

CLOSING THE PROVIDER FRAUD GAP 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. 7677]

The Committee on Education and Workforce, to whom was referred the bill (H.R. 7677) to require the Comptroller General of the United States to conduct a study regarding fraud prevention measures in certain Federal early childhood education, child care, and child nutrition programs, and for other purposes, 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 “Closing the Provider Fraud Gap Act of 2026”.

SEC. 2. GAO STUDY AND REPORT ON PROVIDER-RELATED FRAUD.

(a) **STUDY.**—The Comptroller General of the United States shall conduct a study regarding fraud prevention measures in Federal early childhood education, child care, and child nutrition programs that shall include an analysis of—

(1) the effectiveness of procedures and measures to prevent fraud carried out by providers of services under such programs;

(2) whether the data the Federal Government receives in connection with such programs (including through audits and reporting requirements) is—

(A) sufficient to successfully identify fraud carried out under such programs; and

(B) used effectively by the Federal Government to identify potential fraud carried out under such programs; and

(3) with respect to the Child Care and Development Block Grant program established under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9857 et seq.)—

(A) the program integrity results for States that have delegated responsibilities related to program management and administration to counties, local municipalities, or other entities; and

(B) whether any corrective action plans have been implemented by States to improve program integrity results, including any measurable outcomes from implementing such a corrective action plan.

(b) REPORT.—Not later than 2 years after the date of enactment of this section, the Comptroller General of the United States shall submit to the Committee on Education and Workforce of the House of Representatives and the Committee on Health, Education, Labor, and Pensions of the Senate a report containing—

(1) the results of the study conducted under subsection (a); and

(2) any regulatory or legislative recommendations to improve fraud prevention measures in Federal early childhood education, child care, and child nutrition programs.

(c) FEDERAL EARLY CHILDHOOD EDUCATION, CHILD CARE, AND CHILD NUTRITION PROGRAMS DEFINED.—For the purposes of this section, the term “Federal early childhood education, child care, and child nutrition programs” includes—

(1) Head Start programs (including Early Head Start programs) carried out under the Head Start Act (42 U.S.C. 9831 et seq.);

(2) the Child and Adult Care Food Program under section 17 of the Richard B. Russell National School Lunch Act (42 U.S.C. 1766); and

(3) the Child Care and Development Block Grant program established under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9857 et seq.).

PURPOSE

The purpose of H.R. 7677, the *Closing the Provider Fraud Gap Act of 2026*, is to instruct the Government Accountability Office (GAO) to do a holistic report on fraud prevention measures in the Child Care and Development Block Grant (CCDBG) program, the Child and Adult Care Food Program (CACFP), and Head Start where providers are involved.

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 consider reforms to 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 25, 2026, Representative Burgess Owens (R–UT) introduced H.R. 7677, the *Closing the Provider Fraud Gap Act*. On March 5, 2026, the Committee on Education and Workforce considered H.R. 7677 in legislative session and reported it favorably, as amended, to the House of Representatives by a recorded vote of 35–0. The Committee considered the following amendments to H.R. 7677:

1. Representative Owens offered an amendment in the nature of a substitute to make a technical change to the bill. The amendment passed by voice vote.
2. Representative John Mannion (D–NY) offered an amendment to add elements to the report related to federal spending increases and underlying child care costs. The amendment failed by a vote of 15–20.

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. 7677 to deliver accountability and transparency in our federal child care assistance program.

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

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 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.

CCDBG, CACFP, and Head Start are three of several public assistance programs in which taxpayer dollars flow directly to providers. Programs like these not only support families’ needs but they also support the workforce that drives economic opportunity. Since 2002, the Office of Management and Budget has identified CCDBG as a program at risk of significant improper payments.

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>.

Head Start and CACFP share that precarious position. While some improvements and protections have been made and while millions of children have been served over those intervening 25 years, more can be done. H.R. 7677, the *Closing the Provider Fraud Gap Act of 2026*, directs the Government Accountability Office (GAO) to report on the effectiveness of fraud prevention measures in early childhood education and care grant programs under this Committee's jurisdiction and give recommendations for improvement.

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. 7677 accomplishes this by commissioning a report that will explore weaknesses in the current administration of federal assistance programs where providers are involved to better inform future fraud prevention efforts.

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. 7677 SECTION-BY-SECTION SUMMARY

Section 1. Short title

- States that this Act may be cited as the *Closing the Provider Fraud Gap Act*.

Section 2. GAO study and report on provider-related fraud

- GAO is required within two years to conduct a study on the effectiveness of fraud prevention efforts in CCDBG, CACFP, and Head Start carried out by providers.
- The study must analyze whether data received through program audits and reports is sufficient and effective to identify fraud

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. 7677 requires GAO to complete a study of provider-related fraud in various federal programs. H.R. 7677 thus applies to the legislative branch in this regard.

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. 7677.

EARMARK STATEMENT

H.R. 7677 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.

Date: 3/5/2026

COMMITTEE ON EDUCATION AND WORKFORCE RECORD OF COMMITTEE VOTE

Roll Call: 13

Bill: H.R. 7677

Amendment Number: N/A

Disposition: Adopted by a Full Committee Roll Call Vote

Sponsor/Amendment: Motion to report bill; as amended

Rep. Owens (UT)

Name & State	Aye	No	Not Voting	Name & State	Aye	No	Not Voting
Mr. WALBERG (MI) (Chairman)	X			Mr. SCOTT (VA) (Ranking)	X		
Mr. WILSON (SC)	X			Mr. COURTNEY (CT)	X		
Mrs. FOXX (NC)	X			Ms. WILSON (FL)	X		
Mr. THOMPSON (PA)	X			Ms. BONAMICI (OR)			X
Mr. GROTHMAN (WI)	X			Mr. TAKANO (CA)	X		
Ms. STEFANIK (NY)			X	Ms. ADAMS (NC)	X		
Mr. ALLEN (GA)	X			Mr. DESAULNIER (CA)	X		
Mr. COMER (KY)	X			Mr. NORCROSS (NJ)	X		
Mr. OWENS (UT)	X			Ms. MCBATH (GA)	X		
Ms. MCCLAIN (MI)	X			Ms. HAYES (CT)	X		
Mrs. MILLER (IL)	X			Ms. OMAR (MN)	X		
Ms. LETLOW (LA)	X			Ms. STEVENS (MI)	X		
Mr. KILEY (CA)	X			Mr. CASAR (TX)	X		
Mr. RULLI (OH)	X			Ms. LEE (PA)	X		
Mr. MOYLAN (GU)	X			Mr. MANNION (NY)	X		
Mr. ONDER (MO)	X			Ms. GRIJALVA (AZ)	X		
Mr. MACKENZIE (PA)	X						
Mr. BAUMGARTNER (WA)	X						
Mr. HARRIS (NC)	X						
Mr. MESSMER (IN)	X						
Mr. FINE (FL)	X						

TOTALS: Ayes: 35

Nos: 0

Not Voting: 2

Total: 37 / Quorum: 35 Report: Passed

(21 R - 16 D)

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. 7677 is to do a holistic report on fraud prevention measures in the Child Care and Development Block Grant (CCDBG) program, the Child and Adult Care Food Program (CACFP), and Head Start where providers are involved.

DUPLICATION OF FEDERAL PROGRAMS

No provision of H.R. 7677 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. 7677: 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. 7677. 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

H.R. 7677, as reported by the Committee, makes no changes to existing law.

MINORITY VIEWS

INTRODUCTION

H.R. 7677, the *Closing the Provider Fraud Gap Act*, introduced by Rep. Burgess Owens (R–UT), requires the Government Accountability Office (GAO) to conduct a study regarding fraud prevention measures in federal early childhood education, child care, and child nutrition programs, including Head Start, the Child and Adult Care Food Program (CACFP), and Child Care and Development Block Grant (CCDBG). While Committee Democrats do not oppose this bill, it is clear its consideration is part of a broader attempt to sideline the problems facing child care in American and manufacture an alternative narrative.

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 economy 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

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/>.

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

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

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/>.

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

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

⁷Chien, *supra* note 5, at 1.

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 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

⁸H.R. 4418, 119th Cong. (2025).

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

¹⁰Hailey 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).

¹³Press 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>.

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. 7677 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 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

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).

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>.

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 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

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>.

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.

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 those 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 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

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/occ/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.*

³⁴ 45 C.F.R. § 98.90.

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

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.

Misuse of Federal Child Nutrition Funds

The Child and Adult Care Food Program (CACFP) and the Summer Food Service Program (SFSP) were instrumental in feeding children across the country during the COVID–19 public health emergency. Pursuant to bipartisan legislation signed into law by President Trump in his first term, the U.S. Department of Agriculture (USDA) waived various program requirements during this time, allowing school districts and nonprofits to operate SFSP and CACFP under pandemic-related flexibilities.⁴¹ These bipartisan backed flexibilities allowed for off-site food distribution and waived on-site monitoring requirements.⁴² During that time, off-site feeding programs supported youths’ access to food in complementary ways when U.S. schools were closed during the COVID–19 pandemic from March to June 2020.⁴³ In a series of virtual interviews with program directors from 21 states, state directors reported that the waivers allowed child care providers to feed children despite closures or limited enrollment.⁴⁴

Nutrition programs were not uniquely susceptible to fraud; like many other pandemic relief programs, bad actors took advantage

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.*

⁴¹ Randy Alison Aussenberg et al., Cong. Rsrch. Serv., R46681, USDA Nutrition Assistance Programs: Response To The Covid–19 Pandemic (2023), <https://crsreports.congress.gov/product/pdf/R/R46681>.

⁴² U.S. Dept of Ag., Food & Nutrition Serv., Child Nutrition Program Operations During the COVID–19 Pandemic—July 2021 through September 2022, (Mar. 19, 2026), <https://www.fns.usda.gov/research/school-meals/program-operations/sy2021-22>.

⁴³ Erica Kenney et al., *Costs, Reach, and Benefits of COVID–19 Pandemic Electronic Benefit Transfer and Grab-and-Go School Meals for Ensuring Youths’ Access to Food During School Closures*, JAMA Network Open (Aug., 2022), <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2795795>.

⁴⁴ Dipti A. Dev, et al. Implementation of Federal Waivers for Feeding Children in Early Care and Education During the COVID–19 Pandemic, NIH National Libr. of Medicine: National Ctr. for Biotechnology Info., (2022), <https://pmc.ncbi.nlm.nih.gov/articles/PMC9537749/>.

of oversight flexibility to attempt to defraud federal programs.⁴⁵ Under the Biden Administration, the Department of Justice announced federal criminal charges against individuals associated with Feeding Our Future⁴⁶—a Minnesota-based nonprofit organization that misused federal child nutrition funds during the COVID-19 pandemic. Over 78 people have been charged so far with crimes in the scheme, with many already receiving convictions.⁴⁷ Throughout the federal investigation, the Minnesota Department of Education and the State Attorney General’s office worked closely together and cooperated with federal investigators.⁴⁸

While there was genuine and egregious fraud committed by Feeding our Future, a federal investigation was conducted under the Biden Administration and the state of Minnesota cooperated with the investigation. Despite this, Republicans have consistently asserted the Feeding Our Future scheme was left unchecked and Governor Tim Walz, Attorney General Keith Ellison, and state Democrats. They claim Minnesota officials failed to act despite repeated warnings⁴⁹ and allegedly retaliated against whistleblowers who raised concerns.⁵⁰ In a January Committee on Oversight and Government Reform hearing on the fraud allegations involving Feeding Our Future, several Republican Members and witnesses suggested that Governor Tim Walz’s administration had “political incentive” to prolong the fraud and that the Biden administration covered up the fraud for “political reasons” related to the 2024 election.⁵¹

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. 7677, the *Closing the Provider Fraud Gap Act*—that, taken together, could have the overall effect of upending the child care system to address a problem that has not been proven to exist. We recognize that the GAO study proposed by H.R. 7677 will not cause the same harm as the other bills marked up by the Committee on March 5. Committee

⁴⁵ E.g., *Where did all the covid aid money go?*, Wash. Post (Sept. 8, 2022), <https://www.washingtonpost.com/business/interactive/2022/covid-money-trail-investigation-explained/>.

⁴⁶ Press Release, U.S. Dep’t of Justice, U.S. Attorney Announces Federal Charges Against 47 Defendants in \$250 Million Feeding Our Future Fraud Scheme (Sept. 20, 2022), <https://www.justice.gov/archives/opa/pr/us-attorney-announces-federal-charges-against-47-defendants-250-million-feeding-our-future>.

⁴⁷ Press Release, U.S. Attorney’s Office for the District of Minnesota, *78th Defendant Charged in Feeding Our Future Fraud Scheme*, U.S. Dep’t of Justice (Nov. 24, 2025), <https://www.justice.gov/usao-mn/pr/78th-defendant-charged-feeding-our-future-fraud-scheme>.

⁴⁸ Off. of the Legislator Auditor, Minnesota Department of Education: Oversight of Feeding Our Future, 105–109 (June 2024), <https://www.auditor.leg.state.mn.us/sreview/pdf/2024-mdefof.pdf>; Oversight of Fraud and Misuse of Federal Funds in Minnesota: Part II: Hearing Before the Comm. on Oversight and Gov’t Ref., 119th Cong. 5–6 (Mar. 4, 2026) (Statement of Tim Walz, Governor), <https://oversight.house.gov/wp-content/uploads/2026/03/Walz-Written-Testimony.pdf>; Press Release, The Off. of Minnesota Att’y Gen. Keith Ellison, *For Two Years Attorney General Ellison’s Office Has Held Feeding Our Future Accountable* (Sept. 26, 2022), https://www.ag.state.mn.us/Office/Communications/2022/09/26_FeedingOurFuture.asp.

⁴⁹ H. Comm. on Oversight & Accountability, *Chairman Comer Opens Hearing on Massive Fraud in Minnesota’s Social Programs* (Jan. 7, 2026), <https://oversight.house.gov/release/chairman-comer-opens-hearing-on-massive-fraud-in-minnesotas-social-programs/>.

⁵⁰ H. Comm. on Oversight & Accountability, *Chairman Comer Widens Investigation into Fraud in Minnesota’s Social Services Programs* (Jan. 23, 2026), <https://oversight.house.gov/release/chairman-comer-widens-investigation-into-fraud-in-minnesotas-social-services-programs/>.

⁵¹ Danya Gainor, *House Oversight Hearing over Fraud Allegations in Minnesota Drew Shouting and Partisan Fury. Here Are the Takeaways*, CNN (Jan. 7, 2026), <https://www.cnn.com/2026/01/07/us/takeaways-minnesota-fraud-hearing>.

Democrats also supported H.R. 7725 at the markup. However, the markup as a whole reinforced the Majority’s narrative that the biggest issue facing federal child care delivery is not the meager amount spent on it, but widespread fraud in the system- fraud they have still yet to provide evidence of. Committee Democrats believe that when fraud exists it should be addressed, but recognize the Committee’s time would be better spent addressing more pressing issues in child care.

H.R. 7677 MANDATES A GOVERNMENT ACCOUNTABILITY REPORT ON
FRAUD PREVENTION

H.R. 7677, the *Closing the Provider Fraud Gap Act*, requires the Government Accountability Office to conduct a study regarding fraud prevention measures in federal early childhood education, child care, and child nutrition programs, including Head Start, CACFP, and CCDBG. The report would include analyses of the “effectiveness of procedures and measures to prevent fraud carried out by providers of services under such programs”, the sufficiency of reporting data, relative integrity results across states that have to varying degrees delegated program management to sub-state entities, and information about the success of corrective action plans.

DEMOCRATIC AMENDMENTS OFFERED DURING MARKUP OF H.R. 7677

Rep. John Mannion (D–NY) offered an amendment to require GAO to also examine ways that Congress can help improve child care supply and lower the costs of child care for families. Additionally, the amendment required GAO to examine how the Child Adult Care Food Program (CACFP) supports providers in serving children healthy meals and snacks that supports the overall development of children. Committee Republicans rejected the amendment.

CONCLUSION

It is important to address any instance of fraud with federal funds designed to support child care programs, and the report required of GAO by this legislation has the potential to shed new light on strategies to improve and build on these important programs. We believe this study could have been improved greatly by the addition of the Mannion amendment, which would provide the Committee with information necessary to address more pressing issues in child care and child nutrition. However, Committee Democrats joined the Republicans in unanimously supporting H.R. 7677 when the Committee on Education and Workforce considered the legislation 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,

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MARK DESAULNIER,
JAHANA HAYES,
ILHAN OMAR,
ADELITA GRIJALVA,
Members of Congress.

