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PRWORA at 30: Child Care

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Karen E. Lynch
Specialist in Social Policy

PRWORA at 30: Child Care

The Child Care and Development Fund (CCDF) is the main source of federal funding dedicated primarily to child care subsidies for low-income working families. The term *CCDF* was coined by the U.S. Department of Health and Human Services (HHS) in regulations issued after the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-193) made major changes to federal child care programs. This report is one in a series of CRS reports focused on PRWORA in light of the upcoming 30-year anniversary of its enactment.

Prior to PRWORA, four separate federal programs supported child care for low-income families: (1) Aid to Families with Dependent Children (AFDC) Child Care provided open-ended mandatory appropriations to support child care for AFDC recipients (i.e., cash aid recipients) who needed it in order to work or participate in certain activities, (2) Transitional Child Care provided open-ended mandatory appropriations to support child care for up to 12-months for families transitioning off AFDC assistance, (3) At-Risk Child Care provided capped mandatory appropriations to support child care for those considered at risk of needing AFDC assistance, and (4) the Child Care and Development Block Grant (CCDBG) provided discretionary appropriations to support child care for low-income working families not associated with AFDC.

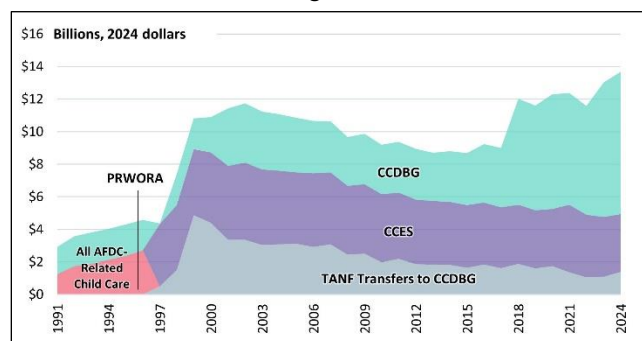
In 1996, PRWORA simultaneously repealed, created, and consolidated federal child care programs. The law eliminated AFDC and the three AFDC-related child care programs, substantially amended and reauthorized the CCDBG Act, and established a new block grant of mandatory funding under Section 418 of the Social Security Act, the Child Care Entitlement to States (CCES). The law underpinning the CCES generally called for these new mandatory funds to be combined with discretionary CCDBG funds at the state level and to be spent according to CCDBG rules. In addition, PRWORA authorized states to augment CCDBG appropriations, at their option, with transfers from the newly created Temporary Assistance for Needy Families (TANF) block grant. Like the CCES, TANF transfers were to be subject to CCDBG Act rules. Combined, these federal funding streams (CCDBG, CCES, and TANF transfers) are commonly referred to as the CCDF.

The child care provisions in PRWORA were designed to achieve several purposes. As a component of broader AFDC reform, they were intended to support an overall goal of promoting self-sufficiency through work. In addition, PRWORA attempted to address concerns about the effectiveness and efficiency of federal child care programs by streamlining the federal role, reducing the number of programs with conflicting rules, and increasing the flexibility provided to states. The result was to be a consolidated program that would simplify delivery and administration at the state and federal levels.

Federal funding for the CCDF generally grew in the early years after the enactment of PRWORA (see the figure). Total federal funds initially peaked in FY2002, before trending downward in constant terms for more than a decade. While CCES appropriations and TANF transfers have largely continued a downward trend, this has not been the case for the CCDBG. A large increase in CCDBG appropriations in FY2018 was followed by subsequent increases, driving the recent upward trend in overall CCDF funding. This represents a marked shift from the early years: initially, the CCDBG accounted for less than one-third of federal CCDF funds, whereas in more recent years, the CCDBG has accounted for nearly two-thirds of federal CCDF funds.

In addition to federal funds, the CCES is also supported with nonfederal match and maintenance-of-effort. Separately, outside of the CCDF, some states opt to spend federal and nonfederal TANF funds on child care directly in state TANF programs. Unlike TANF transfers to the CCDF, such expenditures are not subject to CCDF program rules. Over time, these so-called TANF-direct child care expenditures have raised questions about the relative merits of maximizing state flexibility, streamlining program rules, and ensuring the same standard of care across federal programs. Similar questions exist about the optimal level of federal investments in child care overall, given concerns about the supply and affordability of child care, as well as the relatively low share of eligible children served by the CCDF (15% in 2023).

Federal Child Care Funding Before and After PRWORA



Source: Data are generally from the U.S. Department of Health and Human Services, adjusted for inflation (CPI-U). Amounts exclude supplementals or other one-time funding.

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The Child Care and Development Fund (CCDF) is the main source of federal funding dedicated primarily to child care subsidies for low-income working families. The term *CCDF* was coined by the U.S. Department of Health and Human Services (HHS) in regulations issued after the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-193) made major changes to federal child care programs. The term serves as a catch-all for the complex financing structure currently underpinning federal funding for child care. The CCDF encompasses several federal funding streams, including

- discretionary child care funds authorized by the Child Care and Development Block Grant (CCDBG) Act,
- mandatory child care funds authorized by Section 418 of the Social Security Act (sometimes referred to as the Child Care Entitlement to States, or CCES), and
- funds transferred to the CCDF from states' Temporary Assistance for Needy Families (TANF) block grants.

Discretionary and mandatory CCDF funds are appropriated separately and are allotted to states using different formulas, but federal law generally directs child care lead agencies (i.e., states, territories, and tribes or tribal organizations) to spend these dollars according to a single set of program rules laid out in the CCDBG Act. TANF funds transferred to the CCDF at a state's discretion are also subject to CCDBG Act rules. In addition to federal funds, the CCDF is also supported by nonfederal spending in the form of state matching and maintenance-of-effort (MOE) funds required for the CCES.¹

Separate from the CCDF, statute also allows states to spend federal TANF funds on child care services within state TANF programs. These so-called *TANF-direct* child care expenditures are not subject to CCDBG Act rules. TANF also has a nonfederal spending requirement in the form of a MOE. Certain nonfederal TANF MOE spending on child care, sometimes referred to as *excess* TANF MOE child care spending, broadly augments overall investments in child care; such funds are generally not subject to CCDBG Act rules.²

This report begins by briefly describing the legislative evolution of these child care funding streams, with particular emphasis on PRWORA. This law established the current federal child care landscape, setting up a formal infrastructure for child care programs through the CCDF, while giving states the option to provide additional child care investments with TANF funds. The report continues with a broad overview of child care today and concludes with discussion of some selected issues for Congress.

This report is part of a series of CRS reports that focus on changes in programs affecting low-income children in light of the upcoming 30-year anniversary of PRWORA's enactment. The other reports in the series are the following:

- CRS In Focus IF13261, *The Personal Responsibility and Work Opportunity Reconciliation Act of 1996*
- CRS Report R49012, *PRWORA at 30: TANF*

¹ The CCDBG Act does not contain a nonfederal spending requirement, but annual CCDBG appropriations since FY2001 have stipulated that funds are to "to supplement, not supplant" certain state spending on child care.

² Section 409(a)(7)(B)(iv)(IV) of the Social Security Act allows double counting of TANF and CCDF MOE spending up to an historical amount. This is because the MOE requirements for TANF and the CCDF count the same state spending on child care programs in place in the mid-1990s. Excess TANF MOE spending refers to TANF MOE spending on child care that is *in excess* of required CCES MOE spending (i.e., it adjusts total reported TANF MOE spending to avoid possible double counting with CCES MOE spending).

- CRS Report R49011, *PRWORA at 30: SSI for Children with Disabilities*
- CRS Report R49014, *PRWORA at 30: Child Support Enforcement*

History

The CCDF, and its relationship to TANF, is best understood by tracing its evolution from the main federal supports for child care that existed prior to 1996, before PRWORA simultaneously repealed, created, and consolidated federal child care programs (see **Figure 1**).

Before PRWORA

Before 1996, four separate federal programs supported child care for low-income families:

- Aid to Families with Dependent Children (AFDC) Child Care,
- Transitional Child Care,
- At-Risk Child Care, and
- the CCDBG.

Three of these four programs—AFDC Child Care, Transitional Child Care, and At-Risk Child Care—were associated with AFDC, the cash assistance program in place at that time. Each of these programs was authorized in the Social Security Act and funded with mandatory appropriations. Historically, jurisdiction for the programs was exercised by the House Ways and Means Committee and the Senate Finance Committee.

The AFDC Child Care and Transitional Child Care programs were enacted in the Family Support Act of 1988 (P.L. 100-485). These programs received open-ended mandatory appropriations and were generally intended to serve any family receiving or transitioning off of AFDC cash assistance who needed child care services. Effectively, AFDC recipients were guaranteed support for child care to allow them to work or participate in certain activities. Those transitioning off AFDC assistance (e.g., due to increased work or income) were guaranteed support with child care for up to 12 months. The At-Risk Child Care program was enacted later, in the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990, P.L. 101-508). This program received capped mandatory appropriations and was designed to support families who were considered at-risk of needing AFDC assistance. All three of the AFDC-related child care programs were funded jointly by the federal government and the states, with the relative share of federal and state contributions determined by the Federal Medical Assistance Percentage (FMAP), also known as the *Medicaid matching rate*.³ At the federal level, all three programs were administered by HHS.

The fourth pre-1996 child care program for low-income families was the CCDBG, which was established by the CCDBG Act of 1990 as a component of OBRA 1990 (the same law that established the At-Risk Child Care program). The CCDBG was designed to support child care for low-income families who were not connected to the AFDC cash assistance program. Unlike the AFDC-related programs, the CCDBG was funded with discretionary appropriations. States were not required to provide nonfederal matching funds or MOE to receive allotments from the CCDBG. Jurisdiction for the program was generally exercised by the House Education and Labor Committee (known today as the Committee on Education and the Workforce) and the Senate

³ The FMAP is designed so that the federal government pays a larger portion of costs in states with lower per capita incomes relative to the national average (and vice versa for states with higher per capita incomes). For more information, see CRS Report R43847, *Medicaid's Federal Medical Assistance Percentage (FMAP)*.

Labor and Human Resources Committee (known today as the Committee on Health, Education, Labor and Pensions). Like the AFDC-related programs, the CCDBG was administered by HHS.

PRWORA

PRWORA repealed AFDC and the three AFDC-related child care programs. Child care was no longer to be guaranteed to families receiving or transitioning off cash assistance. Instead of the three separate AFDC-related child care programs, the new law created a consolidated block grant under Section 418 of the Social Security Act, the CCES. This block grant was funded with mandatory appropriations for each of FY1997-FY2002 and states were required to contribute a combination of matching and MOE funds. In a nod to the three earlier programs, the law called for states to use at least 70% of their CCES funds to support families who were receiving, transitioning off, or at risk of receiving assistance under the newly established TANF block grant.⁴ The law generally called for CCES funds to be combined with CCDBG funds at the state level and to be spent according to CCDBG Act rules.

PRWORA also reauthorized and amended the CCDBG Act. The law authorized discretionary appropriations for each of FY1997-FY2002. PRWORA established five CCDBG Act goals, which focused largely on flexibility for states in designing child care programs and flexibility for parents in selecting child care. The law also modified a number of CCDBG program rules. For instance, it increased the federal income eligibility threshold for the CCDBG from 75% to 85% of state median income (SMI). The law maintained existing eligibility criteria requiring a participating child's parent or parents to be working or attending a job training or educational program (unless the child is receiving or in need of protective services). It also maintained the existing policy of requiring no match or MOE from states.⁵

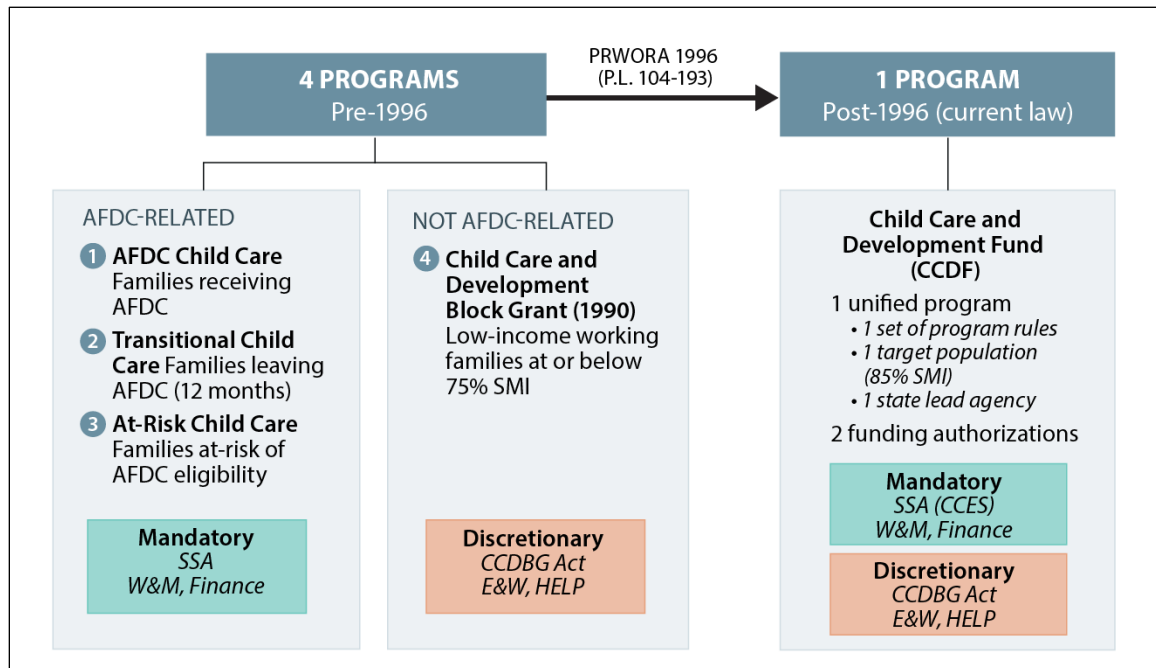
The child care provisions in PRWORA were designed to achieve several purposes. As a component of broader AFDC reform, the provisions were intended to support an overall goal of promoting self-sufficiency through work. Separately, the legislation attempted to address concerns about the effectiveness and efficiency of existing child care programs.⁶ The four distinct child care programs in place at the time (the CCDBG and the three AFDC-related programs) had different program rules, different target populations, and different limits on the receipt of assistance. The child care provisions in PRWORA were largely intended to create a seamless system, where child care subsidies would “follow the parent” as they moved from “welfare to long-term employment and independence.”⁷ This was to be achieved by streamlining the federal role, reducing the number of federal programs with conflicting rules, and increasing the flexibility provided to states. The result was to be a single consolidated block grant funded from multiple sources that would simplify the delivery and administration of child care programs at both the state and federal levels.

⁴ In the preamble to a 1998 final rule (63 *Federal Register* 39963) implementing the new program, HHS indicated that the department believed all families eligible for the program were, at a minimum, at risk of needing TANF cash assistance.

⁵ While the CCDBG Act does not contain a nonfederal match or MOE requirement, annual appropriations for the CCDBG since FY2001 (see P.L. 106-554) have included language stipulating funds are to “to supplement, not supplant State general revenue funds for child care assistance for low-income families.”

⁶ For a discussion of some concerns leading up to the enactment of PRWORA, see U.S. Government Accountability Office (GAO), *Child Care: Working Poor and Welfare Recipients Face Service Gaps*, GAO/HEHS 94-87, May 1994.

⁷ See related discussion on pages 833-840 of H.Rept. 104-651, the House report on H.R. 3734, which would later become P.L. 104-193.

Figure I. Targeted Child Care Programs Before and After PRWORA

Source: Created by CRS.

Notes: PRWORA = Personal Responsibility and Work Opportunity Reconciliation Act; AFDC = Aid to Families with Dependent Children; CCDBG = Child Care and Development Block Grant; SSA = Social Security Act; W&M = House Committee on Ways and Means; E&W = House Committee on Education and the Workforce; HELP = Senate Health, Education, Labor and Pensions Committee, CCES = Child Care Entitlement to States; SMI = state median income.

TANF and Child Care

PRWORA effectively replaced AFDC with the new TANF block grant. PRWORA authorized and appropriated mandatory funding for TANF. The law also required states to provide nonfederal contributions in the form of a MOE requirement. The TANF MOE was based on spending under several TANF-predecessor programs, including the AFDC-related child care programs. Because these nonfederal expenditures were also included in the CCES MOE, PRWORA explicitly authorized states to count the same nonfederal MOE child care expenditures toward both their TANF MOE and their CCES MOE, up to a limit.⁸

PRWORA authorized states to use TANF to provide a wide range of benefits and services to address economic disadvantage. While TANF is perhaps best known for supporting time-limited cash assistance for low-income families with children, state TANF programs commonly support a wide range of activities, often including child care services.

PRWORA gave states several options for using the newly created federal TANF block grant for child care. For instance, states may

- transfer up to 30% of their federal TANF block grants to the CCDF,⁹ and/or

⁸ Section 409(a)(7)(B)(iv)(IV) of the Social Security Act.

⁹ Statute also allows states to transfer up to 10% of federal TANF funds to the Social Services Block Grant (SSBG). Combined, a state's transfers from TANF to the CCDF and SSBG are capped at 30% of the state's TANF block grant. (continued...)

- provide child care services directly within state TANF programs using federal or nonfederal TANF funds.

There are some key differences across these options. For instance, when TANF funds are transferred to the CCDF, they are treated as CCDF dollars and must be spent according to CCDF rules. As such, TANF transfers to the CCDF augment the single consolidated child care program established by PRWORA. By contrast, expenditures on child care within state TANF programs (commonly called *TANF-direct* child care) are not subject to CCDF rules, meaning these funds may be spent on child care services that would not necessarily be allowed under the CCDF (e.g., services that do not meet CCDF health and safety standards or eligibility rules). Consequently, there are multiple ways for TANF funds to be spent on child care services both within the CCDF and outside the one-program system ostensibly envisioned by PRWORA.

Since PRWORA

Coming out of PRWORA, federal investments in child care have been driven by three main funding sources: the CCES, the CCDBG, and TANF.

The statute underlying the CCES has since been amended several times, most notably by the Deficit Reduction Act of 2005 (DRA, P.L. 109-171) and the American Rescue Plan Act of 2021 (ARPA, P.L. 117-2). DRA reauthorized the CCES and increased appropriations from \$2.7 billion to \$2.9 billion annually. ARPA permanently authorized the CCES and provided permanent, annual appropriations of \$3.6 billion. Under the law, these appropriations will not be adjusted for inflation. ARPA also made amendments to authorize territories to receive CCES funding for the first time starting in FY2021.¹⁰ Previously, only states and tribes or tribal organizations were eligible for the CCES.

Unlike the CCES, neither TANF nor the CCDBG has been reauthorized in a number of years. TANF has been amended on various occasions since enactment, but funding for the program has largely remained flat, in nominal terms, under a series of short- or medium-term extensions. The most recent extension, included in the Consolidated Appropriations Act, 2026 (P.L. 119-75), maintained TANF funding through December 31, 2026.¹¹

After PRWORA, the CCDBG Act went many years without being reauthorized, until the CCDBG Act of 2014 (P.L. 113-186) reauthorized it for the first and only time. The 2014 law substantially amended various aspects of the CCDBG Act, with particular emphasis on strengthening requirements related to health and safety, oversight, and family experiences with the program.¹² As a few examples, the law

- required background checks for staff members of certain child care providers,
- required (at a minimum) annual inspections for certain child care providers,
- revised program purposes to include language about improving child care and development and supporting care in high-quality settings,

TANF transfers to the SSBG may be spent on child care or other SSBG-allowable services. Historically, a relatively small share of TANF transfers to the SSBG are used for child care services (e.g., an average of \$226 million annually over the last 10 years for which data are available: FY2013-FY2022). Given that other sources of TANF funding for child care are historically more substantial, TANF transfers to SSBG for child care are beyond the scope of this report.

¹⁰ For more information on the CCES, see CRS In Focus IF10511, *Child Care Entitlement to States: An Overview*.

¹¹ For a complete discussion of TANF's legislative history, see CRS Report R44668, *The Temporary Assistance for Needy Families (TANF) Block Grant: A Legislative History*.

¹² For more information, see CRS In Focus IF10416, *CCDBG Act of 2014: Key Provisions and Implementation Status*.

- increased the share of funds lead agencies must spend on activities to improve the quality and availability of child care, and
- added new provisions requiring lead agencies to have policies in place to support a graduated phase-out of assistance to mitigate benefit cliffs.¹³

These statutory changes, and the regulatory changes that followed, generally apply to all federal CCDF funds, including mandatory CCES appropriations, discretionary CCDBG appropriations, and federal funds transferred to the CCDF from TANF. None of these requirements apply to TANF-direct child care services.

The CCDBG Act of 2014 authorized discretionary CCDBG appropriations through FY2020. While the authorization has since lapsed, the program has continued to be funded.

Child Care Today

Today, as envisioned by PRWORA, the CCDF is the main federal program supporting the child care needs of low-income working families. CCDF programs are operated by lead agencies in all 50 states and the District of Columbia, as well in five major territories (American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands), and among roughly 265 tribal entities.¹⁴ In FY2024, the most recent year for which all data are available, federal CCDF funds totaled \$13.7 billion. This includes discretionary CCDBG appropriations (\$8.8 billion), mandatory CCES appropriations (\$3.6 billion), and federal TANF transfers to the CCDF (\$1.4 billion from a total of 27 states).¹⁵ In addition, states were required to contribute \$2.4 billion in nonfederal match and MOE in FY2024, bringing total federal and minimum required nonfederal CCDF funds to an estimated \$16.1 billion in that year.¹⁶

In FY2023, preliminary administrative data (the most recent available) show that the CCDF served an average of 1.6 million children per month. Under CCDF rules, eligible children generally must

- be under age 13 (they may be older in limited circumstances);
- reside with a parent or parents who are working or attending a job training or education program (unless the child is receiving or needs protective services);
- reside with a family whose income does not exceed 85% of SMI, or lower depending on state policy; and
- reside with a family whose assets do not exceed \$1 million.¹⁷

¹³ For a more complete discussion of these and other program requirements, see CRS Report R47312, *The Child Care and Development Block Grant: In Brief*.

¹⁴ Under the CCDBG Act and Section 418 of the Social Security Act, all 50 states and the District of Columbia, along with the five major territories (American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands), are authorized to submit an application and plan to receive funding. While both laws authorize tribes and tribal organizations to do the same, the statutory definitions with respect to “Indian tribes” and “tribal organizations” have some differences across statutes. As a result, some tribal entities in Alaska and Hawaii do not receive CCES funds but do receive CCDBG funds. For a list of participating tribes and tribal organizations, by funding stream, see CCDF allotment data at <https://acf.gov/occ/data/ccdf-tribal-funding-allocations>.

¹⁵ Amounts are as appropriated to the CCDBG and CCES, and as reported on TANF financial data for TANF transfers.

¹⁶ FY2024 CCDF expenditure data are not yet available; this amount reflects minimum required contributions based on amounts appropriated for the fiscal year. The match and MOE requirements apply only to the 50 states and the District of Columbia; they do not apply to the five territories or participating tribes and tribal organizations.

¹⁷ For additional discussion, see CRS Report R47312, *The Child Care and Development Block Grant: In Brief*. The statutory asset test was added to the law after PRWORA, in the CCDBG Act of 2014 (P.L. 113-186).

In addition, the CCDF is considered a “federal public benefit” under Title IV of PRWORA.¹⁸ As a result, eligibility is limited by citizenship or immigration status; nonqualified alien children are not eligible.¹⁹

Parents of eligible children must be given a choice in selecting an eligible child care provider. For instance, parents may enroll their child with an eligible provider who has a grant or contract with the lead agency (if available) or they may receive a certificate (sometimes called a voucher) that can be used to purchase child care from a provider of their choice.²⁰ Historically, most children are served by certificates, including 95% of children in FY2023.²¹

To be considered an eligible child care provider for the CCDF, the provider generally must

- be licensed, regulated, or registered by the state; and
- meet certain minimum health and safety standards.²²

In addition, eligible child care providers are subject to annual inspections and staff employed by these providers are subject to criminal background checks.²³

Lead agencies set payment rates for child care services using a market rate survey or an alternative methodology (e.g., cost estimation). Payment rates must be “sufficient to ensure equal access” to child care and must take into consideration the costs of providing higher-quality care.²⁴ HHS recommends that states set payment rates at the 75th percentile of the market (i.e., effectively seeking to ensure participants have access to three out of every four providers) and generally requires states to set payment rates at the 50th percentile or above.²⁵

Parents are typically expected to share in the cost of child care, though lead agencies may waive copayments in some cases. States set sliding fee scales for parents based on income, family size, and other factors. By law, copayments should not be a barrier that prevents a family from

¹⁸ HHS designated the CCDF as a federal public benefit program in 63 *Federal Register* 41658.

¹⁹ Under regulations at 45 C.F.R. §98.20(c), the child is the primary beneficiary and thus only the child’s status is relevant; a child’s eligibility may not be conditioned on the citizenship or immigration status of the child’s parent.

²⁰ Section 658P6 of the CCDBB Act. Per 45 C.F.R. §98.30(a), a grant or contracted child care slot must be offered to parents “if such services are available,” while parents must be offered a child care certificate “any time that child care services are made available to a parent.” In March 2024, HHS published a final rule (89 *Federal Register* 15366) that would have required states to serve at least some children with grants and contracts by, at a minimum, establishing grants or contracts with providers to address supply issues for children in underserved areas, infants and toddlers, and children with disabilities. A May 2026 final rule issued by HHS later eliminated this requirement (91 *Federal Register* 25796).

²¹ HHS, Administration for Children and Families (ACF), Office of Child Care, *FY 2023 CCDF Data Tables (Preliminary)*, <https://acf.gov/occ/data/fy-2023-ccdf-data-tables-preliminary>.

²² Section 658P6 of the CCDBG Act. An exception is made for child care providers caring only for relatives, though such providers must comply with requirements applicable to relative caregivers.

²³ Licensed CCDF providers are subject to pre-licensure and annual unannounced inspections; license-exempt CCDF providers are subject to annual inspections. Background check requirements apply to staff members of all CCDF providers (except those caring only for relatives), as well as all licensed, regulated, or registered child care providers.

²⁴ Section 658E(c)(4) of the CCDBG Act and 45 C.F.R. §98.45. This requirement seeks to ensure CCDF recipients receive care that is comparable to care provided to children whose families are not eligible for subsidies. A past investigation by the HHS Office of Inspector General raised questions about whether states were meeting equal access requirements. See Suzanne Murrin, *States’ Payment Rates Under the Child Care and Development Fund Program Could Limit Access to Child Care Providers*, HHS Office of Inspector General, OEI-03-15-00170, August 2019.

²⁵ See April 2023 guidance issued by the HHS, ACF Office of Child Care on *Child Care and Development Fund Payment Rates*, <https://acf.gov/archive/occ/data/child-care-and-development-fund-payment-rates>. See also HHS, ACF, Office of Child Care, *CCDF Provider Payment Rates by State*, January 2025, <https://acf.gov/sites/default/files/documents/occ/CCDF-Provider-Payment-Rates-by-State.pdf>. This document includes information about states found to be out of compliance with the 50th percentile requirement, as of January 2025.

receiving assistance.²⁶ For roughly the last decade, HHS has suggested states set parental fees at no more than 7% of family income.²⁷ In 2024, HHS amended program regulations to make this a requirement; however, it subsequently eliminated this requirement in a May 2026 final rule.²⁸

While best known for subsidizing the costs of child care for low-income families, the CCDF also requires states to have a licensing process for child care services, establish minimum health and safety standards in specified areas, and make quality investments in child care. At a minimum, states must spend at least 3% of CCDF funds on activities to improve the quality of care for infants and toddlers, and an additional 9% on quality improvement activities more broadly. For instance, states may develop or implement tiered quality rating and improvement systems, offer workforce supports, or cultivate statewide systems of child care resource and referral services.

Separate from the CCDF, a total of 31 states and the District of Columbia used federal TANF funds to support \$1.5 billion in TANF-direct child care in FY2024.²⁹ (Sixteen of these states also transferred some federal TANF funds to the CCDF.) All but 6 states supported child care services with nonfederal TANF MOE funds, but only 25 states and the District of Columbia spent in excess of the estimated minimum amount countable toward both the TANF and CCDF MOEs.³⁰ When adjusting for possible double count, certain nonfederal TANF MOE spending on child care (sometimes referred to as excess TANF MOE spending on child care) came to an estimated \$2.7 billion in FY2024. No data are available on the children served by these TANF-direct child care funds, the settings in which they were served, or the mechanism through which support was provided (e.g., grants/contracts, certificates/vouchers).

Trends in Funding

PRWORA envisioned increasing appropriations for the CCDF, in part due to concerns that work requirements and time limits for TANF may increase the child care needs of low-income working families. This vision was reflected in staggered increases in CCES appropriations over the initial six-year authorization period, rising from \$2.0 billion in FY1997 to \$2.7 billion in FY2002 (in nominal terms). In addition, PRWORA set the CCDBG's authorization of appropriations at \$1.0 billion for each of FY1997-FY2002, an increase from its FY1995 appropriation of \$935 million.³¹

Figure 2 traces the federal funding history of the CCDF (including TANF transfers), along with predecessor funding streams. Funds in this figure have been adjusted for inflation; they are shown in constant FY2024 dollars. The figure demonstrates that federal funding for the CCDF grew in the early years after the enactment of PRWORA, initially peaking in FY2002, the last year of the PRWORA authorization period. Following the FY2002 peak, overall CCDF funding generally trended downward in constant terms for more than a decade. While CCES appropriations and TANF transfers have largely continued this downward trend for the duration of the period shown, this has not been the case for the CCDBG. A substantial increase in CCDBG appropriations in

²⁶ Section 658E(c)(5) of the CCDBG Act and 45 C.F.R. §98.45(k).

²⁷ For instance, see discussion in the preamble to a 2016 final rule (81 *Federal Register* 67440, 67467-67468, 67515).

²⁸ See discussion in the preamble to the 2024 final rule (89 *Federal Register* 15367-15368, 15386-15389) and in the preamble to the 2026 final rule (91 *Federal Register* 25797-25798).

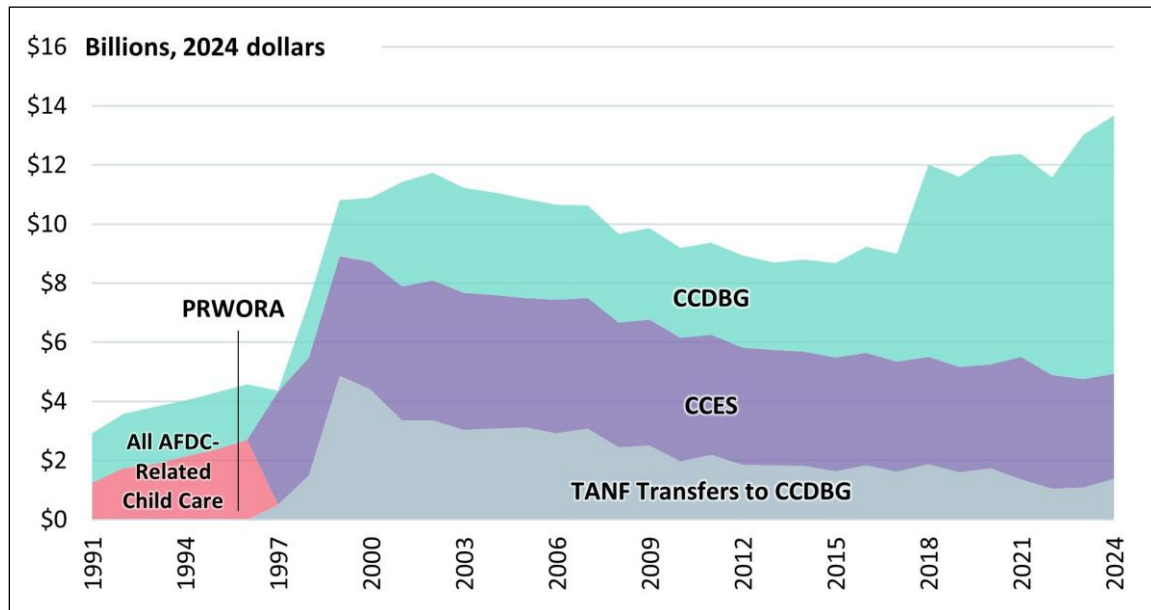
²⁹ HHS, ACF, Office of Family Assistance, *TANF Financial Data – FY2024*, <https://acf.gov/ofa/data/tanf-financial-data-fy-2024>. Unless otherwise noted, all FY2024 TANF data in this report, including dollar amounts and counts of states, are based on these data.

³⁰ To calculate excess TANF MOE child care spending, CRS compared total TANF-reported MOE spending on child care to the minimum required MOE for the CCDF. (Some states spend in excess of the CCDF minimum MOE amount, but these funds were not considered for purposes of this calculation.)

³¹ Prior to PRWORA amendments, the CCDBG Act had last authorized such sums as may be necessary for FY1995.

FY2018 was followed by some subsequent increases, driving the recent upward trend in overall CCDF funding. This represents a marked shift from the early years: initially, the CCDBG accounted for less than one-third of the CCDF funds shown in the figure, whereas in more recent years, the CCDBG has accounted for nearly two-thirds of federal CCDF funds.

Figure 2. Trends in Federal Child Care Funding
(in constant FY2024 dollars)

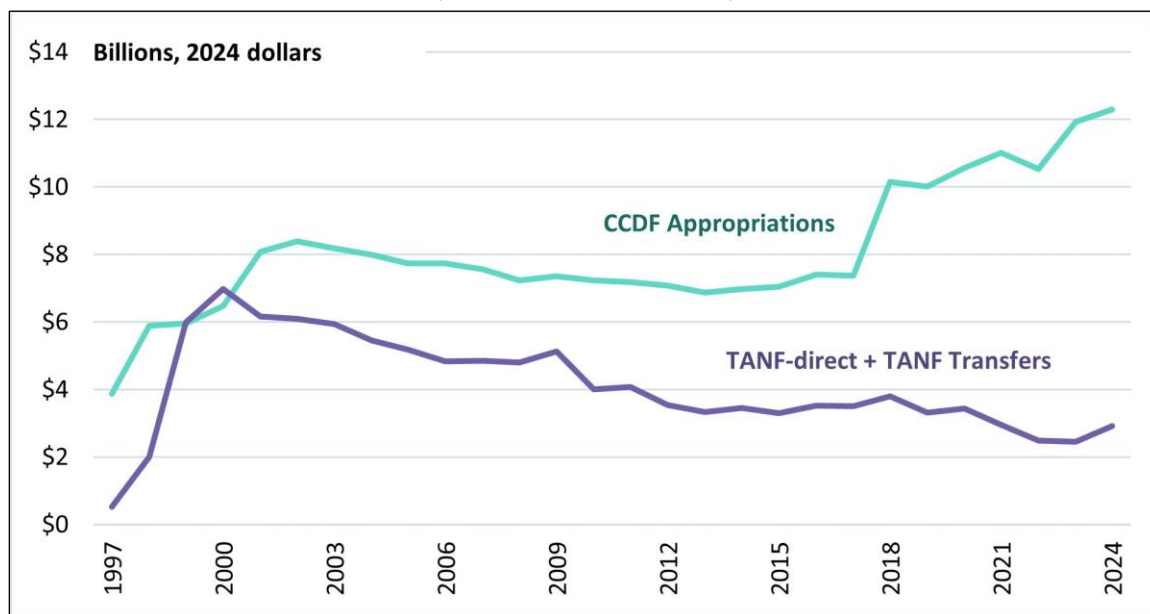


Source: Federal funding data are from HHS, including allotment tables, budget justifications, and TANF financial data. Amounts have been adjusted for inflation using the Consumer Price Index for All Urban Consumers (CPI-U).

Notes: AFDC = Aid to Families with Dependent Children. AFDC-Related Child Care includes (1) AFDC Child Care, (2) Transitional Child Care, and (3) At-Risk Child Care. CCES = Child Care Entitlement to States. CCDBG = Child Care and Development Block Grant. TANF = Temporary Assistance for Needy Families. This figure includes federal funds; nonfederal matching or maintenance-of-effort funds are excluded. Amounts generally exclude supplemental or other one-time appropriations. What appears to be limited discretionary CCDF funding in FY1997 actually reflects a shift to advance appropriating of funds for the following fiscal year.

Figure 3 compares historical trends in post-PRWORA federal appropriations to the CCDF (CCDBG and CCES) with federal TANF funds used for child care—including TANF-direct child care and TANF transfers to the CCDF. When adjusting for inflation, federal TANF funds have generally been a declining source of funding for child care since the early 2000s. This may reflect the fact that TANF appropriations have largely remained flat, in nominal terms, since FY1997. Despite this, TANF-direct child care and TANF transfers to the CCDF still typically account for more than 1 billion dollars apiece annually, making TANF a meaningful source of federal support for child care in certain states.

Figure 3. Trends in Federal Child Care Funding by Source (CCDF or TANF)
(in constant FY2024 dollars)



Source: Data are from HHS, including allotment tables, budget justifications, and TANF financial data. Amounts generally exclude supplemental or other one-time appropriations. Amounts have been adjusted for inflation using the Consumer Price Index for All Urban Consumers (CPI-U).

Notes: CCDF = Child Care and Development Fund. Federal CCDF appropriations include mandatory funds appropriated to the Child Care Entitlement to States (CCES) and discretionary funds appropriated to the Child Care and Development Block Grant (CCDBG). TANF = Temporary Assistance for Needy Families. “TANF-direct” refers to TANF-direct child care spending. “TANF Transfers” refers to TANF transfers to the CCDF. This figure includes federal funds; nonfederal matching or maintenance-of-effort funds are excluded. Supplemental and other one-time appropriations to the CCDF are generally excluded.

Trends in Children Served

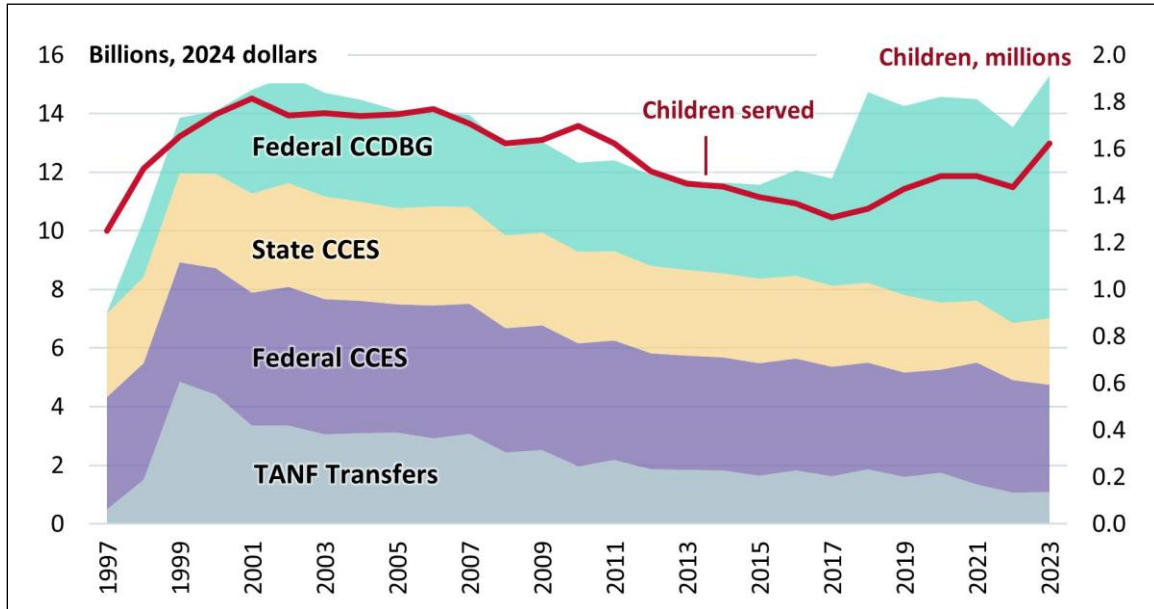
The child care caseload has experienced fluctuations over time. In FY1995, the three AFDC-related child care programs served an estimated 782,000 children per month, while the CCDBG served an estimated 663,000 children annually.³²

Following the enactment of PRWORA, the CCDF caseload generally grew in the early years, peaking at roughly 1.8 million children served in an average month in FY2001 (**Figure 4**).³³ After this, the monthly caseload generally trended downward for well over a decade, largely reflecting declines in inflation-adjusted CCDF funding over this period. The caseload reached a recent low of 1.3 million in FY2017, but has since rebounded (again reflecting trends in overall inflation-adjusted funding), with the program serving an average of 1.6 million children per month in FY2023.

³² HHS, ACF, Child Care Bureau, *Federal Child Care Programs in FY 1995*.

³³ Caseload trend data are largely drawn from HHS, ACF, Office of Child Care, *Child Care and Development Fund Statistics*, <https://acf.gov/occ/data/child-care-and-development-fund-statistics>. FY2023 data are preliminary. Data for FY1997 were drawn from an earlier HHS fact sheet on child care programs.

Figure 4. Trends in CCDF Funding and Monthly Children Served
(funding in constant FY2024 dollars)



Source: Data are from HHS, including allotment tables, budget justifications, TANF financial data, and annual program statistics on the CCDF. Amounts have been adjusted for inflation using the Consumer Price Index for All Urban Consumers (CPI-U).

Notes: CCDF = Child Care and Development Fund. CCDBG = Child Care and Development Block Grant. CCES = Child Care Entitlement to States. TANF = Temporary Assistance for Needy Families. “TANF Transfers” refers to TANF funds transferred to the CCDF. Supplemental and other one-time appropriations are generally excluded from funding data in this figure. “Children served” are those served in an average month in each fiscal year.

In addition to overall CCDF funding levels, trends in children served are also affected by changes in average subsidy amounts, among other factors. Between FY2002 and FY2023, average monthly CCDF subsidies, across all age groups and settings, more than doubled from \$342 to \$690.³⁴ Costs of care are typically highest among younger children. For instance, average CCDF subsidies for infants, across all settings, increased by 144% between FY2002 (\$380 per month) and FY2023 (\$929 per month). These increases in child care costs often outpace inflation.³⁵

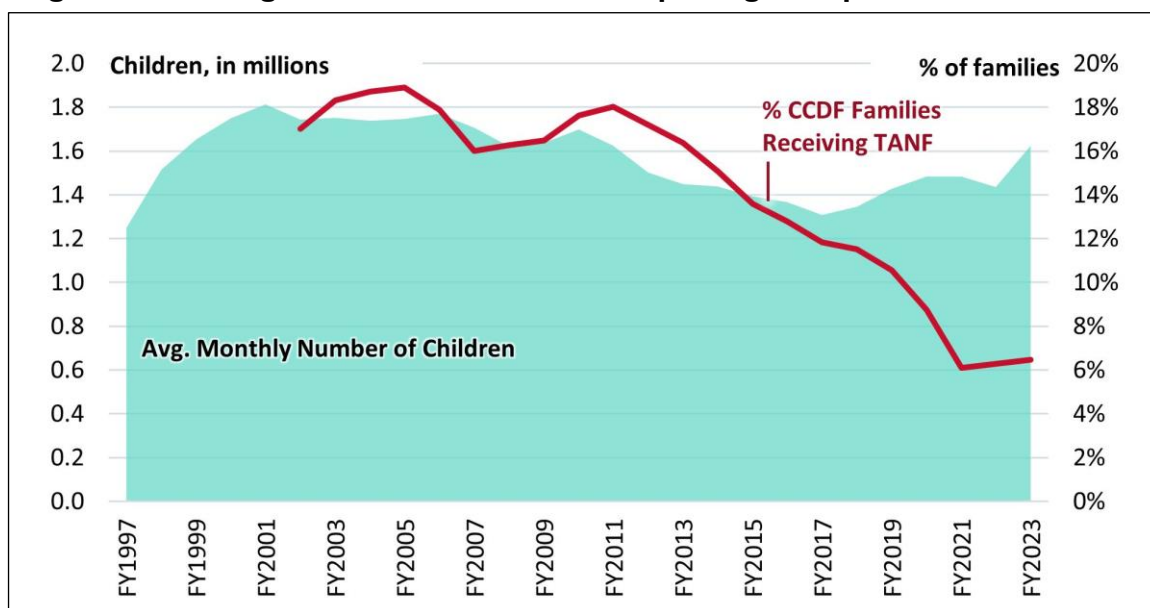
While the number of participating children has fluctuated over time, the share of CCDF families who reported receiving income from TANF has generally declined over the life of the CCDF (Figure 5). Participation by TANF families peaked at a high of 19% of CCDF families in FY2004 and FY2005 and then went into a general period of decline, dropping to a low of 6% starting in

³⁴ HHS, ACF, Office of Child Care, *Child Care and Development Fund Statistics*, <https://acf.gov/occ/data/child-care-and-development-fund-statistics>. FY2002 is the first year in which certain expanded program statistics became available. FY2023 data are preliminary.

³⁵ See a discussion of trends in child care costs in Chris M. Herbst, “Child Care in the United States: Markets, Policy, and Evidence,” *Journal of Policy Analysis and Management*, vol. 42, no. 1 (Winter 2023), pp. 255-304.

FY2021.³⁶ During this period, the TANF assistance caseload itself was generally declining as well.³⁷

Figure 5. Declining Share of CCDF Families Reporting Receipt of TANF Assistance



Source: Data are from HHS, including annual program statistics on the CCDF and, for FY1997 data, a fact sheet on federal child care programs.

Notes: CCDF = Child Care and Development Fund. TANF = Temporary Assistance for Needy Families. FY2023 data are preliminary.

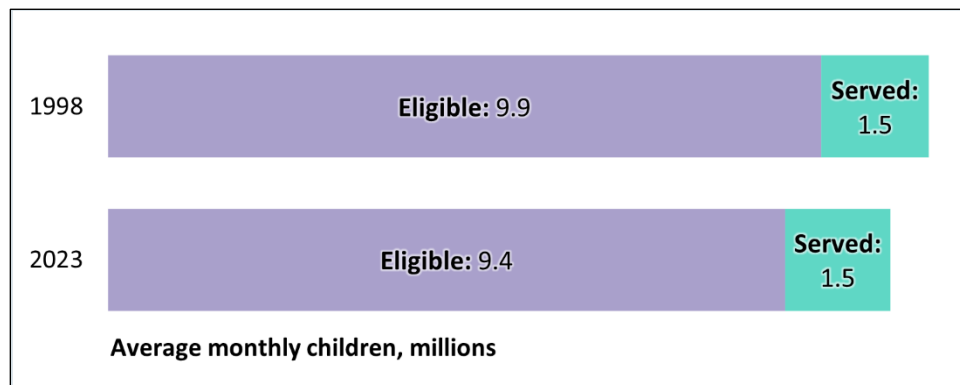
The percentage of CCDF-eligible children served is affected by many factors, including program rules established at the federal and state levels, as well as factors beyond the control of the program (e.g., changes in fertility rates or the number of children in low-income working families over time). **Figure 6** displays estimates of eligible and participating children in 1998 and 2023. These estimates reflect state-level eligibility rules (e.g., income limits, countable work or training activities) in place for the CCDF in each year. Between 1998 and 2023, the estimated number of eligible children dropped from 9.9 million to 9.4 million.³⁸ The estimated number of monthly children served was roughly the same in each year: around 1.5 million.³⁹ All told, about 15% of eligible children were estimated to participate in an average month in each year shown.

³⁶ Calculated using data from FY2002-FY2023, as reported by HHS, ACF, Office of Child Care, *Child Care and Development Fund Statistics*, <https://acf.gov/occ/data/child-care-and-development-fund-statistics>. FY2023 data are preliminary. Data on TANF receipt was not reported in CCDF expenditure data prior to FY2002.

³⁷ For more information, see CRS Report R48413, *Temporary Assistance for Needy Families (TANF) Block Grant: A Primer*.

³⁸ Estimates were calculated using the Transfer Income Model 3 (TRIM3) microsimulation model, which is funded primarily by HHS and maintained at the Urban Institute. The 1998 estimates are as reported in HHS, ACF, *Access to Child Care for Low-Income Working Families*, October 19, 1999. Preliminary 2023 estimates were derived by CRS.

³⁹ While other participation data in this report are generally drawn from administrative data alone, these participation data are derived from the TRIM3 microsimulation model and may vary from administrative data (e.g., TRIM3 data do not include estimates of eligible or participating children in territories).

Figure 6. Estimates of CCDF-Eligible and Participating Children in 1998 and 2023

Source: Estimates were calculated using the Transfer Income Model 3 (TRIM3) microsimulation model, which is funded primarily by HHS and maintained at the Urban Institute. The estimates for 1998 are as reported in HHS, ACF, *Access to Child Care for Low-Income Working Families*, October 19, 1999. The preliminary 2023 estimates were derived by CRS in May 2026.

Notes: Estimates were calculated using state rules for the CCDF in the applicable year. Some states set rules more restrictively than others (e.g., setting income limits below the federal maximum). If standardized rules were used (e.g., setting all state income limits at the federal maximum), estimates would differ. Estimates only include non-institutionalized individuals living in the 50 states and the District of Columbia; the underlying data source does not include information on individuals in U.S. territories. For additional information on TRIM3 and its underlying data, including its limitations, see CRS Report R46824, *Need-Tested Benefits: Technical Companion to Selected CRS Reports on Need-Tested Benefits Receipt by Families and Individuals*.

Selected Issues for Congress

PRWORA was a seminal law in the evolution of federal child care programs. While child care debates today have evolved in their scope and focus in many ways, some current issues are tied to the 1996 reforms. For instance, some current debates focus on the role of TANF in supporting child care and the question of whether all federal child care funds should be spent according to the same federal rules. Debate also continues about the appropriate level of federal investments in child care. PRWORA envisioned increases in child care funding over time to support those needing child care to work or participate in training or educational activities, particularly TANF families. While funding increases were realized in the early years after enactment, the level of investment since then has varied by funding stream. Overall CCDF funding (federal and nonfederal, inclusive of CCDBG, CCES, and TANF transfers) in FY2024 was 6% higher than in FY2002, the peak funding year, when adjusting funds for inflation. In 2023, the CCDF served roughly 15% of eligible children, about the same share served in 1998.

One Unified Program?

Reforms to child care programs in 1996 were designed, in part, to create a single, unified child care program (albeit supported by multiple funding streams): the CCDF. This goal was balanced by provisions seeking to offer states substantial flexibility in implementing newly authorized block grants. Under this construct, the federal government determines basic program rules and minimum spending levels for the CCDF, while state governments determine whether TANF funds will be spent on child care and, if so, what program rules will apply.

TANF transfers offer states the flexibility to bolster total CCDF resources, effectively expanding the reach of the unified child care program created by PRWORA. By contrast, TANF-direct child care funds are not subject to CCDF program rules. While TANF-direct child care augments total

federal resources available to support child care, little is known about how these funds are used, raising questions about whether there is a different standard of care across programs—and, if so, whether such a difference is desirable under federal policy.

Over the years, there have been proposals seeking to standardize at least some rules across child care funding streams. For instance, the Obama Administration’s FY2017 budget proposed applying CCDBG Act health and safety standards to TANF-direct child care, noting that this would “ensure that all children receiving child care assistance benefit from the same protections regardless of the program providing the funding.”⁴⁰ Subsequently, the House Ways and Means Committee reported a bill in 2018 (H.R. 5861; H.Rept. 115-754) that would have eliminated federal TANF-direct child care. The bill would have retained states’ authority to transfer TANF funds to the CCDF and would have increased the transfer limit to 50% (up from 30%) of a state’s federal TANF funds, but this limit would have applied to all TANF transfers, including transfers to other programs (e.g., under the bill, certain workforce and child welfare programs).⁴¹

More recently, in May 2026 the Trump Administration issued an Information Memorandum (IM) that, among other things, encourages states to transfer the maximum possible amount of TANF funds to the CCDF.⁴² The IM argues that, relative to TANF-direct child care, CCDF transfers “better support families with young children and expand access.” The IM further states that the CCDF offers a framework that “supports parental choice and better accountability for the use of funds.” While the IM does not require states to make any changes, it is possible this encouragement from HHS could affect state spending decisions moving forward.

Federal Investments and Reach

In addition to questions about whether all child care funds should be subject to the same rules and reporting requirements, there are broader questions about the optimal level of federal investments in child care. Under the current system, the federal government drives the largest investments in child care with appropriations to the CCDF. Many states augment these funds with additional investments from TANF—but doing so means states must prioritize child care over other TANF-eligible activities.

When accounting for inflation, federal TANF funds have been a declining source of child care spending over time (**Figure 3**). TANF grants have generally remained flat (in nominal dollars) since the block grant was first established in 1996. When adjusting for inflation, the basic TANF block grant declined in value by 49% between FY1997 and FY2024.⁴³ The flexibility of the current system allows states to make the decision of whether and how to augment federal CCDF funds by assessing their relative needs. However, uneven levels of investment across states may lead to differences in child care access, affordability, policies, or quality across the country.⁴⁴

⁴⁰ HHS, ACF, *Administration for Children and Families: FY2017 Justification of Estimates for Appropriations Committees*, February 9, 2016, p. 348.

⁴¹ Based on analysis by CRS, a transfer limit of 50% would require at least a small number of states to reduce overall federal TANF spending on child care.

⁴² HHS, ACF, Office of Family Assistance, *Using TANF to Support Child Care and At-Home Parental Caregivers*, ACF-OFA-IM-26-01, May 11, 2026.

⁴³ For further discussion, see CRS In Focus IF10036, *The Temporary Assistance for Needy Families (TANF) Block Grant*.

⁴⁴ See, for example, Nina Chien, *Estimates of Child Care Subsidy Eligibility & Receipt for Fiscal Year 2021*, HHS, Office of the Assistant Secretary for Planning and Evaluation, September 2024; Alycia Hardy et al., *Child Care Assistance Landscape: Inequities in Federal and State Eligibility and Access*, Center for Law and Social Policy, June (continued...)

Trend data suggest the number of children served by the CCDF is sensitive to fluctuations in overall program funding, including declines in purchasing power due to inflation (**Figure 4**). Data also show that average child care subsidies typically rise year after year, often outpacing inflation. The average number of children served per month peaked in FY2001, before declining for many years. While this trend has reversed, the average number of children served per month in FY2023, 1.6 million, still lags behind the program’s historical peak, based on preliminary administrative data. Overall, the program serves a relatively small share of all children estimated to be eligible under state rules: about 15% in 1998 and in 2023 (**Figure 6**).

Today, most children reside in working families, including children in single-parent households.⁴⁵ This suggests a fairly widespread need for child care options, but costs of care and supply gaps can make child care difficult for many families to find and afford, not just those who are eligible for the CCDF.⁴⁶ Taken together with the relatively small share of TANF recipients who participate in the CCDF, this may raise questions about the relevance today of the historical link between the CCDF and TANF (or its predecessor programs). The link between child care and parental work, however, remains strong, with research showing that access to child care subsidies is tied to higher parental employment rates and hours worked, especially among mothers.⁴⁷ A number of studies have found that further expansions in federal child care subsidies may result in additional increases in maternal employment.⁴⁸ Some estimates also suggest that substantial federal investments may have a stabilizing influence on the child care workforce and a positive effect on the quality of care.⁴⁹ However, the potential for such benefits would depend on the specific proposal and would need to be assessed against increased public costs and other considerations.⁵⁰

2024; Federal Reserve Bank of St. Louis, *The Economic Impact of Child Care by State*, April 15, 2025; and Margaret Todd et al., *Key Cross-State Variations in CCDF Policies as of October 1, 2023*, OPRE Report 2025-054, May 2025.

⁴⁵ Department of Labor, Women’s Bureau, *Labor Force Participation* (landing page), <https://www.dol.gov/agencies/wb/data/participation>.

⁴⁶ See, for example, Chris M. Herbst, “Child Care in the United States: Markets, Policy, and Evidence,” *Journal of Policy Analysis and Management*, vol. 42, no. 1 (Winter 2023), pp. 255-304; U.S. Department of the Treasury, *The Economics of Child Care Supply in the United States*, September 2021; Child Care Trust, *Child Care Gaps Assessment*, <https://childcaregap.org/>; Child Care Aware of America, *Mapping the Gap: Examining Child Care Supply and Demand Across the Country*, <https://www.childcareaware.org/our-issues/research/mappingthegap/>; and Center for American Progress, *Child Care Deserts Series*, <https://www.americanprogress.org/series/child-care-deserts/>.

⁴⁷ See, for example, Benjamin Gurrentz, *Child Care Subsidies and the Labor Force Outcomes for Working Married Mothers*, U.S. Census Bureau, SEHSD-WP2021-14, June 29, 2021; Elizabeth E. Davis et al., “Do Child Care Subsidies Increase Employment Among Low-Income Parents?,” *Journal of Family and Economic Issues*, vol. 39 (August 2018), p. 662–682; Taryn W. Morrissey, “Child care and parent labor force participation: a review of the research literature,” *Review of Economics of the Household*, vol. 15 (March 23, 2026), pp. 1-24; and Kimberly Burgess et al., *The Effects of Child Care Subsidies on Maternal Labor Force Participation in the United States*, HHS, Office of the Assistant Secretary for Planning and Evaluation, December 2016.

⁴⁸ See, for example, Jonathan Borowsky et al., *An Equilibrium Model of the Impact of Increased Public Investment in Early Childhood Education*, National Bureau of Economic Research, Working Paper 310140, June 2022; Congressional Budget Office, *Economic Effects of Expanding Subsidized Child Care and Providing Universal Preschool*, November 2021; and Kimberly Burgess et al., *The Effects of Child Care Subsidies on Maternal Labor Force Participation in the United States*, HHS, Office of the Assistant Secretary for Planning and Evaluation, December 2016.

⁴⁹ See, for example, Jonathan Borowsky et al., *An Equilibrium Model of the Impact of Increased Public Investment in Early Childhood Education*, National Bureau of Economic Research, Working Paper 310140, June 2022; and Congressional Budget Office, *Economic Effects of Expanding Subsidized Child Care and Providing Universal Preschool*, November 2021.

⁵⁰ See, for example, Congressional Budget Office, *Economic Effects of Expanding Subsidized Child Care and Providing Universal Preschool*, November 2021. See also related discussion in U.S. Congress, Senate Health, Education, Labor, and Pensions Committee, *Solving the Child Care Crisis: Meeting the Needs of Working Families and Child Care Workers*, 118th Cong., 1st sess., May 31, 2023.

Author Information

Karen E. Lynch
Specialist in Social Policy

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