How Do Child Care Development Block Grants Work?

Federal policymakers allocate money and determine broad rules for state child care subsidy programs. States receive part of the allocation based on a formula.

State policymakers design a child care subsidy program and determine who will be eligible based on factors like household income.

Federal

...But

Many states reimburse child care providers at less than the market rate. When providers choose to serve families that are able to pay more, it can limit other families’ options.

Family Co-Payment

Subsidy

Federal

State

Eligible families can apply for a subsidy. Families receiving a subsidy are typically responsible for an income-based co-payment.

Federal

State

...But

Combined state and federal funding only serves a fraction of eligible families.

Federal Reserve Bank of Minneapolis, 2019