

119TH CONGRESS
2D SESSION

S. 4788

To amend the Child Care and Development Block Grant Act of 1990 to
withhold funds from noncompliant States under such Act.

IN THE SENATE OF THE UNITED STATES

JUNE 16, 2026

Mrs. MOODY introduced the following bill; which was read twice and referred
to the Committee on Health, Education, Labor, and Pensions

A BILL

To amend the Child Care and Development Block Grant
Act of 1990 to withhold funds from noncompliant States
under such Act.

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 “Stop Child Care Scams
5 Act of 2026”.

6 **SEC. 2. STRENGTHENING THE AUTHORITY TO WITHHOLD**
7 **FUNDS FOR FRAUD.**

8 Section 658I(b)(2)(B) of the Child Care and Develop-
9 ment Block Grant Act of 1990 (42 U.S.C.

1 9858g(b)(2)(B)) is amended by striking “Secretary may”
 2 and inserting “Secretary shall”.

3 **SEC. 3. PROGRAM INTEGRITY AND ACCOUNTABILITY.**

4 Section 658E(c)(2) of the Child Care and Develop-
 5 ment Block Grant Act of 1990 (42 U.S.C. 9858c(c)(2))
 6 is amended by adding at the end the following:

7 “(W) PROGRAM INTEGRITY AND ACCOUNT-
 8 ABILITY.—The plan shall include a description
 9 of—

10 “(i) the State’s internal controls to
 11 ensure program integrity and account-
 12 ability;

13 “(ii) the processes in place—

14 “(I) to investigate and recover
 15 fraudulent payments; and

16 “(II) to impose sanctions on cli-
 17 ents or providers in response to fraud;
 18 and

19 “(iii) the procedures in place to docu-
 20 ment and verify eligibility.

21 Such description shall include how the State
 22 utilizes data within and across other State and
 23 local agencies that have oversight of child care
 24 providers that serve children who receive assist-
 25 ance under this subchapter.”.

1 **SEC. 4. PREVENTING FRAUD IN THE CHILD CARE AND DE-**
 2 **VELOPMENT BLOCK GRANT PROGRAM.**

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

6 (1) by redesignating paragraph (3) as para-
 7 graph (4); and

8 (2) by inserting after paragraph (2) the fol-
 9 lowing:

10 “(3) DETERMINATION OF FRAUD.—

11 “(A) INVESTIGATION.—The Secretary shall
 12 investigate fraud with respect to financial as-
 13 sistance available under this subchapter.

14 “(B) DEBARMENT.—In the case that the
 15 Secretary makes, or finds that there has been,
 16 a final determination of fraud against a child
 17 care provider that received financial assistance
 18 available under this subchapter, the Secretary
 19 shall permanently debar such child care pro-
 20 vider from receiving such financial assistance.

21 “(C) PROVIDERS DEBARRED FROM CHILD
 22 AND ADULT CARE FOOD PROGRAM.—In the case
 23 that a child care provider has been debarred
 24 from participating in the Child and Adult Care
 25 Food Program under section 17 of the Richard
 26 B. Russell National School Lunch Act (42

1 U.S.C. 1766) in accordance with subsection
2 (d)(5)(E)(i) of such section, the Secretary shall
3 permanently debar such child care provider
4 from receiving financial assistance under this
5 subchapter.

6 “(D) FINAL DETERMINATION OF FRAUD
7 DEFINITION.—In this paragraph, the term
8 ‘final determination of fraud’ means a deter-
9 mination reached in an administrative order or
10 as part of a judicial decision, for which any
11 rights to review or appeal have been exhausted
12 or waived, that a child care provider—

13 “(i) knowingly submitted a false state-
14 ment or documentation to obtain financial
15 assistance available under this subchapter;

16 “(ii) misrepresented ownership of, en-
17 rollment at, attendance at, or services pro-
18 vided through a program of child care
19 services, or the eligibility of the provider to
20 provide such services, to obtain such finan-
21 cial assistance;

22 “(iii) to obtain such financial assist-
23 ance, operated without the State licensing
24 described in section 658E(c)(2)(F) and

1 without receiving an exception to such li-
 2 censing;

3 “(iv) made a knowing and improper
 4 expenditure of such financial assistance; or

5 “(v) engaged in any other conduct re-
 6 lated to such financial assistance that con-
 7 stituted fraud under Federal or State
 8 law.”.

9 **SEC. 5. IMPROPER PAYMENT RATE REQUIRING CORREC-**
 10 **TIVE ACTION PLAN; CONDITIONAL INELIGI-**
 11 **BILITY.**

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

14 (1) by redesignating subsection (c) as sub-
 15 section (e); and

16 (2) by inserting after subsection (b) the fol-
 17 lowing:

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

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

4 “(2) such reports as the Secretary may require
5 to show that such State is complying with the re-
6 quirements of such plan as approved by the Sec-
7 retary.

8 “(d) **CONDITIONAL INELIGIBILITY.**—If for each of 2
9 consecutive fiscal years the improper payment rate of a
10 State determined under this section is more than 5 per-
11 cent, then such State shall be ineligible to receive funds
12 under this subchapter unless such State demonstrates to
13 the satisfaction of the Secretary that such State for the
14 next fiscal year will—

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

17 “(2) make significant progress to comply with
18 the corrective action plan approved under subsection
19 (c).”.

20 **SEC. 6. CYCLICAL MONITORING OF STATE PERFORMANCE.**

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

24 “(c) **PERIODIC MONITORING BY THE SECRETARY.**—
25 At 3-year intervals, the Secretary shall conduct a com-

1 prehensive review of the performance of each State that
 2 receives assistance under this subchapter. Based on the
 3 results of such review, the Secretary shall designate as
 4 high risk a State that has—

5 “(1) a high level of unresolved or repeated ad-
 6 verse audit findings submitted under subsection (b);

7 “(2) a high level of unresolved issues under, or
 8 repeated performance failures to carry out, correc-
 9 tive action plans submitted by such State under sec-
 10 tion 658J(c); or

11 “(3) unresolved or repeat findings of non-
 12 compliance with the State plan approved under sec-
 13 tion 658E(c).

14 “(d) REQUIRED ADDITIONAL MONITORING.—If a
 15 State is designated as high risk under subsection (c), then
 16 the performance of such State shall be subject to addi-
 17 tional monitoring, as determined by the Secretary.”.

18 **SEC. 7. PREVENTING FRAUD IN THE CHILD AND ADULT**
 19 **CARE FOOD PROGRAM.**

20 Section 17(d)(5) of the Richard B. Russell National
 21 School Lunch Act (42 U.S.C. 1766(d)(5)) is amended—

22 (1) by redesignating subparagraph (E) as sub-
 23 paragraph (F); and

24 (2) by inserting after subparagraph (D) the fol-
 25 lowing:

“(E) TERMINATION DUE TO FRAUD.—

“(i) DEBARMENT.—In the case that the participation of an institution or family or group day care home under the program is terminated due to a final determination of fraud, the Secretary shall permanently debar such institution or family or group day care home from participating in the program.

“(ii) PROVIDERS DEBARRED FROM CHILD CARE AND DEVELOPMENT BLOCK GRANT PROGRAM.—In the case that an institution or family or group day care home has been debarred from receiving financial assistance under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9857 et seq.) in accordance with section 658I(b)(3)(B) of such Act, the Secretary shall permanently debar such institution or family or group day care home from participating in the program.

“(iii) FINAL DETERMINATION OF FRAUD DEFINITION.—In this subparagraph, the term ‘final determination of fraud’ means a determination reached in

1 accordance with the procedures and re-
2 quirements of this section, for which any
3 rights to review or appeal have been ex-
4 hausted or waived, that an institution or
5 family or group day care home—

6 “(I) knowingly submitted a false
7 statement or documentation to obtain
8 funds disbursed under subsection
9 (f)(1)(A);

10 “(II) misrepresented ownership,
11 enrollment, attendance, or services in
12 connection with the operation of the
13 program by such institution or family
14 or group day care home, or the eligi-
15 bility of such institution or family or
16 group day care home to operate the
17 program, to obtain such funds;

18 “(III) made a knowing and im-
19 proper expenditure of such funds; or

20 “(IV) engaged in any other con-
21 duct related to such funds that con-
22 stituted fraud under Federal or State
23 law.”.

1 **SEC. 8. ELIMINATING AUTHORITY TO WAIVE SANCTIONS.**

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

5 (1) in paragraph (1) by striking “or sanctions
6 imposed upon a State in accordance with subsection
7 (b)(2)”;

8 (2) in paragraph (2)—

9 (A) in subparagraph (A) by striking “sanc-
10 tion or”; and

11 (B) in subparagraph (B) by striking
12 “sanction or”;

13 (3) in paragraph (3) striking “sanction or”;
14 and

15 (4) in paragraph (7) by striking “sanction(s)
16 or”.

17 **SEC. 9. GAO STUDY AND REPORT ON PROVIDER-RELATED**
18 **FRAUD.**

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

24 (1) the effectiveness of procedures and meas-
25 ures to prevent fraud carried out by providers of
26 services under such programs;

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

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

6 (B) used effectively by the Federal Govern-
7 ment to identify potential fraud carried out
8 under such programs; and

9 (3) with respect to the Child Care and Develop-
10 ment Block Grant program established under the
11 Child Care and Development Block Grant Act of
12 1990 (42 U.S.C. 9857 et seq.)—

13 (A) the program integrity results for
14 States that have delegated responsibilities re-
15 lated to program management and administra-
16 tion to counties, local municipalities, or other
17 entities; and

18 (B) whether any corrective action plans
19 have been implemented by States to improve
20 program integrity results, including any meas-
21 urable outcomes from implementing such a cor-
22 rective action plan.

23 (b) REPORT.—Not later than 2 years after the date
24 of enactment of this section, the Comptroller General of
25 the United States shall submit to the Committee on Edu-

1 cation and Workforce of the House of Representatives and
 2 the Committee on Health, Education, Labor, and Pen-
 3 sions of the Senate a report containing—

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

6 (2) any regulatory or legislative recommenda-
 7 tions to improve fraud prevention measures in Fed-
 8 eral early childhood education, child care, and child
 9 nutrition programs.

10 (c) FEDERAL EARLY CHILDHOOD EDUCATION,
 11 CHILD CARE, AND CHILD NUTRITION PROGRAMS DE-
 12 FINED.—For the purposes of this section, the term “Fed-
 13 eral early childhood education, child care, and child nutri-
 14 tion programs” includes—

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

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

21 (3) the Child Care and Development Block
 22 Grant program established under the Child Care and
 23 Development Block Grant Act of 1990 (42 U.S.C.
 24 9857 et seq.).

1 **SEC. 10. FRAUDULENT PAYMENTS.**

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

5 (1) in paragraph (1) by inserting “(including
6 fraudulent payments)” after “overpayments”; and

7 (2) by adding at the end the following:

8 “(3) REPORT.—The State shall submit to the
9 Secretary an annual report that identifies the dollar
10 and percentage amount of improper payments made
11 by the State, disaggregated as specified by the Sec-
12 retary by standardized payment categories (includ-
13 ing suspected and verified fraudulent payments, non-
14 fraudulent overpayments, underpayments, and tech-
15 nically improper payments (e.g., system error pay-
16 ments)).”.

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