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 final rule aim to lower families' child care costs, improve child care provider payment rates and practices and simplify subsidy eligibility enrollment. The changes included in the final rule take effect **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 state agencies, Tribal Nations, child care resource and referral agencies, faith-based organizations, provider organizations, labor unions, child care providers, parents, individual members of the public and members of Congress.

What do states need to know about the final rule?

The changes to CCDF include 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

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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.
- 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, not a description of structural change, for clarity. The cost thresholds in the proposed rule are $350,000 for centers and $50,000 for family child care programs. Annual adjustments for inflation will be posted online.
- 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 by April 30, 2024?

ACF is aware that implementing some of the provisions in the final rule will require a range of legislative and administrative processes, including some technology and data system changes that may take time. States that are not in compliance with the provisions of the final rule by April 30, 2024, may request a temporary waiver for an extension of up to two years to ensure there is enough time to execute the steps to comply. ACF will review and approve CCDF State Plans (including amendments), and states will be subject to on-site visits and other modes of federal monitoring to evaluate compliance. ***ACF reiterates that the waiver authority will not extend beyond two years.***

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

Yes, all changes included in this final rule have been incorporated into the forthcoming final FFY 2025–2027 CCDF State and Territory Plan Preprint, which states must submit to ACF by July 1, 2024, and will be effective October 1, 2024.

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