billion, stipulating that no funds be used for the Child Care Aware toll-free hotline (typically funded at \$1 billion). The fifth CR is scheduled to expire on March 18, 2011.
- o. Full-year FY2011 mandatory funds were appropriated by the Claims Resolution Act of 2010 (P.L. 111-291).



## Allocation of Funds

### Discretionary Funds

Discretionary CCDBG funds are allocated among states according to a formula that is based on each state's share of children under age five, the state's share of children receiving free or reduced-price lunches, and state per capita income. Statute requires that 0.5% of appropriated funds be reserved for the territories, and between 1% and 2% be reserved for payments to Indian tribes and tribal organizations. In addition, regulations allow HHS to reserve up to 0.25% for the provision of technical assistance. States are not required to match these discretionary funds.<sup>31</sup> Funds must be obligated in the year they are received or in the subsequent fiscal year, and the law authorizes the Secretary to reallocate unused funds. **Table 2** displays the FY2010 discretionary CCDBG allocations (the most recent year for which full-year funding has been appropriated).

### Mandatory Funds

Federal law requires the Secretary of HHS to reserve between 1% and 2% of mandatory funds for payments to Indian tribes and tribal organizations. In addition, federal regulations allow HHS to reserve up to 0.25% for the provision of technical assistance. Once these amounts have been reserved, the remaining mandatory funds are allocated to states in two components.

First, each state receives a fixed amount each year, equal to the funding received by the state under the child care programs previously authorized under AFDC in FY1994 or FY1995, or the average of FY1992-FY1994, whichever is greater. This amount equals \$1.2 billion each year, and is sometimes referred to as "guaranteed mandatory" funds. No state match is required for these funds, which may remain available for expenditure by states with no fiscal year limitation.

Second, remaining mandatory funds (after distribution of the "guaranteed" portion) are allocated to states according to each state's share of children under age 13. States must meet maintenance-of-effort and matching requirements to receive these funds. Specifically, states must spend all of their "guaranteed" federal entitlement funds for child care described above, plus 100% of the amount they spent of their own state funds in FY1994 or FY1995, whichever is higher, under the previous AFDC-related child care programs. Further, states must provide matching funds at the Medicaid matching rate to receive these additional entitlement funds for child care. If the Secretary determines that a state will not spend its entire allotment for a given fiscal year, then the unused amounts may be redistributed among other states according to those states' shares of children under age 13. **Table 2** displays the FY2010 CCDF allocations for both the "guaranteed" mandatory and the federal share of mandatory matching.

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<sup>31</sup> 45 C.F.R. § 98.60(b)(1).



**Table 2. FY2010 CCDF Allocations**  
(Amounts, in dollars, do not include potential re-allotments)

<b>Recipient (State, Territory, Tribe, Other)</b>	<b>“Guaranteed” Mandatory Funds</b>	<b>Federal Share of Mandatory Matching Funds</b>	<b>Discretionary CCDF Funds (P.L. 111-117)</b>	<b>Total Federal- Only Funds</b>
Alabama	16,441,707	25,310,106	40,364,042	82,115,855
Alaska	3,544,811	4,045,543	4,173,643	11,763,997
Arizona	19,827,025	39,670,966	54,617,721	114,115,712
Arkansas	5,300,283	16,048,844	26,505,018	47,854,145
California	85,593,217	211,295,966	235,665,560	532,554,743
Colorado	10,173,800	27,886,089	25,886,540	63,946,429
Connecticut	18,738,357	17,961,075	14,239,803	50,939,235
Delaware	5,179,330	4,669,101	4,859,375	14,707,806
Dist. of Columbia	4,566,974	2,567,634	2,752,411	9,887,019
Florida	43,026,524	90,435,447	111,262,763	244,724,734
Georgia	36,548,223	58,669,998	87,021,090	182,239,311
Hawaii	4,971,633	6,517,230	6,732,692	18,221,555
Idaho	2,867,578	9,524,436	12,699,724	25,091,738
Illinois	56,873,824	71,937,115	77,126,440	205,937,379
Indiana	26,181,999	35,918,607	45,922,930	108,023,536
Iowa	8,507,792	16,047,516	19,237,209	43,792,517
Kansas	9,811,721	16,021,806	19,712,811	45,546,338
Kentucky	16,701,653	22,839,431	36,751,895	76,292,979
Louisiana	13,864,552	25,068,153	42,630,657	81,563,362
Maine	3,018,598	5,982,945	7,107,691	16,109,234
Maryland	23,301,407	29,983,414	25,086,965	78,371,786
Massachusetts	44,973,373	31,729,872	25,299,956	102,003,201
Michigan	32,081,922	52,658,022	61,058,276	145,798,220
Minnesota	23,367,543	28,339,101	27,556,333	79,262,977
Mississippi	6,293,116	17,403,768	32,106,336	55,803,220
Missouri	24,668,568	31,989,188	40,645,567	97,303,323
Montana	3,190,691	4,897,078	6,176,547	14,264,316
Nebraska	10,594,637	10,220,476	12,471,721	33,286,834
Nevada	2,580,422	15,464,847	15,331,135	33,376,404
New Hampshire	4,581,870	6,387,161	4,975,964	15,944,995
New Jersey	26,374,178	45,926,287	35,876,879	108,177,344
New Mexico	8,307,587	11,474,962	18,730,320	38,512,869
New York	101,983,998	97,954,045	100,828,360	300,766,403
North Carolina	69,639,228	51,571,363	71,176,282	192,386,873

<b>Recipient (State, Territory, Tribe, Other)</b>	<b>“Guaranteed” Mandatory Funds</b>	<b>Federal Share of Mandatory Matching Funds</b>	<b>Discretionary CCDF Funds (P.L. 111-117)</b>	<b>Total Federal- Only Funds</b>
North Dakota	2,506,022	3,205,708	3,885,750	9,597,480
Ohio	70,124,656	61,037,137	72,181,518	203,343,311
Oklahoma	24,909,979	20,803,646	31,512,932	77,226,557
Oregon	19,408,790	19,597,924	23,996,390	63,003,104
Pennsylvania	55,336,804	60,822,000	63,333,910	179,492,714
Rhode Island	6,633,774	5,028,064	5,497,191	17,159,029
South Carolina	9,867,439	24,125,952	38,143,606	72,136,997
South Dakota	1,710,801	4,503,993	5,761,954	11,976,748
Tennessee	37,702,188	33,532,241	48,345,478	119,579,907
Texas	59,844,129	156,693,900	227,410,092	443,948,121
Utah	12,591,564	20,224,519	24,234,722	57,050,805
Vermont	3,944,887	2,762,311	2,950,602	9,657,800
Virginia	21,328,766	41,421,661	39,950,265	102,700,692
Washington	41,883,444	34,731,449	35,259,782	111,874,675
West Virginia	8,727,005	8,647,317	13,634,118	31,008,440
Wisconsin	24,511,351	29,362,891	32,252,243	86,126,485
Wyoming	2,815,041	2,924,414	2,803,863	8,543,318
American Samoa	-	-	2,831,968	2,831,968
Guam	-	-	3,978,605	3,978,605
N. Mariana Islands	-	-	1,938,850	1,938,850
Puerto Rico	-	-	33,931,200	33,931,200
Virgin Islands	-	-	1,885,982	1,885,982
Tribes	58,340,000		42,541,620	100,881,620
Technical Assistance	3,107,893	4,184,607	5,317,703	12,610,203
Child Care Aware <sup>a</sup>	-	-	1,000,000	1,000,000
Research & Evaluation <sup>b</sup>	-	-	9,910,000	9,910,000
<b>Total</b>	<b>1,238,972,674</b>	<b>1,678,027,326</b>	<b>2,127,081,000</b>	<b>5,044,081,000</b>

**Source:** Prepared by the Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services (HHS). In estimating allocations, HHS used data from the following sources: population under age 5 and population under age 13 from the Census Bureau through July 2008; FY2008 participants in the Free and Reduced School Lunch Program from the Department of Agriculture; and per capita personal income for 2004, 2005, and 2006 from the Department of Commerce published March 2008.

**Notes:** This table is based on appropriated (and pre-appropriated) funding levels and does not include potential funding re-allotments.

a. The FY2010 Consolidated Appropriations Act (P.L. 111-117) included a \$1 million set-aside for Child Care Aware, specifying that this amount come out of the \$19.0 million earmark for resource and referral and school-age child care activities.

b. The FY2010 Consolidated Appropriations Act (P.L. 111-117) also included \$9,910,000 for research, demonstration, and evaluation.

## **Transfer of Funds from TANF**

In addition to amounts provided to states specifically for CCDF, states may also transfer up to 30% of their TANF block grant allotment to the CCDF. Transferred funds must be spent according to the CCDBG Act rules. The transfer from the FY2009 TANF allotment to the CCDF totaled nearly \$1.727 billion (representing roughly 10% of the FY2009 TANF allotment). It should be noted, however, that states may choose to move previously transferred TANF funds back to TANF, and when these amounts are taken into account, the net amount transferred in FY2009 (as opposed to funds from only the FY2009 TANF allotment) remained at just about the same level (\$1.727 billion). Nothing precludes a state from using TANF funds for child care services without formally transferring them to the CCDF, in which case the CCDBG Act rules do not necessarily apply. HHS reports that in FY2009, states spent almost \$1.787 billion in federal TANF money on child care within the TANF program (of which about 2% came from TANF ARRA funds). (In addition, states report spending \$2.347 billion in FY2009 on child care through state TANF and separate state program (SSP) MOE funds.)

## **Federal Enforcement**

The Secretary must coordinate child care activities within HHS, and, to the extent practicable, with similar activities in other federal agencies. The Secretary is also required to publish a list of child care standards every three years, and to provide technical assistance to states. The Secretary must monitor state compliance with the statute and state plans, and must establish procedures for receiving and assessing complaints against a state.

Upon finding that a state is out of compliance with either the statute, regulation, or state plan, the Secretary is authorized to require that the state reimburse the federal government for any misspent funds, or to withhold the amount from the state's CCDF allotment for the next fiscal year, or to take a combination of these steps.

States also must arrange for independent audits of their programs, and must repay the federal government for any funds that are found to have been misspent, or the Secretary may offset these amounts against future payments due to the state. In addition, states are now required to complete a case review every three years to check for improperly authorized payments. This new mandate is tied to "State Error Rate Reporting" requirements added to CCDF regulations in 2007.

## **Program Integrity and Accountability**

In September 2010, the Government Accountability Office (GAO) released a report on fraud in five state child care assistance programs. GAO investigators posing as parents and child care providers successfully billed for \$11,702 in child care assistance for fictitious children. In addition, GAO examined closed case studies of fraud and abuse and interviewed parents waitlisted for child care assistance. GAO concluded that the five states under investigation lacked controls over billing and child care assistance processes when dealing with unregulated providers, leaving the programs vulnerable to fraud and abuse. However, GAO also noted that these results cannot be generalized beyond the five states included in the investigation or beyond unregulated child care providers. According to preliminary HHS administrative data (the most recent

available), unregulated child care providers constituted roughly 22% of all providers receiving CCDF support in FY2008.<sup>32</sup>

In August 2010, prior to the release of the GAO report, HHS issued guidance regarding program integrity and financial accountability under CCDF.<sup>33</sup> The program instruction provided state lead agencies with recommendations and resources for strengthening program integrity. It covered topics such as the verification and documentation of child and family eligibility, mechanisms for monitoring child care providers, and processes for recovering payments resulting from fraud. The program instruction also highlighted state responsibilities in conducting case records reviews to detect and reduce errors associated with eligibility determination, pursuant to the new regulation on state error rate reporting issued by HHS in September 2007.

## **State Error Rate Reporting**

Following the enactment of the Improper Payment Information Act of 2002 (P.L. 107-300), the Office of Management and Budget (OMB) identified CCDF as a program at risk of significant improper payments.<sup>34</sup> As with other “high risk” programs, HHS was required to complete erroneous payment risk assessments for CCDF every three years. HHS took a number of steps to respond to this mandate, culminating in the publication of new regulations, effective October 1, 2007, on state requirements for error rate reporting.<sup>35</sup>

The new regulations specify that states must calculate, prepare, and submit to HHS a report of errors occurring in the administration of CCDF grant funds. In this report, states must establish target error rates (i.e., goals for reducing future errors) and discuss strategies for reducing error rates. In addition, states must report on

- state error rates (defined as the percentage of cases with an error and expressed as the total number of cases with an error compared to the total number of cases);
- percentage of cases with an improper payment (expressed as the total number of cases with an improper payment compared to the total number of cases);
- percentage of improper payments (expressed as the total amount of improper payments in the sample compared to the total dollar amount of payments made in the sample);
- average amount of improper payment; and
- estimated annual amount of improper payments.

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<sup>32</sup> See Table 4 of the preliminary FY2008 CCDF data tables, available online at <http://www.acf.hhs.gov/programs/ccb/data/index.htm>.

<sup>33</sup> U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, Child Care Bureau, Program Instruction CCDF-ACF-PI-2010-06, August 26, 2010, <http://www.acf.hhs.gov/programs/occ/law/guidance/current/pi2010-06/pi2010-06.htm>.

<sup>34</sup> OMB Circular A-123, Appendix C, [http://www.whitehouse.gov/OMB/Circulars/a123/a123\\_appx-c.pdf](http://www.whitehouse.gov/OMB/Circulars/a123/a123_appx-c.pdf).

<sup>35</sup> The new regulation was codified at 45 CFR 98 (subpart K). CCDF regulations are available online at <http://www.acf.hhs.gov/programs/ccb/law/finalrul/index.htm>.

## **Error Rate Methodology**

The CCDF error rate methodology requires that states conduct a comprehensive review of a random sample of case records to determine whether child care subsidies were properly authorized to eligible families. The methodology focuses on administrative errors and improper authorizations for payment made during the client eligibility determination process.<sup>36</sup> States must conduct these reviews and report their findings to HHS once per every three-year reporting cycle. States are required to provide federal staff with access to, and the opportunity to participate and provide oversight in, case reviews and calculations of error rates.

HHS uses a three-year rotation for measuring CCDF improper authorizations for payments. A stratified random sampling method was used for selecting states, with approximately one-third of the total of 52 states (50 states plus the District of Columbia and Puerto Rico) selected to participate in each year of a three-year cycle.

## **Recent Error Rate Findings**

To date, HHS has released three years of error rate data (FY2007, FY2008, and FY2009) in the annual HHS Agency Financial Report.<sup>37</sup> The most recent report combined these three years of data to generate a baseline error rate (or percentage of improper authorizations for payment) of 13.3%.<sup>38</sup> The actual amount of improper authorizations for CCDF payments identified in the sample baseline review cycle was \$774,833 (comprised of \$175,610 for FY2007, \$214,475 for FY2008, and \$384,748 for FY2009). Notably, the amount of improper *authorizations* for payment is not the same as actual improper payments *rendered*. HHS has indicated that, in general, the amount of actual improper payments rendered is about 17% lower, on average, than improper authorizations.

## **What Happens When Erroneous Payments Are Uncovered?**

Regulations state that improper payments identified during the case reviews are subject to federal disallowance procedures for misspent funds (that is, funds identified as having been improperly spent will be disallowed for the purposes of federal reimbursement).<sup>39</sup> Improperly spent funds are subject to disallowance regardless of whether the state pursues recovery of such funds. Federal rules require states to recover improper child care payments that occur as the result of fraud. However, if the improper payment was not the result of fraud, as in cases of administrative error, federal rules give states discretion as to whether or not to recover misspent funds. Recovered funds may be used for activities specified in approved state plans, provided funds are recovered

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<sup>36</sup> The CCDF methodology distinguishes between authorizations for payment and actual payments made to providers for child care services rendered.

<sup>37</sup> FY2007 base error rate data were reported in the HHS FY2008 Agency Financial Report, available online at <http://www.hhs.gov/afr/2008sectiii.pdf>, while FY2008 error rate data were reported in the FY2009 Agency Financial Report, available online at <http://www.hhs.gov/afr/2009sectiii-oai.pdf>.

<sup>38</sup> This figure was calculated by looking at the three-year weighted national average. The error rate baseline of 13.3% is comprised of a national over-authorization error rate (or the percentage of authorizations in excess of the amounts for which cases are eligible) of 11.5% in FY2008, while the percentage of under-authorizations was equal to 0.4%. For more information, see Section III of the FY2010 Agency Financial Report, available online at <http://www.hhs.gov/afr/>.

<sup>39</sup> HHS regulations specify, however, that extrapolations of estimated improper payments derived from random sampling of total cases are not subject to disallowance.

within the applicable obligation period. If, however, funds are not recovered until after the end of the applicable obligation period, recoveries must be returned to the federal government.<sup>40</sup>

## 2007 Final Rule on State Match Requirements

In 2007, HHS published a final rule (effective October 1, 2007) that revised existing CCDF regulations on state match requirements. The purpose of the new rule was to increase state flexibility in making expenditures toward state CCDF match requirements. To this end, the rule amended requirements related to the use of public pre-kindergarten and privately donated funds.

First, the final rule increased the amount of public pre-kindergarten expenditures that may be used as state match for CCDF. Previous regulations allowed that no more than 20% of a state's match requirement be fulfilled by public pre-kindergarten expenditures. Under the final rule, up to 30% of a state's CCDF match may come from public pre-kindergarten expenditures.

Second, the rule amended requirements related to the use of privately donated funds. Prior to the new rule, CCDF regulations specified that privately donated funds would only qualify as state match for CCDF if they had been transferred to (or were under the control of) the state's lead agency or a *single* entity designated by the state to receive donated funds. The new rule amended previous regulations to permit states to designate multiple public and/or private entities as eligible to receive donated funds. However, the rule required that donated funds be certified by both (1) the state's lead agency for CCDF and (2) either the donor or the entity designated by the state to receive privately donated funds, as appropriate. In addition, the final rule maintained previous requirements related to private donations, which specify that such funds (1) must be donated without any restriction that would require their use for a specific individual, organization, facility, or institution; (2) may not revert to the donor's facility or use; (3) may not be used to match other federal funds; and (4) shall be subject to audit.

## Data Collection

Federal law specifies a set of data reporting requirements for states in the administration of their CCDF programs. States must submit disaggregated data on children and families receiving assistance to HHS every quarter, and aggregated data twice a year. The law further requires the Secretary to submit a report to Congress once every two years. The most recent available published report to Congress is for both FY2006 and FY2007.<sup>41</sup> Select program data and statistics are available for FY1998 through FY2009 (preliminary) on the HHS website.<sup>42</sup>

Federal law specifically requires states to collect the following information on each family unit receiving assistance, to be included in quarterly reports: family income; county of residence; gender, race, and age of children receiving assistance; whether the family includes only one parent; sources of family income, separately identified and including amounts; number of months

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<sup>40</sup> For more information on CCDF obligation and expenditure rules, see CRS Report RL31274, *Child Care: Funding and Spending under Federal Block Grants*, by Melinda Gish.

<sup>41</sup> Annual reports to Congress are available at <http://www.acf.hhs.gov/programs/ccb/ccdf/rtc/index.htm>.

<sup>42</sup> Select program data and statistics are available at <http://www.acf.hhs.gov/programs/ccb/data/index.htm>.



the family has received benefits; the type of child care received; whether the child care provider was a relative; the cost of child care; and the average hours per week of care.

Aggregate data to be reported every six months include the number of child care providers that receive funding under this program, separately identified by type; the monthly cost of child care services, and the portion that is subsidized by this program, identified by type of care; the number of payments made by the state through vouchers, contracts, cash, and disregards under public benefit programs, identified by type of child care provided; the manner in which consumer education information was provided and the number of parents to whom it was provided; and the total unduplicated number of children and families served by the program.

## Religious Providers

Under the CCDBG Act, religious providers may receive assistance on the same basis as nonsectarian providers. However, religious providers may use funds for construction assistance, which is generally prohibited for other providers, to the extent such efforts are deemed necessary to bring facilities into compliance with health and safety requirements. Use of funds for religious activities, including sectarian worship or instruction, is generally prohibited under the CCDBG Act. However, this prohibition does not apply to funds received by child care providers in the form of child care certificates, if such sectarian child care services are freely chosen by the parent.

Child care providers that receive CCDF funding may not discriminate in their admissions policy against a child on the basis of religion, with the exceptions of family child care providers (i.e., individuals who are the sole caregiver for children in a private home) or providers who receive assistance through child care certificates. However, sectarian providers may reserve unsubsidized slots for children whose families regularly participate in their organization's activities, unless 80% or more of their operating budget comes from federal or state funds, including child care certificates.

In their employment practices, child care providers receiving assistance under the act may not discriminate on the basis of religion if the employee's primary responsibility is working directly with children in the delivery of child care services. However, in considering two or more qualified candidates, sectarian providers may select an individual who regularly participates in their organization's activities. In addition, sectarian organizations may require employees to adhere to their religious tenets or teachings and to rules forbidding the use of drugs or alcohol, unless 80% or more of their operating budget comes from federal or state funds, including child care certificates.

The welfare reform law of 1996 (P.L. 104-193) included a section on services provided by charitable, religious or private organizations under the TANF program.<sup>43</sup> This provision also applies to child care services funded under TANF. The provision, commonly referred to as "charitable choice," is intended to allow states to provide services through charitable and religious organizations, without impairing the religious character of these organizations or the religious freedom of individuals who participate in the programs.

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<sup>43</sup> For a discussion of this provision, see CRS Report RL32736, *Charitable Choice Rules and Faith-Based Organizations*, by Joe Richardson.



## Indian Tribes and Tribal Organizations

The Secretary is required by law to reserve between 1% and 2% of all child care funds (both discretionary and mandatory), for payments to Indian tribes and tribal organizations. The Secretary is required to allocate among other tribes and organizations any funds that an Indian tribe or tribal organization does not use in a manner consistent with the statute.

Indian tribes and tribal organizations are required to submit applications to receive these reserved funds. Applications must show that the organization seeking funds will coordinate with the lead agency in the state, that activities will benefit Indian children on reservations, and that reports and audits will be prepared. The Secretary, in consultation with the tribes and tribal organizations, bears the responsibility for developing minimum child care standards that reflect tribal needs and available resources that will apply in lieu of licensing and regulatory requirements otherwise applicable under state or local law.<sup>44</sup>

Notably, while the CCDBG Act generally prohibits use of funds for construction or renovation of facilities, the law does allow Indian tribes and tribal organizations to submit a request to the Secretary to use funds for these purposes. The Secretary may approve the request after a determination that adequate facilities are not otherwise available and that the lack of such facilities will inhibit the operation of child care programs in the future. The Secretary may not approve the request if it will reduce the level of child care services provided from the level provided by the tribe or organization in the previous year.

## Quality Rating and Improvement Systems

A growing number of states use CCDF quality funds to create or support Quality Rating and Improvement Systems (QRIS).<sup>45</sup> These systems are designed to assess, report, and improve the quality of early childhood programs. A QRIS can be used to rate providers against a set of measures selected to determine program quality. Data collected by a QRIS may be used to hold programs accountable for the quality of care they provide, to target technical assistance to programs in need of support, and to increase parental understanding of the quality of different child care programs. These systems often use simple three- or four-star rating scales to denote program quality on specific measures, such as child/staff ratios and staff credentials.

While the key components (and benchmarks) of quality measured by QRIS can vary across states, five common elements<sup>46</sup> of these systems include the following:

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<sup>44</sup> These standards were first introduced in 2000, but were updated in 2005 and reissued as “voluntary guidelines.” A copy of these standards can be found online at <http://nccic.acf.hhs.gov/tribal/min-std.html>.

<sup>45</sup> According to the National Child Care Information Center (NCCIC), 19 states currently have a statewide QRIS that includes the five common elements discussed in the text. These states are Colorado, Delaware, the District of Columbia, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Mississippi, Montana, New Hampshire, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, and Vermont. For more information, visit the NCCIC website at <http://nccic.acf.hhs.gov/pubs/qrs-defsystems.html>.

<sup>46</sup> For more information on these elements and other aspects of QRIS, see Christine Satkowski, *A Stimulus for Second-Generation QRIS*, The New America Foundation, April 2009. See also the NCCIC website at <http://nccic.acf.hhs.gov/pubs/qrs-defsystems.html>.

- **Standards:** Research-based indicators of quality in early childhood settings (e.g., health and safety requirements, staff qualifications, staff-child ratios). Standards are often linked to licensing and accreditation requirements.
- **Accountability:** Regular inspections are usually completed by trained observers. Research-based assessments such as an Environment Rating Scale (ERS) and the Classroom Assessment Scoring System (CLASS) may be used.
- **Program Support:** Providers may receive training, mentoring, or other forms of technical and financial assistance to encourage providers to participate in the rating system and to help their programs achieve higher levels of quality.
- **Parent Education:** Systems typically use simple rating scales (e.g., three- or four-star scales or a point-based scale) that are easily understood by parents seeking information on the quality of child care programs in their communities.
- **Incentives:** Financial incentives may be used to encourage providers to achieve higher levels of quality. These may include tiered subsidy reimbursement (i.e., paying a higher reimbursement rate to providers meeting higher standards of care), professional development grants to increase staff training and qualifications, and tax credits for parents who enroll children in rated programs.

## Appendix. FY2009 CCDF Allocations (Including ARRA)

The American Recovery and Reinvestment Act (ARRA; P.L. 111-5), appropriated \$2.0 billion in discretionary child care funds in FY2009. Although the ARRA made these funds available for obligation through the end of FY2010, HHS opted to provide states with their full allocations from the ARRA in FY2009, nearly doubling discretionary CCDF allotments to states for that fiscal year. **Table A-1** displays FY2009 CCDF allocations from all federal funding sources, including the funds allocated to states from the ARRA.

**Table A-1. FY2009 CCDF Allocations**

(amounts, in dollars, do not include potential re-allotments)

Recipient (State, Territory, Tribe, Other)	Mandatory Funds		Discretionary Funds		Total Federal
	"Guaranteed" Mandatory	Federal Share Matching Funds	FY2009 Omnibus	ARRA	
Alabama	16,441,707	25,408,245	40,699,663	38,470,990	121,020,605
Alaska	3,544,811	4,063,825	4,269,912	4,036,095	15,914,643
Arizona	19,827,025	38,843,917	53,824,247	50,876,886	163,372,075
Arkansas	5,300,283	16,012,812	26,589,798	25,133,767	73,036,660
California	85,593,217	211,811,933	233,034,605	220,273,864	750,713,619
Colorado	10,173,800	27,529,729	25,720,747	24,312,305	87,736,581
Connecticut	18,738,357	18,178,031	14,478,449	13,685,624	65,080,461
Delaware	5,179,330	4,655,334	4,809,076	4,545,736	19,189,476
District of Columbia	4,566,974	2,596,430	2,841,092	2,685,517	12,690,013
Florida	43,026,524	91,403,553	111,433,225	105,331,254	351,194,556
Georgia	36,548,223	58,395,506	87,646,485	82,847,053	265,437,267
Hawaii	4,971,633	6,473,217	6,822,298	6,448,715	24,715,863
Idaho	2,867,578	9,406,606	12,638,572	11,946,497	36,859,253
Illinois	56,873,824	72,660,972	78,046,369	73,772,628	281,353,793
Indiana	26,181,999	36,039,410	45,241,711	42,764,321	150,227,441
Iowa	8,507,792	15,992,058	19,170,605	18,120,842	61,791,297
Kansas	9,811,721	15,879,664	19,482,264	18,415,435	63,589,084
Kentucky	16,701,653	22,798,415	36,920,367	34,898,645	111,319,080
Louisiana	13,864,552	24,414,650	42,332,204	40,014,134	120,625,540
Maine	3,018,598	6,066,612	7,149,448	6,757,951	22,992,609
Maryland	23,301,407	30,454,015	25,433,096	24,040,405	103,228,923
Massachusetts	44,973,373	31,846,226	25,355,376	23,966,942	126,141,917
Michigan	32,081,922	54,088,623	62,080,653	58,681,179	206,932,377

Recipient (State, Territory, Tribe, Other)	Mandatory Funds		Discretionary Funds		Total Federal
	"Guaranteed" Mandatory	Federal Share Matching Funds	FY2009 Omnibus	ARRA	
Minnesota	23,367,543	28,427,578	27,609,193	26,097,341	105,501,655
Mississippi	6,293,116	17,475,750	32,778,293	30,983,387	87,530,546
Missouri	24,668,568	32,065,667	40,922,593	38,681,713	136,338,541
Montana	3,190,691	4,851,889	6,079,937	5,747,006	19,869,523
Nebraska	10,594,637	10,187,127	12,482,903	11,799,352	45,064,019
Nevada	2,580,422	15,305,948	15,144,641	14,315,336	47,346,347
New Hampshire	4,581,870	6,513,515	5,010,614	4,736,238	20,842,237
New Jersey	26,374,178	46,381,871	36,081,817	34,106,014	142,943,880
New Mexico	8,307,587	11,375,335	18,848,669	17,816,534	56,348,125
New York	101,983,998	98,195,618	102,392,553	96,785,640	399,357,809
North Carolina	69,639,228	50,968,578	71,455,992	67,543,134	259,606,932
North Dakota	2,506,022	3,180,045	3,854,955	3,643,862	13,184,884
Ohio	70,124,656	61,627,213	72,088,324	68,140,840	271,981,033
Oklahoma	24,909,979	20,598,914	31,905,779	30,158,651	107,573,323
Oregon	19,408,790	19,459,057	23,814,406	22,510,354	85,192,607
Pennsylvania	55,336,804	61,379,602	63,631,144	60,146,767	240,494,317
Rhode Island	6,633,774	5,136,805	5,526,768	5,224,128	22,521,475
South Carolina	9,867,439	23,947,853	38,420,103	36,316,257	108,551,652
South Dakota	1,710,801	4,446,971	5,776,337	5,460,031	17,394,140
Tennessee	37,702,188	33,464,276	44,361,712	41,932,510	157,460,686
Texas	59,844,129	154,440,610	227,298,219	214,851,599	656,434,557
Utah	12,591,564	19,457,466	23,661,260	22,365,594	78,075,884
Vermont	3,944,887	2,816,093	2,986,934	2,823,373	12,571,287
Virginia	21,328,766	41,548,889	40,086,857	37,891,741	140,856,253
Washington	41,883,444	34,566,445	35,283,281	33,351,204	145,084,374
West Virginia	8,727,005	8,682,904	13,803,056	13,047,215	44,260,180
Wisconsin	24,511,351	29,495,338	32,259,829	30,493,313	116,759,831
Wyoming	2,815,041	2,825,579	2,736,365	2,586,525	10,963,510
American Samoa	-	-	2,831,968	2,662,774	5,494,742
Guam	-	-	3,978,605	3,740,906	7,719,511
N. Mariana Islands	-	-	1,938,850	1,823,015	3,761,865
Puerto Rico	-	-	35,353,476	33,417,556	68,771,032
Virgin Islands	-	-	1,885,982	1,773,305	3,659,287
Tribes	58,340,000	-	42,541,620	40,000,000	140,881,620

Recipient (State, Territory, Tribe, Other)	Mandatory Funds		Discretionary Funds		Total Federal
	"Guaranteed" Mandatory	Federal Share Matching Funds	FY2009 Omnibus	ARRA	
Technical Assistance	3,792,100	3,500,400	5,317,703	5,000,000	17,610,203
Child Care Aware <sup>a</sup>	-	-	1,000,000	-	1,000,000
Research & Evaluation <sup>b</sup>	-	-	9,910,000	-	9,910,000
Total	1,239,656,881	1,677,343,119	2,127,081,000	2,000,000,000	7,044,081,000

**Source:** Prepared by the Congressional Research Service (CRS) based on data from the U.S. Department of Health and Human Services (HHS). In estimating allocations, HHS used data from the following sources: population under age 5 and population under age 13 from the Census Bureau, published July 2007; FY2007 participants in Free and Reduced School Lunch Program from the Department of Agriculture; and per capita income for 2004, 2005, and 2006 from the Department of Commerce, published March 2008.

- a. The FY2009 Omnibus (P.L. 111-8) included a \$1 million set-aside for Child Care Aware, specifying that this amount should come out of the \$19 million targeted funds for resource and referral and school-age care activities.
- b. The FY2009 Omnibus also included \$9,910,000 for research, demonstration, and evaluation.

## Author Contact Information

Karen E. Lynch  
Analyst in Social Policy  
klynch@crs.loc.gov, 7-6899