Tracking Federal Early Care and Education Policy Actions

Executive, Legislative, and Judicial Developments Over the Past Year and What's to Come

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Over the past year, the early childhood field has experienced significant shifts at the federal level, with changes across the executive, legislative, and judicial branches affecting the landscape for young children, families, and early educators. Although early childhood has not been as explicit a focal point of Trump Administration actions as K-12 and higher education, it has not been insulated from broader policy and funding changes. Some of these changes also present a potential risk for future early childhood investments—which have long received support across political parties—by associating funding for young children with more polarizing topics.

This memorandum summarizes key developments over the last year and looks ahead to the second year of the Trump Administration to help the early childhood sector understand and respond to actions taken by the Administration, Congress, and the courts.

I. EXECUTIVE BRANCH: LEVERAGING A WHOLE-OF-GOVERNMENT APPROACH TO ADVANCE PRIORITIES WITH SIGNIFICANT IMPACT ON EARLY CHILDHOOD PROGRAMS

Through expanded assertions of executive authority, including executive orders, use of funding conditions, and administrative and enforcement actions, the Trump Administration has advanced multiple priorities, including related to (1) reducing the size of the federal workforce and shifting authority and responsibilities to the states; (2) banning diversity, equity, inclusion, and accessibility (DEIA) initiatives and freezing funds for certain programs; and (3) enhancing immigration enforcement and denial of benefits and rights. These sweeping efforts, while not exclusively focused on early childhood, have had significant downstream effects on early childhood programs, shaping how they are funded, staffed, and regulated. Below we summarize actions the Administration has taken in these three areas that have significantly impacted early childhood programs.

A. Reduce the Federal Civil Service's Role and Shift More Decision Making to the States

1. Federal staff RIFs: Beginning in February 2025, the Trump Administration implemented government-wide Reductions in Force (RIFs) as part of a broader effort to shrink the federal workforce. While not targeted specifically at early childhood, the RIFs at the U.S. Department of Health and Human Services (HHS) disproportionately affected the Office of Head Start (OHS) and the Office of Child Care (OCC) because both happened to have a large number of recent hires. HHS also announced a reduction in regional offices from ten to five as part of a larger restructuring. Secretary Kennedy stated that the restructuring was designed to reduce redundancies in the agency and focus on his Make America Healthy Again agenda. The closed regional offices collectively served early childhood grant recipients in 22 states, and both OHS and OCC maintained significant staffing in regional offices to support states, Tribes, and community organizations in implementing early childhood programs. Staff who were part of the RIF included those responsible for monitoring, data, and child safety, thus reducing capacity to administer nearly $25 billion in early childhood funding and limiting support to states and local programs. (RIFs impacting the OHS are currently paused and staff remain on paid administrative leave; see section below on litigation for more information.)

2. Deregulation and focus on state decision making: As part of a broader deregulatory agenda, the Trump Administration has sought to remove federal regulations and shift more decision-making authority to states in some instances.[1] At HHS, this approach has meant taking initial steps to scale back regulatory requirements in the Child Care and Development Fund (CCDF). Proposed CCDF rule changes would eliminate federal requirements related to family co-pay limits, enrollment-based payments, and upfront provider payments. In the NPRM text, HHS acknowledges that these changes may reduce provider participation and lower provider payments, and it expresses that these are potential concerns in removing federal requirements; nevertheless, the agency reiterates its commitment to letting states decide whether to implement these policies (see our earlier Deep Dive on the proposed CCDF regulatory changes).

The Administration has also taken efforts to rescind sub-regulatory guidance, reduce oversight, and expand flexibility. ACF recently announced that it had reduced its sub-regulatory footprint by nearly 75%. The Administration has also stated in its Fiscal Year 2026 budget that it plans to advance reform principles for Head Start, including "streaming federal oversight to increase state and local flexibility." It may operationalize those principles in a draft rule, or through other executive actions. The Administration also signaled plans to reduce the number of Head Start performance standards and increase flexibility, noting specifically that they plan to remove requirements to benchmark wages and benefits for early educators with local elementary schools. This rule is currently under OMB review and could be published for public comment soon.

B. Leveraging Federal Early Childhood Funds to Advance the Administration's Anti-DEIA and Other Agendas

1. Efforts to ban DEIA activities*:* While the Administration has selectively focused on deregulation in some areas, it has at the same time sought to tighten control over federal funds in other areas to align with its priorities on DEIA related to early childhood funding. The Trump Administration has sought to eliminate the use of federal funds for DEIA activities and exert more political control over the grant making process through executive orders and agency actions. HHS has applied these restrictions to early childhood programs through guidance, grant terms, and direct communication with grantees, but it has not clearly defined what constitutes prohibited DEIA activities. Some HHS actions over the last year have included:

- HHS notified Head Start grant recipients that funds could not be used for any DEIA-related activities, without limiting the restriction to unlawful conduct or defining the terms. OHS officials also directed some programs to remove certain language from grant applications. (A court order has since paused HHS's implementation of this guidance for all Head Start programs.)

[1] At the same time as the Administration took steps to increase states' ability to scale back federal requirements, it also used its executive authority to align federal funding with its priorities and target certain states, as described elsewhere in this brief. The Administration has selectively deferred to states in areas that are less of a priority.

- Similar guidance was issued in July 2025 to state, territorial, and tribal Child Care and Development Fund (CCDF) Lead Agencies, instructing them to review grants and contracts for DEIA activities.

- Updated Administration for Children and Families (ACF) grant terms allow broader federal discretion to terminate awards and require assurances that grantees will adhere to DEIA prohibitions.

- The Preschool Development Grants Birth to Five application indicated that funds could not be used for DEIA.

2. Funding delays and freezes*:* At different points throughout the past year, grantees experienced funding delays, creating operational challenges for early childhood providers. These actions were a result of both attempts to reduce or eliminate funding for programs or grants at odds with the Administration's goals as well as other executive actions, such as staffing reductions and new reporting requirements. In Spring 2025, for example, Head Start funds were significantly delayed at the same time that OMB limited funds for HHS to distribute to programs and that a leaked budget document instructed HHS to use 2025 funds to close out the program (though the final budget ultimately preserved the program and recommended level funding).

Head Start programs continue to experience recurring and unpredictable delays for grant awards and funding draw downs. The delays stem from multiple factors including less capacity in regional offices, heightened scrutiny of applications for DEIA content, and new requirements such as the "Defend the Spend" process, which requires grantees to justify funding drawdowns beyond existing reporting and auditing rules. Lack of clear guidance and inconsistent implementation have created administrative burdens and, in some instances, forced temporary program closures. The U.S. Government Accountability Office found that the Administration violated the Impoundment Control Act in 2025 by failing to disburse Head Start funds that Congress had appropriated.

The Administration also recently restricted early childhood funding based on allegations of fraud. In early 2026, HHS froze Temporary Assistance for Needy Families (TANF), Child Care and Development Fund (CCDF), and Social Services Block Grant (SSBG) funds in five states (California, Colorado, Illinois, Minnesota, and New York), citing fraud concerns (fraud refers to intentionally violating program requirements). However, the Administration did not provide evidence of fraud in letters to states indicating their decision to freeze funds. A federal court has since paused the freezes and related reporting requirements. Allegations of fraud in child care subsidy programs have also fueled congressional scrutiny (discussed further below), new U.S. Department of Justice enforcement efforts, and proposed regulatory changes. Additionally, during his most recent State of the Union Address, the President declared a "war on fraud," underscoring the Administration's interest in pursuing claims of fraud in the near and long terms. These actions have created uncertainty among states and providers.

C. Increase Immigration Enforcement & Deny Benefits and Rights to Noncitizens

1. Increased enforcement and chilling effect on enrollment and staffing: The Department of Homeland Security (DHS) rescinded longstanding guidance that limited ICE enforcement in "sensitive" locations including child care and early childhood settings, along with schools. As immigration enforcement and detention ramp up with new resources from the One Big Beautiful Bill Act (OBBBA), early childhood programs have reported a decline in enrollment among families. Several high-profile enforcement actions occurred in early childhood settings, drawing concerns about exposing children to law enforcement activity and potential violence. Recent research has found that increased immigration activity has led to changes in the child care marketplace, including reductions in the child care workforce, that have impacted maternal labor force participation and may lead to broader economic impacts. Furthermore, approximately one in five early educators was born outside the U.S., creating concerns that continued increases in immigration enforcement could exacerbate staffing challenges in ECE settings.

2. Interpretations impacting rights and access to resources: In July, HHS announced that it was changing a 25-year policy that excluded Head Start from the definition of a "public benefit" and instead would begin requiring verification of immigration status prior to them enrolling in Head Start. HHS did not include implementation guidance, and a court granted a preliminary injunction preventing HHS from enforcing immigration verification processes in Head Start programs in all states while the lawsuit proceeds to a final decision.[2] (For more information about the "public benefit" reinterpretation, see our Deep Dive.) DHS also published a more expansive interpretation of "public charge"; although DHS did not mention early childhood programs, the new interpretation will allow participation in any federal program to be considered in immigration proceedings if it is finalized. The President also issued an Executive Order (EO) on birthright citizenship that seeks to strip citizenship from children born in the U.S. to noncitizen or temporary-status parents. (The EO is currently enjoined by lower courts while the Supreme Court will hear arguments in a challenge to it during the spring, with a decision anticipated by June 2026). Finally, USED rescinded joint guidance it had issued with the U.S. Department of Justice that had been in place since 2015 that described how state education agencies (SEAs) and local education agencies (LEAs) can meet their obligations to serve English Learner Students under Title VI of the Civil Rights Act of 1964. (Note that federal law and binding federal court precedents still require that school districts provide English learners access to public education and "take appropriate action to overcome language barriers that impede equal participation" by students in their instructional programs.)

II. CONGRESS: CHANGING BENEFIT PROGRAMS AND THE TAX CODE, PRESERVING CORE EARLY CHILDHOOD PROGRAMS, EXPRESSING BIPARTISAN INTEREST ON POLICY, AND FOCUSING ON FRAUD

Over the past year, Congressional responses to the Administration's early childhood and human services actions have been constrained by political dynamics. Democrats have raised concerns through oversight letters, hearings, and public statements but have had limited ability to change policy outcomes. Congress passed the President's signature legislative package, the One Big Beautiful Bill Act (OBBBA) along partisan lines, which made major changes to SNAP and Medicaid programs as well as directed significant

[2] In addition, the Head Start Act allows children to remain enrolled for the current program year and the subsequent year once they have been deemed eligible.

spending on tax cuts and immigration enforcement. However, the most recent bipartisan appropriations legislation demonstrated some Congressional checks on executive action by preserving key early childhood programs and even including some modest funding increases. Congress has also demonstrated bipartisan interest in child care policy changes, but also focused on fraud allegations.

A. OBBBA Makes Fundamental Changes to Benefit Programs, Immigration, and Taxes

1. Focus on tax credits for employers and families. OBBBA included positive changes in tax credits that increase support for child care, though because they are based on employment and/or reductions in taxable income they will most benefit middle- and higher-income families. For example, OBBBA expanded tax credits for employers that support child care for their employees in several ways through a tax provision called "45F." While the tax credit was previously viewed as limited to spending on onsite facilities, employers can now claim expenses on intermediaries that in turn contract with qualified child care facilities. This allows companies to offer, facilitate, or subsidize care without directly managing a facility. The bill also significantly increased the amount that employers can claim with additional incentives for small businesses.

OBBBA increased the Child and Dependent Care Tax Credit to a maximum of $1,200 for one child and $2,100 for two or more children. The credit is non-refundable, which limits benefits for low-income families. The law also raised the Child Tax Credit to $2,200 per child, indexed to inflation starting in 2026, and narrowed eligibility by requiring children and both parents to have Social Security numbers. While phase-out thresholds were adjusted to concentrate benefits among middle-income families, the credit remains non-refundable, reducing its value for families with the lowest incomes as well as for mixed status families.

Revisions to the Dependent Care Assistance Program allow employees to set aside tax-free funds for care-related expenses, with the annual limit increasing from $5,000 to $7,500. About half of U.S. workers have access to such employer-sponsored tax-free savings accounts, and those who do are more likely to be higher-income employees at larger companies offering these benefits.

OBBBA also created Trump Accounts, which establish tax-preferred savings accounts for children under 18. Newborns with a Social Security number receive a one-time payment of $1,000 from the Treasury and families with older children can register for accounts to establish savings for their children and benefit from private donors that have pledged contributions.

2. Changes to SNAP and Medicaid. OBBBA reduced access to SNAP and Medicaid, which could affect many low-income families and child care providers, including the 43% of providers who rely on public benefits. States will also face reduced federal funding and new cost-sharing requirements, potentially straining state budgets and limiting spending in other areas, including early childhood programs. As fewer families access nutrition and health supports, child care and Head Start programs may face higher costs to address growing gaps in children's meals and health needs. New Medicaid work requirements could also create additional barriers for child care providers—especially self-employed home-based providers—who may have difficulty documenting their work hours or income. (See our Deep Dive on OBBBA's impact on early childhood.)

B. Core Early Childhood Programs Retained

1. Congress retains programs proposed for elimination in the President's Budget. After a prolonged shutdown in fall of 2025, Congress passed an FY26 appropriations bill that level funded Preschool Development Grants Birth to Five (PDG B-5), Child Care Access Means Parents in School (CCAMPIS), and the Individuals with Disabilities Education Act (IDEA) Preschool Grants, all of which the President proposed eliminating. Notably, bipartisan report language from the Senate stated that the Office of Special Education Programs (OSEP) within the U.S. Department of Education (USED) plays an important role in ensuring state compliance with IDEA[3] and explicitly funded Special Education Preschool under IDEA at $420 million, consistent with the previous year. Congress also instructed USED to hold a CCAMPIS grant competition in FY26.

2. Increases for Head Start and CCDF. Both Head Start and CCDF received increases of $85 million. Although these increases represent rare funding increases in the appropriations law, the early childhood sector is at the same time experiencing higher provider operating costs and child care prices.

3. New language requiring timely grant payments. Congress included new statutory language to ensure timely delivery of early childhood funds. Specifically, the legislation requires that OHS issues continuation grants without gaps in funding, meaning grantees must receive their annual Notice of Award on or before the start of their funding cycle. It also requires HHS to make CCDF payments to states on a quarterly basis.

C. Growing Bipartisan Interest in Child Care, but Limited Funding

Over the past year, members of the 119th Congress introduced several bipartisan child care bills aimed at addressing affordability, supply, and the workforce. This reflects significant and broad-based interest in child care among elected officials and the public, even though the proposed legislation is unlikely to pass Congress. These proposals span multiple strategies, including updating the Child Care and Development Block Grant, expanding tax credits, investing in facilities and workforce training, and targeting shortages in rural areas and for families working nontraditional hours. The volume and bipartisan nature of these bills signals sustained political interest and a clear desire among lawmakers to demonstrate responsiveness to families and providers struggling with affordability and access.

D. Increased Attention to Oversight and Fraud

Like the Administration, Congress has also focused on allegations of fraud in child care, with a particular focus on Minnesota. To date, there have been at least four Congressional oversight hearings focused on fraud, with two focused specifically on Minnesota. Although the hearings were organized to explore alleged fraud in child care, the instances of documented fraud referenced in the hearings were not from early childhood programs. In addition, the Chair of the Senate Health, Education, Labor and Pensions (HELP) Committee launched a dedicated task force to investigate fraud in early childhood programs and recommend policy changes. The House Education and Workforce Committee passed eight bills to amend

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[3] Specifically, the report language states "The Committee notes the important role that the Office of Special Education Programs [OSEP] plays in ensuring States' compliance with IDEA and requests an update in the fiscal year 2027 congressional justification on OSEP's IDEA monitoring and technical assistance support efforts maintained by funding provided in this act."

the Child Care and Development Block Grant (CCDBG) Act, which, if enacted, would give more discretion to the HHS Secretary to withhold child care funds and place more reporting requirements on states (see more information in this EducationCounsel blog: Congress Considers Bills on Child Care Fraud).

III. JUDICIAL BRANCH: CHALLENGING SEVERAL ADMINISTRATIVE ACTIONS

Over the past year, courts have played a significant role in reviewing Administration actions affecting early childhood and human services programs. Federal courts granted preliminary injunctions blocking implementation of new Head Start requirements—including DEIA restrictions, immigration verification policies, and staffing reductions—and ordered the restoration of frozen child care and human services funding. In litigation challenging RIFs across the federal workforce, courts have allowed the government to proceed with some RIFs while others are paused as litigation proceeds.

A. Head Start Associations and Parent Organizations Challenge Administration Actions on Head Start

In *Washington State Association of Head Start and Early Childhood Assistance and Education Program et al. v. Robert F. Kennedy et al.*, four Head Start state associations and two parent organizations (represented by the American Civil Liberties Union) allege that the Administration has attempted to illegally dismantle the Head Start program (see our litigation summary here). The plaintiffs specifically challenge three HHS actions: (1) the DEIA guidance issued by Head Start in March 2025, which they argue conflicts with statute and Head Start's mission, (2) RIFs and regional office closures that have impaired HHS's ability to administer the program, and (3) immigration verification requirements that plaintiffs assert are vague and unlawful. The lawsuit claims that HHS has violated federal law by undermining a congressionally authorized program; issuing guidance that is arbitrary and capricious under the Administrative Procedure Act by purging DEIA language and reinterpreting eligibility criteria without justification; and harming children and families who depend on Head Start services by restricting access to funding and destabilizing Head Start programs. The court granted a preliminary injunction, which prevents HHS from further implementation of the DEIA guidance, immigration verification, and RIFs. The injunction applies to all Head Start programs across the country. A final decision from the court is likely in Spring 2026.

B. States Challenge Funding Freeze for CCDF, TANF, and SSBG

The five states impacted by the funding freeze on child care and human services programs challenged the Administration's actions in *State of New York et al. v. Administration for Children and Families et al.* This federal lawsuit alleges that the Administration's freeze on $10 billion exceeded its legal authority by imposing funding restrictions not authorized by statute. The court agreed that immediate relief was warranted and granted a preliminary injunction, ordering ACF to stop enforcing the funding restrictions and to restore the states' ability to access funds. The injunction preserves the status quo until the court issues a full decision on the merits.

C. Lawsuits Challenging Federal Staffing RIFs

Since the Administration initiated RIFs, several labor unions and states have challenged the government's authority to implement a large-scale restructuring of the federal workforce. In three cases (*Office of Personnel Management v. American Federation of Government Employees*, *Trump v. American Federation of Government Employees*, and *McMahon v. New York*), the government successfully appealed to the Supreme Court to overturn lower court decisions pausing implementation of the RIFs. Following their successful appeal, the government proceeded with the RIFs, although the litigation remains ongoing. However, in a separate case, *New York v. Kennedy*, a preliminary injunction prevents HHS from implementing RIFs in several HHS offices, including the OHS. In addition, a preliminary injunction in the Head Start litigation described above also paused implementation of OHS RIFs. Thus, RIFs in the OCC and the Office of Early Childhood Development have moved forward, while RIFs in the OHS are currently paused with affected staff remaining on paid administrative leave.

IV. LOOKING AHEAD: WHAT TO EXPECT IN 2026

This section highlights several developments that are likely to shape federal early childhood policy in 2026. These projections are inherently uncertain, as many hinge on pending litigation, administrative action, and Congressional posturing as the midterm elections approach.

Litigation will determine issues on agency capacity, immigration, funding, and civil rights. The preliminary injunctions pausing RIFs, immigration verification, and DEIA language in Head Start are temporary, meant to prevent HHS from further implementation while the litigation proceeds. The government did not appeal the preliminary injunctions on RIFs, DEIA, or immigration verification. Pending litigation will also determine whether HHS can freeze funds for the five states. The courts are likely to resolve these cases in Spring 2026.

Immigration enforcement is likely to expand in the coming months. As ICE hires more officers and ramps up activity with expanded resources, immigration and enforcement will likely increase. Heightened enforcement will directly impact children in mixed status families as well as children exposed to law enforcement activity in their communities. The Administration continues to scale back avenues to legal immigration, such as efforts to revoke humanitarian parolee status for Cuban, Haitian, Nicaraguan, and Venezuelan entrants. These changes will have impacts on early childhood programs, especially in communities serving impacted families whose immigration statuses are in flux.

CCDF and Head Start grant recipients continue to face uncertainty on funding. Delays in funding caused by reduced staffing and "Defend the Spend" continue to create uncertainty for grant recipients in CCDF and Head Start. While the lawsuits proceed to final rulings, delays in federal funds are likely to continue, with varying outcomes. In CCDF, the impact of delays will depend on the length of time and the particular state funding structure. In Head Start, most grantees cannot operate for more than a few weeks without federal funds—and some programs cannot operate for more than a few days. After a year of uncertainty and unpredictability in the federal funding process, many Head Start programs are unwilling to risk incurring operating expenses without federal funding on hand.

Efforts to address alleged fraud at the federal and state level continue. Both administrative and legislative actions at the federal and state level are likely to continue regarding allegations of fraud in child care. HHS will issue a final rule on CCDF, which could make policy changes in response to perceived fraud. Some states are likely to reverse policies that pay providers based on enrollment, which amounts to a pay cut and could result in fewer providers accepting subsidy payments. Some federal and state legislators have introduced legislation with additional oversight over child care attendance that could create operational, privacy, and safety concerns.

Rulemaking will impact questions of affordability, provider stability, quality, and flexibility. HHS will publish a final CCDF rule after reviewing and responding to public comments and addressing policies that will determine family payments and the timing and stability of provider payments. HHS has yet to issue a proposed regulation for Head Start, but it has indicated a desire for fewer Head Start regulations and removing requirements around early educator pay and benefits in the program. The timing for finalizing both regulatory actions is unknown.

Tax provisions will go into place, creating new funding sources and incentives for employers. Many tax provisions go into effect for the tax year that began on 1/1/26. Given that the CDCTC and the CTC offer modest benefits compared to the total cost of child care, they are unlikely to significantly alter child care prices, supply, or demand. The significant expansion of employer-sponsored child care benefits could change employer interest in providing child care as a benefit to employees. However, take up rates and impact will not be known for a few years and are difficult to predict due to lack of precedent.

Medicaid work requirements become effective at the beginning of next year. Medicaid work requirements go into effect on 1/1/27. The federal government will issue regulations that will direct states on the parameters for implementing the new requirements. States will face a series of decisions about how to implement and how to define work. These decisions could significantly impact child care providers, particularly home-based providers who often have less access to documentation of salary and work hours.

States will face difficult funding decisions as OBBBA provisions transfer costs from the federal government to states. States will also face fiscal decisions about how to allocate state budgets in light of new cost-sharing requirements imposed by OBBBA relating to SNAP, and cost burdens associated with implementation of OBBBA's Medicaid provisions. Decisions will include whether to use state funds to offer benefits to individuals who are no longer federally eligible. State fiscal constraints will impact early childhood programs, especially the amount that the state contributes to programs like child care subsidies, preschool, and other services for young children and their families.

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