



State-Federal Briefing: Federal Child Care Landscape

Friday, June 21



Agenda



1. Current federal funding streams
2. Recent rulemaking
3. Legislative proposals from both sides of the aisle
4. Current bipartisan bills and opportunities for bipartisan agreement



Current Federal Funding Streams

Funding Stream Categories

INTENDED FOR EARLY CHILDHOOD

- Designed to support early childhood programs that cover at least some portion of the birth through 5 age range.
- FY24 funding: \$25.3 billion on these programs.

ALLOWABLE USE

- Funding not solely intended to support early childhood programs, but funds can be used for that purpose.
- FY24 funding: \$38.9 billion, although only a fraction of this total is spent on child care.

TAX CREDITS

- Address access and affordability of child care with credits for families and employers that provide child care.
- Many states have their own versions of federal tax credits related to child care and early childhood.

Funding Streams Specifically for Early Childhood

Funding Stream	Description	FY24 Funding
Child Care and Development Fund (CCDF)	Child care subsidy program for low-income families.	\$8.7 billion discretionary + \$3.5 billion mandatory
Head Start	Education and other support services to children and families in poverty.	\$12.3 billion
Preschool Development Grants Birth Through Five (PDG B-5)	Helps states improve coordination and collaboration between existing early childhood systems through a mixed-delivery model.	\$315 million
Individuals with Disabilities Education Act (IDEA) Part B, Section 619	Special education preschool grants	\$420 million
Child Care Access Mean Parents in Schools (CCAMPIS)	Helps institutions of higher education provide child care options for low-income students with children.	\$75 million

Funding Streams Specifically for Early Childhood

CHILD CARE AND DEVELOPMENT FUND (CCDF)

- **Eligibility:** Children must be under age 13, have a parent who is working or in job training, have a family income at or below 85% of state median income (SMI), and have family assets that total no more than \$1 million.
- **State Role:** Set payment rates for providers, set cost-sharing with parents, can adopt lower family income limits.
- **State Funding:** States must meet federal matching and maintenance of effort requirements.

HEAD START

- **Eligibility:** Children and pregnant women must have household income at or below federal poverty level, categorical eligibility for those receiving public assistance, experiencing homelessness, or in foster care.
- **State Role:** Head Start is a federal-to- local program, with a minimal state role.

PRESCHOOL DEVELOPMENT GRANTS BIRTH THROUGH FIVE (PDG B-5)

- **Eligibility:** States and territories. Almost all states and territories have received a grant.
- States have used grants for activities such as family engagement, integrating early care and education systems, and expanding or revising quality standards
- **State Funding:** Must provide a 30% non-federal match for federal funds.

Funding Streams Allowing Funding for Early Childhood

Funding Stream	Description	FY24 Funding
Temporary Assistance for Needy Families (TANF)	Block grant for programs to help low-income families achieve economic self-sufficiency.	\$ 16.5 billion
Elementary and Secondary Education Act (ESEA) Title I-A	Support for schools serving students from low-income families.	\$ 18.4 billion
Social Services Block Grant (SSBG)	Support social services for vulnerable children and adults.	\$ 1.7 billion
Rural Development Programs	Grant and loan programs for public service and business facilities in rural areas.	\$2.3 billion across 5 programs

Funding Streams Allowing Funding for Early Childhood

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

- Block grants to states to help low-income families with children achieve economic self-sufficiency.
- States can transfer up to 30% of their TANF funds to CCDBG.
 - FY22: 27 states transferred some federal TANF funds to CCDBG, average of 16% transferred.
- States can spend TANF funds directly on child care without transferring to CCDBG.
 - 34 states and D.C. did direct spending on child care.

RURAL DEVELOPMENT PROGRAMS

- Grant and loan programs focused on public service and business facilities in rural areas, which can include child care providers.
 - Community Facilities Programs
 - Rural Microentrepreneur Assistance Program
 - Community Facilities Guaranteed Loan Program
 - Business and Industry Loan Guarantees
 - Rural Business Development Grants

Tax Credits Related to Child Care

Tax Credit	Eligibility
Child and Dependent Care Tax Credit (CDCTC)	Parents with children up to age 13 or dependent adults
Child Tax Credit (CTC)	Parents with children under age 17 with an income of at least \$2,500
45F Tax Credit for Employer-Provided Child Care	Businesses that provide child care or help employees find child care, without discriminating in favor of highly paid employees



Recent Rulemaking

CCDF Final Rule

Mandatory for States

- Pay providers based on enrollment rather than attendance
- Cap family co-payments at 7% of family income

Encouraged for States

- Waive copayments for families at or below 150% of federal poverty line
- Presumptive eligibility for siblings of eligible children

Cost

- Does not come with additional funding. Increase in CCDBG for FY24 will not cover the costs of full implementation
- Estimated costs for implementation will vary by state

Waivers

- States may request waivers of up to two years for certain required provisions

Head Start Proposed Rule

Workforce Supports

- Progress toward pay parity between Head Start educators and K-3 teachers
- Providing or facilitating access to health insurance
- Regularly scheduled breaks to all staff during shifts

Mental Health Supports

- Requires multidisciplinary health teams
- Integrate mental health into support services for families

Quality Improvement and Family Engagement

- Maximum caseload of 40 families per family service worker
- Adjust families' gross income to account for excessive housing costs in the community

Implementation

- Does not come with additional funding
- Increasing educator pay without additional funding may cause providers to cut slots
- Timeline for implementation varies from 60 days to 7 years



Legislative Proposals

Build Back Better

CHILD CARE

- **Eligibility:** Expand to families making up to 250% SMI
- **Co-payments:** Waived below 75% SMI, capped for 75-150% SMI with maximum of 7% of family income
- **Provider Payment:** States must set payment rates using cost estimation model allowing for pay parity between child care and elementary educators with equivalent credentials
- **State Funding:** Changes to maintenance of effort and matching requirements

PRESCHOOL

- **Eligibility:** Universal (no income or work requirements)
- **Grants:** To states that opt in. To localities and Head Start providers in states that opt out.
- **State requirements:** Submission of state plans related to standards, support for mixed-delivery system, educator qualifications and pay
- **Matching requirements**
 - Preschool services: Start at 95% federal, decrease to 63% over two years
 - State-level activities: 50% state match

CCDBG Reauthorization Act

- **Sponsors:** Sen. Tim Scott (R-SC) and Sen. Richard Burr (R-NC)
- **Eligibility:** Expand to 150% SMI, add new categorical eligibility
- **Co-payments:** Eliminate for below 75% SMI, sliding scale of caps up to 7% for families between 75-150% SMI
- **Provider payment:** States must use cost estimation models



Questions?