



March 2023

CHILD CARE

Subsidy Eligibility and Use in Fiscal Year 2019 and State Program Changes during the Pandemic

GAO Highlights

Highlights of [GAO-23-106073](#), a report to congressional committees

Why GAO Did This Study

Many families struggle to access child care that is both high quality and affordable in the U.S., particularly those who are low-income. The COVID-19 pandemic created additional difficulties in the already-stressed child care sector. To support both families and child care providers, Congress appropriated additional funds and provided states temporary flexibilities in how they administer their CCDF programs.

GAO examined: (1) what is known about the number of children eligible for federal child care subsidies and the extent to which they receive and use them, and (2) changes selected states made to federal child care subsidy programs to support families and providers during the COVID-19 pandemic, and challenges they have experienced.

GAO summarized HHS's analysis of CCDF program data about children's eligibility and receipt of child care subsidies for fiscal year 2019, the most recent available, and calculated children's estimated eligibility and receipt rates at the state level. GAO also interviewed CCDF administrators from seven states about their experiences during the COVID-19 pandemic (selected to represent different state program attributes like using wait lists or not, and state attributes like geographic region and population size); interviewed agency officials and child care experts; and reviewed related reports.

GAO is not making recommendations in this report.

View [GAO-23-106073](#). For more information, contact Kathryn A. Larin at (202) 512-7215 or larink@gao.gov.

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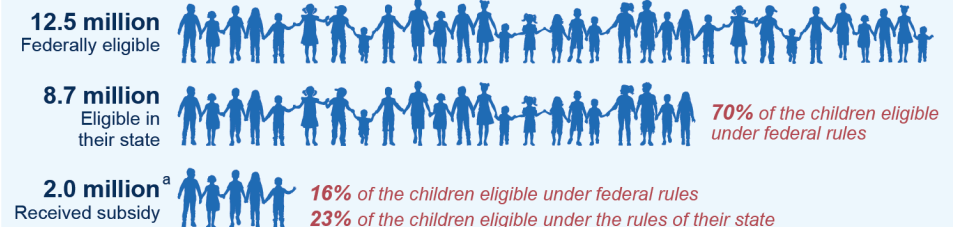
What GAO Found

The Child Care and Development Fund (CCDF) is the primary source of federal funding to states for subsidies that help low-income families afford child care so parents can work, attend school, or participate in job training. According to U.S. Department of Health and Human Services (HHS) data, 2 million of the estimated 8.7 million children eligible for subsidies in their states received them in an average month in fiscal year 2019 (see figure). States have to prioritize which eligible children receive them, and there is a long-standing gap between the number of children eligible for subsidies and those who receive them. In addition, some families do not know about or may face challenges when applying for subsidies. Experts GAO interviewed said that, even with subsidies, some low-income families find it challenging to afford high-quality care, which can lead to them making trade-offs between paying for child care and necessities like food.

Subsidy Receipt among Estimated Eligible Children, in an Average Month in Fiscal Year 2019

Who received child care subsidies?

Only a fraction of the country's estimated eligible children received a subsidy in an average month, partly because states can set additional eligibility criteria that may be more restrictive.



Source: GAO analysis of U.S. Department of Health and Human Services data and [stock.adobe.com](#). | [GAO-23-106073](#)

^aThis estimate represents the number of children who received child care subsidies funded through the Child Care and Development Fund as well as related government funding streams.

Nearly all state child care administrators and child care experts GAO interviewed said that the pandemic put unprecedented strains on working families and child care providers. State administrators described various program changes they made to support families and providers, in part using federal COVID-19 relief funding. For example, six of the seven state child care administrators GAO interviewed said family co-payments were waived in their state for some portion of the pandemic to make child care more affordable for families, and six said their states increased payment rates to child care providers.

State child care administrators GAO interviewed said that they faced both short-term and ongoing challenges as they adapted subsidy programs to meet the changing and time-sensitive needs of families and child care providers during the pandemic. Administrators expressed concerns about the time-limited and one-time nature of federal COVID-19 relief funding, and uncertainty about future funding levels. For example, three said they were concerned about expelling newly eligible children from the subsidy program once COVID-19 funds expire, and one state opted to implement one-time bonuses rather than raising wages to address long-standing workforce recruitment and retention challenges.

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March 29, 2023

The Honorable Bernard Sanders
Chair
The Honorable Bill Cassidy
Ranking Member
Committee on Health, Education, Labor and Pensions
United States Senate

The Honorable Virginia Foxx
Chairwoman
The Honorable Robert C. "Bobby" Scott
Ranking Member
Committee on Education and the Workforce
House of Representatives

Many families struggle to access high-quality and affordable child care in the U.S. In 2019, nearly 3.5 million children with working parents lacked access to formal child care, according to an analysis of data from 35 states.¹ Even when high-quality child care is available, many families struggle to pay for care. Families with children under age 5 spent, on average, 13 percent of their 2017 family income on child care,² and for low-income families, the share of their income spent on child care can be substantially higher. As a result, some families may need to compromise on other essentials to pay for child care.

Child care subsidies help low-income families afford child care so parents can work, attend school, or participate in job training. The federal government provides funding to states through the Child Care and Development Fund (CCDF) for subsidies aimed at improving the affordability, availability, and quality of child care. The COVID-19 pandemic has dramatically affected the already-struggling child care sector as supply and demand fluctuated and many providers faced temporary or permanent closure. Congress appropriated substantial funds and temporarily provided states additional flexibilities in how they

¹L. Smith, A. Bagley, B. Wolters, *Child Care in 35 States: What we know and don't know*, Bipartisan Policy Center (Washington, D.C.: Nov. 2021).

²The 13 percent refers only to families who pay for child care. U.S. Department of the Treasury, *The Economics of Child Care Supply in the United States* (Washington, D.C.: Sept. 2021).

administer their CCDF program, to support both families and child care providers during the pandemic.³

The 2014 reauthorization of the Child Care and Development Block Grant Act includes a provision for GAO to report on eligibility for and receipt of child care subsidies as well as the status of subsidy wait lists every 2 years.⁴ This report examines: (1) what is known about the number of children eligible for federal child care subsidies and the extent to which they receive and use them, and (2) changes selected states made to federal child care subsidy programs to support families and providers during the COVID-19 pandemic, and challenges they have experienced.

To address these questions, we (1) summarized U.S. Department of Health and Human Services' (HHS) analysis of overall CCDF program data about children's eligibility and receipt of child care subsidies for fiscal year 2019, the most recent available;⁵ (2) calculated state-level eligibility and receipt for children by using state-level data about federal and state CCDF eligibility from the HHS analysis, and state-level data on CCDF

³Congress appropriated \$52.5 billion in supplemental CCDF funds through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted in 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021, and the American Rescue Plan Act (ARPA) of 2021. The CARES Act and CRRSA also provided additional flexibilities for the use of funds, including, among other purposes, to provide continued payments and assistance to child care providers in the case of decreased enrollment or closures related to coronavirus, and to assure they are able to remain open or reopen. States had until September 30, 2022 to obligate the \$13.5 billion in CARES Act and CRRSA funding for child care, and have until September 30, 2023 to spend them. ARPA funding included \$24 billion in child care stabilization funds and \$15 billion in supplemental CCDF funds. States had until September 30, 2022 to obligate the stabilization funds and they have until September 30, 2023 to spend them. States have until September 30, 2023 to obligate the supplemental CCDF funds and until September 30, 2024 to spend them. In addition to COVID-19 supplemental funds for CCDF, the Small Business Administration's Paycheck Protection Program provided a large potential source of funding to child care providers who applied and met program eligibility requirements, primarily to help keep workers employed.

⁴Pub. L. No. 113-186, § 12(a), 128 Stat. 1971, 2001 (codified at 42 U.S.C. § 9858r). For GAO's previous responses to this provision see: GAO, *Child Care: Access to Subsidies and Strategies to Manage Demand Vary Across States*, [GAO-17-60](#) (Washington, D.C.: Dec. 15, 2016); *Child Care and Development Fund: Subsidy Receipt and Plans for New Funds*, [GAO-19-222R](#) (Washington, D.C.: Feb. 15, 2019); and *Child Care: Subsidy Eligibility and Receipt, and Wait Lists*, [GAO-21-245R](#) (Washington, D.C.: Feb. 18, 2021).

⁵U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Factsheet: Estimates of Child Care Eligibility and Receipt for Fiscal Year 2019* (Sept. 2022).