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TRUMP ADMINISTRATION CHILD CARE REFORM PACKAGE

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TOPLINE POINTS

- ★ President Trump's childcare reform package shifts authority away from federal mandates back to states, providers, and families; representing the most significant overhaul of federal childcare policy in more than a decade.
- ★ The reforms seek to expand childcare access without new federal spending by encouraging states to maximize existing funding authorities, potentially unlocking billions in additional childcare resources.
- ★ New TANF guidance strengthens support for two-parent households by allowing families greater flexibility in meeting the work participation requirements.
- ★ Across childcare programs, the administration's approach prioritizes affordability, provider capacity, parental choice, and fiscal stewardship over federal regulatory mandates.

Who announced it & why does it matter?

On May 11, 2026, the Administration for Children and Families (ACF) at the U.S. Department of Health and Human Services (HHS) announced a comprehensive child care reform package. Rather than waiting for a divided Congress to approve new spending, the Trump Administration used executive action to fundamentally rewrite the rules governing federal child care block grants and Head Start, the federally funded program that provides early childhood education, childcare, nutrition, and health services to low-income children.

The federal strategy is simple. It moves away from conditional agency mandates toward a broader framework that gives providers and families the flexibility to survive. Through deregulation and fund optimization, the Trump Administration is pursuing four interconnected goals designed to stabilize a fragile market.

The reform targets four interconnected points in the childcare market. First, it aims to protect slot supply by repealing federal wage and benefit mandates (particularly within Head Start) that the Trump Administration argues force providers to shrink enrollment to cover rising overhead. Second, it reduces operational costs by returning regulatory discretion to the states, stripping away compliance burdens that make it financially difficult for small providers to stay open without passing costs to families. Third, it expands parental choice by explicitly supporting informal care arrangements (e.g., faith-based providers, family, and neighbor care) while removing structural penalties that had long discouraged stay-at-home parenting in low-income, two-parent households. Finally, it stimulates an estimated \$3.48 billion in market liquidity by directing states to maximize TANF transfers into childcare assistance pools, unlocking existing funds without new legislation or appropriations.

Which four Biden-era mandates were repealed to lower costs for states and providers?

The 2026 Child Care & Development Fund Final Rule, which takes effect July 13, 2026, rolls back four specific requirements that were added under the Biden Administration in 2024. The Trump Administration argues that the requirements went beyond what the law says, increased costs, reduced state flexibility, and weakened program oversight.

Repeal of the 7% Co-Payment Cap: The Biden Administration transformed what had long been a voluntary federal benchmark—that families should spend no more than 7% of their income on childcare—into a federal mandate applied uniformly across all states, regardless of local costs, market conditions, or individual state circumstances. The 2026 rule removes the hard ceiling and restores the original standard: it holds that co-payments cannot be a barrier to access, but allows states to decide how to structure fees within that principle. The problem with a uniform national cap is that it does not account for economic realities. For example, infant center care in Texas averages around \$900 per month in 2026, 27% below the national average. Meanwhile, a family in Alaska spending on care for two children can expect childcare to consume almost 31% of their household income, more than three times the 7% federal benchmark, before a single subsidy dollar is applied. Forcing Alaska to apply the same fee formula as Texas does not protect families, but rather underfunds providers who face significantly higher wages, rent, and operating costs just to stay open. Returning authority to the states allows every state to build sliding-fee structures that reflect the actual economic reality of its own communities, rather than an average set by the federal government.

Repeal of Enrollment-Based Provider Payments: The 2024 rule from the Biden Administration forced states to pay childcare providers based on a child's authorized attendance, meaning that a provider got paid whether or not a child actually showed up. Ultimately, the result was a system where fraudulent actors could bill the government for children who were never in the building. Childcare fraud has been a documented and growing problem across the country. The “pay first” model made it easy for bad actors to collect months of federal reimbursements before anyone caught on. The 2026 rule restores attendance-based reimbursement as the default, meaning that providers only get paid for children who are actually present. States that independently adopted enrollment-based practices may maintain



them, but the federal government is no longer mandating a reimbursement structure that made oversight nearly impossible and fraud remarkably easy.

Repeal of Prospective Payment Requirements: The 2024 rule went one step further by requiring states to pay providers *before* services were even rendered. Paying upfront before attendance is verified is the defining issue with the old model: issue the check, hope for the best, and try to recover the money later if something goes wrong. The 2026 rule restores post-service, attendance-verified reimbursement as the standard payment norm. Ultimately, the new ruling proposes responsible stewardship of federal dollars. By confirming the service happened and the child attended, the Trump administration is targeting every loophole that has allowed bad actors to siphon taxpayer dollars.

Repeal of Grants and Contracts Set-Asides: The Biden-era 2024 rule required states to deliver a portion of childcare funds through direct grants or contracts with specific and pre-selected providers rather than letting that money follow the family to the provider of their choice. This shifted decision-making from parents to government administrators and created opportunities to favor certain providers over others. Faith-based childcare providers, which serve millions of families and are often among the most affordable options in their communities, risk being disadvantaged under such a system. The 2026 rule eliminates this requirement, restoring a voucher-first model in which funding follows the family to their chosen provider. Parents, not state selection committees, decide whether assistance is used at a church-based preschool, home daycare, or traditional childcare center.

How does the reform empower states to expand access without new congressional spending?

The reform package creates a meaningful opportunity to expand childcare access by unlocking existing federal dollars, without new appropriations. Federal law permits states to transfer up to 30% of their annual TANF block grant directly into CCDF. The ACF information memorandum actively encourages states to maximize this transfer. At full nationwide utilization, the transfer could generate approximately \$3.48 billion in additional CCDF funding above current levels. The Social Services Block Grant (SSBG), which already authorizes childcare as an eligible expenditure, provides a complementary funding stream alongside TANF transfers. When fully utilized, these existing authorities enable states to expand childcare access, lower costs for families, and support providers without Congress needing to approve new legislation or federal spending; thereby demonstrating that meaningful reform can be achieved through better use of already existing resources.

How does the new “shared work requirement” guidance support stay-at-home caregiving?

Among the most consequential components of this reform package is the Trump administration’s new treatment of two-parent families under TANF. Formerly, TANF imposed “work participation rates,” which effectively penalized the choice to have one parent stay at home. Under the 1996 TANF welfare reform, federal law had mandated the “90% rule.” This required states to ensure that 90% of their two-parent families receiving cash assistance were engaged in approved work activities to



avoid federal financial penalties. If a state failed to get 90% of its two-parent families into the labor market, it risked losing a portion of its federal TANF block grant.

The [ACF information memorandum](#) now clarifies that states may allow married couples to share these work participation obligations. This flexibility allows one spouse to act as a full-time caregiver without the family losing essential benefits, thereby effectively removing the structural mandate for dual-income households among low-income earners.

Under the Biden Administration's 2024 Final Rule, new wage and benefit mandates were imposed without corresponding federal funding. Organizations such as the [National Head Start Association](#) warned that providers would be forced to absorb higher costs by reducing enrollment. At the same time, federal policy increasingly favored government grants and contracts over parent-directed vouchers, disadvantaging many independent, faith-based, and community-based providers. By contrast, the Trump Administration's guidance emphasizes TANF's statutory goal of encouraging two-parent families, thereby giving parents greater flexibility in balancing work and caregiving responsibilities while reducing government influence over childcare decisions.

How does the package reduce operating costs and support faith-based options?

Originally, the [2024 Biden rule](#) required Head Start programs to raise teacher wages to parity with public school educators and provide new employee benefits—changes phased in through 2031 that ACF projects would have cost Head Start programs over \$2 billion and, by raising operating costs, reduced the number of children the programs could ultimately serve. The Trump Administration proposes rescinding both requirements, thereby restoring grantee flexibility to set compensation in line with local labor markets and available funding.

The [CCDF Dear Colleague Letter](#) places explicit emphasis on ensuring that faith-based, home-based, and community providers can participate in CCDF-funded voucher programs on equal footing with secular, center-based providers. The legal grounding derives from [Espinoza v. Montana Department of Revenue](#) and [Carson v. Makin](#), under which the Supreme Court held that states may not exclude religious institutions from available public benefit programs. The Trump Administration is extending that principle to CCDF, clarifying that federal law does not require states to disadvantage any state-law-approved care model, provided the basic health and safety standards are met.

What is the anticipated impact on childcare capacity and the timeline for these changes?

The [Consolidated Appropriations Act](#), signed February 3, 2026, provides [\\$8.831 billion for The Community Development Block Grant \(CDBG\)](#)—an \$85 million increase—and \$12.357 billion for Head Start, also up \$85 million. Against that baseline, the Trump Administration projects that removing costly mandates will free up existing dollars to support a meaningfully larger number of childcare slots. [ACF estimates](#) that the combined effect of these actions will support hundreds of thousands of additional slots nationally—a projection that reflects both the potential TANF



transfer increase and the regulatory cost savings from the four rescinded CCDF mandates. States will have more say in how to operate the childcare system within their own borders and budgetary constraints.

As for timing, the CCDF Final Rule takes effect July 13, 2026. The TANF information memorandum and CCDF Dear Colleague Letter apply immediately. The Head Start NPRM remains in proposed rulemaking with the public comment period open through June 11, 2026.

