**441 G St. N.W.**
**Washington, DC 20548**

**Accessible Version**

February 18, 2021

The Honorable Patty Murray
Chair
The Honorable Richard Burr
Ranking Member
Committee on Health, Education, Labor and Pensions
United States Senate

The Honorable Bobby Scott
Chairman
The Honorable Virginia Foxx
Republican Leader
Committee on Education and Labor
House of Representatives

**Child Care: Subsidy Eligibility and Receipt, and Wait Lists**

This letter formally transmits the attached briefing in response to GAO's mandate included in the Child Care and Development Block Grant Act (CCDBG) of 2014 (see enclosure I). The CCDBG Act of 2014 included a provision for GAO to review every 2 years the extent of participation in the Child Care and Development Fund (CCDF) program across states.[1] This program is one of the primary sources of federal funding for assisting low-income families with child care while they are working, looking for jobs, or participating in education and training activities. On November 18, 2020, we provided the briefing to staff of your committees to satisfy the mandate. Our briefing described 1) what is known about the number of children eligible for federal child care subsidies and the extent to which they receive them, including by state; 2) what is known about the age and family income of children eligible for federal child care subsidies compared to children who receive them; and 3) what is known about how states manage their waiting lists.

To answer these questions, we summarized the most recent U.S. Department of Health and Human Services' (HHS) analysis of overall CCDF program eligibility and subsidy receipt data; calculated state level eligibility and receipt by using 1) state-level data on federal and state CCDF eligibility from the HHS analysis and 2) state-level data on CCDF receipt from the Office of Child Care; summarized information from a previous GAO report about state child care administrators' approaches and challenges to managing subsidy wait lists; and discussed what, if any, impact the Coronavirus Disease 2019 (COVID-19) pandemic was having on eligibility and receipt with some members of the National Association of State Child Care Administrators (NASCCA).

[1] Pub. L. No. 113-186, § 12, 128 Stat. 1971, 2001.

The slides in our enclosure have been updated since we briefed your staff in November 2020. Specifically, the attached slides contain updated child care eligibility and receipt data for fiscal year 2017, the most current data available from 1) the U.S. Department of Health and Human Services (HHS) *Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2017*, issued in late November 2020; and 2) the Office of Child Care. In addition, HHS' *Factsheet* included new information on recipients by race, which we have included in the updated slides in enclosure I.

We conducted this performance audit from June 2020 to February 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Agency Comments

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

We are sending copies of this report to the appropriate congressional committees. In addition, the report is available at no charge on our website at http://www.gao.gov. If you or your staff have any questions concerning this report, please contact me at (202) 512-7215 or larink@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report were Janet Mascia, Assistant Director, and Rhiannon Patterson.

Kathryn Larin
Director, Education, Workforce and Income Security

Enclosure

**Enclosure 1 Child Care: Subsidy Eligibility and Receipt, and Wait Lists. Briefing to Senate Committee on Health, Education, Labor and Pensions and House Committee on Education and Labor, Nov. 18, 202 (see attached for 508 accessible pdf version of the Powerpoint presentation)**



GAO

# Child Care: Subsidy Eligibility and Receipt, and Wait Lists

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

## November 18, 2020

**Note: This enclosure was updated in December 2020 with HHS' most recent child care subsidy eligibility and receipt data.**

## Introduction: GAO's Mandate

- The Child Care and Development Fund (CCDF) is one of the primary sources of federal funding for assisting low-income families with child care while they are working, looking for jobs, or participating in education and training activities.
- The CCDF program is made up of two funding streams: discretionary funding in the form of block grants authorized under the Child Care and Development Block Grant (CCDBG) Act of 1990, as amended, and mandatory and matching funding authorized under section 418 of the Social Security Act.
- The Child Care and Development Block Grant Act (CCDBG) of 2014 included a provision for GAO to review, every 2 years, the extent of participation in the CCDF program across states.
- This briefing provides information collected for GAO's third report in response to the mandate.

GAO

## Objectives

To address GAO's mandate and as discussed with the relevant committees, this report will answer the following questions:

1. What is known about the number of children eligible for federal child care subsidies and the extent to which they receive them, including by state?
2. What is known about the age and family income of children eligible for federal child care subsidies compared to those that receive them?
3. What is known about how states manage their waiting lists?

Page 3

GAO

## Methodology

- Summarized the most recent U.S. Department of Health and Human Services' (HHS) analysis of overall eligibility and subsidy receipt data as reported in *Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2017* (November 2020), Office of the Assistant Secretary for Planning and Evaluation (ASPE).
- Calculated state level eligibility and receipt by using 1) state-level data on federal and state CCDF eligibility from the HHS *Factsheet* and 2) state-level data on CCDF receipt from the Office of Child Care Fiscal Year 2016 and 2017 CCDF Data Tables.
- Summarized information from GAO-17-60, *Child Care: Access to Subsidies and Strategies to Manage Demand Vary Across States* (Washington, D.C.: December 2016) about state child care administrators' approaches and challenges to managing subsidy wait lists.
- Discussed what, if any, impact the Coronavirus Disease 2019 (COVID-19) pandemic was having on eligibility and receipt with some members of the National Association of State Child Care Administrators (NASCCA).

GAO

## Background: Federal Child Care Assistance

- CCDF was appropriated more than $8 billion in federal funds in 2019 and is administered by HHS at the federal level.
- Other federal sources for child care subsidies include the Temporary Assistance for Needy Families (TANF) and the Social Services Block Grant (SSBG).

## Background: HHS Data

- HHS has published 10 reports on child care eligibility and receipt using data from fiscal years 2003 (issued April 2005), 2005 (issued July 2008), 2006 (issued April 2010), 2009 (issued December 2012), 2011 (issued February 2015), 2012 (issued November 2015), 2013 (issued November 2017), 2015 (issued January 2019), 2016 (issued October 2019), and 2017 (issued November 2020).

GAO

## Background: HHS Data

HHS officials stated the following regarding the issuance of HHS' Factsheet:

- Generally, a 2 to 3 year time lag exists between the collection of the Census data used in HHS' *Factsheet* and the *Factsheet's* release.
- The primary constraint on faster issuance between data collection and issuance of the *Factsheet* is the time needed for the production of the Transfer Income Model (TRIM) microsimulation data, which provides the state eligibility estimates.[1]
  - The baseline TRIM microsimulation takes time to produce in part because it analyzes changes in state requirements in all 50 states in order to update its eligibility simulations, as well as changes in requirements for other transfer programs, income imputations, and many other factors.

[1]The eligibility estimates are produced using TRIM, a microsimulation model developed and maintained by the Urban Institute under contract with ASPE. TRIM is based on the Annual Social and Economic Supplement of the Current Population Survey (CPS-ASEC). TRIM compares family income and work status data, among other factors, from the CPS against CCDF requirements to generate estimates of children and families eligible for subsidies.

GAO

## Objective 1: Eligibility and Receipt of Child Care Assistance Subsidies

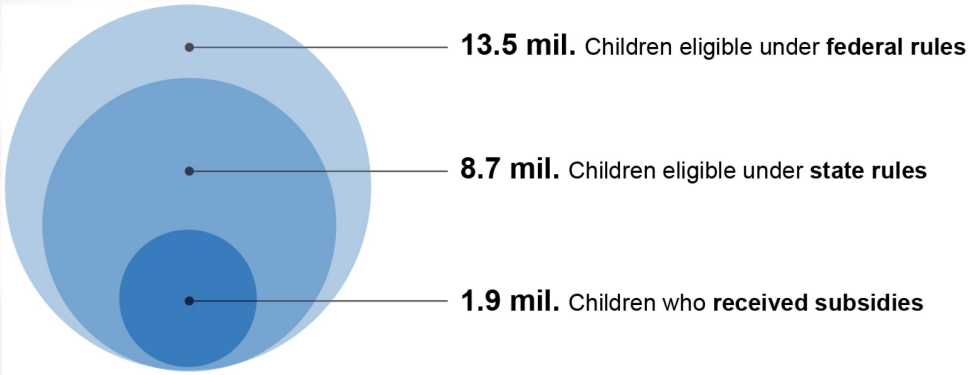
- Federal eligibility requirements for CCDF generally require that children must be under 13 (under 19 with special needs), have family income less than 85 percent of the state median income, and have parents who are either working or in education or training.
- Children eligible for subsidies through TANF and SSBG also generally meet the federal CCDF eligibility requirements, according to HHS officials.
- States have the flexibility to establish specific eligibility criteria within broad federal eligibility requirements. These criteria include different income limits, as well as requirements involving employment, and/or educational activities, among others, which can influence the size of the eligible population in each state.

Page 8

GAO

# Objective 1: Eligibility and Receipt of Child Care Assistance Subsidies

**Figure 1: HHS' Estimated Number of Children Eligible Under Federal and State Eligibility Requirements, and Estimated Number Receiving Child Care Subsidies, Fiscal Year 2017**




Source: Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, *Factsheet: Estimates of Child Care Eligibility and Receipt for Fiscal Year 2017* (Washington, D.C.: November 2020). | GAO-21-245R

Note: The HHS estimate represents the number of children who received child care subsidies funded through the Child Care and Development Fund (CCDF) as well as related government funding streams, which includes counts of children who receive subsidies funded directly through the Temporary Assistance for Needy Families (TANF) program, the Social Services Block Grant (SSBG), or state expenditures claimed as TANF maintenance of effort funds. An estimated 1.3 million children received subsidies through CCDF alone in an average month in fiscal year 2017.

Page 9

GAO

## Objective 1: Eligibility and Receipt of Child Care Assistance Subsidies

- As shown in figure 1, 1.9 million children, on average each month, received child care subsidies:
  - 14 percent of all children estimated to be eligible under *federal eligibility requirements* received subsidies; and
  - 22 percent of all children eligible under *state eligibility requirements* received subsidies.
- This is according to HHS analysis of data from fiscal year 2017, the most recent fiscal year for which data were available at the time GAO updated this briefing in December 2020.

Note: The HHS estimate represents the number of children who received child care subsidies funded through CCDF as well as related government funding streams, which includes counts of children who receive subsidies funded directly through the Temporary Assistance for Needy Families (TANF) program, the Social Services Block Grant (SSBG), or state expenditures claimed as TANF maintenance of effort funds.

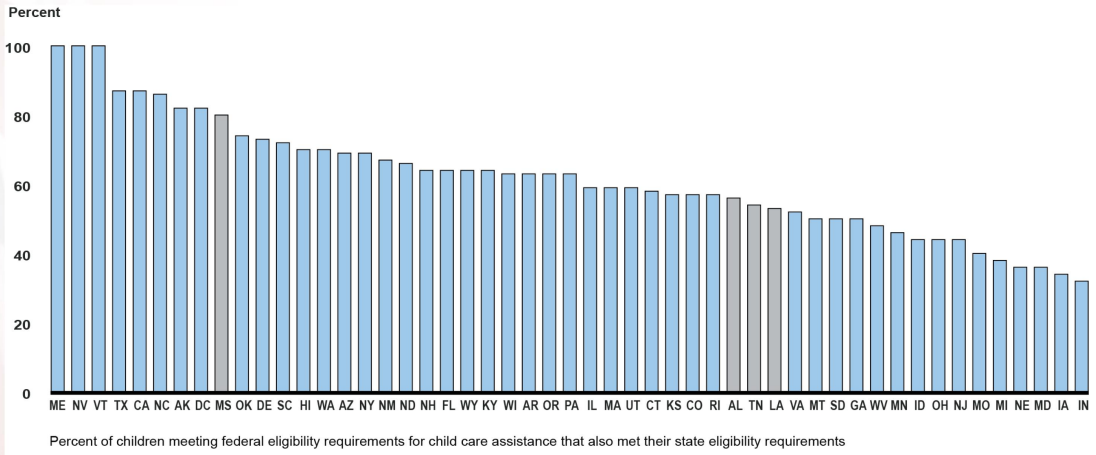
GAO

## Objective 1: Eligibility and Receipt of Child Care Assistance Subsidies

- Generally, fewer families qualify for child care subsidies under state eligibility requirements than under federal eligibility requirements, according to HHS.
- The extent to which children who meet federal child care eligibility requirements also meet state eligibility requirements, varies by state. (See fig .2.)

# Objective 1: Eligibility and Receipt of Child Care Assistance Subsidies

## Figure 2: Percent of children meeting federal eligibility requirements for child care assistance that also met their state eligibility requirements, 2017




Source: GAO analysis of data from Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, *Factsheet: Estimates of Child Care Eligibility and Receipt for Fiscal Year 2017* (Washington, D.C.: November 2020). | GAO-21-245R

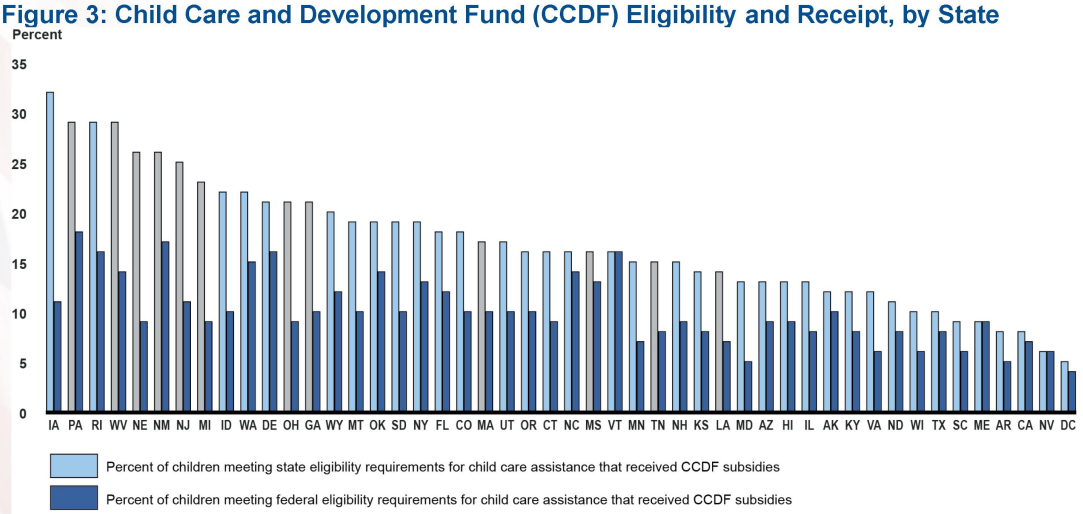
Data is from 2-Year Average Monthly Estimates from calendar years 2016 and 2017. States shown with grey bars (AL, LA, MS, TN) have margins of error (MOE) between 10 and 15 percentage points. For the remaining states, MOEs are less than 10 percentage points. For three states (ME, NV and VT), the ratio of children eligible under state rules to children eligible under federal rules exceeds 100 percent; this can occur when state rules exclude some sources of income that are included in federal eligibility estimates. These estimates are presented as 100 percent.

## Objective 1: Eligibility and Receipt of Child Care Assistance Subsidies - CCDF

- The share of eligible children who *receive* CCDF subsidies also varies significantly by state. (See fig. 3.)
- Under state requirements, the CCDF subsidy receipt rate ranged from approximately 5 to 32 percent of eligible children.
- Under federal requirements, the CCDF subsidy receipt rate ranged from approximately 4 to 18 percent of eligible children.

# Objective 1: Eligibility and Receipt of Child Care Assistance Subsidies – CCDF

## Figure 3: Child Care and Development Fund (CCDF) Eligibility and Receipt, by State




Source: GAO analysis of data from Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, *Factsheet: Estimates of Child Care Eligibility and Receipt for Fiscal Year 2017* (Washington, D.C.: November 2020), and data from the Administration for Children and Families, Office of Child Care, U.S. Department of Health and Human Services. | GAO-21-245R

Data are from 2-Year Average Monthly Estimates. Eligibility data are from calendar years 2016 and 2017. Subsidy receipt data are from FY 2016 and 2017, and the subsidy receipt data in this slide represents CCDF funding only. Margins of error (MOE) for estimates with dark blue bars and light blue bars are all less than 10 percentage points. Grey bars in lieu of light blue bars indicate that estimates of subsidy receipt rates among state-eligible children have MOEs between 10 and 15 percentage points (GA, LA, MA, MI, MS, NE, NJ, NM, OH, PA, TN, WV). We do not report data for 3 states (AL, IN, MO) because the MOEs for subsidy receipt rates among state-eligible children are 15 percentage points or higher.

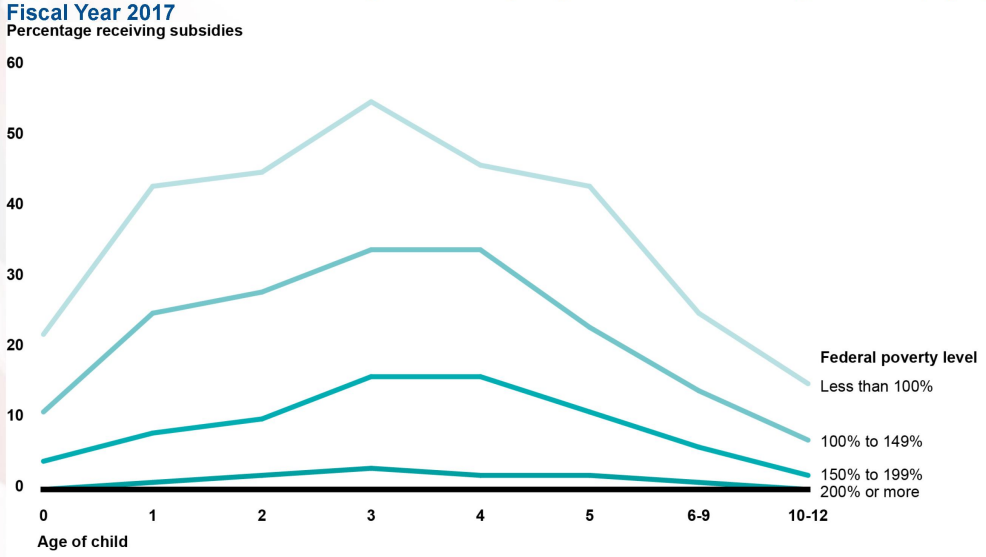
Page 14

## Objective 2: Characteristics of Eligible Children Who Received Child Care Subsidies

- HHS estimated that, among families who met federal eligibility requirements in fiscal year 2017:
  - Children from lower-income families were more likely to receive child care subsidies compared to children from higher-income families.
  - Preschool-age children were more likely to receive subsidies compared to older, school-age children.
  - Black children who were federally-eligible for subsidies were more likely to receive subsidies, compared to children of other races / ethnicities.
    - 27 percent of federally-eligible Black children received subsidies, compared to 7 percent of eligible Asian children, 11 percent of eligible Hispanic children, and 11 percent of eligible White (non-Hispanic) children.

## Objective 2: Characteristics of Eligible Children Who Received Child Care Subsidies

**Figure 4: HHS' Estimated Percentage of Federally-Eligible Children Receiving Subsidies, By Age and Income, Fiscal Year 2017**




Source: Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, *Factsheet: Estimates of Child Care Eligibility and Receipt for Fiscal Year 2017* (Washington, D.C.: November 2020). | GAO-21-245R

Note: Poverty figures are based on 2017 poverty thresholds published by the U.S. Census Bureau. For families with one adult and two children, 150 percent of poverty is $29,624 ($2,469 monthly).

Page 16

## Objective 3: Management of State Wait Lists

As discussed in our prior work, (GAO-17-60), state officials told us that:

- Child care officials said they use wait lists and other strategies to manage caseloads when more families want subsidies than their states can serve. But wait lists can be challenging to keep current and accurate.
- Many states prioritize certain families for subsidies, such as recipients of funding under the TANF program and children in protective services.[1]

[1]In GAO-17-60 we reported that 37 states prioritized TANF recipients and 28 states prioritized children in protective services.

## Objective 3: Management of State Wait Lists - State Strategies

In our previous report we found that states have varied strategies for managing their wait lists:

- Some states have a single statewide list while others have sub-state lists (such as county-level lists), which allows sub-state areas to have their own policies.[1]
- Some states conduct full or partial eligibility determinations prior to placing families on wait lists.[2]
- Many states require periodic reviews of their wait list.[3]

(1) In GAO-17-60 we reported that of the 19 states that used wait lists in 2015, 10 states had a single statewide list and the remaining nine states had more than one sub-state list. (2) We also reported that five of the 19 states that used wait lists in 2015 conducted full eligibility determinations while 11 states that used wait lists relied on self-reported information or conducted partial eligibility determinations. (3) We also reported that among the 19 wait list states, officials from 13 mentioned that their states require periodic reviews.

## Objective 3: Management of State Wait Lists - Challenges

Strategies that states use to manage their wait lists may have certain challenges. For example, state administrators told GAO that:

- Sub-state lists can contain duplication, which makes state-wide estimates of families in need difficult, and can waste resources when multiple jurisdictions contact the same family for periodic reviews.
- Maintaining the accurate contact information needed for periodic review is challenging, in part due to insufficient technology to manage waitlists.

GAO

## Impact of COVID-19 on Eligibility and Receipt of Subsidies

Despite initial declines in subsidy receipt, National Association of State Child Care Administrators (NASCCA) members reported to us that some states are seeing their child care costs increase due to, for example:

- More school-age children using full-day care;
- Increased expenses for additional health and safety measures, such as facility cleanings and smaller group sizes; paying for more absences; and paying for parent co-pays; and
- Families applying for subsidies for relative care.

Page 20

GAO

## Impact of COVID-19 on Eligibility and Receipt of Subsidies

NASCCA members we interviewed provided examples of changes to policies made by some states *to help families access child care,* which include:

- Increasing income eligibility for subsidies to 85 percent of the state median income, the maximum allowed under CCDBG;
- Temporarily waiving work requirements to be able to receive subsidies[1]; and
- Covering family fees[1] for parents when a family must quarantine due to a COVID-19 exposure at home.

[1] Suspending work requirements requires the CCDF Lead Agency to obtain a waiver from ACF/Office of Child Care (OCC). Covering/suspending family co-payments would require a waiver if done for all families, but does not require a waiver if done for a sub-population of families

GAO

## Impact of COVID-19 on Eligibility and Receipt of Subsidies

NASCCA members provided examples of changes to policies made by some states *to help providers*, which include:

- Providing funds to providers to help with increased costs, such as purchasing personal protective equipment (PPE) and additional cleaning supplies and support;
- Paying providers based on their authorized enrollments from February 2020, their pre-COVID-19 level; and
- Raising the state's provider reimbursement rate by 25 percent to help providers cover their continued overhead costs.



(104369)