United States Government Accountability Office

Report to Congressional Requesters

April 2019

CHILD CARE

States Report Child Care and Development Funds Benefit All Children in Care

Accessible Version

GAO-19-261

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GAO Highlights

Highlights of GAO-19-261, a report to congressional requesters

Why GAO Did This Study

CCDF is the primary source of federal funding for child care subsidies. States administering CCDF are subject to requirements that improve the quality of child care for all children, nonsubsidized as well as subsidized. In March 2018, the Consolidated Appropriations Act, 2018 was enacted, which provided $5.2 billion in additional CCDF discretionary funding for fiscal year 2018, approximately twice the amount provided in fiscal year 2017. GAO was asked to review state use of CCDF funds and their potential impact on nonsubsidized children.

GAO examined (1) the extent to which states use CCDF funds to support their child care system, (2) the kinds of CCDF–related activities states engage in that affect children who are not receiving CCDF subsidies, and (3) how states plan to use the increase in CCDF funding from the Consolidated Appropriations Act, 2018. GAO collected information from state CCDF administrators through a survey to the 50 states and the District of Columbia (D.C.) and interviews with officials in 15 states, including D.C., selected to reflect diverse characteristics and locations. GAO also reviewed relevant federal laws, regulations, and guidance, and interviewed Department of Health and Human Services officials.

GAO makes no recommendations in this report.

View GAO-19-261. For more information, contact Kathryn A. Larin at (202) 512-7215 or larink@gao.gov

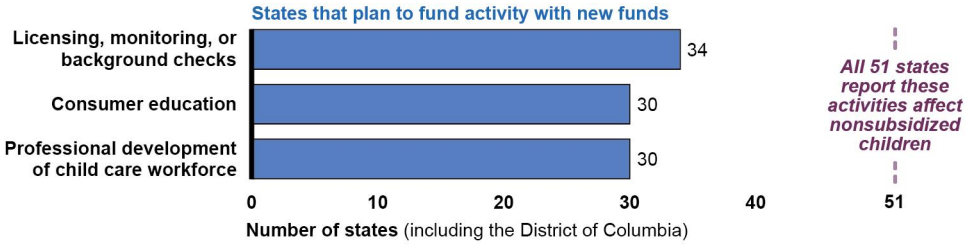
What GAO Found

A majority of states used funding from the Child Care and Development Fund (CCDF) in fiscal year 2017 to entirely or mostly support 7 of 10 major state child care activities GAO identified in its survey of 51 state CCDF programs. These activities, components of which are also required by CCDF, represent diverse aspects of state child care systems and are a key means through which states may choose to improve the quality of their child care. States reported that they relied primarily on CCDF funding for child care resource and referral systems, consumer education, and health and safety standards establishment and training more frequently than for other activities.

States reported in GAO's survey that a range of CCDF quality activities affect the care of children not receiving CCDF subsidies (nonsubsidized children), including three activities cited by all states—consumer education, child care licensing, and professional development of the child care workforce. CCDF administrators in most of the 15 states GAO interviewed said they have elected to apply certain requirements for caregivers subsidized under CCDF to all state licensed child care providers. For example, child care providers may be subject to monitoring and professional development requirements, whether or not they care for children receiving subsidies. CCDF administrators also stated that, as a result, all children in the care of licensed providers in these states—including nonsubsidized children—benefit from the enhanced requirements.

States most often reported in GAO's survey that they plan to spend new CCDF funds provided in the Consolidated Appropriations Act, 2018, on quality activities that benefit all children in child care including licensing, consumer education, and professional development. For example, officials GAO interviewed in several states described plans to enhance public state child care websites to make them more user-friendly for all families or available in other languages, such as Spanish. However, more than a third of the interviewed states said their spending plans were still in flux, and more than half said they faced challenges making spending decisions because it was unclear whether the new funds would be provided in the future.

Child Care Activities States Plan to Fund with New CCDF Funds



Source: GAO survey of state Child Care and Development Fund (CCDF) administrators. | GAO-19-261

Data Table for highlights figure, Child Care Activities States Plan to Fund with New CCDF Funds

	Number of states (including the District of Columbia) that plan to fund activity with new funds	Number of states (including the District of Columbia) that report these activities affect nonsubsidized children
Licensing, monitoring, or background checks	34	51
Consumer education	30	51
Professional development of child care workforce	30	51

GAO Highlights

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Abbreviations

CCDBG	Child Care and Development Block Grant
CCDF	Child Care and Development Fund
HHS	U.S. Department of Health and Human Services

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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Washington, DC 20548

April 25, 2019

The Honorable Robert C. "Bobby" Scott
Chairman
Committee on Education and Labor
House of Representatives

The Honorable Danny K. Davis
Chair
Subcommittee on Worker and Family Support
Committee on Ways and Means
House of Representatives

The federal child care subsidy program known as the Child Care and Development Fund (CCDF) is the primary source of federal funding dedicated to assisting low-income families who are working or participating in education and training by increasing their access to quality child care.[1] In fiscal year 2016, the most recent year for which data are publicly available, CCDF provided child care assistance to about 1.4 million children each month.[2] Discretionary funding for CCDF is authorized by the Child Care and Development Block Grant (CCDBG) Act of 1990, as amended, and the U.S. Department of Health and Human

[1]CCDF is not an entitlement program, which means that states are not required to serve all eligible families who apply for CCDF subsidies; thus some eligible families who apply for subsidies may not receive them. Families who qualify for, but do not receive, CCDF subsidies could still receive public assistance for child care through other federal or state programs such as Head Start or a state's pre-kindergarten program if they meet eligibility requirements. Further, not all eligible families may apply for CCDF subsidies because, as we previously found, several factors influence families' child care decisions that can make it difficult or unappealing to pursue subsidies. See GAO, *Child Care: Access to Subsidies and Strategies to Manage Demand Vary Across States*, GAO-17-60 (Washington, D.C.: Dec. 15, 2016).

[2]At the time of this report's issuance, preliminary 2017 data from the U.S. Department of Health and Human Services estimated that about 1.3 million children received child care assistance each month.

Services (HHS) administers the funds to states.[3] In addition to authorizing funding, the CCDBG Act of 2014 included various requirements for states, among them ones designed to improve child care for all children receiving child care, including children who do not receive child care subsidies (nonsubsidized children). For example, the law requires states to conduct comprehensive background checks for all licensed and regulated child care providers, which includes providers who may exclusively serve nonsubsidized children. In addition, the law requires states to certify that they have certain policies, including making the results of monitoring and inspection reports available electronically in a consumer-friendly format. In March 2018, the Consolidated Appropriations Act, 2018 was enacted, which provided $5.2 billion in discretionary CCDF funding for fiscal year 2018, nearly twice the amount provided in fiscal year 2017.[4]

You asked us to review states' use of CCDF funds and their potential impact on nonsubsidized children. This report addresses (1) the extent to which states use CCDF funds to support their child care system, (2) the kinds of CCDF activities states engage in that affect children who are not receiving CCDF subsidies, and (3) how states plan to use the increase in CCDF funding from the Consolidated Appropriations Act, 2018.

To answer our objectives, we collected information from state CCDF administrators in two ways. First, we surveyed CCDF administrators in the 50 states and the District of Columbia (D.C.) using a Word-enabled questionnaire in May and June 2018 and received a 100 percent response rate.[5] We asked state CCDF administrators about certain child care activities, including the proportion of all funds used by the state in

[3]Discretionary CCDF funds are entirely federal funds that are allocated to states based on a statutory formula. *See*, 42 U.S.C. § 9858m. Under the program, these discretionary funds do not require a state match. CCDF is also made up of mandatory and matching funding, which is authorized under the Social Security Act (42 U.S.C. § 618) and administered by HHS. A portion of the mandatory funding is guaranteed to states, without states having to match the funds with state child care spending. To be eligible for its share of the remaining mandatory funds (matching funds), a state must first spend a designated amount of its own state funds. 42 U.S.C. § 618(a)(2).

[4]Future discretionary funding levels are subject to the annual appropriations process.

[5]The survey was also used to gather information for a GAO mandate in the CCDBG Act of 2014; the survey results were shared with the cognizant committees in a briefing in October 2018 and published in an earlier report. See GAO, *Child Care and Development Fund: Subsidy Receipt and Plans for New Funds*, GAO-19-222R (Washington, D.C.: Feb. 15, 2019).

fiscal year 2017 to support each activity that came from CCDF and whether the activity affects nonsubsidized children receiving child care. We selected 10 activities that states may use to improve the quality of their child care services. We also asked about additional child care activities in their states that affect nonsubsidized children. In addition, we asked states about their plans to use the new CCDF funds appropriated under the Consolidated Appropriations Act, 2018, for those and other state child care activities, including ones related to other CCDBG Act requirements.[6] We took several steps to minimize measurement error and data collection and processing errors.[7] Specifically, we pre-tested draft versions of the questionnaire with CCDF administrators in three states to check the clarity of the questions and layout of the questionnaire, and made revisions, as appropriate. Second, we conducted semi-structured interviews with CCDF administrators in 15 states, including D.C., in May and June 2018 to collect in-depth information about the ways in which state child care activities may affect nonsubsidized children and states' plans to use the new funding.[8] We selected states that reflected variation in the level of CCDF funding set aside for quality activities, according to the most recently available data from HHS, and geography (see appendix I for a list of these states). Through our interviews and follow-up, we also obtained information from states on the potential impacts of not having received the new funds and challenges associated with the new funding. While information obtained during these interviews is not generalizable and may be preliminary and subject to change, it provides point-in-time insight into state plans for these funds from a variety of states.[9] We also

[6]For purposes of this report, we are referring to the increase in CCDF funds appropriated under the Consolidated Appropriations Act, 2018 as "new funds" or "new funding." In addition, for purposes of this report, we are referring to the Child Care and Development Block Grant Act of 1990, as amended, as the CCDBG Act.

[7]Measurement error can include variations in how respondents interpret questions, respondents' willingness to offer accurate responses, and nonresponse error (failing to collect data on answers to individual questions from respondents).

[8]The interviews were also used to gather information for the GAO mandate in the CCDBG Act of 2014. Similar to our survey, information from our interviews was shared with the cognizant committees in an October 2018 briefing and published in an earlier report. See GAO-19-222R.

[9]For purposes of this report, we use qualifiers, such as "several" and "many," in some cases to quantify responses from interviews with CCDF administrators. These qualifiers are defined as follows: "some" represents 2-3 administrators; "several" or "many" represents 4-7 administrators; "most" or "majority" represents 8-12 administrators; and "almost all" or "nearly all" represents 13-14 administrators.

reviewed relevant federal laws, regulations, and guidance, and interviewed HHS officials.

We conducted this performance audit from January 2018 to April 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

In fiscal year 2019, states are required to spend at least 8 percent of CCDF funding for "quality activities"—activities that are designed to improve the quality of child care services the state provides. These activities may include supporting the professional development of the child care workforce and improving the supply and quality of child care programs and services for infants and toddlers.[10] Table 1 describes examples of quality activities states may choose to fund with their required quality set-aside, as well as requirements for states to carry out certain activities from the CCDBG Act of 2014, where applicable.

Table 1: Examples of State Quality Activities

Note: 1/Shaded activities are those with requirements for states from the Child Care and Development Block Grant Act of 1990, as amended, and relevant federal regulations.

Activity	Description
Accreditation of child care providers	States may support child care providers in the voluntary pursuit of accreditation by a national accrediting body with demonstrated, valid, and reliable program standards of high quality. 42 U.S.C. § 9858e(b)(8). States may incorporate national accreditation systems into their quality rating systems to generally signify achieving higher levels of quality.

[10]42 U.S.C. § 9858e(a)(2)(A), (b)(1)(A), (b)(4). Under the statute, the minimum percentage states must spend on quality activities increases to 9 percent of CCDF funding for fiscal year 2020 and beyond. States may elect to spend more than the required minimum on quality activities. In addition, for each fiscal year starting in fiscal year 2017, states must spend at least an additional 3 percent on quality activities for infants and toddlers. 42 U.S.C. § 9858e(a)(2)(B).

Activity	Description
Child care resource and referral	States may develop a child care resource and referral system to support state quality improvement efforts, for example, through local or regional agencies that provide training and professional development, coaching, and technical assistance to child care providers and consumer education to parents. *See*, 42 U.S.C. § 9858e(b)(5).
Consumer education /1/	States must certify that they will collect and disseminate information to parents of Child Care and Development Fund (CCDF)-eligible children, the public, and child care providers about the availability of the full diversity of child care services that will promote informed child care choices. States must make public electronically the results of monitoring and inspection reports, as well as information on deaths, serious injuries, and substantiated child abuse for child care providers in the state. 42 U.S.C. § 9858c(c)(2)(E). HHS regulations also specify that states must have a website describing licensing, monitoring, and background check processes, as well as a searchable list of licensed child care providers, along with information about the provider's quality rating, if available. 45 C.F.R. § 98.33.
Criminal background checks /1/	States must have policies in effect and must conduct comprehensive criminal background checks every 5 years for child care staff of providers that are licensed, regulated, or registered by the state, or that serve children receiving CCDF subsidies. Child care providers receiving CCDF funds are prohibited from employing child care staff who refuse to consent to the check. Providers are also prohibited from employing child care staff who meet one of the disqualifying criteria mentioned in the law, including convictions for specified felonies, or violent misdemeanors committed as an adult against a child. 42 U.S.C. § 9858f.
Early learning and developmental guidelines /1/	States must provide an assurance that they will develop, maintain, or implement early learning and developmental guidelines for statewide use by child care providers for children from birth to kindergarten entry that cover the essential domains of early childhood development (i.e., cognition, and social, emotional, and physical development). 42 U.S.C. § 9858c(c)(2)(T).
Health and safety standards /1/	States must certify that they have health and safety standards that are applicable to CCDF providers, and procedures to ensure that CCDF providers comply with them. States are required to develop health and safety requirements in specific topic areas, such as the use of safe sleeping practices and pediatric first-aid. States must also certify that all CCDF providers will receive minimum health and safety training in these areas, to be completed pre-service or during an orientation period, in addition to ongoing training. 42 U.S.C. § 9858c(c)(2)(H)(ii)(I).
High-quality program standards	States may support the development or adoption of high-quality program standards relating to health, mental health, nutrition, physical activity, and physical development. 42 U.S.C. § 9858e(b)(9). Standards create a common definition of quality for child care providers and can be used to help inform parents.
Licensing /1/	States must certify that they have licensing requirements for child care providers, although they may exempt certain types of providers. 42 U.S.C. § 9858c(c)(2)(F), (K).
Monitoring/Inspections for compliance with health, safety, and fire standards /1/	States must certify that they have policies to annually conduct unannounced inspections of all licensed CCDF providers for compliance with all child care licensing standards, including health, safety, and fire standards, including at least one prelicensure inspection. License-exempt CCDF providers must also receive annual inspections for compliance with health, safety, and fire standards, but, according to HHS, the inspections do not have to be unannounced. State licensing inspectors must be trained in the state's health and safety standards and licensing rules and the ratio of licensing inspectors to child care providers must be sufficient to ensure that inspections occur in a timely manner. 42 U.S.C. § 9858c(c)(2)(K)(i). 45 C.F.R. § 98.42(b)(2)(ii).
Professional development of the child care workforce /1/	States must describe the training and professional development requirements designed to enable providers to promote the social, emotional, physical, and cognitive development of children, including providing an assurance that these requirements will be conducted on an ongoing basis and provide for a progression of professional development. 42 U.S.C. § 9858c(c)(2)(G).

Activity	Description
Tiered quality rating systems	States may develop a tiered quality rating system for child care providers and services. 42 U.S.C. § 9858e(b)(3). These systems consist of a systematic approach to assess, improve, and communicate the level of quality in early and school-age care and education programs. Such systems award quality ratings to programs that meet a set of defined program standards, encouraging a path of continuous quality improvement.
Wage supports for providers	States may provide wage supports and educational scholarships to child care providers. 45 C.F.R. § 98.53(a)(1)(vii).

Source: Child Care and Development Block Grant Act of 1990, as amended; Department of Health and Human Services (HHS) regulations; HHS CCDF Fundamentals Resource Guide; and HHS Form ACF-696. | GAO-19-261.

Note: The child care activities included in this table are not a comprehensive list of activities states may fund with their quality set-aside.

After setting aside funds for quality activities and administrative activities, states must spend at least 70 percent of discretionary funds that remain on subsidies for eligible families.[11] They provide subsidies to eligible families through the CCDF program in the form of certificates or vouchers to use for child care in homes, child care centers, and classrooms, or through grants or contracts to child care providers. Children receiving CCDF subsidies may receive care alongside nonsubsidized children—that is, children who may be eligible for child care subsidies but who do not receive them, or who may be ineligible for child care subsidies.

A Majority of States Reported Relying on CCDF Funds to Support Key Quality Child Care Activities

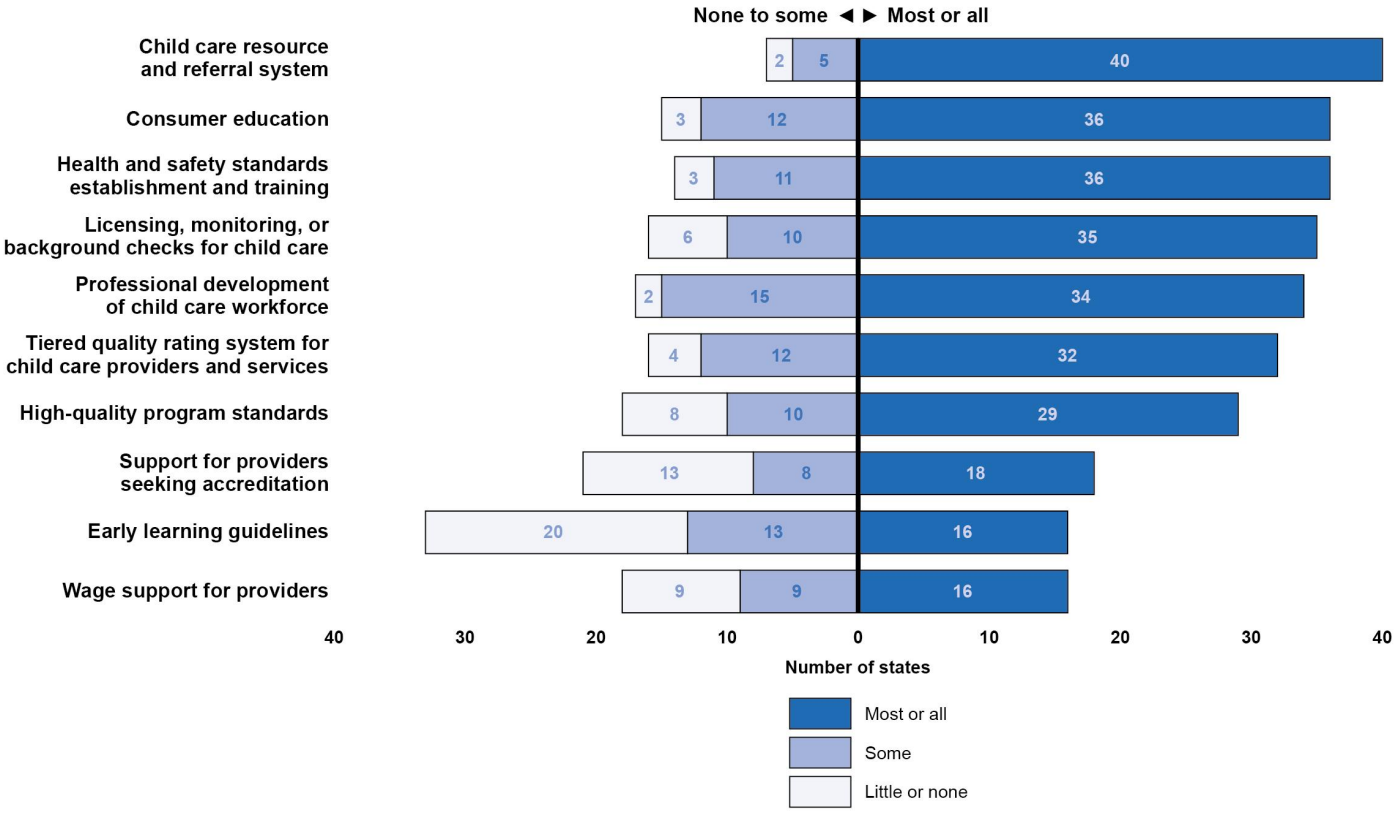
A majority of states used fiscal year 2017 CCDF funds to entirely or mostly fund 7 of 10 major state child care activities, according to our survey of CCDF administrators in the 50 states and D.C. (see fig. 1).[12] The 10 child care activities included in our survey, components of which are also required by CCDF, are key means through which states may

[11]42 U.S.C. § 9858c(c)(3)(E)(ii). The CCDBG Act requires states to spend 70 percent of remaining discretionary funds (after setting aside funds for administrative and quality activities) on "direct services," which HHS defines in its grant reporting instructions as "solely…for child care subsidies to eligible children." States may spend no more than 5 percent of CCDF funding on administrative activities. 42 U.S.C. § 9858c(c)(3)(C).

[12]CCDF administrators were asked to consider all funding used by their state for each of 10 activities in fiscal year 2017 and to approximate the proportion of the funds that came from CCDF. In addition to CCDF, states may use a variety of state and federal funding, including funding from Head Start and the Temporary Assistance for Needy Families programs, to support child care activities.

choose to improve the quality of their child care services (i.e., quality activities). They also represent diverse aspects of a state's child care system.

Figure 1: States' Use of CCDF Funding for Quality Child Care Activities in Fiscal Year 2017



Source: GAO survey of state Child Care and Development Fund (CCDF) administrators. | GAO-19-261

Note: The child care activities included in this figure are not a comprehensive list of activities states may fund with their quality set-aside.

Data Table for Figure 1: States' Use of CCDF Funding for Quality Child Care Activities in Fiscal Year 2017

	Number of states		
	Little or none	Some	Most or all
Child care resource and referral system	2	5	40
Consumer education	3	12	36
Health and safety standards establishment and training	3	11	36
Licensing, monitoring, or background checks for child care	6	10	35
Professional development of child care workforce	2	15	34
Tiered quality rating system for child care providers and services	4	12	32

	Number of states		
	Little or none	Some	Most or all
High-quality program standards	8	10	29
Support for providers seeking accreditation	13	8	18
Early learning guidelines	20	13	16
Wage support for providers	9	9	16

Among states that relied on CCDF funding to support the quality activities, we found that, on average, states funded 6 of the 10 activities entirely or mostly with CCDF. Nearly one-third of states (16) funded at least 8 of the 10 to that degree.

States reported that they relied on CCDF funding most frequently for the following activities: child care resource and referral systems, consumer education, and health and safety standards establishment and training.

Child care resource and referral systems. More than three-quarters of states (40) reported in our survey that all (22) or most (18) of the funding they used for their child care resource and referral systems in fiscal year 2017 came from CCDF. Statewide systems of child care resource and referral agencies can serve an important role in supporting state quality improvement efforts, though not all states have them, according to HHS. For example, child care resource and referral agencies may provide training and technical assistance to child care providers and share consumer education with families, among other things. States may use CCDF funds to establish or support a system of local or regional agencies that is coordinated by a lead child care resource and referral organization.[13] Officials in the states we interviewed described various ways in which their child care resource and referral agencies support child care providers and parents, such as:

- Delivering professional development, including training and technical assistance, to child care providers, regardless of whether or not the providers accept subsidized children, according to several CCDF administrators interviewed.
- Supporting parents by determining eligibility for subsidies, providing referrals for care, and offering information on child care quality, according to state officials. For example, one state houses eligibility

[13]42 U.S.C. § 9858c (c)(3)(B)(iii).

specialists in regional child care resource and referral agencies, through which families apply for subsidies, while another state uses these agencies to refer families to child care providers and support families with specialists, including mental health consultants and infant specialists, as needed.

Consumer education. About 70 percent of states (36) reported that all (12) or most (24) of the funding they used for consumer education activities in fiscal year 2017 came from CCDF. Consumer education activities are intended to help parents seeking child care make informed decisions and improve access to information that supports child development. States must certify that they have policies to make public the results of child care providers' monitoring and inspection reports, as well as certify that they will collect and disseminate information on child care services available through CCDF, research and best practices concerning child development, and state policies regarding the social-emotional and behavioral health of children, among other requirements.[14] Moreover, many of the 15 states we interviewed used child care resource and referral agencies to do this. Examples from our state interviews illustrate that:

- One state promotes awareness of its quality rating and improvement system for child care providers through materials available from the state's child care resource and referral agencies, according to its CCDF administrator.
- Another state's child care resource and referral system has a public awareness campaign aimed at the parents of infants, toddlers, and preschoolers to help families understand and identify quality child care, according to the head of the state's child care resource and referral network.
- Parents in a third state can obtain information on child development through resources available from lending libraries, according to the state's CCDF administrator.

Health and safety standards. About 70 percent of states (36) also reported entirely funding (15) or mostly funding (21) the development or deployment of training for health and safety standards with CCDF in fiscal year 2017. According to the CCDBG Act, states are required to certify

[14]42 U.S.C. § 9858c(c)(2)(D), (E)(i).

that they have health and safety standards in specific topic areas, such as the use of safe sleeping practices and pediatric first-aid, and certify that all CCDF providers will receive minimum health and safety training in these areas.[15] Most of the 15 states that we interviewed went beyond CCDBG Act requirements and elected to apply their health and safety training requirements to all licensed child care providers in the state, and in some cases, to child care providers that are exempt from licensing.[16] In doing so, officials described how their requirements served to elevate the health and safety of children in care regardless of whether they receive CCCF subsidies. Several state officials specifically credited the CCDBG Act as the impetus for their states' changes. State officials we interviewed also described taking various approaches, including offering financial incentives, to facilitate child care providers in meeting training requirements. Examples of these approaches and their impact include the following:

- One state official said that while the state child care agency had wanted to increase health and safety requirements for child care providers for years, the reauthorization of the CCDBG Act propelled the state forward in its efforts to increase child care quality and require the same health and safety training of all licensed and license-exempt providers.
- One state offers health and safety grants to child care providers to meet these requirements, while another is considering increasing child care provider payment rates to a level that will allow them to meet the updated health and safety requirements, according to state officials.
- CCDF administrators in two states told us they are developing online training modules for the required health and safety training so child care providers can access the modules more easily and for free or have mailed training DVDs to every child care program in the state.

[15]42 U.S.C. § 9858c(c)(2)(H)(ii)(I).

[16]According to HHS, while states are required to have licensing requirements in effect for child care providers, they have the flexibility to exempt providers from licensing requirements. If states use CCDF funds to support child care providers that are exempt from licensing requirements, they must describe in their CCDF plans why licensing exemptions do not endanger the health, safety, or development of children who receive services from child care providers exempt from licensing requirements.

CCDF administrators in almost all of the 15 states we interviewed told us their states set aside more than the minimum amount that CCDF required to support quality in 2017.[17] They described how their states use quality set-aside funds to support child care licensing programs, accreditation, and quality rating systems for child care providers, among other things. Some state officials we interviewed also described specific supports for infants and toddlers, such as partnerships to provide training for child care providers around the care of this age group, and increases in provider payment rates for infant and toddler care, which is costly to provide, from the infant and toddler-specific set-aside. According to one state CCDF administrator, the ability to divert funds to activities that benefit infants and toddlers is critical as this is the neediest age—a time when children and parents need the most support.

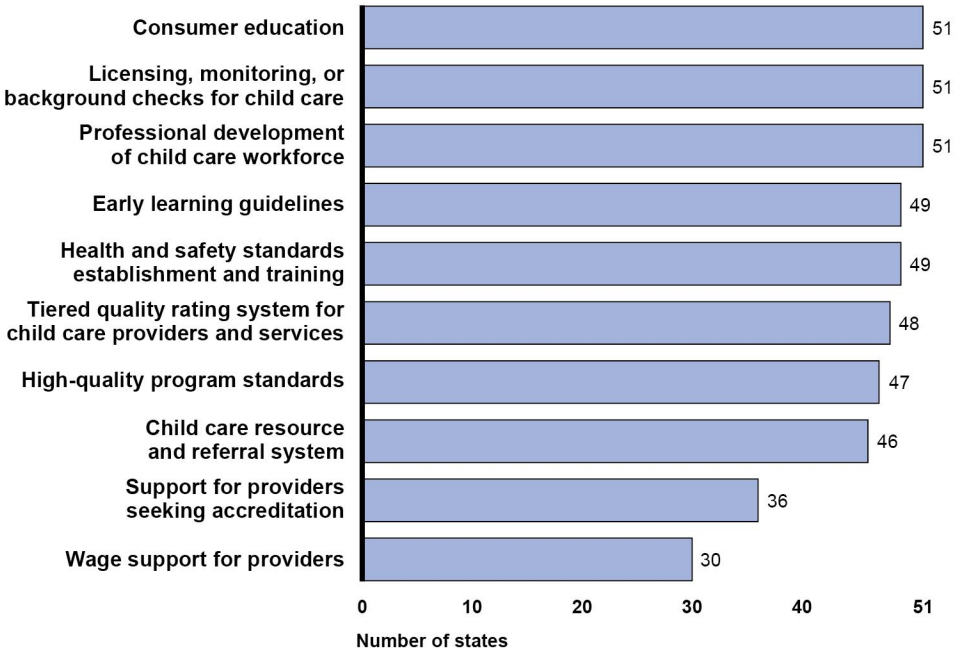
States Report That Consumer Education, Licensing, and Professional Development, Among Other Quality Activities, Also Affect Children Not Receiving Subsidies

A range of CCDF quality activities, including consumer education, child care licensing, and professional development of the child care workforce affect the care of children not receiving subsidies (nonsubsidized children), according to our 51-state survey of CCDF administrators (see fig. 2). On average, states reported that 9 of the 10 activities included in

[17]The quality set-aside requirement increased from 7 percent in 2017 to 8 percent for fiscal years 2018 and 2019 and will increase to 9 percent beginning in fiscal year 2020, while the infant and toddler set-aside remains the same. 42 U.S.C. § 9858e(a)(2). With the funds, states must carry out at least one of 10 activities to improve the quality of child care services and increase access to high-quality care in their state, according to the CCDBG Act, including: supporting the training and professional development of the child care workforce; improving upon the development or implementation of the early learning and developmental guidelines by providing technical assistance to providers; developing, implementing, or enhancing a tiered quality rating system for child care services; improving the supply and quality of child care programs and services for infant and toddlers; establishing or expanding a statewide system of child care resource and referral services; facilitating compliance with state licensing standards as well as requirements for inspection and monitoring; evaluating the quality and effectiveness of child care programs in the state, including evaluating how programs positively impact children; supporting accreditation; supporting state or local efforts to develop or adopt high-quality program standards on health, mental health, nutrition, physical activity, and physical development; or other activities determined by the state to improve the quality of services provided and for which measurement of outcomes is possible. 42 U.S.C. § 9858e(b).

our survey affect nonsubsidized children receiving child care in the state, with more than 40 percent of states (22) reporting that all of the activities affect nonsubsidized children, according to our analysis of the survey data. As previously noted, the activities serve as key supports for building quality in state child care systems.

Figure 2: State Quality Child Care Activities That Affect Nonsubsidized Children



Source: GAO survey of state Child Care and Development Fund (CCDF) administrators. | GAO-19-261

Note: The child care activities included in this figure are not a comprehensive list of activities states may fund with their quality set-aside.

Data Table for Figure 2: State Quality Child Care Activities That Affect Nonsubsidized Children

Activity	Number of states
Consumer education	51
Licensing, monitoring, or background checks for child care	51
Professional development of child care workforce	51
Early learning guidelines	49

Activity	Number of states
Health and safety standards establishment and training	49
Tiered quality rating system for child care providers and services	48
High-quality program standards	47
Child care resource and referral system	46
Support for providers seeking accreditation	36
Wage support for providers	30

Of these activities, CCDF administrators unanimously cited three in our survey as affecting nonsubsidized children: consumer education; licensing, monitoring or background checks for child care; and professional development. Below are some specific examples of the way nonsubsidized children are affected by these activities, as discussed with CCDF administrators in our 15 state interviews.

Consumer education. During our interviews, state officials discussed ways in which their CCDF programs share important information on child care quality and child development with all families, including those not receiving subsidies. As previously noted, many of the 15 states we interviewed rely on their child care resource and referral agencies to provide such information to the public. HHS requires states to have a website that includes, among other things, a searchable list of licensed child care providers and information about the provider's quality rating, if available.[18] States we interviewed use these and other consumer education tools, such as billboards, public service announcements, and commercials in an effort to reach a wide-ranging audience.

Licensing, monitoring, or background checks. According to the CCDBG Act, states must certify they have policies to annually conduct unannounced inspections of all licensed CCDF providers for compliance with all child care licensing standards, including health, safety, and fire standards, with at least one pre-licensure inspection.[19] But most of the 15

[18]45 C.F.R. § 98.33.

[19]42 U.S.C. § 9858c(c)(2)(K)(i).

states we interviewed have elected to apply certain CCDBG Act requirements for CCDF providers, including those pertaining to monitoring and inspections, to all licensed providers in the state, according to their states' CCDF administrators. Officials in several states suggested that updating their requirements for all licensed providers with the CCDF requirements establishes a high-quality foundation for child care that reflects the importance of a healthy and safe environment for all children receiving care, regardless of whether children receive a subsidy. Examples from some states that we interviewed are:

- In one state, where subsidized children make up about 20 percent of children in licensed care, the state's CCDF administrator estimated that significant numbers of nonsubsidized children benefit from higher quality care, including from more extensive monitoring of all licensed providers.
- Another state applied the requirements for CCDF providers to all license-exempt child care providers (including those not serving subsidized children), which helps ensure that all children in care benefit from the updated monitoring, health and safety, and background check requirements.[20]
- An official from another state that does not apply CCDBG Act requirements more broadly said that, because nonsubsidized children share classrooms with subsidized children, requirements that apply to subsidized providers, in turn, also still benefit the nonsubsidized children in their classrooms. In particular, he said that the requirement that all CCDF providers that serve subsidized children be inspected has opened up child care centers that previously, as license-exempt providers, were not inspected, and has resulted in improvements in some centers.

Professional development. CCDF administrators we interviewed recognize professional development as key to high-quality child care for all children, including nonsubsidized children. The CCDBG Act requires states to describe the training and professional development requirements designed to enable CCDF providers to promote the social, emotional, physical, and cognitive development of children.[21] According to

[20]According to the CCDBG Act, states must have policies in effect and must conduct comprehensive criminal background checks every 5 years for child care staff of providers that are licensed, regulated, or registered by the state, or that serve children receiving CCDF subsidies. 42 U.S.C. § 9858f.

[21]42 U.S.C. § 9858c(c)(2)(G).

HHS, states must also require ongoing training for CCDF providers that is accessible, appropriate to the age and setting of the children served, and aligned to a progression of professional development that includes a minimum number of annual hours of training for the child care workforce. As with certain other CCDBG Act requirements, a majority of states we interviewed have established the same professional development requirements for all licensed child care providers, whether or not they care for subsidized children, according to state officials. One CCDF administrator said that the updated CCDF requirements for subsidized providers were an impetus for her state to raise the training requirements for providers that do not care for children receiving subsidies and that are unlicensed. She said the updated, more comprehensive training requirements help ensure that all children are in care with child care providers that parents can trust.

CCDF administrators also highlighted characteristics of their states' professional development activities that serve to positively impact nonsubsidized children as well—namely, availability, accessibility, and affordability of professional development opportunities to child care providers. For example, state officials told us of making these opportunities available to all child care providers through online training courses, training and onsite consultation from child care resource and referral agencies, technical assistance and coaching, and resource lending libraries. Nearly all states we interviewed use their states' quality set-aside funds to support such training, technical assistance, and/or coaching opportunities. Where training may not be free, CCDF administrators told us of financial incentives that assist child care providers in their efforts to increase quality through professional development. For example, several states use their quality set-aside funds to offer scholarship grant programs available to child care providers to help increase their qualifications, whether or not they care for subsidized children. One state offers incentive payments based on a provider's level of attainment in the state's career ladder, for which all providers are eligible to apply, according to its CCDF administrator, and can result in provider development that benefits the nonsubsidized children in their care.

In addition to spending on quality activities, states reported through our interviews that nonsubsidized children also indirectly benefit from state spending on subsidies. According to officials in many of the 15 states that we interviewed, states' spending on subsidies helps increase the economic stability of CCDF providers, which, in turn, also benefits nonsubsidized children in their care. Officials said that subsidizing

providers to help pay for the cost of care for eligible families can provide a consistent source of revenue for CCDF providers that allows them to continue stable operations, invest in professional development, and increase teacher pay, for example.[22] Such spending, in turn, can lead to improved child care quality as well as access (i.e., by helping providers stay in business) to nonsubsidized children, too, who are in their care, according to state officials.

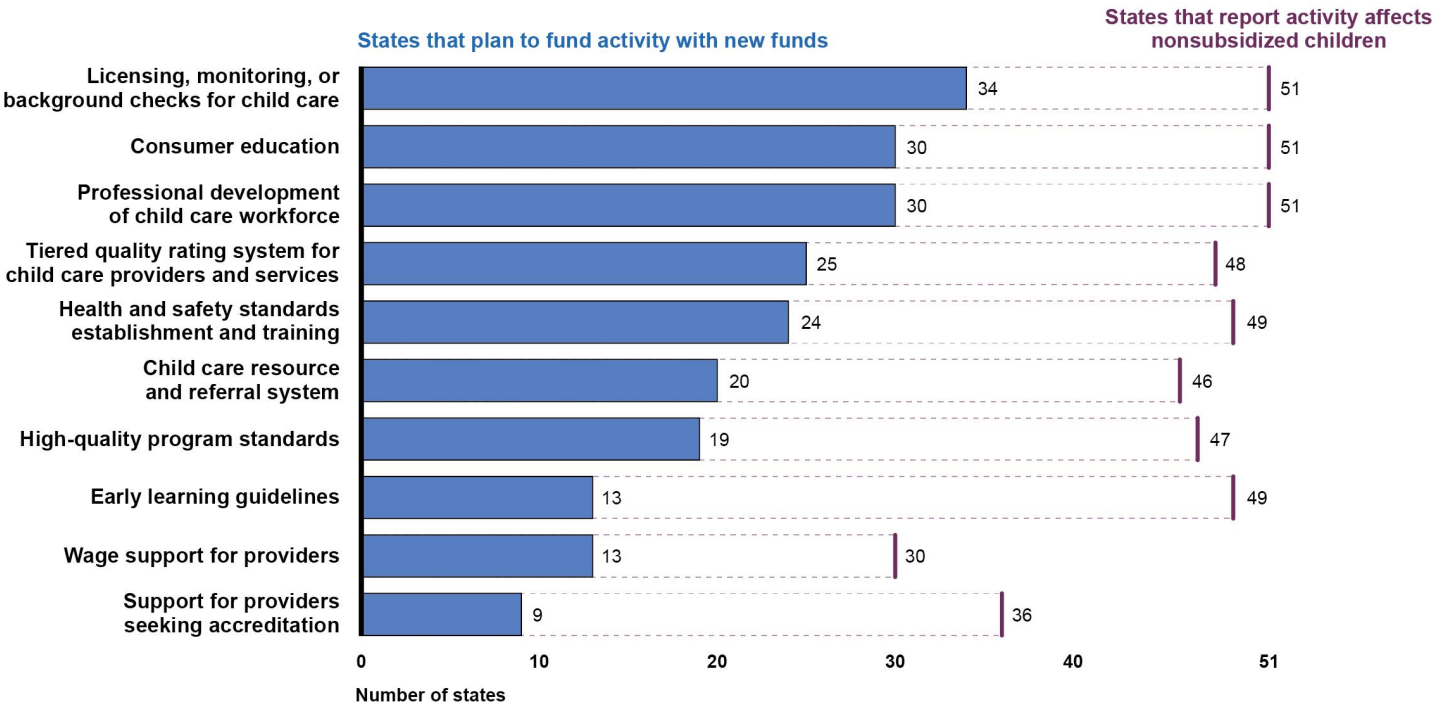
However, officials in many states we interviewed also noted that CCDF subsidies or related policies may negatively impact nonsubsidized children and families. For example, several said that state increases in payment rates for CCDF providers may lead providers to similarly increase the rates they charge for the nonsubsidized children in their care, which, some noted, could drive families for whom such care is no longer affordable to alternative, unregulated providers that may have lower quality standards. Rate increases can be particularly difficult for middle-income families who do not qualify for CCDF and are struggling to meet the current market rate of child care, according to one state's CCDF administrator. CCDF administrators from several other states also noted a drop in CCDF child care providers in recent years due to various factors, including low payment rates, extensive CCDF requirements for inspections and background checks, and an insufficient number of children to sustain operating costs, for example. In much of one state's neediest areas, local elementary schools often provide the highest quality care, according to the state's CCDF administrator; however, with the addition of background checks that some school districts have found administratively burdensome and duplicative, the official said that many districts have dropped out of the CCDF program.

[22]States must demonstrate that payment (reimbursement) rates for CCDF providers are based on the results of a statistically valid and reliable market rate survey, or alternative methodology, and take into account costs associated with higher-quality care when setting payment rates. States may differentiate provider payment rates according to geographic area, age or needs of the child, and nontraditional care hours, for example, and they are required to reevaluate payment rates at least every 3 years. 42 U.S.C. § 9858c(c)(4)(B).

States Most Often Report Plans to Spend the New CCDF Funds on Quality Activities That Affect All Children in Care, Despite Funding Uncertainty

Among quality activities, states most often reported plans to spend the new discretionary CCDF funding from the Consolidated Appropriations Act, 2018 on three—licensing, consumer education, and professional development—the same activities that all states reported affect nonsubsidized children, according to our survey of CCDF administrators in the 50 states and D.C. (see fig. 3).

Figure 3: State Quality Child Care Activities States Plan to Fund with New CCDF Funds, and Extent to Which the Activity Affects Nonsubsidized Children



Source: GAO survey of state Child Care and Development Fund (CCDF) administrators. | GAO-19-261

Note: The child care activities included in this figure are not a comprehensive list of activities states may fund with their quality set-aside. In responding to the survey, eight states selected “don’t know/not applicable” for whether they plan to use at least some of the new funds to support all 10 activity categories.

Data Table for Figure 3: State Quality Child Care Activities States Plan to Fund with New CCDF Funds, and Extent to Which the Activity Affects Nonsubsidized Children

	Number of states that plan to fund activity with new funds	Number of states that report activity affects nonsubsidized children
Licensing, monitoring, or background checks for child care	34	51
Consumer education	30	51
Professional development of child care workforce	30	51
Tiered quality rating system for child care providers and services	25	48
Health and safety standards establishment and training	24	49
Child care resource and referral system	20	46
High-quality program standards	19	47
Early learning guidelines	13	49
Wage support for providers	13	30
Support for providers seeking accreditation	9	36

Licensing, monitoring, or background checks. More than two thirds of states we surveyed (34) plan to spend the new CCDF funds on child care licensing or related activities of monitoring and background checks. During our interviews, many state CCDF administrators provided examples of how they plan to use new funds on licensing-related activities, such as hiring or increasing pay of licensing staff or making administrative or system improvements to facilitate the interstate background checks required under the CCDBG Act.[23] For example, one state plans to enhance its online background check portal to streamline interstate coordination while another state plans to help providers pay for the interstate background check fees by offsetting the increased cost for the next 1 or 2 years. A third state, which has been operating under an HHS waiver that allowed for delayed implementation of the interstate

[23]According to the Administration for Children and Families (ACF), interstate background checks are one of several sources states must review during the licensing process for child care providers. States are required to complete eight background checks using information from the following national, in-state, and inter-state (out-of-state) databases and registries: (1) National FBI Criminal History, (2) National Crime Information Center (NCIC) National Sex Offender Registry, (3) In-state Criminal History, (4) In-state Sex Offender Registry, (5) In-state Child Abuse and Neglect Registry, (6) Inter-state Criminal History, (7) Inter-state Sex Offender Registry, and (8) Inter-state Child Abuse and Neglect Registry. According to ACF, the following groups of providers must have completed background checks: (1) all licensed, regulated, and registered providers whether or not they receive CCDF funds, and (2) license-exempt providers who receive CCDF funds, except those related to all children in their care.

background check requirements, now plans to use new funds to conduct the required checks, according to the state's CCDF administrator. Without the new funds, officials from two states said that they may have had to reduce funding to other child care activities, including subsidies, in order to allocate the additional resources needed to comply with licensing, monitoring, or background check requirements.

Consumer education. More than half of states we surveyed (30) said they plan to spend new funds on consumer education activities. Some state officials we interviewed described plans to enhance public state child care websites to make them more user-friendly or available in other languages, such as Spanish. For example, one state plans to improve online access to provider information by featuring a dashboard with a snapshot of each provider's license history, including inspection violations. Officials from another state said they plan to use new funds to launch a public engagement campaign to provide timely and important information about child care and state-based child care services. In the absence of the new funding, officials from two states said they would likely need to reduce their efforts to better educate families statewide about important child development information and the states' publicly-available tools that can help parents identify high-quality child care. Specifically, officials from one state said they would have to forgo plans to make their public child care website more sophisticated and consumer-friendly and officials from another state said they would not be able to conduct their planned public education campaigns.

Professional development. More than half of states we surveyed (30) said they plan to fund professional development activities for child care providers. Officials we interviewed in several states told us about plans to use the new funds to implement or improve online professional development systems, such as by increasing online course offerings or creating training applications accessible by cellphone, which can improve accessibility for all child care providers. We also heard about plans in five states to use some new funds to provide specialized training, including training focused on infant and toddler-specific topics, caring for children exposed to trauma, and emergency planning and response. CCDF administrators from two other states described plans to fund more scholarships for child care workforce training and certification programs, including Child Development Associate credential programs. Lastly, officials in one state told us they plan to create a mentorship program whereby high-quality licensed providers mentor licensed-exempt providers in order to help providers who are interested in becoming licensed improve their quality and professional development

qualifications. Without the new funds, officials from one state said they would not have been able to continue to support as many professional development opportunities that support both subsidized and nonsubsidized children, such as conferences, networking events, and coaching. Another CCDF administrator expressed concern that in the absence of the new funds, her state may have struggled to implement a new workforce registry system that tracks child care providers' education and credentials.

Most states reported plans to allocate the new funds to multiple state child care activities, according to our analysis of the survey data. Specifically, we found that more than two thirds of states plan to fund at least three of the activities, and half of states plan to fund at least five activities.

Moreover, according to our survey, about 40 percent of states (20) also plan to spend at least some of the new funds to increase the proportion of funding set aside for quality activities beyond the required minimum for the year—which, as described earlier, they can use to fund these activities.[24] During our interviews, we heard about states' plans to spend new funds on a variety of qualifying activities, including child care resource and referral systems, accreditation of child care providers, and development of high-quality program standards. In the absence of the new funds, one state CCDF administrator told us that the state would likely have had to eliminate some optional quality activities, such as financial support to help providers become accredited. She further explained that the state is more willing to cut back on quality activities when there is insufficient funding than to disenroll families from the CCDF program.

Aside from quality activities, states we surveyed also reported plans to spend new CCDF funds toward subsidies.[25] More than half of states (31) plan to spend at least some of the new funds on increasing payment rates

[24]An increase to the quality set-aside amount can include either an increase in funding for infant and toddler-specific quality activities or an increase in funding for at least one of 10 specified quality activities.

[25]Under the CCDBG Act, states are required to spend at least 70 percent of remaining discretionary funds on subsidies for eligible families, after setting aside funds for quality and administrative activities. 42 U.S.C. § 9858c(c)(3)(E)(ii). GAO previously reported on states' spending plans for the new discretionary CCDF funds, including on subsidies. See GAO-19-222R.

for CCDF providers or lowering parental copayments.[26] For example, one state official we interviewed told us about plans to increase payment rates for infant and toddler care, with a goal to increase access to child care for infants and toddlers across the state. In addition, about half of states (25) we surveyed reported plans to spend new funds to implement two requirements that allow families to continue receiving subsidies for a longer period of time—the 12-month eligibility period and the graduated phase-out of assistance.[27] Lastly, nearly one-third of surveyed states (16) reported plans to use new funds to pay for subsidies for children on their wait lists to receive child care.[28] CCDF administrators in all of the states we interviewed that use a wait list (5) stated that they might have had to expand their wait lists in the absence of the new funds.

However, several state CCDF administrators expressed uncertainty about their states' plans for using the new CCDF funds in interviews (conducted in May and June 2018). Officials from more than a third of the 15 states we interviewed (6) said their spending plans were still in flux. In some of these states, officials said they were still developing and reviewing their funding proposals as part of their state's legislative and budgeting process and they were awaiting future legislative approval or spending

[26]States must provide that they will establish and periodically revise, by rule, a sliding fee scale that provides for cost-sharing by families that receive CCDF services. 42 U.S.C. § 9858c(c)(5). Families must contribute to the cost of care based on family size and income. States may exempt families with income at or below the poverty level from copayments, among other categories (families caring for children in protective services or families that meet other conditions established by the state). 45 C.F.R. § 98.45(k).

[27]States must ensure that children who receive CCDF assistance will continue to do so for at least 12 months before their eligibility redetermination, regardless of temporary changes in parents' work or activities and changes in family income, as long as income does not exceed 85 percent of state median income (SMI). 42 U.S.C. § 9858c(c)(2)(N)(i). States must certify they have policies and procedures to allow for a graduated phase-out of assistance for children whose family income at redetermination exceeds the initial eligibility limit but is below 85 percent of SMI. 42 U.S.C. § 9858c(c)(2)(N)(iv).

[28]States may use a wait list when they do not have sufficient CCDF funds to provide subsidies to all eligible families that apply. Our survey collected information on whether states planned to spend at least some of the new funds on subsidies for children on a wait list, if applicable in that state. Our survey did not collect information on whether states were using a wait list. The National Women's Law Center reported in 2017 that 19 states used a wait list for CCDF. See National Women's Law Center, *Persistent Gaps: State Child Care Assistance Policies 2017* (Washington, D.C.: October 2017). According to our survey data, 12 of the 19 wait list states in the National Women's Law Center study reported that they would spend at least some of the new funds on subsidies for children on a wait list.

authorization.[29] For example, in one state, the CCDF administrator said she was awaiting information on how much money the state would receive before she planned to convene stakeholder groups to discuss potential funding proposals. In another state, the CCDF administrator said her office needed to wait for other local budget appropriation decisions before her office could commit the new CCDF funds to specific priorities. Officials in more than half of the 15 states we interviewed also told us they faced challenges making spending decisions because they were unclear whether the new funds would be provided on an ongoing basis.[30] For example, CCDF administrators in two states that plan to expand subsidies to children on their wait lists expressed concerns about having to disenroll children from the program if funding is discontinued. Officials from several states suggested that they are proceeding cautiously with spending decisions given there is no guarantee that the increased funds will be provided in the future, while an official from another state told us they are operating under the assumption that the new funds will be provided on an ongoing basis and do not have a contingency plan in the event that the funds are not continued.

Agency Comments

We provided a draft of this report to HHS for review and comment. HHS provided technical comments only, which we incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Secretary of the Department of Health and Human Services, and other interested parties. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

[29]In August 2018, HHS issued a memorandum to states containing guidance on spending the new CCDF funds. According to the memo, states retain flexibility on how to invest funds to best meet their needs, though they were requested to remain mindful of congressional priorities that the funds are intended to increase access to affordable, high-quality child care to more low-income working families. The memo states there were no changes to discretionary spending requirements, aside from the prohibition that no funds made available in the fiscal year 2018 appropriations may be provided to any child care provider if a serious injury or death occurred with that provider due to a substantiated health or safety violation. States have until September 30, 2019 to obligate the new funds and until September 30, 2020 to liquidate them, according to HHS.

[30]Future funding is subject to the annual appropriations process.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or larink@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members who made key contributions to this report are listed in appendix II.

Kathryn A. Larin, Director
Education, Workforce, and Income Security Issues

Appendix I: List of States Interviewed

Alaska: Child Care Program Office, Division of Public Assistance, Department of Health and Social Services

Colorado: Office of Early Childhood, Department of Human Services

District of Columbia: Division of Early Learning, Office of the State Superintendent of Education

Florida: Office of Early Learning, Department of Education

Illinois: Division of Family & Community Services, Department of Human Services

Indiana: Office of Early Childhood and Out-of-School Learning, Family and Social Services Administration

Michigan: Office of Great Start, Department of Education

Montana: Early Childhood Services Bureau, Department of Public Health and Human Services

New Mexico: Child Care Services Bureau, Children, Youth and Families Department

North Carolina: Division of Child Development and Early Education, Department of Health and Human Services

Oklahoma: Child Care Services, Department of Human Services

Rhode Island: Department of Human Services

South Carolina: Division of Early Care and Education, Department of Social Services

South Dakota: Division of Child Care Services, Department of Social Services

Utah: Office of Child Care, Department of Workforce Services

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

Kathryn A. Larin, (202) 512-7215 or larink@gao.gov

Staff Acknowledgments

In addition to the contact named above, Janet Mascia (Assistant Director), Avani Locke (Analyst-in-Charge), and Elizabeth Hartjes made key contributions to this report. Also contributing to the report were Seto Bagdoyan, James Bennett, Randy De Leon, Kirsten Lauber, Sheila R. McCoy, Jonathon Oldmixon, Jessica Orr, James Rebbe, Almeta Spencer, and Amy Sweet.

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