

COMBATING REGULATORY ABUSE, CLOSING KNOWN DEFICIENCIES, AND OVERSEEING WASTE NATIONWIDE ACT OF 2026

APRIL 6, 2026.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. WALBERG, from the Committee on Education and Workforce, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 7721]

The Committee on Education and Workforce, to whom was referred the bill (H.R. 7721) to amend the Child Care and Development Block Grant Act of 1990 to implement an improper payment threshold under such Act, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Combating Regulatory Abuse, Closing Known Deficiencies, and Overseeing Waste Nationwide Act of 2026” or the “CRACKDOWN Act of 2026”.

SEC. 2. IMPROPER PAYMENT RATE REQUIRING CORRECTIVE ACTION PLAN; CONDITIONAL INELIGIBILITY.

Section 658J of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858h) is amended—

(1) by redesignating subsection (c) as subsection (e), and

(2) by inserting after subsection (b) the following:

“(c) IMPROPER PAYMENT THRESHOLD REQUIRING CORRECTIVE ACTION PLAN.—If for a fiscal year the improper payment rate of a State is more than 5 percent of the aggregate amount of payments made to carry out this subchapter by such State for such fiscal year, then such State shall submit to the Secretary—

“(1) for review and approval a corrective action plan to reduce such rate to not more than 5 percent for each subsequent fiscal year; and

- “(2) such reports as the Secretary may require to show that such State is complying with the requirements of such plan as approved by the Secretary.
- “(d) **CONDITIONAL INELIGIBILITY.**—If for each of 2 consecutive fiscal years the improper payment rate of a State determined under this section is more 5 percent, then such State shall be ineligible to receive funds under this subchapter unless such State demonstrates to the satisfaction of the Secretary that such State for the next fiscal year will—
- “(1) reduce such improper payment rate to not more than 5 percent for the next fiscal year; or
- “(2) make significant progress to comply with the corrective action plan approved under subsection (c).”.

PURPOSE

The purpose of H.R. 7721, the CRACKDOWN Act, is to codify an improper payment threshold for states administering the Child Care and Development Block Grant (CCDBG) program. Under current regulations, states are held to a 10 percent improper payment threshold. States that exceed this threshold must implement a corrective action plan to address excessive improper payments. The CRACKDOWN Act lowers this threshold to 5 percent, codifies it in statute, and also makes states which exceed the threshold for two consecutive fiscal years ineligible for CCDBG funds.

COMMITTEE ACTION

119TH CONGRESS

First Session—Hearing

On June 24, 2025, the Committee on Education and Workforce Subcommittee on Early Childhood, Elementary, and Secondary Education held a hearing titled “Child Care and the American Workforce: Removing Barriers to Economic Growth.” The purpose of the hearing was to examine the CCDBG program as a worker support program and to consider reforms that will support existing child care providers, continue to provide high-quality care to children, uphold the value and dignity of work to parents, and make fiscally responsible choices, including public-private partnerships. Testifying before the Subcommittee were Mrs. Caitlin Codella Low, Managing Director of Human Capital, Bipartisan Policy Center, Washington, D.C.; The Honorable Todd D. Barton, Mayor, City of Crawfordsville, Crawfordsville, Indiana; Dr. Ruth Friedman, Senior Fellow, The Century Foundation, Washington, D.C.; and Ms. Celia Hartman Sims, President and Founder, The Abecedarian Group, Houston, Texas.

Second Session—Hearing

On January 13, 2026, the Committee on Education and Workforce Subcommittee on Early Childhood, Elementary, and Secondary Education held a hearing titled “Who’s Watching the Kids? How Employers, Innovators, and Parents Are Solving America’s Child Care Crunch.” The purpose of the hearing was to examine the national child care landscape, including those aspects governed by CCDBG, and consider fiscally responsible ways to meet the American workforce’s child care needs. At the hearing, Representative Kevin Kiley (R-CA) stated, “Protecting the integrity of child care funding is essential. When bad actors exploit the system, they divert resources from the families these programs are meant to

serve. Recent events underscore the need for strong oversight and accountability at every level.” Testifying before the Subcommittee were Mr. Haden Polseno-Hensley, President and Co-Founder, Red Rooster Coffee Company, LLC, Floyd, Virginia; Ms. Alex Grover, Chief Executive Officer, i2M, Mountain Top, Pennsylvania; Ms. Amy K. Matsui, Vice President for Child Care and Income Security, National Women’s Law Center, Washington, D.C.; and Ms. Mary Lou Burke Afonso, Chief Operating Officer, Bright Horizons, Newton, Massachusetts.

Legislative Action

On February 26, 2026, Representative Glenn Grothman (R-WI) introduced H.R. 7721, the CRACKDOWN Act. On March 5, 2026, the Committee on Education and Workforce considered H.R. 7721 in legislative session and reported it favorably, as amended, to the House of Representatives by a recorded vote of 19–15. The Committee considered the following amendments to H.R. 7721:

1. Representative Grothman offered an amendment in the nature of a substitute to clarify that the bill applies to all improper payments, not just overpayments. The amendment passed by voice vote.

2. Ranking Member Robert C. “Bobby” Scott (D-VA) offered an amendment to require the Secretary of Health and Human Services (HHS) to supply social media posts and other communications to states regarding “Defend the Spend” practices affecting CCDBG to the Committee on Education and Workforce. The amendment failed by a vote of 15–19.

COMMITTEE VIEWS

INTRODUCTION

Child care is essential to helping working parents thrive and to supporting the growth of local economies. CCDBG exists to help working families access affordable child care, giving them the freedom to remain in the workforce, increase their economic opportunity, realize financial freedom, and move beyond the need for a federal safety net—thriving independent of government support. According to the National Center for Education Statistics, there are approximately 12.6 million children nationally who have non-parental care arrangements during the week.¹ Because CCDBG serves approximately 10 percent of children in that private-sector child care market, all of whom come from low-income families, any waste, fraud, and abuse in the program is untenable. The Committee considered H.R. 7721 to deliver accountability and transparency in our federal child care assistance program.

Waste, Fraud, and Abuse Unchecked at the State Level

On December 26, 2025, an independent journalist reported a number of child care centers licensed by Minnesota were taking federal funds through CCDBG without serving any children or families. Certain administrative mismanagement of Minnesota’s child care program had been documented in an HHS Inspector General

¹ <https://nces.ed.gov/fastfacts/display.asp?id=4>.

report months prior² and in an internal controls review made by the Minnesota Office of the Legislative Auditor in 2019.³ Essentially admitting responsibility, on February 26, 2026, Minnesota Governor Tim Walz announced a “comprehensive anti-fraud package to fight fraud in state programs”⁴ and the Minnesota Office of Program Integrity released a related “roadmap” days earlier.⁵ In fact, testifying at a House Committee on Oversight hearing on March 4, 2026, Governor Walz admitted that Minnesota had been aware of fraud in its child care assistance program since 2012.

Since 2002, CCDBG has been identified as a program at risk of significant improper payments. The Office of Management and Budget first identified CCDBG as such following enactment of the *Improper Payment Act of 2002* (P.L. 107–300).⁶ A series of subsequent measures aimed at waste, fraud, and abuse prevention in programs across the federal government have failed to eliminate improper payments in CCDBG.⁷ A 2020 report by the Government Accountability Office estimated that improper payments in CCDBG during the previous fiscal year (FY 2019) totaled approximately \$325 million.⁸ Extrapolating that number out to include the current funding level and average improper payment rates, CCDBG could be losing nearly \$600 million each year to improper payments. Most recently, HHS continued to include CCDBG on its list of “risk susceptible” programs in the agency’s FY 2025 financial report.⁹

The Need for Sensible Reforms to Protect Taxpayer Dollars

The federal government is right to scrutinize state CCDBG funds because of the risk that those dollars are being fraudulently diverted from American families. States’ failures to ensure their programs are complying with statutory requirements are harming our nation’s families. We owe it to our working families to exercise sufficient oversight and hold fraudsters accountable.

Setting CCDBG improper payment rate standards is a common-sense reform that demonstrates the best use of taxpayer dollars. Most states operate above board, but when improper payment rates rise above reasonable levels, that indicates financial negligence to which a state should pay careful attention. CCDBG regulations already set an improper payments threshold which triggers a corrective action plan designed to get a state back on track. But with a national average improper payment rate around 5 percent, the current practice of a 10 percent threshold is too high to address small problems before they spiral. H.R. 7721 would set a clear 5 percent improper payments threshold to trigger the law’s existing corrective action plan tool. Thirty-eight states are already meeting this lower threshold.

² <https://oig.hhs.gov/reports/all/2025/minnesota-could-better-ensure-that-childcare-assistance-providers-comply-with-attendance-requirements/>.

³ <https://www.auditor.leg.state.mn.us/sreview/ccapic.pdf>.

⁴ <https://mn.gov/governor/newsroom/press-releases/?id=1055-727986>.

⁵ <https://kstp.com/wp-content/uploads/2026/02/Roadmap-to-Program-Integrity-and-Fraud-Prevention-2-23-2026.pdf>.

⁶ <https://georgewbush-whitehouse.archives.gov/omb/circulars/a11/2002/part2.pdf>.

⁷ Those include the *Improper Payment Information Act of 2002* (P.L. 112–248), the *Improper Payments Elimination and Recovery Act of 2010* (P.L. 111–204), the *Improper Payments Elimination and Recovery Improvement Act of 2012* (112–248), and the *Payment Integrity Information Act of 2019* (P.L. 116–117).

⁸ <https://www.gao.gov/assets/gao-20-227.pdf>.

⁹ <https://www.hhs.gov/sites/default/files/fy-2025-hhs-agency-financial-report.pdf>.

CONCLUSION

No amount of fraud in public programs is acceptable. When states administer federal programs, we expect a diligent effort to execute what the law requires. Americans should have confidence that their taxpayer dollars are funding critical child care assistance for families in need, not enriching those seeking to loot public programs for private gain. H.R. 7721 accomplishes this by lowering the threshold at which states must implement corrective action plans regarding improper payments and restricting funds to states that consistently prove unable to meet that threshold in their child care programs.

Weeding out waste, fraud, and abuse in federal child care assistance will ensure public trust in CCDBG and allow for more dollars, economic opportunity, and workforce participation among America's families.

SUMMARY

H.R. 7721 SECTION-BY-SECTION SUMMARY

Section 1. Short title

- States that this Act may be cited as the CRACKDOWN Act of 2026.

Section 2. Improper payment rate requiring corrective action plan; conditional ineligibility

- Amends section 658J of the *Child Care and Development Block Grant Act of 1990* to add a statutory 5 percent improper payment rate threshold at which states are required to implement a corrective action plan.
- Amends section 658J of the *Child Care and Development Block Grant Act of 1990* to make states whose improper payment rates exceed the threshold for two consecutive years ineligible for CCDBG funds until the state's improper payment rate falls below 5 percent.

EXPLANATION OF AMENDMENTS

The amendments, including the amendment in the nature of a substitute, are explained in the body of this report.

APPLICATION OF LAW TO THE LEGISLATIVE BRANCH

Section 102(b)(3) of Public Law 104–1 requires a description of the application of this bill to the legislative branch. H.R. 7721 lowers the threshold at which states must implement corrective action plans regarding improper payments and restricts funds to states that consistently prove unable to eliminate improper payments from their child care programs. H.R. 7721 applies only to HHS and does not apply to the Legislative Branch.

UNFUNDED MANDATE STATEMENT

Pursuant to section 423 of the *Congressional Budget and Impoundment Control Act of 1974*, Pub. L. No. 93–344 (as amended by Section 101(a)(2) of the *Unfunded Mandates Reform Act of 1995*, Pub. L. No. 104–4), the Committee traditionally adopts as its own

the cost estimate prepared by the Director of the Congressional Budget Office (CBO) pursuant to section 402 of the *Congressional Budget and Impoundment Control Act of 1974*. The Committee reports that because this cost estimate was not timely submitted to the Committee before the filing of this report, the Committee is not in a position to make a cost estimate for H.R. 7721.

EARMARK STATEMENT

H.R. 7721 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of House rule XXI.

ROLL CALL VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee Report to include for each record vote on a motion to report the measure or matter and on any amendments offered to the measure or matter the total number of votes for and against and the names of the Members voting for and against.

STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

In accordance with clause (3)(c) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 7721 is to codify an improper payment threshold for states administering the Child Care and Development Block Grant (CCDBG) program.

DUPLICATION OF FEDERAL PROGRAMS

No provision of H.R. 7721 establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

STATEMENT OF OVERSIGHT FINDINGS AND
RECOMMENDATIONS OF THE COMMITTEE

In compliance with clause 3(c)(1) of rule XIII and clause 2(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the body of this report.

REQUIRED COMMITTEE HEARING

In compliance with clause 3(c)(6) of rule XIII of the Rules of the House of Representatives, the following hearing held during the 119th Congress was used to develop or consider H.R. 7721: On June 24, 2025, the Committee on Education and Workforce Subcommittee on Early Childhood, Elementary, and Secondary Education held a hearing titled "Child Care and the American Workforce: Removing Barriers to Economic Growth."

NEW BUDGET AUTHORITY AND CBO COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the *Congressional Budget Act of 1974* and with respect to requirements of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the *Congressional Budget Act of 1974*, a cost estimate was not made available to the Committee in time for the filing of this report. The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

COMMITTEE COST ESTIMATE

Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 7721. However, clause 3(d)(2)(B) of that rule provides that this requirement does not apply when, as with the present report, the Committee has requested a cost estimate for the bill from the Director of the Congressional Budget Office.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

**CHILD CARE AND DEVELOPMENT BLOCK GRANT ACT
OF 1990**

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TITLE VI—HUMAN SERVICES PROGRAMS

Subtitle A—Authorizations Savings for Fiscal Years 1982, 1983,
and 1984

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CHAPTER 8—COMMUNITY SERVICES PROGRAMS

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Subchapter C—Child Care and Development Block Grant

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SEC. 658J. PAYMENTS.

(a) **IN GENERAL.**—Subject to the availability of appropriations, a State that has an application approved by the Secretary under section 658E(d) shall be entitled to a payment under this section for each fiscal year in an amount equal to its allotment under section 658O for such fiscal year.

(b) **METHOD OF PAYMENT.**—

(1) **IN GENERAL.**—Subject to paragraph (2), the Secretary may make payments to a State in installments, and in advance or by way of reimbursement, with necessary adjustments on account of overpayments or underpayments, as the Secretary may determine.

(2) **LIMITATION.**—The Secretary may not make such payments in a manner that prevents the State from complying with the requirement specified in section 658E(c)(3).

(c) **IMPROPER PAYMENT THRESHOLD REQUIRING CORRECTIVE ACTION PLAN.**—*If for a fiscal year the improper payment rate of a State is more than 5 percent of the aggregate amount of payments made to carry out this subchapter by such State for such fiscal year, then such State shall submit to the Secretary—*

(1) for review and approval a corrective action plan to reduce such rate to not more than 5 percent for each subsequent fiscal year; and

(2) such reports as the Secretary may require to show that such State is complying with the requirements of such plan as approved by the Secretary.

(d) **CONDITIONAL INELIGIBILITY.**—*If for each of 2 consecutive fiscal years the improper payment rate of a State determined under this section is more 5 percent, then such State shall be ineligible to re-*

ceive funds under this subchapter unless such State demonstrates to the satisfaction of the Secretary that such State for the next fiscal year will—

(1) reduce such improper payment rate to not more than 5 percent for the next fiscal year; or

(2) make significant progress to comply with the corrective action plan approved under subsection (c).

[(c)] (e) SPENDING OF FUNDS BY STATE.—Payments to a State from the allotment under section 658O for any fiscal year may be obligated by the State in that fiscal year or in the succeeding fiscal year.

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MINORITY VIEWS

INTRODUCTION

H.R. 7721, the *Combatting Regulatory Abuse, Closing Known Deficiencies, and Overseeing Waste Nationwide Act (CRACKDOWN) Act of 2026*, introduced by Rep. Glenn Grothman (R-WI), would require a state participating in the Child Care Development Block Grant (CCDBG) program to enter into a corrective action plan if it had an improper payment rate of more than five percent in any fiscal year. In addition, if the participating state maintained an improper payment rate greater than five percent for two consecutive years, then it would be barred from participation in the CCDBG program altogether. H.R. 7721 would triple some state reporting requirements in current law, increasing their administrative costs. The bill would punish states if they could not meet the bill’s deliberately high standard. Further, the bill would give the Secretary of Health and Human Services (HHS) unlimited power to determine what a state barred from the CCDBG program for high improper payment rates must do to regain eligibility. In the hands of the Trump Administration, H.R. 7721 could open states up to invasive, excessive, and inequitable oversight. That would be consistent with steps this Administration has already taken without any evidence of widespread fraud in federal child care programs. Safeguarding the integrity of CCDBG is critical. But making changes to the current program reporting requirements under the guise of allegedly fighting fraud while in reality exacerbating the current child care crisis is unacceptable.

REPUBLICANS REFUSE TO FOCUS ON THE CHILD CARE CRISIS ACTUALLY AFFECTING AMERICAN FAMILIES

Child care is a necessity for millions of American families.¹ In many parts of the country, the cost of child care, when families can find it, can be as much as, or more than their rent or mortgage payments.² In many communities, child care simply does not exist in sufficient supply to meet demand.³ As a direct result, our econ-

¹ *Fact Sheet: Child Care and the Economy, First Five Years Fund* (Mar. 6, 2026), <https://www.ffyf.org/2024/03/06/fact-sheet-child-care-and-the-economy/>.

² Child Care Aware of America, “Annual Child Care Landscape Analysis”, <https://www.childcareaware.org/price-landscape24/> (last visited Jan. 28, 2026).

³ See *U.S. Child Care Deserts*, Ctr. for Am. Prog., <https://childcaredeserts.org/> (last visited Mar. 13, 2026).

omy loses an estimated \$122 billion in earnings, productivity, and revenue every year.⁴ This is not a personal failure on the part of parents or providers—it is a market failure that demands a policy response. The Child Care and Development Block Grant (CCDBG) is a federal program designed to provide child care assistance to low-income families and is administered through block grants to states.⁵ CCDBG funds, along with other federal funds not under the jurisdiction of this Committee, make up the Child Care Development Fund (CCDF), the largest federal source of child care funding.⁶ Yet, according to the most recent publicly available information, federal child care funds cover only about 15 percent of federally eligible children.⁷ Assuming that Congress provided sufficient resources cover the remaining 85% of eligible children, that would still leave many families—who are not eligible for the program—with the burden of unaffordable or unavailable child care.

In response to this reality, Committee Democrats have championed legislation focused on increasing the federal investment in child care. Specifically, this Congress, Ranking Member Robert C. “Bobby” Scott (D–VA) re-introduced H.R. 4418, the *Child Care for Working Families Act*.⁸ The *Child Care for Working Families Act* would tackle the child care crisis head-on: ensuring families can afford the child care they need, expanding access to more high-quality options, stabilizing the child care sector, and helping ensure child care workers taking care of our nation’s kids are paid livable wages. The bill provides grants to states to help expand the supply and capacity of eligible child care providers and aims to provide working families a range of high-quality, affordable child care options, in a variety of settings, that meet their unique needs, with no family paying more than seven percent of their income for child care costs.

H.R. 4418 would promote the stability of the child care sector by providing a source of stable funding to eligible child care providers to help offset their operating expenses. It would support sustained and increased wages for early childhood educators or other staff eligible providers, in order to stabilize and grow the child care workforce. It would support access to child care services for communities facing a particular shortage of child care options, including child care services for infants and toddlers, child care services during nontraditional or extended hours, and inclusive child care services for children with disabilities. Language similar to H.R. 4418 was included in the *Build Back Better Act*, which passed the House in November 2021.⁹

Instead of working to fix the child care supply and demand issue, the Trump Administration’s actions have only created additional

⁴ *How a Lack of Affordable Child Care Impacts the Economy*, First Five Years Fund (Mar. 13, 2025), <https://www.ffyf.org/resources/2025/03/how-a-lack-of-affordable-child-care-impacts-the-economy/>.

⁵ Nina Chien, *Estimates of Child Care Subsidy Eligibility & Receipt for Fiscal Year 2021*, Off. of Hum. Svcs. Pol’y (Sep. 11, 2024), <https://aspe.hhs.gov/sites/default/files/documents/a91fd97aa80b53fa52a52d38cd323509/cy2021-child-care-subsidy-eligibility.pdf>.

⁶ Rebecca Daugherty, *Child Care and Development Fund: CCDBG and CCES, Explained*, Bipartisan Pol’y Ctr. (Feb. 24, 2025) <https://bipartisanpolicy.org/explainer/child-care-and-development-fund-ccdbg-cces/>.

⁷ Chien, *supra* note 5, at 1.

⁸ H.R. 4418, 119th Cong. (2025).

⁹ H.R. 5376 § 23001, 117th Cong. (as passed by House, Nov. 19, 2021).

uncertainty for the child care sector, parents, and children.¹⁰ Almost immediately after President Trump took office in January 2025, the Office of Management and Budget announced that it was directing federal agencies to “temporarily pause all activities related to obligation or disbursement of all Federal financial assistance ...”.¹¹ This funding pause was later rescinded,¹² but it initially caused significant confusion and consternation among federal fund recipients in the child care community. These recipients are overwhelmingly non-profit organizations which generally operate with no more than a few days of reserve funds.¹³

Further, the Trump Administration has undermined Department of Health and Human Services staff, specifically those responsible for administering CCDF and providing support to states administering CCDBG and related programs. As the Center for Law and Social Policy summarized the issue,

[p]robatinary staff at the Office of Head Start (OHS) and the Office of Child Care (OCC) were laid off in February, resulting in a reduction of approximately 20 percent of staff. This was followed by the mass layoffs announced on April 1, resulting in an overall reduction of 40–50 percent of staff in OHS and OCC and the closure of five regional offices, which provided training and technical assistance, administrative support in ensuring grants reached facilities, and served as a liaison between program administrators and the federal government. These offices in Boston, Chicago, New York, San Francisco, and Seattle oversaw grantees in 23 states and five territories, and comprised half of the total regional offices across the country.¹⁴

Regrettably, the Majority has followed this Administration’s lead. Instead of considering bills to help address the crisis by increasing the supply of child care, making child care more affordable, or increasing the wages of child care workers, the Committee considered H.R. 7721 and seven other bills to address alleged and unproven widespread fraud in the child care sector.¹⁵ None of these bills will create one more additional child care slot. Instead, these bills complement each other by throwing sand into the gears of CCDF, increasing the chances that states will be capriciously disqualified

¹⁰ Hailey Gibbs & Casey Peeks, *Trump’s Attack on Child Care Funding Undermines Early Educators, Shortchanges Children, and Increases Costs for Families*, Ctr. for Am. Prog. (Jan. 12, 2026), <https://www.americanprogress.org/article/trumps-attack-on-child-care-funding-undermines-early-educators-shortchanges-children-and-increases-costs-for-families/>.

¹¹ *Read the Memo Pausing Federal Grants and Loans*, N.Y. TIMES (Jan. 27, 2026), <https://www.nytimes.com/interactive/2025/01/27/us/omb-memo.html>.

¹² *New Administration Highlights: Freeze on Federal Funds Rescinded, and Trump Signs Law to Ease Path to Deportations*, N.Y. TIMES, <https://www.nytimes.com/live/2025/01/29/us/trump-federal-freeze-funding-news?smid=url-share#federal-freeze-grants> (last updated Nov. 18, 2025).

¹³ Press Release, Child Care Aware of America, *Child Care Aware of America Reacts to Federal Funding Pause* (Jan. 28, 2026), <https://info.childcareaware.org/media/child-care-aware-of-america-reacts-to-federal-funding-freeze>.

¹⁴ Shira Small, *Federal Cuts to Child Care and Head Start are an Attack on Families with Low Incomes*, Ctr. on L. & Soc. Pol’y (Apr. 23, 2025), <https://www.clasp.org/blog/federal-cuts-child-care-head-start/>.

¹⁵ H.R. 7720, the *Child Care Payment Integrity and Fraud Accountability Act*, H.R. 7721, *Combating Regulatory Abuse, Closing Known Deficiencies, and Overseeing Waste Nationwide (CRACKDOWN) Act*, H.R. 7722, *Child Care Integrity Monitoring Act*, H.R. 7723, *Safeguarding Taxpayer Dollars in Child Care Act*, H.R. 7724, *No Waivers for Fraud Act*, H.R. 7725, *Stop Child Care Fraud Act*, H.R. 7677, *Closing the Provider Fraud Gap Act*, and H.R. 7726, *No Funds for Repeat Child Care Violation Act* Before the H. Comm. on Educ. & Workforce, 119th Cong. (Mar. 5, 2026).

from federal child care assistance not due to widespread fraud, but non-compliance with red tape.

THE MAJORITY SEEKS TO UPEND THE EXISTING CHILD CARE SYSTEM
OVER UNPROVEN ALLEGATIONS OF WIDESPREAD FRAUD

National Attention on Alleged Widespread Fraud in Child Care

In late December 2025, a publicly posted video surfaced that purported to show “proof” that several day care centers in Minnesota were committing fraud. The video alleged these centers were taking federal child care funds, administered through the state, without actually caring for children.¹⁶ Despite the fact that the Minnesota agency administering CCDF found that the child care centers were operating as expected at the time of the video,¹⁷ some media outlets and Republican officials brought national attention to the story.¹⁸ The Trump Administration then announced an immediate freeze on all child care funds to Minnesota¹⁹ and engaged its “Defend the Spend” system nationwide—requiring grantees to provide detailed documentation and proof of payment before receiving reimbursement for all funds distributed through the Administration for Children and Families at the Department of Health and Human Services (HHS).²⁰ Soon thereafter, HHS announced suspension of five states’ access to nearly \$10 million through CCDF, the Temporary Assistance for Needy Families, and the Social Services Block Grant.²¹ HHS provided no evidence of fraud in these five states—California, Colorado, Illinois, Minnesota, and New York—beyond the fact they are led by Democratic Governors. HHS claims this action was taken due to “concerns about widespread fraud and misuse of taxpayer dollars in state-administered programs” and concerns that these funds may have gone to those not eligible due to their immigration status.²² Thankfully, courts have blocked this funding freeze²³ but it is extremely concerning that the Administration sought to punish states without proof of such allegations.

Unfortunately, it is under the same unproven allegations and general theories of “widespread fraud” that the Majority chose to consider eight bills purporting to address fraud in CCDBG.²⁴ Like the Administration, the Majority did not produce any evidence of widespread fraud in the program, presenting only vague and unfounded allegations. Similarly, the Majority has chosen not to engage with (or even meaningfully acknowledge) the processes HHS

¹⁶ Ken Bensinger & Ernesto Londoño, *An Intense White House Response From a Single Viral Video*, N.Y. TIMES (Dec. 31, 2025), <https://www.nytimes.com/2025/12/31/business/media/trump-conservatives-videos-viral-loop.html>.

¹⁷ Phil Helsel & Julia Ainsley, *Minnesota department finds child care centers targeted in viral video operating normally*, NBC News (Jan. 2, 2026), <https://www.nbcnews.com/news/us-news/minnesota-department-finds-child-care-centers-targeted-viral-video-ope-rcna252013>.

¹⁸ Bensinger & Londoño, *supra* note 16.

¹⁹ *Id.*

²⁰ Sakshi Venkatraman & Max Matza, *Trump administration says it’s withholding childcare funds from Minnesota amid fraud allegations*, BBC (Dec. 30, 2025), <https://www.bbc.com/news/articles/c75xndvlyko>.

²¹ Press Release, U.S. Dep’t of Health & Hum. Svcs., HHS Freezes Child Care and Family Assistance Grants in Five States for Fraud Concerns (Jan. 6, 2026), <https://www.hhs.gov/press-room/hhs-freezes-child-care-family-assistance-grants-five-states-fraud-concerns.html>.

²² *Id.* (emphasis added).

²³ Minh Kim & Zach Montague, *Judge Extends Block on Trump Officials Slashing Funds to Democratic States*, N.Y. TIMES (Feb. 6, 2026), <https://www.nytimes.com/2026/02/06/us/politics/blue-states-trump-funding-lawsuit.html>.

²⁴ Press Release, Committee on Education & Workforce Republicans, Chairman Walberg Delivers Opening Statement at Markup to Crackdown on Child Care Fraud (Mar. 5, 2026), <https://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=413157>.

already has in place, as required by law, charging states to prevent and catch fraud.

Existing Program Integrity Requirements

Generally, federal agencies must protect against improper payments in grant programs. The *Payment Integrity Information Act of 2019* (PIIA) requires Executive Branch agencies to determine if improper payment rates for programs have exceeded significant thresholds.²⁵ Agencies are considered noncompliant if any relevant program has an “improper payment rate” of more than 10 percent.²⁶ Improper payments include any payment made for an incorrect amount, to an ineligible recipient, or for an ineligible service. In the context of federal child care funds, an example of an improper payment would be a payment to a provider that was made in an incorrect amount (overpayment or underpayment) or that should not have been made at all.²⁷ However, the term “improper payments” does not automatically denote “fraud”. As stated in a Government Accountability Office Q&A report to the House Appropriations Committee, “[w]hile all fraudulent payments are considered improper, not all improper payments are due to fraud.”²⁸ PIIA directs federal agencies to, at least every three years, assess their programs to consider factors that may increase the risk of improper payments, including their susceptibility to fraud.²⁹

HHS generally assesses states’ compliance with law and regulations through its review and approval of a state’s CCDF plan, which “serves as the Lead Agency’s [the agency in a state or territory that administers the CCDF program] application for a three-year cycle of CCDF funds and is the primary mechanism OCC uses to determine Lead Agency compliance with the requirements of CCDBG and its regulations”.³⁰ In its review of the plan, HHS can identify places where a state is out of compliance and provides a state with the opportunity to address the particular issue or face penalties.³¹

More specifically, the CCDBG Act and its regulations already provide HHS with enforcement authority to ensure that states are complying with the program’s requirements. For example, the law gives HHS the authority to ensure states “comply substantially” with the law.³² Further, “after reasonable notice to a State and opportunity for a hearing”, HHS may disallow improperly spent funds, deduct improperly spent funds from subsequent allotments, take some combination of the actions, or impose other sanctions.³³ Regulations make clear HHS ability to monitor these programs for compliance with law and addresses the process HHS and states may take when a “review or investigation reveals evidence” that a

²⁵ 31 U.S.C. § 3352. The statute defines significant as either \$10 million and 1.5 percent of total program outlays or \$100 million overall. *Id.*

²⁶ 31 U.S.C. § 3351.

²⁷ See, e.g., 45 C.F.R. § 98.100(d).

²⁸ U.S. Gov’t Accountability Off., GAO–24–107482, *Improper Payments: Key Concepts and Information on Programs with High Rates or Lacking Estimates 5* (2024), <https://www.gao.gov/assets/gao-24-107482.pdf>.

²⁹ 31 U.S.C. § 3352.

³⁰ *FY 2025–2027 Child Care and Development Fund (CCDF) Plan for States and Territories*, Off. of Child Care, <https://acf.gov/ocf/policy-guidance/fy-2025-2027-ccdf-plan-states-and-territories-ccdf-acf-pi-2024-01> (last updated July 15, 2024).

³¹ *Id.*

³² E.g., 42 U.S.C. § 9858g(b)(2).

³³ *Id.*

state’s child care agency or “an entity providing services under contract or agreement with” a lead agency has “failed to substantially comply” with the law, regulations, or provisions and requirements set out in the state’s plan.³⁴ It is also worth noting that law and regulation require states to arrange independent audits of their programs and require states to repay the federal government for funds that are found to be misspent or HHS can deduct these amounts from future payments to the state.³⁵ These are examples of ways the law and regulation aim to provide for program integrity.

Additionally, as the Government Accountability Office (GAO) noted in 2020, “[the Office of Child Care (OCC) at HHS] oversees states” improper payment risks through a process that includes a requirement for states to submit corrective action plans (CAP) when they estimate their annual payment error [or improper] rates are at or above 10 percent.”³⁶ Additionally, OCC conducts on-site monitoring reviews of each state for each three-year period.³⁷ HHS recently began the practice of posting oversight reports resulting from these visits.³⁸

Changes have been made over the years to improve program integrity. For example, in 2020, GAO published a report entitled “Child Care and Development Fund: Office of Child Care Should Strengthen Its Oversight and Monitoring of Program-Integrity Risks” that explained the need for HHS to assess fraud risks to the fund and highlighted nine recommendations to better protect the integrity of the fund.³⁹ GAO later indicated that HHS had addressed all nine of these recommendations.⁴⁰ However, regardless of any recent improvements that have been made, the Trump Administration’s reductions-in-force in 2025 did nothing to improve program integrity as fewer staff were now available to help monitor the program.

Cases of Actual Fraud Should Be Addressed, Not Politicized

Fraud in child care should be taken seriously, not politicized. The Majority have proposed bills—including H.R. 7721, *the CRACKDOWN Act of 2026*—that could have the overall effect of upending the child care system to address a problem that has not been proven to exist. These changes could cause states to spend more of their child care funds on administrative and oversight costs, reducing the supply of child care available to families, and punishing states and child care providers for unintentional administrative and human errors.

H.R. 7721 WILL EXACERBATE THE CHILD CARE CRISIS

H.R. 7721, *the CRACKDOWN Act of 2026*, would make states ineligible for CCDBG funds for having an improper payment rate of

³⁴ 45 C.F.R. § 98.90.

³⁵ CCDBG Act § 658K(b), 42 U.S.C. § 9858i; 45 C.F.R. § 98.65.

³⁶ U.S. Gov’t Accountability Off., GAO-20-227, Office of Child Care Should Strengthen Its Oversight and Monitoring of Program-Integrity Risks, (2020), <https://www.gao.gov/assets/gao-20-227-highlights.pdf>.

³⁷ *FFY 2025-2027 CCDF Federal Onsite Monitoring & Oversight Visits*, Off. of Child Care, <https://acf.gov/occ/report/ffy-2025-2027-monitoring-reports-oversight-visits> (last updated Mar. 2, 2026).

³⁸ *Id.*

³⁹ U.S. Gov’t Accountability Off., *supra* note 36.

⁴⁰ *Id.*

more than five percent for as few as two consecutive years, unless the HHS Secretary determines that state's improvement progress under a corrective action plan is acceptable. Stated more plainly, this would give the Trump Administration unchecked power over an issue they have already sought to politicize against states led by Democratic administrations. The Child Care for Every Family Network described H.R. 7721 as giving "Trump's HHS the power to freeze 100% of a state's child care funds based on an arbitrary standard that isn't about fraud and without any due process for the states."⁴¹ Such requirements would further increase administrative costs for states to operate the program and reduce the amount of funds available to provide support for families in need of child care. Instead of increasing states' administrative costs to address an unproven allegation of widespread fraud, Congress should be working to help states ensure that the majority of federal CCDBG funding goes to families and toward the goal of ensuring that there is an ample supply of child care providers.

DEMOCRATIC AMENDMENTS OFFERED DURING MARKUP OF H.R. 7721

Ranking Member Scott put forward an amendment to require the HHS Secretary to provide information to Congress regarding its current efforts to fight fraud to ensure whatever actions Congress takes are not duplicative or overburdensome. This request for information includes but is not limited to information on the "Defend the Spend" program, and the attempted freezing of funds for California, Colorado, Illinois, Minnesota, and New York. HHS has provided little information to Congress on either the planning process leading to the announcement of these efforts or their implementation. As a coalition of civil rights groups commented on their Freedom of Information Act request to HHS nearly one week after the markup, "[t]he new restrictions have already caused and threaten to cause additional payment delays to child care providers, placing enormous strain on families and caregivers who depend on these programs to remain in the workforce and keep their children in safe, reliable care."⁴² The amendment was rejected by the Committee Republicans on a party line vote.

CONCLUSION

There has been no evidence presented of the Majority's allegations of widespread fraud in CCDBG. There is no evidence that the current system fails to ensure program integrity and that the Secretary needs additional power to provide accountability mechanisms to address bad actors. As such, H.R. 7721 overly complicates state administration of CCDBG, creating uncertainty for well-meaning providers. While it is important to address instances of fraud with federal funds designed to support child care programs, this bill would hurt the very program it purports it wishes to help. For the reasons stated above, Committee Democrats unanimously opposed H.R. 7721 when the Committee on Education and Work-

⁴¹ Letter from the Child Care for Every Family Network to Interested Parties (Mar. 4, 2026), <https://democrats-edworkforce.house.gov/imo/media/doc/child-care-for-every-family-network-opposes-hr7726.pdf>.

⁴² Press Release, Am. C.L. Union, Civil Rights Groups File FOIA Request Seeking Records on Politically and Racially Motivated Child Care Funding Restrictions (Mar. 11, 2026), <https://www.aclu.org/press-releases/civil-rights-groups-file-foia-request-seeking-records-on-politically-and-racially-motivated-child-care-funding-restrictions>.

force considered it on March 5, 2026. We urge the House of Representatives to do the same.

ROBERT C. "BOBBY" SCOTT,
Ranking Member.

JOE COURTNEY,
FREDERICA WILSON,
SUZANNE BONAMICI,
MARK DESAULNIER,
JAHANA HAYES,
ILHAN OMAR,
SUMMER LEE,
ADELITA GRIJALVA,
Members of Congress.

