

## NO WAIVERS FOR FRAUD 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. 7724]

The Committee on Education and Workforce, to whom was referred the bill (H.R. 7724) to amend the Child Care and Development Block Grant Act of 1990 to sustain sanctions against non-compliant State 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 “No Waivers for Fraud Act of 2026”.

#### SEC. 2. ELIMINATING AUTHORITY TO WAIVE SANCTIONS.

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

- (1) in paragraph (1) by striking “or sanctions imposed upon a State in accordance with subsection (b)(2)”,
- (2) in paragraph (2)—
  - (A) in subparagraph (A) by striking “sanction or”, and
  - (B) in subparagraph (B) by striking “sanction or”,
- (3) in paragraph (3) striking “sanction or”, and
- (4) in paragraph (7) by striking “sanction(s) or”.

#### PURPOSE

The purpose of H.R. 7724, the *No Waivers for Fraud Act of 2026*, is to ensure that sanctions placed on states by the Department of Health and Human Services (HHS) after formal review for in-

stances of fraud or noncompliance in state child care programs cannot be waived.

#### 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 Child Care and Development Block Grant (CCDBG) program as a worker support program and 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 Joe Wilson (R–SC) introduced H.R. 7724, the *No Waivers for Fraud Act*. On March 5, 2026, the Committee on Education and Workforce considered H.R. 7724 in legislative session and reported it favorably, as amended, to the House of Representatives by a recorded vote of 20–15. Representative Wilson offered an amendment in the nature of a substitute to

make a technical change to the bill. The amendment passed by voice vote.

## 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.<sup>1</sup> 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. 7724 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 report months prior<sup>2</sup> and in an internal controls review made by the Minnesota Office of the Legislative Auditor in 2019.<sup>3</sup> Essentially admitting responsibility, on February 26, 2026, Minnesota Governor Tim Walz announced a “comprehensive anti-fraud package to fight fraud in state programs”<sup>4</sup> and the Minnesota Office of Program Integrity released a related “roadmap” days earlier.<sup>5</sup> 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).<sup>6</sup> 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.<sup>7</sup> A 2020 report by the Government Accountability Office estimated that improper payments in CCDBG during the previous fiscal year (FY 2019) totaled approximately

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

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

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

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

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

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

<sup>7</sup> 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).

\$325 million.<sup>8</sup> 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.<sup>9</sup>

*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.

Many protections already exist in CCDBG, but some are diluted when they give states an option to deflect responsibility. In the federal child care assistance program, the Secretary may impose sanctions against a state for fraud or noncompliance. But CCDBG rules also allow those sanctions to be waived if a state submits a request. H.R. 7724 would strike the Secretary’s ability to waive sanctions imposed upon a state. Eliminating this waiver authority is appropriate because sanctions are only put in place after a formal review when something goes wrong.

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. 7724 accomplishes this by making sure that states with persistent improper payment issues face accountability.

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. 7724 SECTION-BY-SECTION SUMMARY

*Section 1. Short title*

- States that this Act may be cited as the *No Waivers for Fraud Act*.

*Section 2. Eliminating authority to waive sanctions*

- Amends section 658I(e) of the *Child Care and Development Block Grant Act of 1990* to eliminate states’ ability to appeal for relief from sanctions imposed by HHS.

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

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

## 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. 7724 eliminates states' ability to request that sanctions for child care fraud from HHS be waived. H.R. 7724 applies only to states 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. 7724.

## EARMARK STATEMENT

H.R. 7724 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. 7724 is to ensure that sanctions placed on states by the Department of Health and Human Services (HHS) after formal review for instances of fraud or noncompliance in state child care programs cannot be waived.

#### DUPLICATION OF FEDERAL PROGRAMS

No provision of H.R. 7724 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. 7724: 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. 7724. 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 and existing law in which no change is proposed is shown in roman):

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

\* \* \* \* \*

TITLE VI—HUMAN SERVICES PROGRAMS

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

\* \* \* \* \*

CHAPTER 8—COMMUNITY SERVICES PROGRAMS

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**Subchapter C—Child Care and Development Block Grant**

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**SEC. 658I. ADMINISTRATION AND ENFORCEMENT.**

(a) ADMINISTRATION.—The Secretary shall—

(1) coordinate all activities of the Department of Health and Human Services relating to child care, and, to the maximum extent practicable, coordinate such activities with similar activities of other Federal entities;

(2) collect, publish, and make available to the public a listing of State child care standards at least once every 3 years;

(3) provide technical assistance, such as business technical assistance, as described in section 658E(c)(2)(V), to States (which may include providing assistance on a reimbursable basis) which shall be provided by qualified experts on practices grounded in scientifically valid research, where appropriate, to carry out this subchapter;

(4) disseminate, for voluntary informational purposes, information on practices that scientifically valid research indicates are most successful in improving the quality of programs that receive assistance with this subchapter; and

(5) after consultation with the heads of any other Federal agencies involved, issue guidance and disseminate information on best practices regarding the use of funding combined by States as described in section 658E(c)(2)(O)(ii), consistent with laws other than this subchapter.

(b) ENFORCEMENT.—

(1) REVIEW OF COMPLIANCE WITH STATE PLAN.—The Secretary shall review and monitor State compliance with this subchapter and the plan approved under section 658E(c) for the State.

(2) NONCOMPLIANCE.—

(A) IN GENERAL.—If the Secretary, after reasonable notice to a State and opportunity for a hearing, finds that—

(i) there has been a failure by the State to comply substantially with any provision or requirement set forth in the plan approved under section 658E(c) for the State; or

(ii) in the operation of any program for which assistance is provided under this subchapter there is a failure by the State to comply substantially with any provision of this subchapter;

the Secretary shall notify the State of the finding and shall require that the State reimburse the Secretary for any funds that were improperly expended for purposes prohibited or not authorized by this subchapter, that the Secretary deduct from the administrative portion of the State allotment for the following fiscal year an amount that is less than or equal to any improperly expended funds, or a combination of such options.

(B) ADDITIONAL SANCTIONS.—In the case of a finding of noncompliance made pursuant to subparagraph (A), the Secretary may, in addition to imposing the sanctions described in such subparagraph, impose other appropriate sanctions, including recoupment of money improperly expended for purposes prohibited or not authorized by this subchapter, and disqualification from the receipt of financial assistance under this subchapter.

(C) NOTICE.—The notice required under subparagraph (A) shall include a specific identification of any additional sanction being imposed under subparagraph (B).

(3) ISSUANCE OF RULES.—The Secretary shall establish by rule procedures for—

(A) receiving, processing, and determining the validity of complaints concerning any failure of a State to comply with the State plan or any requirement of this subchapter; and

(B) imposing sanctions under this section.

(c) REQUEST FOR RELIEF.—

(1) IN GENERAL.—The Secretary may waive for a period of not more than three years any provision under this subchapter [or sanctions imposed upon a State in accordance with subsection (b)(2)] upon the State's request for such a waiver if the Secretary finds that—

(A) the request describes one or more conflicting or duplicative requirements preventing the effective delivery of child care services to justify a waiver, extraordinary circumstances, such as natural disaster or financial crisis, or an extended period of time for a State legislature to enact legislation to implement the provisions of this subchapter;

(B) such circumstances included in the request prevent the State from complying with any statutory or regulatory requirements of this subchapter;

(C) the waiver will, by itself, contribute to or enhance the State's ability to carry out the purposes of this subchapter; and,

- (D) the waiver will not contribute to inconsistency with the objectives of this law.
- (2) CONTENTS.—Such request shall be provided to the Secretary in writing and will—
- (A) detail each [sanction or] provision within this subchapter that the State seeks relief from;
  - (B) describe how a waiver from that [sanction or] provision of this subchapter will, by itself, improve delivery of child care services for children in the State; and
  - (C) certify that the health, safety, and well-being of children served through assistance received under this subchapter will not be compromised as a result of the waiver.
- (3) APPROVAL.—Within 90 days after the receipt of a State's request under this subsection, the Secretary shall inform the State of approval or disapproval of the request. If the plan is disapproved, the Secretary shall, at this time, inform the State, the Committee on Education and the Workforce of the House of Representatives, and the Committee on Health, Education, Labor, and Pensions of the Senate of the reasons for the disapproval and give the State the opportunity to amend the request. In the case of approval, the Secretary shall, within 30 days of granting such waiver, notify and submit a report to the Committee on Education and the Workforce of the House of Representatives and the Committee on Health, Education, Labor, and Pensions of the Senate on the circumstances of the waiver including each specific [sanction or] provision waived, the reason as given by the State of the need for a waiver, and the expected impact of the waiver on children served under this program.
- (4) EXTERNAL CONDITIONS.—The Secretary shall not require or impose any new or additional requirements in exchange for receipt of a waiver if such requirements are not specified in this subchapter.
- (5) DURATION.—The Secretary may approve a request under this subsection for a period not to exceed three years, unless a renewal is granted under paragraph (7).
- (6) TERMINATION.—The Secretary shall terminate approval of a request for a waiver authorized under this subsection if the Secretary determines, after notice and opportunity for a hearing, that the performance of a State granted relief under this subsection has been inadequate, or if such relief is no longer necessary to achieve its original purposes.
- (7) RENEWAL.—The Secretary may approve or disapprove a request from a State for renewal of an existing waiver under this subchapter for a period no longer than one year. A State seeking to renew their waiver approval must inform the Secretary of this intent no later than 30 days prior to the expiration date of the waiver. The State shall re-certify in its extension request the provisions in paragraph (2) of this subchapter, and shall also explain the need for additional time of relief from such [sanction(s) or] provisions approved under this law as provided in this subchapter.
- (8) RESTRICTIONS.—Nothing in this subchapter shall be construed as providing the Secretary the authority to permit States to alter the eligibility requirements for eligible children,

including work requirements, job training, or educational program participation, that apply to the parents of eligible children under this subchapter. Nothing in this subsection shall be construed to allow the Secretary to waive anything related to his or her authority under this subchapter.

\* \* \* \* \*

## MINORITY VIEWS

### INTRODUCTION

H.R. 7724, the *No Waivers for Fraud Act*, introduced by Rep. Joe Wilson (R–SC), removes the provision in the *Child Care and Development Block Grant* (CCDBG) Act that allows for the Secretary of Health and Human Services (HHS) to exercise discretion in offering states relief from enforcement actions. The change proposed in this legislation would remove the ability of the Secretary to waive sanctions being imposed on states, removing discretion from the Secretary and *requiring* the imposition of sanctions in certain instances. Safeguarding the integrity of the Child Care and Development Fund (CCDF) is critical. However, Committee Democrats are concerned that this bill is making arbitrary changes to the current program under the guise of allegedly fighting fraud. Such an approach invites political retribution, administrative burden, and exacerbates the current child care crisis.

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

Child care is a necessity for millions of American families.<sup>1</sup> 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.<sup>2</sup> In many communities, child care simply does not exist in sufficient supply to meet demand.<sup>3</sup> As a direct result, our economy loses an estimated \$122 billion in earnings, productivity, and revenue every year.<sup>4</sup> 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.<sup>5</sup> 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.<sup>6</sup> Yet, according to the most recent publicly available information, federal child care funds cover only about 15 percent of feder-

<sup>1</sup> *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/>.

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

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

<sup>4</sup> *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/>.

<sup>5</sup> 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>.

<sup>6</sup> 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/>.

ally eligible children.<sup>7</sup> 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*.<sup>8</sup> *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.<sup>9</sup>

Instead of working to fix the child care supply and demand issue, the Trump Administration’s actions have only created additional uncertainty for the child care sector, parents, and children.<sup>10</sup> 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 . . .”.<sup>11</sup> This funding pause was later rescinded,<sup>12</sup> but it initially caused significant confusion and consternation among federal fund recipients in the child care community. These recipients are

<sup>7</sup>Chien, *supra* note 5, at 1.

<sup>8</sup>H.R. 4418, 119th Cong. (2025).

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

<sup>10</sup>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/>.

<sup>11</sup>*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>.

<sup>12</sup>*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).

overwhelmingly non-profit organizations which generally operate with no more than a few days of reserve funds.<sup>13</sup>

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]robatory 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.<sup>14</sup>

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. 7724 and seven other bills to address alleged and unproven widespread fraud in the child care sector.<sup>15</sup> 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 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.<sup>16</sup> Despite the fact that the Minnesota

<sup>13</sup> 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>.

<sup>14</sup> 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/>.

<sup>15</sup> 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).

<sup>16</sup> 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>.

agency administering CCDF found that the child care centers were operating as expected at the time of the video,<sup>17</sup> some media outlets and Republican officials brought national attention to the story.<sup>18</sup> The Trump Administration then announced an immediate freeze on all child care funds to Minnesota<sup>19</sup> 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).<sup>20</sup> 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.<sup>21</sup> 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.<sup>22</sup> Thankfully, courts have blocked this funding freeze<sup>23</sup> 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.<sup>24</sup> 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 to not to engage with (or even meaningfully acknowledge) the processes HHS 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.<sup>25</sup> Agencies are considered noncompliant if any relevant program has an “improper payment rate” of more than 10 per-

<sup>17</sup> 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>.

<sup>18</sup> Bensinger & Londoño, *supra* note 16.

<sup>19</sup> *Id.*

<sup>20</sup> 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/c75xnndvlyko>.

<sup>21</sup> 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>.

<sup>22</sup> *Id.* (emphasis added).

<sup>23</sup> 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>.

<sup>24</sup> 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>.

<sup>25</sup> 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.*

cent.<sup>26</sup> 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.<sup>27</sup> 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.”<sup>28</sup> 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.<sup>29</sup>

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”.<sup>30</sup> 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.<sup>31</sup>

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.<sup>32</sup> 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 those actions, or impose other sanctions.<sup>33</sup> 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 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.<sup>34</sup> 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.<sup>35</sup> These are examples

<sup>26</sup> 31 U.S.C. § 3351.

<sup>27</sup> See, e.g., 45 C.F.R. § 98.100(d).

<sup>28</sup> 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>.

<sup>29</sup> 31 U.S.C. § 3352.

<sup>30</sup> *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).

<sup>31</sup> *Id.*

<sup>32</sup> E.g., 42 U.S.C. § 9858g(b)(2).

<sup>33</sup> *Id.*

<sup>34</sup> 45 C.F.R. § 98.90.

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

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.”<sup>36</sup> Additionally, OCC conducts on-site monitoring reviews of each state for each three-year period.<sup>37</sup> HHS recently began the practice of posting oversight reports resulting from these visits.<sup>38</sup>

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.<sup>39</sup> GAO later indicated that HHS had addressed all nine of these recommendations.<sup>40</sup> 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. 7724, the *No Waivers for Fraud Act*—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. 7724 WILL REDUCE STATES ABILITY TO USE CCDF FUNDING FOR FAMILIES

H.R. 7724, the *No Waivers for Fraud Act*, removes the provision in current CCDBG statute that allows for the Secretary to exercise discretion in offering states relief from enforcement actions. The change would remove the ability of the Secretary to waive sanctions being imposed on states, removing discretion from the Secretary and *requiring* the imposition of sanctions in certain instances. By eliminating that waiver authority altogether and substituting statutory rigidity for administrative judgment, this bill removes a tool that both parties have relied on to implement the law

<sup>36</sup> 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>.

<sup>37</sup> *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).

<sup>38</sup> *Id.*

<sup>39</sup> U.S. Gov’t Accountability Off., *supra* note 36.

<sup>40</sup> *Id.*

responsibly. Taking away any flexibilities that HHS currently has to work with states to improve the program ties the Secretary's hands—eliminating the ability to productively engage with states when they are making meaningful progress towards improving the integrity of their programs.

Ensuring the integrity of the CCDBG program is certainly essential, but removing the current flexibilities would threaten to take away from the main purpose of the program—to provide for families in need of child care payment assistance. H.R. 7724 risks requiring states to be sanctioned at the whim of the current administration, which would in turn take funding away from families who need support in affording child care. Current law permits the Secretary to take sanctions up to and including “disqualification from receipt of financial assistance under this subchapter”, essentially stopping a state from receiving CCDBG funds altogether.<sup>41</sup> Based on the reaction to unproven cases of fraud we have seen from the Trump administration and Committee Majority,<sup>42</sup> it is reasonable to ask: what levels of noncompliance will the Secretary deem necessary to impose draconian sanctions? Would one proven case of fraud that a state did not handle in the manner the Secretary demanded endanger a whole state from losing its funds? Importantly, H.R. 7724 covers sanctions in all instances of a state's failure to “comply substantially” with its state plan or the CCDBG Act.<sup>43</sup> Could a widespread technical violation by the state with no malicious intent trigger sanctions from a capricious Secretary? H.R. 7724 makes these questions pertinent because the bill ties the hands of HHS Secretaries, current and future, from providing relief from these sanctions. This would include a Secretary who wanted to work with a state to bring it back into compliance with the law.

#### DEMOCRATIC AMENDMENTS OFFERED DURING MARKUP OF H.R. 7724

Recognizing that the lack of affordable child care slots is the biggest crisis facing child care today, Ranking Member Scott offered an amendment to authorize such sums as necessary to provide grants to states to help expand the supply and capacity of eligible child care providers. This amendment would ensure working families have a range of high-quality, affordable child care options, in a variety of settings, that meet their unique needs. Specifically, the amendment 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. The amendment was modeled after policy in H.R. 4418, the *Child Care for Working Families Act*. Due the narrow underlying subject matter of H.R. 7724, Ranking Mem-

<sup>41</sup> 42 U.S.C. § 9858g(b)(2)(B).

<sup>42</sup> See *supra* text accompanying notes 16–24.

<sup>43</sup> 42 U.S.C. § 9858g(b)(2)(A).

ber Scott withdrew his amendment as it would not have survived a procedural challenge by the Majority.

CONCLUSION

While it is important to address any instance of fraud with federal funds designed to support child care programs, this bill would hurt the program more than it would help. It is also important to note that there has been no evidence of the Majority's allegations of widespread fraud. For the reasons stated above, Committee Democrats unanimously opposed H.R. 7724 when the Committee on Education and Workforce 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 S. WILSON,  
SUZANNE BONAMICI,  
MARK DESAULNIER,  
JAHANA HAYES,  
ILHAN OMAR,  
SUMMER LEE,  
ADELITA GRIJALVA,  
*Members of Congress.*

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