



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

January 30, 2025

The Honorable Bill Cassidy, M.D.  
Chair  
The Honorable Bernard Sanders  
Ranking Member  
Committee on Health, Education, Labor and Pensions  
United States Senate

The Honorable Tim Walberg  
Chairman  
The Honorable Robert C. "Bobby" Scott  
Ranking Member  
Committee on Education and Workforce  
House of Representatives

**Child Care: Subsidy Eligibility and Use and State Waiver Requests Related to New Program Requirements**

This letter formally transmits the attached briefing in response to a provision included in the Child Care and Development Block Grant (CCDBG) Act of 2014 for GAO to report every 2 years on eligibility for and receipt of child care subsidies as well as the status of subsidy wait lists (see enclosure I).<sup>1</sup> On October 23, 2024, we provided a briefing to staff of your committees in response to this provision. Our briefing described 1) what the available data show about the number of children eligible for federal child care subsidies and the extent to which they receive and use them, and 2) what the available data show about states' requested waivers related to implementation of the 2024 Child Care and Development Fund (CCDF) final rule.

To answer these questions, we:

- summarized the most recent U.S. Department of Health and Human Services' (HHS) analysis of CCDF eligibility and receipt data in its *Factsheet: Estimates of Child Care Eligibility and Receipt for Fiscal Year 2021* published in September 2024;<sup>2</sup>

<sup>1</sup>Pub. L. No. 113-186, § 12, 128 Stat. 1971, 2001 (codified at 42 U.S.C. § 9858r). For GAO's previous responses to this provision see: GAO, *Child Care: Access to Subsidies and Strategies to Manage Demand Vary Across States*, [GAO-17-60](#) (Washington, D.C.: Dec. 15, 2016); *Child Care and Development Fund: Subsidy Receipt and Plans for New Funds*, [GAO-19-222R](#) (Washington, D.C.: Feb. 15, 2019); *Child Care: Subsidy Eligibility and Receipt, and Wait Lists*, [GAO-21-245R](#) (Washington, D.C.: Feb. 18, 2021); and *Child Care: Subsidy Eligibility and Use in Fiscal Year 2019 and State Program Changes during the Pandemic*, [GAO-23-106073](#) (Washington, D.C.: March 29, 2023).

<sup>2</sup>According to HHS officials, the 2021 factsheet uses preliminary rather than final data, which the agency has historically used for the annual factsheets, because the final data were not yet available when it created the factsheet. Typically, there are small differences in the preliminary and final data. As a result, HHS will not republish the 2021 factsheet with the final data that are now available. We reviewed the factsheet data and found it sufficiently reliable for providing estimates at the national level.

- reviewed relevant reports, including on the use of subsidy wait lists; and
- interviewed HHS officials about states' progress implementing the CCDF final rule that went into effect in April 2024, and summarized information from HHS on the number of and reasons for requested waivers.

We have updated the slides in our enclosure since we briefed your staff in October. Specifically, the attached slides contain updated information about the number of and reason for state waiver requests to delay implementation of certain provisions of the CCDF final rule.

We conducted this performance audit from August 2024 to January 2025 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 that 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 <https://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](mailto: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 Kristen Jones, Assistant Director; Jessica Mausner, Analyst in Charge; Jessica Ard; James Bennett; Kirsten Lauber; and James Rebbe.



Kathryn A. Larin  
Director, Education, Workforce, and Income Security

Enclosure



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# **Child Care: Subsidy Eligibility and Use and State Waiver Requests Related to New Program Requirements**

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**Briefing to Senate Committee on Health, Education, Labor and Pensions and House Committee on Education and the Workforce**

**October 23, 2024**

Note: This enclosure was updated in January 2025 with HHS's most recent data on state waiver requests related to the Child Care and Development Fund 2024 final rule.



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## Child Care and Development Block Grant Act

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The 2014 reauthorization of the Child Care and Development Block Grant Act includes a provision for GAO to report on eligibility for and receipt of child care subsidies as well as the status of subsidy wait lists every 2 years.

This is GAO's fifth report in response to this provision.

## Objectives

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To address GAO's mandate and as discussed with relevant committees, this report examines:

1. What do the available data show about the number of children eligible for federal child care subsidies and the extent to which they receive and use them?
2. What do the available data show about states' requested waivers related to implementation of the 2024 Child Care and Development Fund final rule?

# Methodology

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To answer our first question, we:

- summarized the Department of Health and Human Services' (HHS) *Factsheet: Estimates of Child Care Eligibility and Receipt for Fiscal Year 2021* (the most recent data available about child care subsidy eligibility and receipt)<sup>1</sup>; and
- reviewed relevant reports, including on the use of subsidy wait lists.

To answer our second question, we interviewed HHS officials about states' progress implementing the Child Care and Development Fund (CCDF) final rule that went into effect in April 2024, and we summarized information from HHS on the number of and reasons for requested waivers.

<sup>1</sup>According to HHS officials, the 2021 factsheet uses preliminary rather than final data, which has historically been used for the annual factsheets, because the final data were not yet available when the factsheet was created. Typically, there are small differences in the preliminary and final data. As a result, HHS will not republish the 2021 factsheet with the final data that are now available. We reviewed the factsheet data and found it sufficiently reliable for providing estimates at the national level.

# Summary of Preliminary Findings

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- About 1.8 million children received child care subsidies in an average month in fiscal year 2021, roughly 15 percent of the 11.5 million eligible under federal rules.<sup>1</sup>
- The number of children eligible for subsidies declined between 2019 and 2020, which HHS attributes to job loss that left parents ineligible for subsidies based on their work status. Eligibility began to rebound in 2021, but did not return to 2019 levels.
- States are early in their implementation of the 2024 CCDF final rule. Every state and the District of Columbia has requested a temporary waiver to delay implementation of certain provisions of the rule for up to 2 years.

<sup>1</sup>The estimated 1.8 million children includes those who received child care subsidies funded through CCDF and other federal funding streams, including Temporary Assistance for Needy Families and the Social Services Block Grant.

## Background: Child Care Subsidies

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- Child care subsidies help low-income families afford child care so parents can work, attend school, or participate in job training.
- In fiscal year 2021, according to HHS, federal and state government expenditures totaled about \$14.2 billion for child care subsidies:
  - \$10.8 billion from CCDF, including funding authorized under the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 and the American Rescue Plan Act of 2021
  - \$3.4 billion from Temporary Assistance for Needy Families and the Social Services Block Grant



## Background: Child Care Subsidies

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- Under CCDF, states have substantial flexibility to establish their own eligibility criteria that determine which low-income working families will be served. For example, under federal eligibility rules, a family's income may not exceed 85 percent of state median income, but many states set their income limits below the federal maximum.<sup>2</sup>
- When a subsidy is used to pay for a child's care, their child care provider receives both (1) a payment from the state (provider payment) and (2) a payment from the family (family co-payment). The rates for provider payments and for family co-payments are set by each state in a way sufficient to ensure equal access.

<sup>2</sup>At lead agency discretion, co-payments can be waived for certain families—families whose incomes are at or below 150 percent of the poverty level for a family of the same size, that have children who are in foster or kinship care or otherwise receive or need to receive protective services, that are experiencing homelessness, that have children with a disability, that are enrolled in Head Start or Early Head Start, or that meet other criteria established by the lead agency (45 C.F.R. § 98.45(l)(4)).

# Background: Estimating CCDF Eligibility

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- HHS's Assistant Secretary of Planning and Evaluation (ASPE) issues a factsheet every year with estimates of the number of children who are eligible for child care subsidies and the number who received them. The most recent factsheet is for fiscal year 2021.
- HHS produces the eligibility estimates using the Transfer Income Model (TRIM), a microsimulation model developed and maintained by the Urban Institute under a contract with HHS. This model is based on data from the Annual Social and Economic Supplement of the Current Population Survey. TRIM compares family income and work status data, among other factors, from the Current Population Survey against CCDF requirements in order to generate estimates of the number of children and families eligible for subsidies.
- There generally is a 2-year time lag between the collection of Census data that HHS uses to create its eligibility estimates and when it releases these data.
- The baseline TRIM microsimulation takes time to produce in part because it analyzes changes in subsidy eligibility requirements in each state, as well as changes in requirements for other transfer programs and income imputations, among other factors, according to HHS.

## Background: 2024 CCDF Final Rule

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A new CCDF final rule that went into effect in April 2024 requires states and territories to:

- Prohibit family co-payments above 7 percent of family income
- Pay providers prospectively before they provide care or at the beginning of the delivery of care to the child rather than getting reimbursed after providing care
- Use enrollment-based payment so providers receive the full amount of the subsidy even if the child is absent during the month
- Build the supply of nontraditional hour care for those needing early morning, evening, overnight, and weekend care
- Use some grants or contracts to increase the supply of child care for infants and toddlers, children with disabilities, and children in underserved geographic areas
- Implement eligibility policies that minimize disruption to parent employment, education, or training opportunities, such as using other benefit program documentation to verify eligibility for CCDF subsidies

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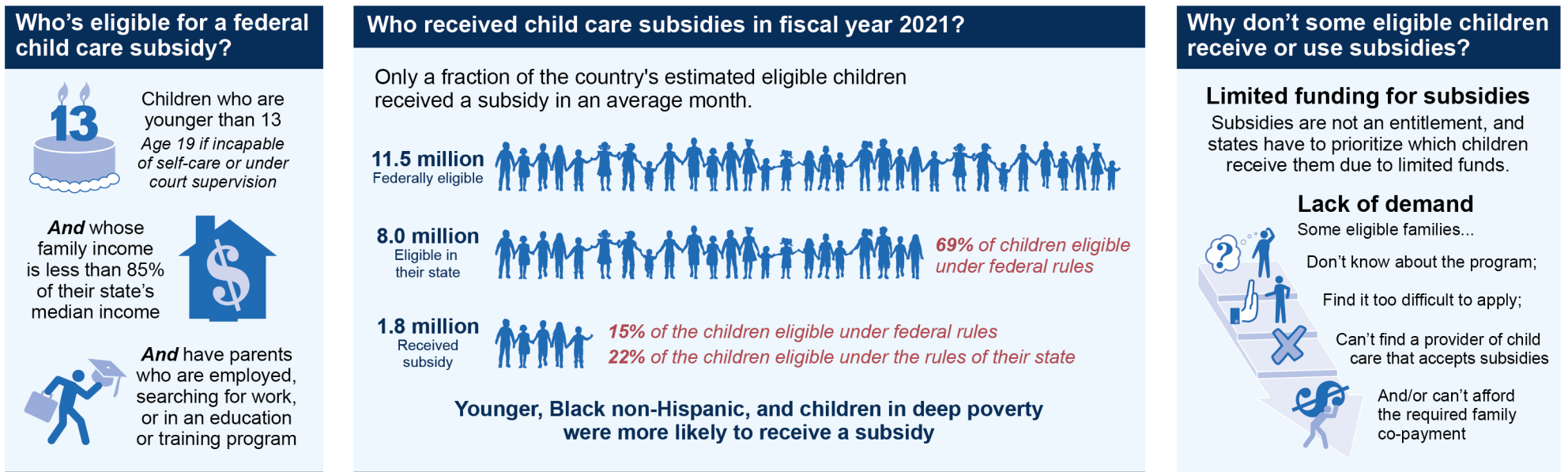
## Background: 2024 CCDF Final Rule

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- The final rule is effective as of April 30, 2024.
- Lead agencies could apply for temporary waivers of no more than 2 years for certain provisions of the final rule that they require more time to implement.
- Lead agencies could make waiver requests until December 30, 2024.

# Objective 1: Child Care Subsidy Eligibility, Receipt, and Wait Lists

Figure 1: Child Care Subsidy Eligibility and Receipt, Fiscal Year 2021

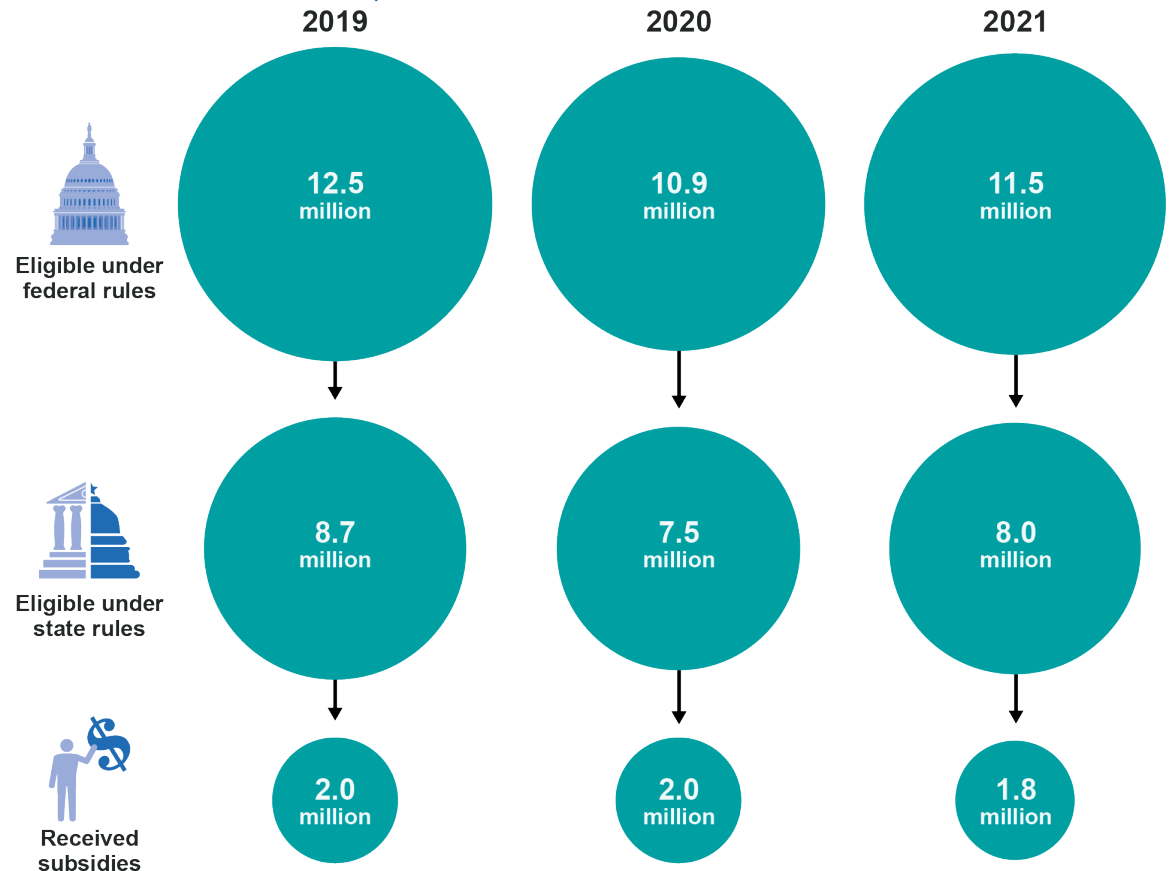


Notes: According to HHS officials, the 2021 factsheet uses preliminary rather than final data, which has historically been used for the annual factsheets, because the final data were not yet available when the factsheet was created. Typically, there are small differences in the preliminary and final data. As a result, HHS will not republish the 2021 factsheet with the final data that are now available. The estimated 1.8 million children includes those who received child care subsidies funded through CCDF and other federal funding streams, including Temporary Assistance for Needy Families and the Social Services Block Grant.

# Objective 1: Child Care Subsidy Eligibility, Receipt, and Wait Lists

- The number of children eligible for subsidies declined between 2019 and 2020. HHS attributes this decline to widespread job loss that left children ineligible for subsidies based on their parents' work status.
- The number of children eligible for subsidies increased in 2021 but did not rebound to 2019 levels. HHS attributes this partial rebound to factors such as a lower unemployment rate, rather than states implementing less restrictive eligibility policies.
- The number of children who received subsidies declined in 2021. HHS officials attribute this in part to the COVID-19 pandemic being disruptive for the child care sector, and despite the availability of federal pandemic funding, many states not yet drawing down a significant portion of these funds in fiscal year 2021.

**Figure 2: Number of Children Eligible For and Receiving Child Care Subsidies, Fiscal Years 2019-2021**



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# Objective 1: Child Care Subsidy Eligibility, Receipt, and Wait Lists

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- Some states use wait lists to manage caseloads when more families want subsidies than their states can serve.
- There is no national dataset that captures information about how many children are on subsidy wait lists, according to HHS officials. States also manage their lists differently and therefore data from these lists cannot be consolidated in a reliable way. For example, some states determine eligibility prior to placing a family on a wait list, while others do so once a family is number one on the wait list and next in line for services. States with local lists rather than one statewide list can have duplicate entries for the same child if a family has applied for a subsidy through more than one local agency.
- State child care administrators whom we interviewed previously said that wait lists are not a reliable way for them to quantify demand or unmet need for subsidies, although they can be helpful as a program management tool for distributing subsidies.
- The number of states that use subsidy wait lists continues to decline. According to state surveys by the National Women’s Law Center, 19 states maintained a wait list as of February 2015, 12 as of February 2021, and 9 as of 2023.<sup>3</sup>

<sup>3</sup>GAO analysis of National Women’s Law Center’s reports: “Two Steps Forward, One Step Back: State Child Care Assistance Policies 2023” (Washington, D.C.: May 2024); “At the Crossroads: State Child Care Assistance Policies 2021” (Washington, D.C.: May 2022); and “Building Blocks: State Child Care Assistance Policies 2015” (Washington, D.C.: Oct. 2015).

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## Objective 2: Requested Waivers Related to 2024 CCDF Final Rule

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- States are early in the process of implementing the final rule, but HHS officials said that states are thoughtfully considering how to develop compliant policies that work for their unique state circumstances. All states applied for temporary waivers for certain provisions of the final rule, indicating they needed more time to implement some changes.
- States must demonstrate in their fiscal year 2025-2027 CCDF plan how they will satisfy the requirements of the new final rule. HHS reviewed these state plans through September, and officials said that states then had up to 60 days to respond to any risks of non-compliance with provisions of the final rule found by HHS. This allowed states time to request waivers by the December 30 deadline if they had not yet done so and needed additional time to make the changes needed for compliance.



## Objective 2: Requested Waivers Related to 2024 CCDF Final Rule

Every state and the District of Columbia requested a temporary waiver for at least one provision of the final rule, according to HHS officials:

Provision of the 2024 Child Care and Development Fund final rule for which states can request a waiver	Number of requested waivers
Pay providers prospectively	45
Offer some grants or contracts for direct services for:	
children with disabilities	43
children in underserved geographic areas	41
infants and toddlers	40
Comply with consumer education requirement to post full monitoring and inspection reports in plain language with information on inspections and any corrective actions taken by the state or child care provider	31
Use enrollment-based payment	28
Cap co-payments at 7 percent of family income	21

Note: States can request a waiver for more than one provision, so table numbers do not sum to 51.

## **Objective 2: Requested Waivers Related to 2024 CCDF Final Rule**

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According to HHS, some of the underlying reasons for waiver requests include:

- the need for new state legislation;
- state legislative and budget approval processes; and
- required IT system updates.

As of January 15, 2025, HHS had approved all waiver requests.

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