

## Child Care and Development Fund (CCDF) Fact Sheet

**CCDF Subsidies.** CCDF assists low-income, working families in obtaining child care so that they can work or attend training/education programs. Parents may select any legally-operating child care provider that accepts subsidies—including a child care center, family child care home, relative, friend or neighbor.

- **CCDF Statutory Provisions** \$5 billion in funding to the 50 States, Washington D.C., 5 Territories, and 259 Tribal grantees as a block grant;
- at least 4% set-aside by the States for spending on child care quality;
- \$10 million for research and demonstration projects; and
- 0.25% of block grant funds (\$12 million) for training and technical assistance to States;
- Other miscellaneous earmarks.

The law allows States flexibility in four major child care subsidy areas:

- Income eligibility
- Provider reimbursement
- Parent co-payments
- Program priorities and target populations

States spend funds on activities that support the quality of care, such as:

- Child Care Resource and Referral Services
- Provider training
- Grants and loans for provider equipment
- Licensing

### CCDF Funding Streams

- *Discretionary Funds* subject to annual appropriation and authorized by the Child Care and Development Block Grant (CCDBG) Act.
- *Mandatory/Matching Funds* made available under the Social Security Act for a six year period (FY 1997 to 2002). A series of extensions have continued Mandatory/Matching Funds pending reauthorization.
- *Maintenance of Effort* funds required to be spent by States to be eligible for Matching funds. Amount based on State spending under the repealed Title IV-A child care programs in FY 1994 or FY 1995, whichever greater.
- States can transfer up to 30 percent of *Temporary Assistance for Needy Families* (TANF) funds to the CCDF or spend TANF funds directly for child care. Note: States can spend TANF directly on childcare without limit.

## **FEDERAL REQUIREMENTS**

- **INCOME ELIGIBILITY.** States may serve families whose income level does not exceed 85% of the State Median Income.
- **AGE OF CHILDREN.** States may serve children under age 13 (or children under age 19 with special needs).
- **PRIORITIES.** States must give priority to children with special needs and to children from very low-income families (as defined by the State). States can also give priority to other categories of children.
- **METHOD OF PAYMENT.** A family offered CCDF-subsidized care must be given the opportunity to receive a child care certificate (or voucher). States can also offer services through contracts or grants.
- **PROVIDER REIMBURSEMENT RATES.** States must certify that provider payment rates are sufficient to ensure equal access to the full range of providers. States must describe how payment rates are adequate based on a local market rate survey conducted within the past two years.
- **CO-PAYMENTS.** Families must contribute to the cost of care on a sliding fee scale (based, at a minimum, on family size and income). States may exempt families below the poverty level from paying the co-payment.
- **LICENSING.** States must certify that it has in effect licensing requirements applicable to child care services. States must describe how these requirements are effectively enforced.
- **HEALTH AND SAFETY.** With the exception of relative providers, all providers of care to CCDF children, must meet the basic health and safety standards set by States-- whether through licensure or regulation or through requirements that apply to unregulated providers serving CCDF-subsidized families.
- **QUALITY.** States must spend at least 4% of their CCDF funds, plus additional appropriation earmarks, to improve the quality and availability of care. Examples of appropriate activities include those designed to provide comprehensive consumer education to parents and the public, activities that increase parental choice, and activities designed to improve the quality and availability of child care.
- **TANF FAMILIES.** States must spend at least 70% of their Mandatory and Matching Funds on families receiving TANF, transitioning from TANF, or at-risk of becoming eligible for TANF (as defined by the States).
- **ADMIN. COSTS.** States must spend no more than 5% of their CCDF funds on administrative costs. Activities such as eligibility determination, child care placement, and providing parent information about child care services are not considered administration.

**State Flexibility.** Within the general Federal requirements listed above, States have broad flexibility in administering their CCDF programs. States can define income eligibility (up to 85% of State median income), set the parent co-payment schedule, determine provider reimbursement rates (as long as equal access to a range of care is ensured), and define the target populations served. This flexibility allows States to design programs to fit their needs and priorities. All States, Territories and Tribes must submit comprehensive plans every two years and conduct public hearings to invite public comment. Plans include a section asking States to describe efforts to promote children's early learning through the President's *Good Start, Grow Smart* initiative.

**Combined Funding.** A portion of the Federal funds is matched by State dollars. In addition, States can transfer up to 30% of their Temporary Assistance for Needy Families (TANF) dollars to CCDF and spend TANF dollars directly for child care without limit. The decline in TANF cash assistance caseload has freed up substantial amounts of TANF funding for child care and other work supports. Collectively, over \$11.5 billion in Federal and State funding is available for child care from CCDF, transfers from TANF to CCDF, TANF direct spending, and the Social Services Block Grant (SSBG). This is more than triple the amount of funding available in 1996. All of the funds transferred from TANF and SSBG are administered as part of CCDF, under the same rules and regulations. In addition, TANF direct spending on child care is sometimes administered by the same State agency that administers CCDF.

**Number of Children Served.** In fiscal year 2004, an estimated 2.3 million children received CCDF-, TANF- or SSBG-funded child care services in an average month. This figure is twice the 1.2 million served in fiscal year 1996. CCDF alone served 1.73 million children in 2004.