

119TH CONGRESS
2D SESSION

S. _____

To amend the Child Care and Development Block Grant Act of 1990 to require that States pay child care providers on the basis of attendance, to allow States to pay the providers through reimbursement, and to establish requirements relating to error reports, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. CASSIDY introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Child Care and Development Block Grant Act of 1990 to require that States pay child care providers on the basis of attendance, to allow States to pay the providers through reimbursement, and to establish requirements relating to error reports, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Strengthening Trans-
5 parency and Oversight to Prevent Child Care Fraud Act”
6 or the “STOP Child Care Fraud Act”.

1 **SEC. 2. PAYMENT PRACTICES AND VERIFICATION.**

2 (a) STATE PLAN.—Section 658E of the Child Care
3 and Development Block Grant Act of 1990 (42 U.S.C.
4 9858c) is amended—

5 (1) in subsection (c)(2)—

6 (A) subparagraph (K)(i)—

7 (i) in subclause (III), by striking
8 “and” at the end;

9 (ii) in subclause (IV), by striking the
10 period and inserting “, and”; and

11 (iii) by at the end the following:

12 “(V) require licensing inspectors
13 conducting an onsite inspection under
14 subclause (II) to conduct a brief re-
15 view of compliance with enrollment re-
16 quirements by the child care provider
17 involved;”;

18 (B) in subparagraph (N)(i), by adding at
19 the end the following:

20 “(III) CHANGES IN INCOME.—

21 The plan shall demonstrate that the
22 State requires a parent referred to in
23 subclause (I), who experiences a
24 change in the ongoing status of the
25 parent as working or attending a job
26 training or educational program or

1 whose family experiences a change in
2 family income, shall report the change
3 involved to the State not later than 90
4 days after the change.”;

5 (C) in subparagraph (S), by striking clause
6 (ii) and inserting the following:

7 “(ii) an assurance that the State will,
8 notwithstanding clause (i), provide pay-
9 ment under this subchapter to a child care
10 provider based on an eligible child’s
11 verified attendance, but support the fixed
12 costs of providing child care services by
13 delinking provider payments from the
14 child’s occasional absences by providing
15 full payment if the child is absent for 6 or
16 fewer days in a month.”; and

17 (D) by adding at the end the following:

18 “(W) TIMING OF BILLING AND PAY-
19 MENT.—The plan shall describe how the lead
20 agency for the State will establish payment
21 practices that ensure timeliness of billing by
22 and payment of child care providers under this
23 subchapter by—

24 “(i) requiring that such a provider
25 submit a complete invoice within 9 months

1 after the date on which the provider deliv-
2 ers the services involved; and

3 “(ii) paying within not more than 21
4 calendar days after the receipt of a com-
5 plete invoice for services.

6 “(X) VERIFICATION OF ELIGIBILITY.—

7 “(i) VERIFICATION.—The plan shall
8 describe how, if a parent seeks child care
9 assistance for a child under this sub-
10 chapter, the State will verify (without self-
11 certification) the eligibility of the child, in-
12 cluding verifying the income and assets of
13 the child’s family, the size of the family in-
14 volved, the county or other political sub-
15 division in which the child resides (subject
16 to paragraph (3)(B)(i)), that the individual
17 for whom the parent seeks child care as-
18 sistance is the child of the parent, and
19 whether the parent and the child either are
20 citizens or are not ineligible for Federal
21 public benefits under title IV of the Per-
22 sonal Responsibility and Work Opportunity
23 Reconciliation Act of 1996 (8 U.S.C. 1601
24 et seq.).

1 “(ii) NO PRESUMPTIVE ELIGI-
2 BILITY.—The plan shall include an assur-
3 ance that, subject to paragraph (6), the
4 State will not consider a child to be pre-
5 sumptively eligible, or allow the child to re-
6 ceive a child care subsidy prior to a full
7 documentation and eligibility determina-
8 tion, within the meaning of section
9 98.21(e) of title 45, Code of Federal Regu-
10 lations (as in effect on the day before the
11 date of enactment of the STOP Child Care
12 Fraud Act), subject to subparagraph
13 (I)(i)(I) and paragraph (3)(B)(i).

14 “(Y) VERIFICATION OF ATTENDANCE WITH
15 ELECTRONIC AUTHENTICATION TOOLS.—

16 “(i) DEFINITION.—The term ‘elec-
17 tronic authentication tool’ means an elec-
18 tronic tool that authenticates the identity
19 of a parent or other person dropping off or
20 picking up a child from a child care pro-
21 vider, such as a finger imaging device or
22 an interactive voice response device.

23 “(ii) USE.—The plan shall describe
24 how the State will require a center-based
25 eligible child care provider receiving assist-

1 ance, or a center-based eligible child care
2 provider that receives a child care certifi-
3 cate, under this subchapter to use elec-
4 tronic authentication tools, including to
5 verify attendance.

6 “(Z) INTEGRATION AND ANALYSIS OF
7 DATA FROM DATA SYSTEMS.—The plan shall
8 describe how the State will—

9 “(i) integrate data from different data
10 systems, including records on child care
11 providers (including on licensing of child
12 care providers, subsidies for child care pro-
13 viders, and eligibility for those subsidies),
14 and employment records;

15 “(ii) use data analytics to clean, ana-
16 lyze, and interpret the data described in
17 clause (i), particularly to identify anoma-
18 lous patterns indicative of potential fraud
19 by child care providers; and

20 “(iii) analyze the robustness of the
21 data integration described in clause (i).”;

22 (2) by adding at the end of subsection (c) the
23 following:

24 “(6) EXCEPTIONS TO PROHIBITION ON PRE-
25 SUMPTIVE ELIGIBILITY.—The Secretary may deter-

1 mine or specify that States may determine excep-
2 tions, for emergency situations, to the requirements
3 in paragraph (2)(X)(ii) relating to presumptive eligi-
4 bility and full documentation and eligibility deter-
5 minations.”; and

6 (3) by adding at the end the following:

7 “(e) POSTING STATE PLANS AND RELATED DOCU-
8 MENTS.—Each State that receives a payment for the pro-
9 gram carried out under this subchapter shall post, on a
10 publicly available website, each State plan or State plan
11 amendment proposed by the State or approved under this
12 section for the State, and each corrective action plan
13 issued for the State due to State noncompliance with this
14 subchapter (including any failure described in section
15 658I(b)(2)(A)).

16 “(f) REGULATIONS ON ATTENDANCE
17 VERIFICATION.—Not later than 1 year after the date of
18 enactment of the STOP Child Care Fraud Act, the Sec-
19 retary shall issue regulations that specify the manner in
20 which a State shall verify attendance for purposes of sub-
21 section (c)(2)(S)(ii), including the manner in which the
22 State will require the use of electronic authentication tools
23 to verify that attendance under subsection (c)(2)(Y). Such
24 regulations shall take effect 1 year after the date of
25 issuance.”.

1 **SEC. 3. ACTIVITIES TO IMPROVE QUALITY.**

2 Section 658G of the Child Care and Development
3 Block Grant Act of 1990 (42 U.S.C. 9858e) is amended—

4 (1) in subsection (a), by inserting at the end
5 the following:

6 “(4) PORTION FOR QUALITY AND COMPLIANCE
7 ACTIVITIES.—Of the funds reserved under para-
8 graph (2)(A), the State shall set aside 3 percent of
9 the funds described in paragraph (1) to carry out
10 activities under subsection (b)(10).”;

11 (2) in subsection (b)—

12 (A) by redesignating paragraph (10) as
13 paragraph (11); and

14 (B) by inserting after paragraph (9) the
15 following:

16 “(10) Carrying out activities designed to im-
17 prove the quality of child care services, in accord-
18 ance with State priorities, and activities to meet
19 State requirements for inspection, monitoring, and
20 licensing of child care providers receiving funding
21 under this subchapter.”; and

22 (3) in subsection (d)(2), by inserting “and in
23 particular the activities carried out with funds set
24 aside under subsection (a)(4)” before the semicolon.

1 **SEC. 4. REVIEW OF COMPLIANCE.**

2 Section 658I(b) of the Child Care and Development
3 Block Grant Act of 1990 (42 U.S.C. 9858g(b)) is amend-
4 ed—

5 (1) by striking paragraph (1) and inserting the
6 following:

7 “(1) REVIEW OF COMPLIANCE.—

8 “(A) IN GENERAL.—Not less often than
9 once every 3 years, the Secretary shall review
10 and monitor State compliance with this sub-
11 chapter, including with the plan approved under
12 section 658E(c) for the State.

13 “(B) HEIGHTENED MONITORING.—States
14 designated as high-risk under subparagraph (C)
15 shall be subject to monitoring, of that State
16 compliance, that is more frequent than the
17 monitoring required under subparagraph (A),
18 with the frequency determined by the Secretary.

19 “(C) HIGH-RISK.—The Secretary shall des-
20 ignate as high-risk any State with—

21 “(i) unresolved or repeated audit find-
22 ings under section 658K(b);

23 “(ii) an improper payment rate that
24 exceeds 6 percent, as reflected in 2 con-
25 secutive reports described in section
26 658K(a)(3)(A)(i); or

1 “(iii) an improper payment rate that
2 exceeds 9 percent, as reflected in such a
3 report.”;

4 (2) in paragraph (2)—

5 (A) in subparagraph (B)—

6 (i) by striking “Secretary may” and
7 inserting “Secretary shall”; and

8 (ii) by striking “subchapter, and” and
9 inserting “subchapter, withholding of
10 funds or a percentage reduction of funds
11 from the State allotment for the following
12 fiscal year, or”; and

13 (B) in subparagraph (C), by striking “ad-
14 ditional sanction being imposed under subpara-
15 graph (B)” and inserting “additional sanction
16 or penalty being imposed under subparagraph
17 (B) or (C)”;

18 (3) by redesignating paragraph (3) as para-
19 graph (5); and

20 (4) by inserting after paragraph (2) the fol-
21 lowing:

22 “(3) PENALTIES.—If the Secretary determines
23 that an amount shall be reimbursed, deducted, re-
24 couped, withheld, or reduced under subparagraph
25 (A) or (B) of paragraph (2) for a State, the Sec-

1 retary shall increase that amount by adding a pen-
2 alty equal to 5 percent of the amount against the
3 State.

4 “(4) CORRECTIVE ACTION PLANS.—

5 “(A) SUBMISSION.—If the Secretary finds
6 under paragraph (2) that a State has made an
7 improper expenditure of funds, and the Sec-
8 retary does not disqualify the State under that
9 paragraph from receiving financial assistance,
10 then the Secretary shall require the State to
11 submit to the Secretary for approval, not later
12 than the date that is 60 days after that finding,
13 a corrective action plan with an implementation
14 date.

15 “(B) FAILURE TO SUBMIT.—

16 “(i) EXTENSION OF SUBMISSION
17 DATE.—A State may request from the Sec-
18 retary an extension of the submission date
19 determined by the Secretary under para-
20 graph (1).

21 “(ii) WITHHOLDING.—If the State
22 fails to submit the plan by that submission
23 date (including any extension granted
24 under clause (i)), the Secretary shall with-
25 hold funds for the program carried out

1 under this subchapter for that State until
2 the State submits the plan.

3 “(C) FAILURE TO IMPLEMENT.—

4 “(i) IN GENERAL.—Subject to clause
5 (ii), if the Secretary determines that the
6 State fails to implement the corrective ac-
7 tions in the plan by that implementation
8 date, the Secretary shall withhold funds
9 for the program carried out under this
10 subchapter for that State until the Sec-
11 retary determines that the State has imple-
12 mented those corrective actions.

13 “(ii) GOOD FAITH EXCEPTION.—If the
14 Secretary determines that the State is act-
15 ing in good faith to implement the correc-
16 tive actions as soon as is practicable, the
17 Secretary may elect not to withhold funds,
18 or to postpone that withholding, under
19 clause (i).”.

20 **SEC. 5. REPORTS AND AUDITS.**

21 (a) ERROR REPORT REQUIREMENTS.—

22 (1) IN GENERAL.—Section 658K(a) of the
23 Child Care and Development Block Grant Act of
24 1990 (42 U.S.C. 9858i(a)) is amended by adding at
25 the end the following:

1 “(3) ERROR REPORTS.—

2 “(A) RULEMAKING.—The Secretary shall
3 issue regulations to, at a minimum—

4 “(i) ensure that, in calculating, pre-
5 paring, and submitting reports of errors,
6 under subpart K of part 98 of title 45,
7 Code of Federal Regulations (or a suc-
8 cessor regulation), in the administration of
9 grant funds appropriated or made available
10 under this subchapter, States include sus-
11 pected and verified cases of fraud as im-
12 proper payments;

13 “(ii) require any State with an im-
14 proper payment rate that exceeds 6 per-
15 cent, as reflected in a report described in
16 clause (i), to submit to the Secretary for
17 approval a comprehensive corrective action
18 plan, as well as submitting to the Sec-
19 retary subsequent reports describing
20 progress in implementing the plan; and

21 “(iii) require each State to conduct
22 case reviews and submit reports described
23 in clause (i) to the Department of Health
24 and Human Services according to a stag-
25 gered 2-year cycle established by the Sec-

1 retary such that each State will be selected
2 once, and only once, in every 2 years, not-
3 withstanding subchapter IV of chapter 33
4 of title 31, United States Code.

5 “(B) AVAILABILITY.—The Secretary, on
6 receiving a report described in subparagraph
7 (A), shall post the report on a publicly available
8 website. The Secretary shall also post on that
9 website any corrective action plan that is de-
10 scribed in this subchapter and approved for a
11 State that is described in section 658E(e).

12 “(C) GAO REVIEW.—The Comptroller
13 General of the United States shall—

14 “(i) review fraud and improper pay-
15 ments that—

16 “(I) involve funds described in
17 subparagraph (A)(i);

18 “(II) are committed at the State,
19 local or regional level, as appropriate;
20 and

21 “(III) are covered in sources in-
22 cluding reports described in subpara-
23 graph (A)(i) and corrective action
24 plans submitted to the Secretary by
25 States; and

1 “(ii) offer recommendations to the In-
2 spector General of the Department of
3 Health and Human Services and to the
4 Secretary for additional oversight.

5 “(D) STATE.—In this paragraph, the term
6 ‘State’ means any of the 50 States, the District
7 of Columbia, and the Commonwealth of Puerto
8 Rico.”.

9 (2) INTERIM FINAL RULE.—Not later than 1
10 year after the date of enactment of this Act, the
11 Secretary shall promulgate an interim final rule
12 amending sections 98.100 through 98.102 of title
13 45, Code of Federal Regulations, as in effect on
14 January 12, 2026, to promulgate the regulations re-
15 quired under section 658K(a)(3)(A) of the Child
16 Care and Development Block Grant Act of 1990 (42
17 U.S.C. 9858i(a)(3)(A)), as added by paragraph (1).

18 (b) AUDITS.—Section 658K(b) of the Child Care and
19 Development Block Grant Act of 1990 (42 U.S.C.
20 9858i(b)) is amended—

21 (1) by striking paragraph (3) and inserting the
22 following:

23 “(3) SUBMISSION OF AUDIT REPORT AND COR-
24 RECTIVE ACTION PLANS.—

25 “(A) APPEAL OF AUDIT FINDINGS.—

1 “(i) FILING.—Not later than 60 days
2 after the State receives the independent
3 auditor’s report under paragraph (2), the
4 State may file with the Secretary an ap-
5 peal of the audit findings contained in the
6 report.

7 “(ii) DECISION.—Not later than 120
8 days after the filing of the appeal, the Sec-
9 retary shall issue a decision on the appeal,
10 specifying whether any audit findings shall
11 be removed from the report and, if so,
12 which findings. The State shall use the up-
13 dated auditor’s report, after making the
14 removals specified by the Secretary, for
15 purposes of subparagraphs (B) and (C).

16 “(B) SUBMISSION OF REPORT AND
17 PLAN.—Not later than 30 calendar days after
18 the State receives the independent auditor’s re-
19 port under paragraph (2) or, in the event of an
20 appeal under subparagraph (A), not later than
21 90 calendar days after the Secretary’s decision
22 is issued on the appeal, the State shall sub-
23 mit—

1 “(i) to the legislature of the State
2 and, if applicable, to the Indian tribe or
3 tribal organization involved—

4 “(I) a copy of the auditor’s re-
5 port; and

6 “(II) for approval, a corrective
7 action plan to address each negative
8 audit finding included in the auditor’s
9 report for the current reporting; and

10 “(ii) to the Secretary, a copy of the
11 auditor’s report and (for approval by the
12 Secretary) the corrective action plan.

13 “(C) CONTENTS OF CORRECTIVE ACTION
14 PLAN.—The corrective action plan shall include
15 the name of the contact person responsible for
16 the corrective action, the corrective action to be
17 taken, and the anticipated completion date,
18 which shall be not later than 1 calendar year
19 after the State received the independent audi-
20 tor’s report under paragraph (2). If the State
21 does not agree with 1 or more audit findings in
22 the report or believes corrective action is not re-
23 quired, the corrective action plan shall include
24 a detailed explanation of the reasons.”; and
25 (2) by adding at the end the following:

1 “(5) INSPECTOR GENERAL REPORT.—Not less
2 often than every 2 years, the Inspector General of
3 the Department of Health and Human Services shall
4 prepare and submit to the Secretary a report on
5 States that fail audits under this subsection, and
6 shall include recommendations for States that need
7 additional monitoring and technical assistance.”.

8 (c) DATABASE ON PROVIDERS.—Section 658K of the
9 Child Care and Development Block Grant Act of 1998 (42
10 U.S.C. 9858i) is amended by adding at the end the fol-
11 lowing:

12 “(c) DATABASE ON PROVIDERS UNDER ADMINISTRA-
13 TION FOR CHILDREN AND FAMILIES.—

14 “(1) STATE REPORTS.—If a State, or providers
15 in a State, receive Federal funding through a pro-
16 gram administered by the Administration for Chil-
17 dren and Families, the State shall provide annual
18 reports to the Assistant Secretary of the Administra-
19 tion for Children and Families. Each such report
20 shall name the individuals who served as providers
21 under such a program but are disqualified by the
22 State from receiving Federal funding through the
23 program because the providers were found by a
24 court to have committed fraud in carrying out the
25 program.

1 “(2) DATABASE.—The Secretary, acting
2 through the Assistant Secretary of the Administra-
3 tion for Children and Families, shall maintain a
4 database of the providers named in such a report.
5 The Secretary shall list a provider in the database
6 for the period of the provider’s disqualification by
7 the State.

8 “(3) PROHIBITION ON FUNDING LISTED PRO-
9 VIDERS.—The Secretary shall, when approving an
10 application for Federal funding under such a pro-
11 gram—

12 “(A) from a State, prohibit the State from
13 using any of the Federal funding for a provider
14 listed in the database; and

15 “(B) from a provider, prohibit the provider
16 from receiving the Federal funding if listed in
17 the database.”.

18 **SEC. 6. ELIGIBILITY.**

19 Section 658P(4) of the Child Care and Development
20 Block Grant Act of 1990 (42 U.S.C. 9858n(4)) is amend-
21 ed—

22 (1) by striking subparagraph (B) and inserting
23 the following:

24 “(B) whose family assets do not exceed
25 \$500,000 (as determined by the State involved),

1 excluding the net value of a family farm de-
2 scribed in subparagraph (B), or a commercial
3 fishing business and related expenses described
4 in subparagraph (D), of section 480(f)(2) of the
5 Higher Education Act of 1965 (20 U.S.C.
6 1087vv(f)(2)); and”;

7 (2) by striking subparagraph (C) and inserting
8 the following:

9 “(C) who—

10 “(i) resides in a family that is headed
11 by a person who is the child’s parent, who
12 is working or attending a job training or
13 educational program, and that has a family
14 income that does not exceed 85 percent of
15 the State median income for a family with
16 the same number of children headed by a
17 person, based on the most recent data that
18 is published by the Bureau of the Census;

19 “(ii) resides in a family that is headed
20 by two persons who are the child’s parents,
21 and who work a combined total of at least
22 40 hours per week, with a family income
23 that does not exceed 85 percent of the
24 State median income for a family with the
25 same number of children headed by two

1 persons, based on the most recent data
2 that is published by the Bureau of the
3 Census; or
4 “(iii) is receiving, or needs to receive,
5 protective services and resides with a par-
6 ent or parents not described in clause (i)
7 or (ii).”.