

# Federal Child Care Funding

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## BACKGROUND

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 working families with low income 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. 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 federally supported program for child care. It is made up of three funding streams: mandatory funds through 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. 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.

### *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 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 Grant Birth through Five (PDG B-5), Child Care Access Means Parents in Schools (CCAMPIS), and the Individuals with Disabilities Education Act (IDEA) Part B and C. 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.

### *Recent Early Learning and Child Care Funding Levels*

In FY24, the final government funding package included over \$21 billion for child care and early learning programs, including:

- \$8.7 billion for the Child Care and Development Block Grant (CCDBG), a \$725 million increase from FY23
- \$12.3 billion for Head Start and Early Head Start, a \$275 million increase from FY23
- \$315 million for the Preschool Development Grant Birth-5 (PDG B-5), level funding from FY23
- \$75 million for Child Care Access Means Parents in School (CCAMPIS), level funding from FY23
- \$420 million for the Individuals with Disabilities Education Act (IDEA) Part B Preschool Grants, level funding from FY23
- \$540 million for IDEA Part C Grants for Infants and Toddlers, level funding from FY23

Despite steady increases, funding for early learning programs remains under the level of support needed to serve all eligible children and ensure all families have access to high-quality care.

## How CCDBG Funding Supports the Child Care System

With funding made available through the annual appropriations process, states can grow the supply of child care; raise payment rates for providers 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 improve health, safety and quality provisions.

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

Located in most states, Child Care Resource and Referral (CCR&R) agencies are vital resources for successful CCDBG implementation. CCR&Rs deliver comprehensive, integrated services, making it easier for families and child care providers to access multiple services in one place. CCDBG allows states to use CCDF funding to establish and support a system of CCR&Rs. Effective CCR&Rs deliver a core set of comprehensive and integrated services. CCR&Rs build the supply and quality of child care, grow the child care workforce, help families and business solve their child care challenges, and deliver on-the-ground information and solutions to policymakers to advance high-quality, equitable child care.

## The Cost of Providing High-Quality Child Care

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. 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 can be higher than what programs typically charge the families they serve. 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.

**\$11,582**

CCAoA found that, in 2023, the national average price of child care was \$11,582

**\$14,019** National average price for an infant in a center

**\$10,962** National average price for a 4-year-old in a center

## POLICY CONSIDERATIONS

While ongoing increased annual appropriations for CCDBG provide necessary resources to keep up with inflation and make limited expansions in access to child care for families with low income, it is not sufficient to make up for decades of chronic underfunding. In addition to robust annual funding, Child Care Aware® of America recommends that Congress make long-term, robust investments in child care and policy changes to fully address the existing gaps in affordability, availability and quality.