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The Child Care Modernization Act: A Better Way Forward



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America's child care system faces a frustrating paradox: families struggle to find affordable care, while providers struggle to make the business of providing it work. Slim profit margins and high fixed costs make it difficult for providers to open or expand,

leaving families with too few options.¹ These shortages are especially acute for parents with infants, families in rural communities, and workers with non-traditional schedules.² Making child care more affordable is essential, but families also need more child care options in the first place.

That is where the bipartisan, bicameral Child Care Modernization Act (CCMA) comes in. Led in the House by Reps. Ryan Mackenzie (R-PA), Kristen McDonald Rivet (D-MI), Ashley Hinson (R-IA), Susie Lee (D-NV), and introduced earlier by a bipartisan group of Senators, the bill would revamp the Child Care and Development Block Grant (CCDBG)—the primary federal program that helps states subsidize child care for eligible families.³

The CCMA would make three important changes:

1. Better align provider payments with the cost of providing care
2. Give communities more tools to build child care supply
3. Make CCDBG work better for providers and families

In this blog, we look at how these three reforms could help address both sides of the child care paradox—and lay the groundwork for a stronger child care system.

Pay Providers What Care Actually Costs

CCDBG provider payment rates do not always reflect what it actually costs to provide child care. States rely on market surveys that measure what parents pay to help set reimbursement rates. But what families can afford often doesn't reflect the full cost of providing care.

The CCMA would require states to use cost-estimation models that account for the actual costs of operating a child care program, including differences by child age, hours of care, local cost of living, and by provider type. This would better align provider payments with the actual cost of delivering care.

Help Providers Open and Expand

Operating or expanding a child care business requires significant upfront investment. But existing CCDBG dollars generally can't be used to cover construction costs or major renovations, leaving states with limited tools to help providers expand.⁴ When providers can't finance these expansions, families are left competing for too few child care spots.

The CCMA would require states to identify duplicative regulations and expand technical assistance, including help for providers navigating multiple federal programs. That could reduce administrative burdens and allow providers to focus more of their time and resources on serving more families.

The CCMA would also create facility and startup grants to help cover costs like regulatory compliance, renovations, repairs, or construction needs to open or expand child care facilities. States could use the grants to address existing shortages, including gaps in care offered during non-traditional hours or in rural areas. Together, these tools would help expand child care options in communities where families currently have the fewest.

Make Child Care Assistance Work Better for Families

Right now, CCDBG eligibility rules can leave families scrambling when their work status or income changes even slightly. A small raise or additional overtime can push a family's income above the eligibility limit, eliminating support even when child care remains unaffordable for parents.

Federal law generally caps income eligibility at 85% of a state's median income. The CCMA would give states more flexibility to set higher income limits if certain conditions are met.⁵ That would help account for fluctuations in family income and cost of living differences.⁶

Current CCDBG rules also leave some families out because they don't account for common work arrangements and life events. The CCMA would expand eligibility to self-employed workers, children living with non-working parents or guardians over age 65, and parents on family or medical leave. These changes would make it easier for

families to keep child care assistance even when their caregiving or employment circumstances may change.

Bottom Line

The CCMA is a good starting point. The bill would not, on its own, provide enough funding to serve every eligible family or close every child care supply gap. But it would lay a stronger foundation for future investments by improving how CCDBG works, helping providers expand, and making child care assistance more accessible to families who need it.

ENDNOTES



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