FEBRUARY 2026

Issue Brief: Understanding CCDF Funding

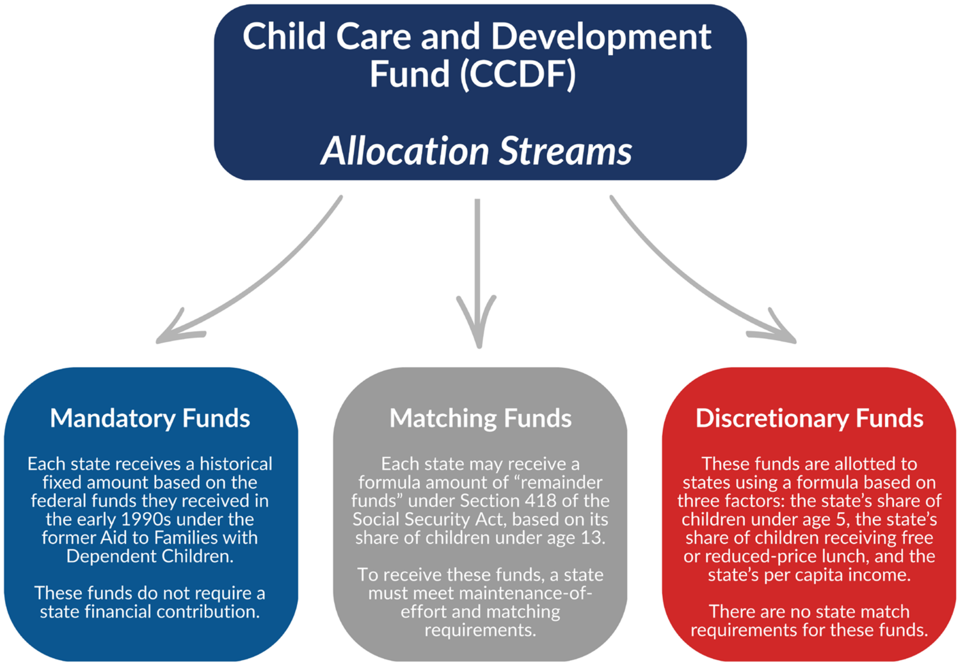
The Child Care and Development Fund (CCDF) is the primary federal funding source that supports child care assistance for eligible families with low incomes. The CCDF is administered by the Administration for Children and Families (ACF) within the U.S. Department of Health and Human Services and is allocated through a block grant that is administered by states, territories, and tribes.

The CCDF combines funding from Child Care Entitlement to States (CCES), which is mandatory entitlement funding for child care authorized under Section 418 of the Social Security Act, and discretionary funds authorized under the Child Care and Development Block Grant (CCDBG) Act. Together, these funds support families in every state so they can work, attend job training, or enroll in an educational program. While there is a requirement for states to use a portion of their CCDF expenditures for activities designed to increase the quality and supply of child care programming for all children, each state has broad flexibility in how CCDF funding is used to help low-income working families. Other allowable uses of CCDF funds are outlined in CCDF regulations.

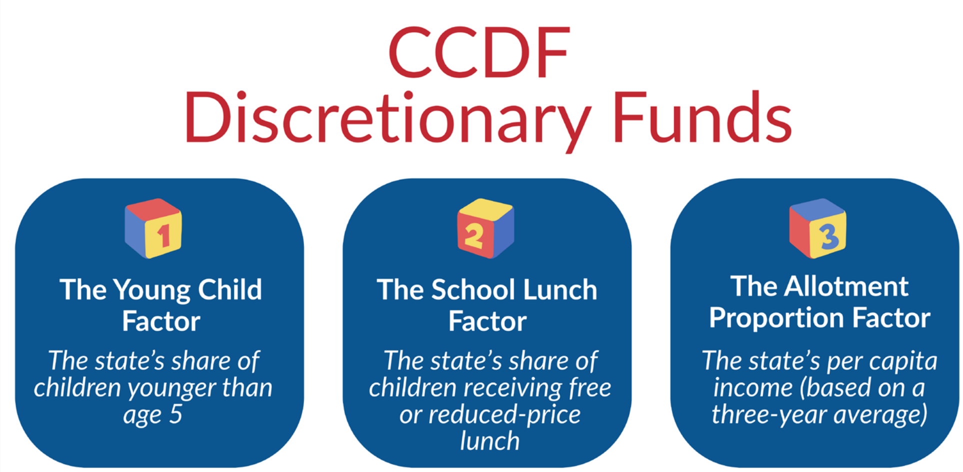
States are required to submit a plan every three years to apply for CCDF dollars. Each CCDF plan outlines how the state plans to implement the CCDF program and serves as the primary mechanism used to determine compliance with federal statute and regulations.

CCDF Funding Streams and Allocation Formulas

The CCDF is jointly supported by federal and state governments and consists of three distinct funding streams: Mandatory, Matching, and Discretionary funds. The mandatory and matching funds are appropriated under Section 418 of the Social Security Act, and the discretionary funds are appropriated by Congress under CCDBG. The Administration for Children and Families lists the amount of CCDF funding received each year by each Lead Agency for all states, territories, and tribes here. Current CCDF allocations for 2025 can be found here.



- **Mandatory Funds:** Each year, every state receives a historical fixed amount based on the federal funds they received in the 1990s from the now-repealed Aid to Families with Dependent Children. These funds do not require a state financial contribution and are allocated to states at the same amount each year.
- **Matching Funds:** This is the remaining amount appropriated under Section 418 of the Social Security Act after the Mandatory Funds are allocated. These funds are based on the number of children under age 13 in the state. States only qualify for these funds, however, if they provide matching state funds at their Federal Medical Assistance Percentage (FMAP) rate and meet a maintenance of effort (MOE) requirement based on the amount the state allocated on child care assistance in the 1990s under the former Aid to Families with Dependent Children program.
- **Discretionary Funds:** Discretionary funds are allocated among states using a formula based on three factors: the state's share of children under age five, the state's share of children receiving free-or reduced-price lunch, and the state's per capita income. These funds are subject to the availability of annual federal appropriations, and there are no state match requirements for these funds.



Discretionary CCDF dollars are allocated among states using a formula based on these three factors

Matching Funds Requirements

States may meet the match requirement by appropriating state general funds, county or other local funds, state-specific funds (i.e. sin tax funds), or any other public funds. A state may use public preschool funds for up to 30% of the required match or up to 20% of the MOE requirement if the state includes in its CCDF plan a description of how it will ensure that preschool programs meet the needs of working parents. If expenditures for preschool programs are used to meet the MOE requirement, the state must certify that it has not reduced its level of effort in full-day, full-year child care services.

The state match may also include private, donated funds. To count toward the match, the funds must have been donated without any restriction and may not revert to the donor's facility or use.

Quality Improvement Activities

States must spend at least 12% of their CCDF funds on quality activities. Of this amount, at least 3% must be used to improve quality for infants and toddlers and 9% must be used for quality activities more broadly. The CCDBG statute and regulations outline allowable activities that **may** be conducted with the quality dollars set-aside, including developing or implementing a tiered quality rating and improvement system, supporting training and professional development, and/or establishing a system of child care resource and referral (CCR&Rs) organizations.

TANF Transfers

The Temporary Assistance for Needy Families (TANF) program is the second largest federal source of public funding for child care. Created in 1996, TANF is a block grant to states to offer benefits and assistance to families with low incomes. There are three channels that states can transfer their TANF funds to help families access and afford child care.

- **Transfers to CCDF:** States may transfer up to 30% of their TANF funds to CCDF to increase the amount of funding for child care subsidies. Funds transferred from TANF to CCDF are subject to the same rules and reporting requirements as CCDF.
- **Federal Direct Spending:** Separate from CCDF, states may allocate any amount of their federal TANF funds directly to child care services, including preschool and Head Start.
- **State MOE Direct Spending:** States are required to maintain a specific level of their own funding for TANF. States may count spending on child care as contributions to their TANF MOE.

Currently, state transfers from TANF to CCDF vary widely. In FY 2023, 3% of TANF funds ($1.06 billion) were transferred to CCDBG and 12% of TANF funds ($4.14 billion) were directly spent on child care.

State Implementation of CCDF

CCDF Reimbursement Rates and Payment Practices

Using an established federal formula, states, territories, and tribal entities receive grant awards from ACF and then reimburse providers directly for the child care services they provide based on set rates. States set their own reimbursement rates, payment schedules, and attendance policies that determine payments. Some states reimburse providers ahead of services rendered and based on a child care program's total enrollment (not attendance), which reflects generally accepted payment practices of providers serving private-pay families. Other states reimburse providers after services are rendered and based on a child's daily attendance.

The CCDBG Act requires states to certify that their payment rates are at a level to ensure equal access for eligible families to child care services comparable with those provided to families not receiving CCDF assistance. Payment rates are established based on a market rate survey or an alternative methodology, like a cost-of-care estimation model. Basing payment rates on the cost of care, instead of using just a market rate survey, can more accurately capture child care operational costs. Rates vary by the child's age, type of care, and region and states sometimes use a tiered system, issuing higher payments to providers meeting certain criteria (i.e., high quality or offering non-traditional hours).

Family Copayments

Eligible families can apply to the state for a child care subsidy and either send their child to a participating child care provider who is reimbursed by the state or receive a voucher/certificate to use with a local participating provider. States may also contract directly with child care providers to serve CCDF-eligible children.

States must establish a sliding-fee scale for families receiving CCDF that varies based on income and the size of the family to determine each family's contribution (also known as a copayment) and does not create a barrier to receiving CCDF assistance. States also have broad flexibility to waive co-payments for many participants. Families pay any owed copayment directly to the provider.

States set a variety of other policies regarding access to quality, affordable child care. CCAoA tracks policy changes in our State Policy Dashboard.