The One Big Beautiful Bill Act & Early Care and Education
Likely Impact and Implementation Considerations for Field Leaders

On 7/4/25, the One Big Beautiful Bill Act (OBBBA) became law, making sweeping changes to Medicaid, the Supplemental Nutrition Assistance Program (SNAP), taxes, and immigration enforcement. These changes will impact the early care and education (ECE) sector and the children and families it serves in important ways. For example, some providers, families, and children will no longer be able to access benefits that provide nutrition and health insurance. ECE providers may be impacted as employees who have less access to benefits seek employment in positions that offer higher wages and employer-sponsored health insurance.

Further, this bill will have significant impacts on state budgets. In light of recent federal policy changes, which will take effect at different times over the next several years, some states may reconsider their investments in state-funded programs. Because OBBBA shifts some costs of Medicaid, SNAP, and other federal programs from the federal government to states, many states will face difficult choices about how to backfill federal spending cuts and address new state expenditures required by OBBBA.

This brief is divided into two sections that (1) provide background on OBBBA's policy changes and their likely impact on the early care and education (ECE) sector, and (2) identify some related considerations for states as they plan for when these policies go into effect.

I. OBBBA Impacts on ECE Providers, Children, and Families

New Restrictions on Medicaid and SNAP Will Limit Access: OBBBA makes significant changes to Medicaid and SNAP that will limit access for children and families in low-income households, including many that participate in programs like home visiting, Head Start, child care subsidy, and preschool. For adults living in states that adopted Medicaid expansion, the new law imposes work requirements—with exemptions for parents of children under 14—and mandates eligibility redeterminations every six months. Additionally, adults with incomes between 100% and 138% of the federal poverty level may face co-payments for medical care of up to $35 per service. Beyond these individual requirements, the new policy limits how all states can finance their Medicaid programs and introduces more administrative red tape for all beneficiaries, making enrollment and retention more difficult. Notably, starting in October 2026, refugees, asylees, and humanitarian parolees will lose eligibility for Medicaid entirely. Changes to SNAP include expanded work requirements that now apply to individuals up to age 64, though those with children under 14 are exempt. States with payment error rates over 6% will be required to begin sharing SNAP costs starting in fiscal year 2028, with sliding scale contributions capped at 15%. States may choose either their 2025 or 2026 error rate to determine their obligation for 2029, though implementation is delayed for states with error rates exceeding 13.3%. Additionally, SNAP eligibility now excludes some categories of previously eligible immigrants and limits benefits to U.S. citizens, green card holders, and select other immigrant groups.

OBBBA will limit access to Medicaid for Early Educators: An estimated 28% of child care workers, including those employed by Head Start, currently rely on Medicaid for their health insurance. In 13 states more than one-third of the child care workforce depends on Medicaid.

This coverage plays a critical role in supporting the health and stability of a workforce that is already underpaid and in short supply.

If access to Medicaid is reduced, the burden of covering health insurance will likely shift to employers, forcing some programs to either absorb higher costs or pass them on to families. For private child care providers, this could mean raising tuition, while public programs like Head Start may be forced to reduce the number of children they serve unless additional federal funding is provided. Even if these changes are made, it is likely that providers will be unable to cover these costs, forcing early educators to seek employment where they might secure access to health benefits. These pressures would further strain a child care system already facing severe staffing shortages and long waitlists, making it even harder for families to find affordable, reliable care.

Fewer families enrolled in Child Care Subsidy and Head Start will access SNAP and Medicaid/Children's Health Insurance Program (CHIP): Families enrolled in child care subsidy and Head Start often rely on multiple safety net programs to meet their basic needs. Among Child Care and Development Fund (CCDF) participants, 62% also receive Medicaid and 66% receive SNAP benefits. Similarly, in 2023, about two-thirds of children enrolled in Head Start were covered by Medicaid or CHIP. Participation in SNAP not only supports food security but also helps families qualify for Head Start, as it is one way to demonstrate income eligibility for the program. Changes to SNAP, Medicaid, or CHIP could therefore have wide-reaching consequences for families who depend on child care subsidies and Head Start. This impact may be particularly acute in rural communities, where Head Start often serves as the sole ECE provider and is a key part of the broader health and social service infrastructure. Reductions in access to these programs would not only jeopardize family stability but could also weaken the systems that support young children's development in under-resourced areas.

Tax Provisions Related to Child Care are Improved but Limited: OBBBA makes a number of changes to the tax code that affects ECE. There are three child care tax provisions that will impact a subset of families with child care expenses:

- *Child and Dependent Care Tax Credit (CDCTC)*: The OBBBA increases the maximum credit of the CDCTC from $600 to $1050 for one child and $1,200 to $2,100 for two or more children. However, the credit is non-refundable and will thus not benefit low-income families who do not bear a significant tax obligation but nevertheless have child care expenses that constitute a significant portion of their income.
- *Dependent Care Assistance Program*: Allows employees to set aside additional tax-free funds for care-related expenses: the amount will increase from $5,000 annually to $7,500. Approximately half of U.S. workers have access to tax-free savings accounts through their employer. However, these employees are more likely to be higher income earners that work for larger businesses that offer such benefits.
- *Employer Provided Child Care Tax Credit (45f)*: Increases a business tax credit for employers that offer child care. The maximum credit for employer-sponsored child care will increase from $150,000 annually to $600,000 for small businesses and $500,000 for larger businesses. The changes to 45f are the most significant of those made to child care tax credits, and may lead to an increase in employer-supported child care. Though, based on the underutilization of this tax credit it may not.

For additional analysis on these child tax credits, please reference this resource from the Tax Policy Center, a collaboration between the Urban Institute and the Brookings Institution, as well as this resource from the First Five Years Fund.

Changes to the Child Tax Credit are Modest and Freeze Out Certain Immigrant Communities: The new law also makes changes to the Child Tax Credit (CTC), which provides benefits to households with children that are not linked to expenses related to child care. Beginning in 2025, the bill would permanently make the CTC $2,000 and increase the non-refundable Child Tax Credit by $200. Additionally, the non-refundable credit would be indexed to inflation after 2025. Also, it would make permanent and adjust for inflation the refundable CTC resulting in a $1,700 credit for 2025. These changes will result in modest increases for some families.

The CTC will now require a Social Security Number for the qualifying child *and* at least one parent. Prior to the passage of OBBBA, parents could provide an Individual Tax Identification Number, which was created by the IRS in 1996 to allow foreign nationals and other lawfully present individuals who are not eligible for SSNs to comply with federal tax laws. With the changes made to the CTC, and the requirement around SSNs, many children who are U.S. citizens will not benefit from the increase. For further analysis on the changes to the CTC, please refer to this resource from the Center for Law & Social Policy.

Postsecondary Accountability May Threaten Some ECE Degree Programs: OBBBA establishes a new federal accountability framework for higher education programs that receive financial aid. Post-secondary institutions must now demonstrate that their graduates earn more than they would have without completing the program. Specifically, undergraduate programs must show that the median earnings of their graduates exceed the median earnings of high school graduates (ages 25–34) in the same state in at least two out of three consecutive years. These requirements apply only to students who have completed the program, are currently working, and are not enrolled in further education. Programs that fail to meet these earnings benchmarks risk losing eligibility for federal student loans.

This policy could have significant implications for programs serving early childhood educators. Wages for high school graduates generally surpass those of child care workers, which may make it difficult for early education degree programs to meet the new earnings threshold. As a result, programs that rely on federal financial aid to support students in these fields may face closures or reductions, potentially limiting access to higher education for the early childhood workforce.

Congress Secures Significant Resources to Advance Immigration Enforcement and Detentions: OBBBA includes an unprecedented expansion in immigration enforcement funding and infrastructure. Immigration and Customs Enforcement (ICE) received $75 billion over four years, averaging $18.7 billion annually. This is nearly triple their previous budget for FY24. Funding for immigration detention centers will increase by 265%, which exceeds the current budget for criminal justice detention. The bill provides new resources for a wall at the southern border, tripling the amount provided for that purpose during the first Trump administration. Customs and Border Protection (CBP) also received increased funding.

These increased resources come during a period of time when the Administration has also taken steps to carry out immigration enforcement in areas where they previously did not.

In January 2025, the U.S. Department of Homeland Security rescinded the "sensitive locations" policy that has prohibited immigration enforcement actions in places that provide vital services important to well-being, including schools, early childhood facilities, houses of worship, and hospitals. Immigration officials have already begun enforcement efforts at public schools in 2025. Given this policy change and the additional funding provided by OBBBA, those efforts will likely accelerate and intensify, which could mean more raids, increased family separation, and reduced attendance at education programming in immigrant-heavy communities.

While enforcement funding grows, there is a cap on the number of immigration judges which could worsen existing case backlogs for those seeking to attain lawful immigration status. Additionally, the cost of seeking lawful status is rising, with increased fees for individuals applying for asylum or temporary protected status, potentially limiting access to humanitarian relief for those in need. The fee increases have gone into effect as of July 22, and the increased funding for ICE and CBP is effective this fiscal year.

Immigration Policy Changes Will Impact Families Enrolled in Early Childhood Programs and the ECE Workforce: OBBBA includes provisions that restrict access to existing benefits for immigrant families, many of whom are raising U.S. citizen children and contributing to the economy. They also carry implications for early educators. More than one in five early educators nationwide are immigrants, including both documented and undocumented individuals. In some states, immigrants make up close to or even more than 40% of the early educator workforce. Limiting access to health care, tax benefits, and safety net support could destabilize the lives of these workers.

Families without Social Security Numbers will be barred from accessing new tax-free savings accounts designed to support household stability. Further, the OBBBA will eliminate eligibility for SNAP and Medicaid for immigrants residing legally in the U.S. under humanitarian protections—including refugees and survivors of domestic violence, human trafficking, and other serious harm.

Health care access for immigrant families will also be curtailed. Lawfully present immigrants with incomes below the poverty level will no longer be able to purchase subsidized health plans through the Affordable Care Act (ACA) marketplace. Additionally, hospitals would see reduced reimbursement for emergency services provided to immigrants who would otherwise qualify for Medicaid if not for their immigration status—creating both access issues for patients and financial strain on health systems.

These changes would also deeply affect the early childhood education workforce, where immigrant workers play a vital role.

II. Considerations for States

In light of OBBBA's impending cuts to SNAP and Medicaid and shifting costs onto states, state governments are facing significant financial and operational pressures. The reduction in federal support is expected to create funding gaps that will be extremely difficult for states to fill on their own. At the same time, new administrative requirements will place additional burdens on already-stretched state systems, all while fewer federal dollars are available to fund critical services.

Whether in regular or special legislative sessions, states will be forced to make defining choices. For example, states will either allow fewer families to access food and health care or attempt to backfill lost federal funding by raising new revenue or reallocating existing funds. Although some states may have flexibility to increase revenue, others operate under restrictive fiscal policies. As financial pressure builds, the ripple effects could extend beyond social services, potentially impacting spending in other areas and straining administrative capacity across state agencies. The considerations below outline both opportunities for state policymakers to think about how the ECE sector can help to mitigate impacts on children and families, and some choice points that can minimize impacts on child care affordability and supply.

Maintaining and Growing Early Childhood Investments will Help State and Local Economies, Increasing State Revenue: Child care helps parents go to work, supporting important industries and increasing state revenue. About two-thirds of children who have not yet reached school age have all available parents in the workforce. Families that receive assistance to help pay for child care have higher wages and employment rates and greater employment stability. Investing in initiatives to expand the supply of quality child care offers high returns in the form of increased revenue, reduced spending on benefit programs, and larger state and local economies.

With Additional Resources, ECE Programs can Support Families in Accessing Benefits amid Changes: States can leverage partnerships with ECE providers to help inform families of changes and help them to maintain eligibility. ECE providers maintain regular, consistent communication with families and are often viewed as trusted sources of information. This positions them to play a key role in helping families understand important policy changes including details of OBBBA—such as exemptions from new work requirements for families with a child under age 14 in states that have expanded Medicaid for low-income individuals. Head Start programs, in particular, are required to support families in accessing benefits like SNAP and Medicaid and can help them navigate more frequent eligibility determinations. One in four children have an immigrant parent, but the majority of these children are U.S. citizens. ECE programs can also assist families in understanding children's eligibility for programs like Medicaid, CHIP, and SNAP, even when parents themselves may not qualify.

State Funds Spent on ECE Maximize both Federal Dollars Coming to the State and the Number of Children that can be Served in Existing Programs: By investing in child care and fully leveraging federal funding sources, states can maximize access to federal funds to support ECE by allocating their full match funds in the CCDF. States get a share of the mandatory funding without a required match, but can maximize federal dollars through a match. The vast majority of states draw down matching funds. States contribute nearly $1 billion in collective funds through the match. States that currently invest in child care directly through the Temporary Assistance for Needy Families (TANF) program can also consider transferring funds from TANF to CCDF to augment their total child care investment. Many states have maximized federal Head Start dollars by adding state investments as well. These state dollars are critical to reaching more children in Head Start and state and local preschool programs. They build on the scale and impact of Head Start by ensuring that more children have access to high-quality early education.

Spending on High-Quality ECE Reduces Costs in Education and other Sectors: Children who attend high-quality early childhood programs experience gains throughout their lifetimes, and the benefits can lead to broader cost-savings in society. Children who attend Head Start are less likely to need special education or to repeat a grade in elementary school. They are also more likely to go on to graduate from high school and have better health outcomes as adults.

ECE programs will face higher costs and lower revenue due to social safety net policy changes: Currently, most families participating in Head Start and CCDBG are also able to access SNAP to support access to food. SNAP is effective at reducing hunger and food insecurity, and lifting households out of poverty. The meals and snacks children typically consume at child care are sometimes provided by the program and other times provided by parents. However, when families are food insecure, including as a result of losing access to SNAP, child care providers continue to provide meals and snacks, often absorbing costs when families cannot afford to pay or provide more. Furthermore, children who participate in SNAP are typically in better health and more likely to receive well-child doctor visits as compared to children who do not participate.

For programs like Head Start that provide developmental screenings and access to medical and dental homes, costs could shift from other programs such as Medicaid and CHIP to early childhood. Head Start programs must provide a developmental screening within the first 45 days of a child's enrollment. They are also required to support follow-up medical care for any issues identified during the screening. Head Start programs must also work with families to ensure that children have an ongoing source of medical and dental care. Program staff work to enroll families in Medicaid or CHIP if they are eligible. If families are ineligible, Head Start programs must ensure the child is still able to receive needed medical care, increasing demands on staff and pressuring them to seek other resources–including from the state–to meet their obligations to children and families.

Supporting Immigrant Communities will Positively Impact Child Care Supply and Access: States should consider the impact on child care supply and stability in determining their approach to providing benefits for immigrants and the impact of federal immigration enforcement. Approximately one in five child care workers was born outside the U.S. In some states, an even higher proportion of child care workers are immigrants. For example, in Florida and New York, two in every five child care workers are immigrants. Child care workers born outside the U.S. make up a considerable portion of home-based child care providers, which expands child care options and parent choice. These child care workers may be especially impacted by changes to Medicaid and SNAP and new immigration enforcement policies. If there are fewer child care workers, child care programs will have less capacity and more families will find themselves on waiting lists. For resources, stakeholders can reference MomsRising's recent post on Protecting & Supporting Immigrant Children & Their Families in Early Learning Spaces, which compiles toolkits and guidance to help providers, advocates, and families navigate immigration-related challenges in early learning settings. Resources include family preparedness plans, "know your rights" materials, safe-space policy guides, and rapid-response contacts, along with research and messaging supports.

III. Conclusion

The OBBBA introduces sweeping changes that will significantly impact the ECE sector. Changes will likely harm especially low-income families, immigrant communities, and the ECE workforce (which is disproportionately composed of both). Reductions in access to Medicaid and SNAP, stricter eligibility requirements, and increased immigration enforcement will create barriers to essential services for many families. ECE providers may face higher operating costs as staff lose access to public benefits. Though some tax provisions offer modest relief, they largely bypass the families and providers most in need. In this challenging landscape, states have a critical role to play. By sustaining or expanding investments in early childhood programs, leveraging federal funding opportunities, and equipping ECE providers to support families through policy changes, states can help stabilize access to early childhood programs. Supporting immigrant communities and protecting the ECE workforce will be essential to maintaining supply and ensuring that families do not lose access to reliable, high-quality care. Thoughtful state-level action will mitigate harm and preserve critical support for young children and their families.
