What Changes to the Child Care and Development Fund Mean for States

On March 1, 2024, the U.S. Department of Health and Human Services, Administration for Children and Families (ACF) announced regulatory changes to the Child Care and Development Fund (CCDF). CCDF is the primary federal funding source devoted to helping families with low income afford child care and to increasing the quality of child care for all children. The changes included in the 2024 CCDF final rule went into effect on April 30, 2024.

This resource summarizes the changes states will be required or encouraged to implement under these rule changes. The full rule can be found in the Federal Register.

When did the rulemaking process take place?

ACF published a notice of proposed rulemaking (NPRM) in the Federal Register on July 13, 2023, followed by a 45-day comment period. ACF received 1,639 unique comments from a variety of stakeholders, including state agencies, CCR&Rs, providers, parents, and members of Congress.

What do states need to know about the final rule?

The 2024 CCDF final rule includes new requirements states will have to meet to lower families' child care costs, improve child care provider payment rates and practices and simplify subsidy eligibility enrollment. The final rule also recommends, but does not require, states to adopt additional policies and procedures to meet these goals. The final rule includes additional clarifications and technical changes.

Under the final rule, states are *required* to:

- Cap family copayments at 7% of household income for subsidy-eligible families.
- Post current information about copayment sliding fee scales on their consumer education sites, including waived copayment policies and estimated copayment amounts.
- Implement payment practices that are consistent with the private-pay market, including paying prospectively and reimbursing based on enrollment instead of attendance.
- Provide *some* services through grants and contracts to help increase the supply and quality of child care for children in underserved areas, infants and toddlers and children with disabilities.
- Implement subsidy eligibility policies and procedures that minimize disruptions to families and lessen the burden of CCDF administrative requirements on families. States are encouraged to offer online subsidy applications.

Under the final rule, states are *encouraged* to:

- Waive copays for additional populations, including families with income up to 150% of the federal poverty level, children who are in foster and kinship care, those experiencing homelessness, those with a child with a disability and those enrolled in Head Start or Early Head Start.
- Consider a child presumptively eligible for subsidy prior to full documentation and verification.
- Use a family's enrollment in or verification used for other public benefits programs to confirm eligibility for CCDF.

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- Pay providers caring for children receiving subsidy the state's established subsidy rate to better account for the actual cost of care, even if the state's established rate is greater than the price the provider charges parents who do not receive subsidy.

Other clarifying and technical changes:

- Amends the definition of "major renovation" to be based on a cost ($350,000 for centers and $50,000 for family child care programs), not a description of structural change, for clarity.
- Clarifies that the 12-month minimum eligibility applies when children are newly added to a family already participating in the subsidy program and encourages states to align eligibility periods to the new child's eligibility period so that all redeterminations happen concurrently.
- Clarifies that the responsibility for eligibility determinations based on the results of the criminal background check rests with the *Lead Agencies*, not the child care provider.
- Clarifies that states must post full monitoring and inspection reports on their consumer education websites and include the total number of children in care each year disaggregated by the type of child care provider.
- Clarifies that states will need to demonstrate in their CCDF State Plan that the total payment to a provider (subsidy payment amount and family copayment) is not impacted by the reduction in family copayments.

What if my state isn't in compliance with the new requirements?

ACF acknowledges that some of the provisions in the final rule will require a range of legislative and administrative processes that may require additional time to fully implement. To address this, states may request transitional and legislative waivers, for up to two years. Beginning in May, states may request a waiver through November 30, 2024, for a narrow list of provisions. This includes capping copayments at 7% of family income; paying providers prospectively; using enrollment-based payments; providing some grants or contracts for direct services for infants and toddlers, children with disabilities, and children in underserved geographic areas; and posting full monitoring reports which *must* include compliances and non-compliances (and cannot be a blank checklist).

All waivers will expire August 1, 2026, unless the state requests an earlier date. More guidance on the transitional and legislative waivers can be found in **ACF's resource.**

Are these changes reflected in the FFY 2025-2027 CCDF State Plans?

Yes, all changes included in this final rule have been incorporated into the FFY 2025-2027 CCDF plan form, which states must submit to ACF by July 1, 2024. States will be expected to demonstrate compliance with the new regulations beginning with this CCDF Plan and must fully complete their plans even if they are applying for waivers. ACF will review and approve the CCDF Plans (including amendments) to evaluate compliance, and states will be subject to on-site visits and other modes of federal monitoring.

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