

Child Care Funding 101

Federal child care and early learning programs play a crucial role in supporting children's healthy development and learning while also supporting parents' ability to work, train or pursue an education.

The Child Care and Development Block Grant (CCDBG)

The Child Care and Development Block Grant (CCDBG) was created to help low-income working families with child care assistance for children birth to age 13. [Child care subsidies](#) made available through CCDBG offset the high price of child care and allow parents earning up to 85% of State Median Income (SMI) to work, train or pursue educational opportunities while providing children with positive early learning experiences that are critical for their healthy development.

CCDBG was authorized in 1990 to appropriate funds for child care subsidies through the Child Care and Development Fund (CCDF), which is administered by states, territories and tribes. CCDF is the primary federal funding stream for child care. It is made up of three funding streams: mandatory funds under the Social Security Act (known as the Child Care Entitlement to States), state matching funds and discretionary funds. States can also use CCDF funds to improve the quality of child care and to cover certain administrative costs.

CCDBG was reauthorized in 2014 to include [important provisions](#) to increase health and safety standards for all children in subsidy-supported programs and improve access to high-quality care. However, CCDBG remains underfunded, and as a result, programs do not always receive the support they need to comply with standards and [serve all eligible children](#).

Additional Federal Early Learning and Child Care Funding Streams

There are several other [federal early learning programs and funding streams](#) serving children from birth through age 5. Taken together, these funding streams support a mixed-delivery system of child care, where children receive care, education and healthy development in a variety of settings, including centers, homes and public schools.

Some of these programs include: Head Start and Early Head Start, the Preschool Development Grants Birth through Five (PDG B-5), the Individuals with Disabilities Education Act (IDEA) Part B and C, and the Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program. In addition, the Temporary Assistance for Needy Families (TANF) program, which provides income support to families, is the [second largest public source](#) of child care funding. Each state may transfer up to 30% of their TANF funds to CCDF.

How CCDBG Funding Supports the Child Care System

CCDBG received more than \$8 billion in total annual discretionary funds in FY23, an increase of \$1.9 billion from the previous year's funding.

With funding made available through the annual appropriations process, states are able to raise payment rates for providers serving families receiving child care assistance to encourage more providers to accept subsidies, re-examine eligibility limits and family copays to expand use of subsidies and serve more families on the wait list, and implement health, safety and quality provisions of the 2014 reauthorization.

Child Care Resource and Referral (CCR&R) Agencies Role in CCDBG Implementation

Located in 47 states, [Child Care Resource and Referral \(CCR&R\) agencies](#) are vital resources for successful CCDBG implementation. CCR&Rs increase access to high-quality, affordable child care by serving as a resource hub for families, child care professionals and communities.

CCDBG allows states to use CCDF funding to establish and support a system of CCR&Rs. They play an essential role in leading and coordinating each state's child care system, which can include administering state's child care subsidy programs, delivering trainings on required health and safety topics, disseminating consumer information, collecting data, working with families to make informed enrollment decisions, and establishing partnerships that increase the supply and quality of child care services.

The Cost of Providing High-Quality Child Care

Although CCDBG serves approximately 1.49 million children from over 900,000 families monthly the program still only reaches about 16% of eligible families – just a fraction of those that need child care subsidies.

The majority of child care operating costs go to [personnel](#) – children need early childhood educators that are trained to meet their developmental needs and can foster a safe and healthy environment. Despite this, these professionals, who are largely women of color, are underpaid for this specialized and demanding work, preventing them from making ends meet and leading to staff recruitment and retention challenges. The remaining operating costs go to rent/mortgage and utilities, administrative costs, classroom supplies, health and safety equipment, and to provide multiple meals a day for children.

Costs add up quickly for programs to pay for all the expenses necessary to care for children. States predominately base subsidy reimbursement rates on the average price of child care charged by providers, as determined in a market rate survey. [Market rates](#), however, are more reflective of what parents can afford to pay, rather than the true cost of delivering high-quality care, which is much higher than what programs typically charge the families they serve. Additionally, in most states, CCDBG subsidy reimbursements to providers are paid based on the child's attendance, not enrollment, making it difficult for providers to plan staffing and resources. The math does not add up for many providers. At the same time, the market is reaching the point where the price families are paying for child care is at an [all-time high](#) and even more out of reach.

The Need for Future Investments in Child Care

While incremental increased annual appropriations for CCDBG provide necessary resources to expand access to child care for low-income families, it is not sufficient to make up for decades of chronic underfunding. The current system is not working for parents or providers. In addition to robust annual funding, Congress needs to make long-term sustainable investments in child care and policy changes to fully address the existing gaps in affordability, availability and quality.