

# Overview of 2026 Final Child Care and Development Fund Regulation

## BACKGROUND

The Child Care and Development Fund (CCDF) is a core federal-state partnership that helps families with low incomes afford child care so parents can work, attend school, or participate in training. It also supports the broader child care system by helping providers maintain stable operations and offer consistent care.

In 2024, the federal Department of Health and Human Services, through the Administration for Children and Families, finalized major updates to CCDF regulations intended to reduce barriers for families and strengthen provider stability. Those changes focused on lowering family copayments, improving provider payment practices, and reducing disruptions in care for children and families.

In May 2026, the federal government finalized a new rule that rescinds several of those 2024 requirements and restores broader state flexibility in how CCDF policies are implemented. Although these policies are no longer federally mandated, states, territories, and Tribes may still adopt them. Many jurisdictions have already moved toward lower copayments, enrollment-based payments, and prospective payments because these policies can improve child care affordability, support provider sustainability, and reduce instability for families.

### *What the 2026 CCDF Final Rule Says*

The 2026 CCDF Final Rule removes four key federal requirements established in the 2024 regulations and returns greater discretion to states, territories, and Tribes. Specifically, the rule rescinds federal requirements related to:

1. **Limiting family copayments to 7% of household income:** States are no longer required to cap family copayments at 7% of income. States may now determine their own copayment structures, consistent with broader CCDF statutory requirements.
2. **Establishing grants and contracts as part of payment practices:** States are no longer required to use grants or contracts to help stabilize child care supply and support providers serving families receiving subsidies.
3. **Providing prospective payments to providers:** States are no longer required to pay providers prospectively, or in advance of services being delivered. They must now pay providers within 21 days after receiving a completed invoice.
4. **Paying child care providers based on enrollment rather than attendance:** States are no longer required to delink provider payments from children's daily attendance. States may revert to attendance-based reimbursement models if they choose.

Even with these federal requirements removed, states, territories, and Tribes may still choose to implement these policies based on their own goals, operational capacity, and assessment of what best supports children, families, and providers. The 2026 rule changes what is required federally, but it does not prevent states from continuing reforms that improve affordability and payment stability.

For example, lower family copayments are one of the clearest ways states can reduce barriers to child care assistance. When copayments are too high, families may decline subsidies, struggle to maintain consistent care, or face added financial stress that undermines employment stability. [Child Care Aware® of America's research](#) continues to show that child care prices exceed what many families can reasonably afford, especially families with low incomes who are eligible for assistance.

In addition, the Child Care and Development Block Grant Act (CCDBG) requires states to certify that provider payment practices reflect generally accepted payment practices in the private-pay market and, to the extent practicable, support providers' fixed costs by delinking payment rates from a child's attendance. Two strategies that advance those goals are prospective payments and enrollment-based payments, both of which provide more stable and predictable revenue for child care providers.

## States Continue Moving Forward

Despite the rollback of federal requirements, states continue advancing these policies because they address real challenges facing families and providers. States that have already adopted these reforms—or appropriated funding, enacted legislation, or begun implementation planning—can continue moving forward to strengthen affordability, stabilize provider revenue, and reduce disruptions in care.

State action on family copayments illustrates this continued momentum. Based on the FY 2025–2027 CCDF State Plans, only 10 states reported maximum copayments above the 7 percent affordability benchmark, and all but one of those states remained below 15 percent of income. Ohio was a notable outlier, with maximum copayments reported at 27 percent. At the same time, some states have moved to align policy more closely with the 7 percent standard. Alaska enacted Senate Bill 95 in 2025, requiring a sliding fee scale that limits parent contributions to no more than 7 percent of family income. In Maine, a law enacted in March 2026 lowered family costs by providing that families earning up to 85 percent of state median income may not be required to contribute more than 7 percent of income toward child care.

States have also continued to adopt enrollment-based payment policies. In the FY 2025–2027 CCDF State Plans submitted in 2024, 22 states and the District of Columbia reported implementing payments based on enrollment. Since then, Maine, Michigan, and South Carolina have also moved forward. Some states, however, have paused or delayed implementation. Ohio delayed enrollment-based payments until July 2028, and Missouri announced in December 2025 that it would postpone statewide rollout while addressing systems and funding issues. Other states continue to refine implementation: Montana recently adopted payment categories based on full-time and half-time enrollment, while West Virginia enacted House Bill 4191 in 2026, requiring subsidy payments based on monthly enrollment, with continued eligibility tied to average attendance thresholds during review periods.

Prospective payments are also gaining traction. At the time states submitted their FY 2025–2027 CCDF Plans, six states reported that they were already paying providers prospectively. Since then, Maine, New Hampshire, South Carolina, and Texas have implemented prospective payment policies. California and Washington also made budgetary commitments in 2025 to support implementation, although rollout remains underway. Together, these examples show that states can continue strengthening provider payment practices even without a federal mandate.

## POLICY CONSIDERATIONS

States do not need a federal mandate to pursue policies that make child care more affordable for families and more financially sustainable for providers. Lower copayments, enrollment-based payments, and prospective payments remain practical tools for improving access to care and stabilizing the subsidy system.

Child Care Aware of America has supported the 2024 CCDF regulatory changes and continues to encourage progress toward these policy goals. The 2026 Final Rule changes the federal baseline, but it does not change the underlying case for action: many states are showing that these reforms are both feasible and beneficial.

Successful implementation requires sufficient staffing, modernized payment systems, and clear administrative processes that support program integrity while minimizing errors and delays. Federal partners can still play an important role by elevating best practices, providing technical assistance, and helping states modernize subsidy systems to sustain effective payment policies.

The 2026 CCDF Final Rule shifts policy decisions from federal requirements to state choices, but it leaves ample room for continued leadership. States can still advance lower copayments and stronger provider payment practices because these policies help families maintain access to care, give providers more predictable revenue, and support a more stable child care system.

As states continue implementing and refining these approaches, sustained investment, technical assistance, and state leadership will remain essential to building a stronger, more equitable child care system.