

Child Care: House Committee on Education and Labor Committee's FY2022 Reconciliation Recommendations

September 14, 2021

On September 10, 2021, the House Committee on Education and Labor [voted](#) (28-22) to transmit a committee print, as amended, to the House Committee on the Budget. The [committee print](#) contains recommendations responding to the reconciliation directives in the FY2022 budget resolution (S.Con.Res. 14). Section 23001 of Subtitle D includes recommendations for a new Birth Through Five (B-5) Child Care and Early Learning Entitlement. According to the [committee's fact sheet](#), this proposed child care entitlement program (highlights of which are discussed in this Insight) and a proposed universal preschool program (discussed separately in CRS Insight INXXXXX) are expected to cost a combined \$450 billion throughout the reconciliation budget window.

Appropriations

Section 23001 recommends a three-year phase-in for the proposed B-5 Child Care and Early Learning Entitlement. Mandatory appropriations would be set at \$20 billion in FY2022, \$30 billion in FY2023, and \$40 billion in FY2024. Funds would go to states, territories, Indian tribes, tribal organizations, and Urban Indian organizations. In addition, a capped amount of funds in specified years would be set aside for grants to eligible localities in states that have indicated they do not intend to submit an application and plan for funds under this section. For FY2025-FY2027, appropriations would be set at "such sums as may be necessary," consistent with a goal of ensuring that funding in these years is sufficient to serve all eligible children whose families seek assistance.

States (including the District of Columbia) would be required to match the open-ended funds in FY2025-FY2027; territories and tribal grantees would not be required to match these funds. Federal-state match rates would vary based on whether the expenditure is for child care assistance to eligible families (90% federal); quality investments (matched at the [Federal Medical Assistance Percentage](#), which varies by state based on relative per capita income); or state administrative costs (50% federal). Federal contributions for quality spending would be capped. Separate from match requirements, states would have to meet a maintenance-of-effort requirement in all years based on state spending on child care in FY2021.

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The committee print recommends funding be provided for certain costs incurred by the U.S. Department of Health and Human Services (HHS), the agency tasked with administering the program. The committee print calls for appropriations of \$130 million for each of FY2022-FY2024 and would reserve up to 1% of the “such sums” appropriations in FY2025-FY2027 for costs associated with monitoring and enforcement, regulations, technical assistance, and research, evaluations, and administration.

Eligible Children

The committee print would generally limit eligibility to children (regardless of immigration status) ages 0-5 who are not yet in kindergarten. During the three-year phase-in, eligibility would be limited to children in families with incomes at or below a specified level: 100% of state median income (SMI) in FY2022, 115% of SMI in FY2023, and 130% of SMI in FY2024. Pursuant to an amendment [adopted at markup](#) (28-21), there would be no income limit starting in FY2025. However, families in all years would be subject to an asset test of \$1 million and family copayments would vary by income.

In general, a child must have one parent who is working or participating in another eligible activity (e.g., job search, job training, educational program, health treatment for a work-limiting condition, family leave). Exceptions to the parental activity requirement would be made for certain vulnerable children (including foster children and children experiencing homelessness) and for children with a parent over age 65. The committee print recommends a 24-month eligibility period (i.e., once deemed eligible, a child would be considered eligible for two years).

Eligible Child Care Providers

To be an eligible child care provider, the provider must (1) be [licensed](#), (2) participate in the state’s [tiered system for measuring quality](#) (within three years), and (3) meet [health and safety requirements](#) pursuant to the Child Care and Development Block Grant (CCDBG) Act. In addition, certain CCDBG-eligible providers who remain in good standing would be considered eligible under this section for three years.

Within three years of receiving funds, a state must have in place licensing standards and a licensure pathway for providers (including existing CCDBG providers) in various settings, such as center-based or family child care settings. (At present, many states [exempt](#) certain types of providers from licensing rules and a pathway to licensure may not exist in all cases.)

Also within three years, states must have in place a tiered system for measuring the quality of providers serving children under this section. The top tier of the rating system must use standards that are, at a minimum, equivalent to [Head Start performance standards](#). The system must include resources to help providers at lower tiers progress to higher tiers. States must provide an assurance that within six years of enactment all families can choose a provider at the highest tier.

Payment Rates

Within three years of receiving assistance, states must certify that payment rates for child care services will be set using a cost estimation model or study approved by HHS (see [past guidance](#)). Rates must be set based on the most recent estimates or study and must be updated annually to reflect changes in cost of living. Payment rates must reflect a provider’s quality rating and must be adequate to ensure providers receive a living wage. Wages should be set at a level that is equivalent to elementary educators with similar credentials and experience. States must, within three years, have a wage ladder in place for staff serving children under this section.

Family Copayments

The committee print recommends that family copayments be set using a sliding fee scale based on income. Families with income at or below 75% of SMI would have no copay. Copayments would incrementally increase until they plateau at 7% of family income for those with incomes of more than 150% of SMI. Copayments would not be required for certain populations, including certain vulnerable children and those eligible for Head Start. States must certify that they prohibit child care providers from charging families more than the required copay.

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