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CHILD CARE ASSISTANCE: HOW EXISTING FEDERAL POLICY HELPS FAMILIES AFFORD CHILD CARE

ALYSSA FORTNER AND SHIRA SMALL | AUGUST 2026

INTRODUCTION

Access to child care is vital, but too many families struggle to afford it. Providers depend on parent contributions to operate their child care businesses, but the high cost of care leads to unaffordability for many families, making it a market failure.[1] As the cost of child care continues to rise[2] and federal dollars fall short of the investment needed to meet families' needs, it is crucial to understand how existing programs can help families afford care.[3] **The Child Care and Development Fund (CCDF)** is the primary funding stream for child care assistance and was created to help families with low incomes access care and help improve the quality of services.[4] This brief explains the history and purpose of child care assistance, who it serves, and its value.

THE VALUE OF CHILD CARE ASSISTANCE FOR CHILDREN AND FAMILIES

Child care is a critical support for families. It helps parents or caregivers work, search for a job, attend school or job training, and tend to other responsibilities while their children are receiving early care and education that is safe, stable, and developmentally appropriate.[5] Despite its value, families nationwide face significant barriers[6] in finding and affording care, partially due to child care workforce shortages born out of inadequate compensation for providers, despite demanding hours and high stress in the field.[7] Access barriers are compounded for families with low incomes and families of color,[8] including immigrant families, who must also overcome significant, systemic racial and economic hurdles to access child care.[9]

However, stability and support for families depends on a child care workforce that is deeply underpaid and undervalued. To participate in the CCDF subsidy program, providers must meet specific minimum licensure, training, and certification requirements.[10] These requirements are meant to ensure that children's health, safety, and developmental needs are met, yet they can be restrictive, costly, and burdensome to fulfill in the very specific ways states mandate.[11] This has contributed to declining provider participation in CCDF, as the program has never been funded at the levels needed to meet the demand from eligible families and properly compensate the providers who keep the sector afloat.[12] In the most recent estimate, only **1 in 7, or 15 percent**, of eligible children under federal rules had access to a child care subsidy in fiscal year (FY) 2021.[13]

HOW WE GOT HERE

Today's child care sector cannot be understood without acknowledging its roots in chattel slavery and how present inequities stem from this history.[14] Over the course of this country's history, public policies have intentionally and unintentionally excluded communities of color,[15] causing direct harm to families' economic, physical, and social well-being, especially Black families.[16] Black women who were enslaved had to care for white children while being unable to care for their own. After emancipation, many of these women had few work opportunities outside of domestic labor.[17] Under Jim Crow laws, child care settings were segregated, [18] and many still are, [19] with Black children often receiving care in under-resourced settings while policies during the Great Depression and exclusions from major labor protections further pushed Black and immigrant women into undervalued, underpaid domestic work.[20]

Federal child care policy has perpetuated these inequities. In 1971, President Nixon vetoed the bipartisan **Comprehensive Child Development Act**, rejecting what could have become universal child care and reinforcing segregated systems that left Black communities without local control over care.[21] Legislation in the 1990s expanded child care infrastructure but established restrictive eligibility rules that reduced access for many families, particularly those that were Black, Hispanic, immigrant, undocumented, or mixed-status. Congress enacted the **Child Care and Development Block Grant (CCDBG)** in 1990.[22] Six years later, Congress passed the **Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996** which reauthorized CCDBG and enacted the **Child Care Entitlement to States (CCES)**.[23] These two funding streams—discretionary and mandatory, respectively—created CCDF. Despite being enacted under PRWORA, CCES funds are generally required to be spent under CCDBG rules. However, "welfare reform" policies under PRWORA imposed work requirements that significantly limited who was deemed deserving of care,[24] reinforcing racist stereotypes.[25] The legacy of these exclusions shapes who accesses child care today and the value placed on those providing that care.[26]

After 1996, the CCBDG was not reauthorized again until 2014,[27] and the CCES is permanently authorized. The subsequent 2016 CCDF Final Rule, which instructs states how to administer the CCDF program based on the law,[28] included important improvements to health, safety, and access.[29] In 2024, an updated CCDF Final Rule was published that built upon these improvements to include additional regulations to better support children, families, and providers.[30] Congress did not provide enough funding to fully implement these reforms, forcing many states to delay implementation or further restrict access to subsidies. However, in May 2026, an updated CCDF Final Rule was published[31] that removed the positive requirements from the 2024 version, which will further destabilize[32] the underfunded, inequitable sector.[33]

CHILD CARE ASSISTANCE FUNDING

Federal child care assistance encompasses multiple funding streams. CCDBG discretionary dollars are allocated annually through the congressional appropriations process and allocated to states according to a formula that calculates the young child population and other metrics to assess financial need.[34] CCES mandatory funds, which are consistent year to year, require states to contribute funding through a state match and a "maintenance of effort" (MOE).[35,36] The state matches are determined by the Federal Medical Assistance Percentages (FMAPs) rate for their state.[37] The MOE is determined by the amount a state spent on child care before 1996 through Aid to Families and Dependent Children-related programs.[38] States must spend their minimum required amount through the match *and* MOE to access their full federal CCDF funds. If a state does not, they essentially forfeit the federal funds.[39] When this happens, the federal government reallocates those funds in following years to other states that did fulfill their funding requirements. In 2026, the discretionary CCDBG allocation was **$8.83 billion** and the mandatory CCES allotment was **$3.55 billion** for total funding for CCDF of **$12.38 billion** before state contribution.[40,41]

In addition, states can utilize the Temporary Assistance for Needy Families (TANF) and the Social Services Block Grant (SSBG) funds for child care. TANF is a flexible federal grant given to states to support families in various ways to help them achieve economic sufficiency.[42] SSBG is another flexible grant to states that helps them tailor their social service programs to meet their population's needs.[43] Both of these grants can be spent directly on child care, but states can also transfer up to 30 percent of TANF funds to CCDF and/or SSBG. States can transfer up to 30 percent to CCDF and up to 10 percent to SSBG, but the total amount transferred to CCDF and SSBG cannot be more than 30 percent of TANF funds that a state receives.[44] Once funding is transferred, the rules and regulations of CCDF or SSBG apply to its spending.

Lastly, during the COVID-19 pandemic, the child care sector received historic, but temporary, federal relief funding to stabilize the sector. Across three funding streams **(Figure 1)**, **more than $50 billion** went out to states, territories, and tribes through supplemental CCDF funding and stabilization grants. These funds were used to increase access to child care for families, support the child care workforce, and strengthen the quality of child care programs.[45] States were able to stabilize child care programs during the pandemic and implement important policies that provided better pay for providers and increased access for families. However, the last of these funds expired in September 2024, [46] and many states are now struggling to sustain the progress these finite dollars facilitated.[47]

Figure 1: Federal Child Care COVID-19 Relief Funding

Date Signed into Law	Authorizing Legislation	Total Amount	Obligation & Liquidation Deadlines
March 2020	Coronavirus Aid, Relief, and Economic Security (CARES) Act	$3.5 billion in supplemental Child Care and Development Block Grant (CCDBG) discretionary funding	Obligation: September 30, 2022 Liquidation: September 30, 2023
December 2020	Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)	$10 billion in supplemental CCDBG discretionary funding	Obligation: September 30, 2022 Liquidation: September 30, 2023
March 2021	American Rescue Plan Act (ARPA)	Nearly $24 billion for the Child Care Stabilization Program	Obligation: September 30, 2022 Liquidation: September 30, 2023
		Almost $15 billion in supplemental CCDBG discretionary funding	Obligation: September 30, 2023 Liquidation: September 20, 2024
		A permanent increase ($633 million) in annual mandatory Child Care Entitlement to States funding to $3.55 billion	

Source: H.R. 748 of January 3, 2020, Coronavirus Aid, Relief, and Economic Security Act, https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf; H.R. 133 of December 27, 2020, Consolidated Appropriations Act, 2020, https://www.congress.gov/116/plaws/publ260/PLAW-116publ260.pdf; and H.R. 1319 of March 11, 2021, American Rescue Plan Act of 2021, https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf.

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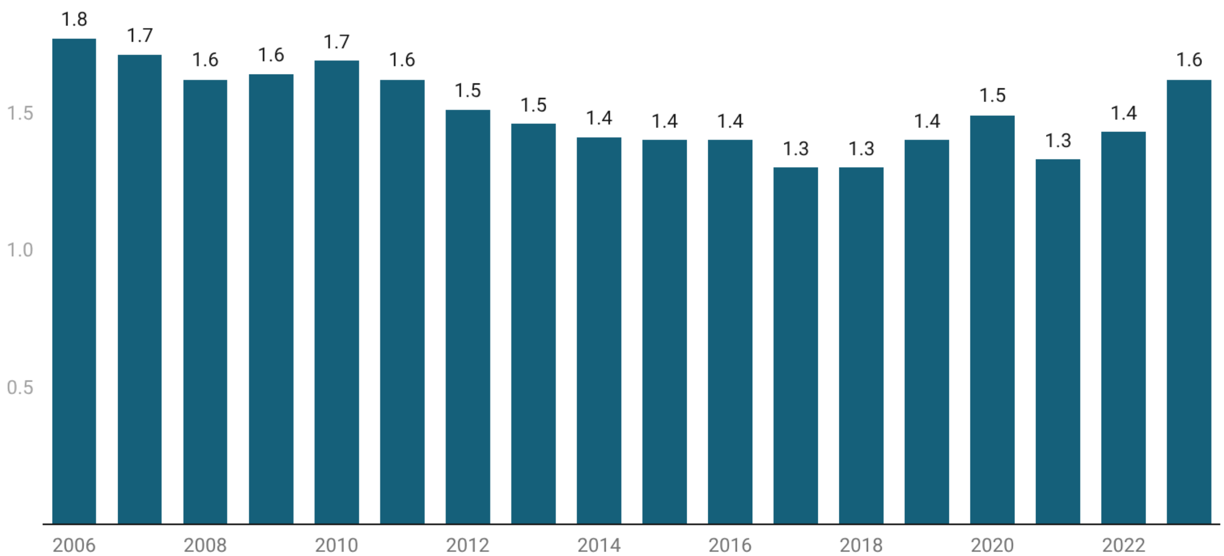
PARTICIPATION IN CCDF

CCDF funds may be used to provide care for children from birth to age 13. To qualify for assistance, a child's parents must be working or in education or training programs and meet the income eligibility requirements set by the state (at or below the federally set maximum of 85 percent of State Median Income), or a child may be in protective services.[48]

The most recent data available shows that in FY23, **1.62 million children** in **994,000 families** received CCDF-funded child care in an average month.[49] Most children are eligible for services because their parents were working.[50] A CLASP analysis found that from 2006 to 2023 **(Figure 2)**, **147,100 children** lost CCDF-funded child care because of insufficient funding.[51] Given the temporary increase in access facilitated by COVID relief dollars, we anticipate that the number of children served will see a decrease in coming years.

Figure 2: National Average Monthly Children Served With CCDF Funds FY 2006-2023 (In Millions)

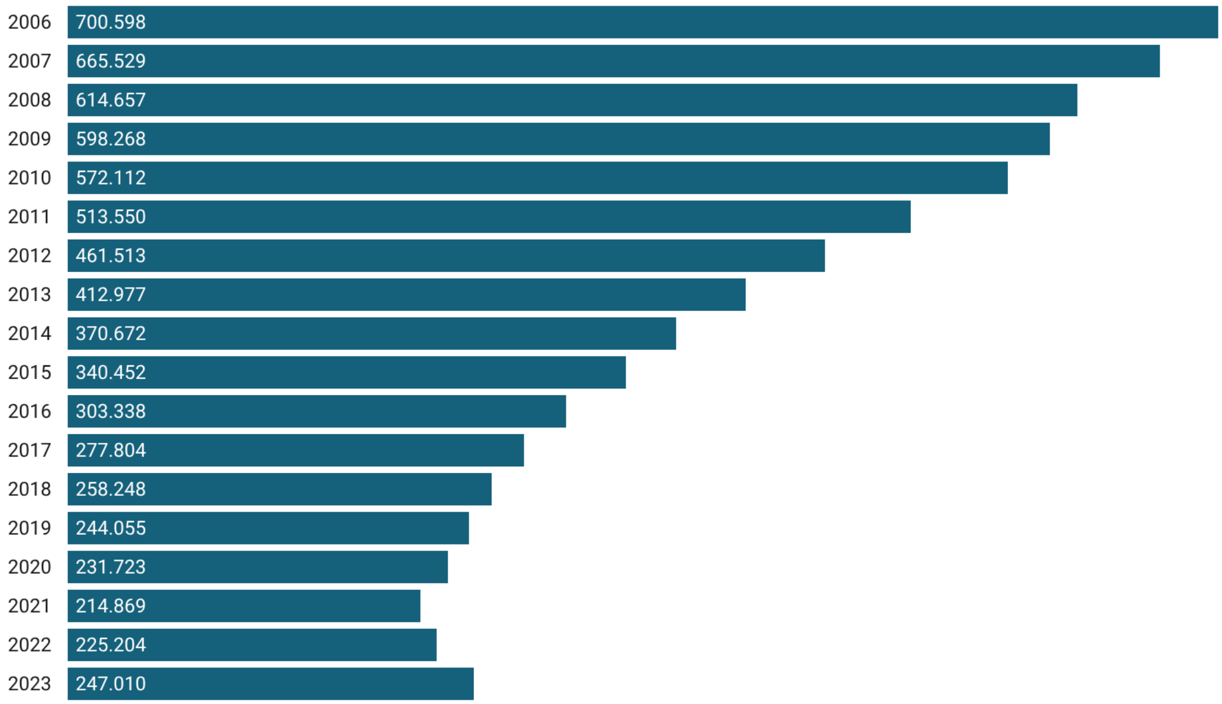


Source: Administration for Children and Families (ACF), Office of Child Care administrative data. Totals include data for territories.

Source: ACF • Created with Datawrapper

There has also been a decrease in the number of child care providers who accept subsidies through CCDF since the program's peak in 2006. In FY23 (**Figure 3**), there were **247,010 providers** who participated in the program, a decrease of **65 percent** from FY06.[52]

Figure 3: Number of Child Care Providers Receiving CCDF Funds, Federal FY 2006-2023 (In Thousands)



Source: Administration for Children and Families (ACF), Office of Child Care administrative data. Total includes data for territories.

Source: ACF • Created with Datawrapper

*For more detailed analyses of CCDF spending and participation, CLASP's annual publications can be found **here**.*

CHILD CARE ASSISTANCE ACCESS AND ELIGIBILITY

There is a significant gap between the number of children and families who meet the federal and state eligibility rules for child care assistance and how many are actually able to access subsidies.[53] The Administration for Children and Families sets the eligibility requirements for CCDF at the federal level.[54] However, states are given the flexibility to narrow those requirements, and many do. Long-term underinvestment forces states to restrict their eligibility criteria because most cannot afford to match the federal income eligibility rules.[55] These restrictive state-level eligibility rules, combined with a shrinking provider workforce and complex application processes, are the result of decades-long underfunding, leading to extremely limited access for eligible families.[56] These inequities are compounded for immigrant families and families of color, whose economic opportunities are harmed by barriers and biases rooted in systemic racism.

CLASP's most recent analysis found that **only 10 percent** of eligible children were able to access care through CCDF in FY20, not including assistance funded through TANF and

SSBG.[57] Under state-level eligibility criteria, **14 percent** of eligible families accessed care that year. Access rates through state-level regulations tend to be higher because fewer families are eligible for care under state rules.

CLASP analyses of access to CCDF subsidies also reveal deep inequities across race and ethnicity, with Black and Hispanic families being overrepresented in who is eligible for care.[58] A higher proportion of potential eligibility in a racial or ethnic group can indicate increased broader systemic economic inequities that result in higher poverty rates and therefore eligibility for assistance. Racial and economic inequity are inextricably linked and deeply rooted in the long history of exclusion, racism, and discrimination. These inequities create deeper disparities in employment, housing, income, and health, among other outcomes, that can result in a greater need for financial support to access child care.[59]

CONCLUSION

Children, families, and the child care workforce need a care system that meets their needs. Funding CCDF to reflect its value and impact is a critical step in ensuring that the sector is fully functional and accessible. Pandemic-era investments provided evidence of what appropriately supported CCDF-funded state programs can do, but sustained investment is critical to serve all the families who would benefit from the program. Without it, states will continue being forced to make tradeoffs, like reducing access to care to control spending. In the long term, we need to create a visionary child care system that is universal for all families and where policymakers upend the embedded racism, sexism, and classism that have fractured the current sector and kept it deeply underfunded.

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