

119TH CONGRESS
2^D SESSION

H. R. 7726

AN ACT

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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Stop Child Care Scams
3 Act of 2026”.

4 **SEC. 2. STRENGTHENING THE AUTHORITY TO WITHHOLD**
5 **FUNDS FOR FRAUD.**

6 Section 658I(b)(2)(B) of the Child Care and Develop-
7 ment Block Grant Act of 1990 (42 U.S.C. 9858g(b)(2))
8 is amended by striking “Secretary may” and inserting
9 “Secretary shall”.

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

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

14 “(W) PROGRAM INTEGRITY AND ACCOUNT-
15 ABILITY.—The plan shall include a description
16 of—

17 “(i) the State’s internal controls to
18 ensure program integrity and account-
19 ability;

20 “(ii) the processes in place—

21 “(I) to investigate and recover
22 fraudulent payments; and

23 “(II) to impose sanctions on cli-
24 ents or providers in response to fraud;
25 and

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

3 Such description shall include how the State
4 utilizes data within and across other State and
5 local agencies that have oversight of child care
6 providers that serve children who receive assist-
7 ance under this subchapter.”.

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

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

13 (1) by redesignating paragraph (3) as para-
14 graph (4); and

15 (2) by inserting after paragraph (2) the fol-
16 lowing:

17 “(3) DETERMINATION OF FRAUD.—

18 “(A) INVESTIGATION.—The Secretary shall
19 investigate fraud with respect to financial as-
20 sistance available under this subchapter.

21 “(B) DEBARMENT.—In the case that the
22 Secretary makes, or finds that there has been,
23 a final determination of fraud against a child
24 care provider that received financial assistance
25 available under this subchapter, the Secretary

1 shall permanently debar such child care pro-
2 vider from receiving such financial assistance.

3 “(C) PROVIDERS DEBARRED FROM CHILD
4 AND ADULT CARE FOOD PROGRAM.—In the case
5 that a child care provider has been debarred
6 from participating in the Child and Adult Care
7 Food Program under section 17 of the Richard
8 B. Russell National School Lunch Act (42
9 U.S.C. 1766) in accordance with subsection
10 (d)(5)(E)(i) of such section, the Secretary shall
11 permanently debar such child care provider
12 from receiving financial assistance under this
13 subchapter.

14 “(D) FINAL DETERMINATION OF FRAUD
15 DEFINITION.—In this paragraph, the term
16 ‘final determination of fraud’ means a deter-
17 mination reached in an administrative order or
18 as part of a judicial decision, for which any
19 rights to review or appeal have been exhausted
20 or waived, that a child care provider—

21 “(i) knowingly submitted a false state-
22 ment or documentation to obtain financial
23 assistance available under this subchapter;

24 “(ii) misrepresented ownership of, en-
25 rollment at, attendance at, or services pro-

1 vided through a program of child care
2 services, or the eligibility of the provider to
3 provide such services, to obtain such finan-
4 cial assistance;

5 “(iii) to obtain such financial assist-
6 ance, operated without the State licensing
7 described in section 658E(c)(2)(F) and
8 without receiving an exception to such li-
9 censing;

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

12 “(v) engaged in any other conduct re-
13 lated to such financial assistance that con-
14 stituted fraud under Federal or State
15 law.”.

16 **SEC. 5. IMPROPER PAYMENT RATE REQUIRING CORREC-**
17 **TIVE ACTION PLAN; CONDITIONAL INELIGI-**
18 **BILITY.**

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

21 (1) by redesignating subsection (c) as sub-
22 section (e); and

23 (2) by inserting after subsection (b) the fol-
24 lowing:

1 “(c) IMPROPER PAYMENT THRESHOLD REQUIRING
2 CORRECTIVE ACTION PLAN.—If for a fiscal year the im-
3 proper payment rate of a State is more than 5 percent
4 of the aggregate amount of payments made to carry out
5 this subchapter by such State for such fiscal year, then
6 such State shall submit to the Secretary—

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

10 “(2) such reports as the Secretary may require
11 to show that such State is complying with the re-
12 quirements of such plan as approved by the Sec-
13 retary.

14 “(d) CONDITIONAL INELIGIBILITY.—If for each of 2
15 consecutive fiscal years the improper payment rate of a
16 State determined under this section is more 5 percent,
17 then such State shall be ineligible to receive funds under
18 this subchapter unless such State demonstrates to the sat-
19 isfaction of the Secretary that such State for the next fis-
20 cal year will—

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

23 “(2) make significant progress to comply with
24 the corrective action plan approved under subsection
25 (c).”.

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

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

5 “(c) PERIODIC MONITORING BY THE SECRETARY.—

6 At 3-year intervals, the Secretary shall conduct a com-
7 prehensive review of the performance of each State that
8 receives assistance under this subchapter. Based on the
9 results of such review, the Secretary shall designate as
10 high risk a State that has—

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

13 “(2) a high level of unresolved issues under, or
14 repeated performance failures to carry out, correc-
15 tive action plans submitted by such State under sec-
16 tion 659J(c); or

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

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

1 **SEC. 7. PREVENTING FRAUD IN THE CHILD AND ADULT**
2 **CARE FOOD PROGRAM.**

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

5 (1) by redesignating subparagraph (E) as sub-
6 paragraph (F); and

7 (2) by inserting after subparagraph (D) the fol-
8 lowing:

9 “(E) TERMINATION DUE TO FRAUD.—

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

18 “(ii) PROVIDERS DEBARRED FROM
19 CHILD CARE AND DEVELOPMENT BLOCK
20 GRANT PROGRAM.—In the case that an in-
21 stitution or family or group day care home
22 has been debarred from receiving financial
23 assistance under the Child Care and Devel-
24 opment Block Grant Act of 1990 (42
25 U.S.C. 9857 et seq.) in accordance with
26 section 658I(b)(3)(B) of such Act, the Sec-

1 retary shall permanently debar such insti-
2 tution or family or group day care home
3 from participating in the program.

4 “(iii) FINAL DETERMINATION OF
5 FRAUD DEFINITION.—In this subpara-
6 graph, the term ‘final determination of
7 fraud’ means a determination reached in
8 accordance with the procedures and re-
9 quirements of this section, for which any
10 rights to review or appeal have been ex-
11 hausted or waived, that an institution or
12 family or group day care home—

13 “(I) knowingly submitted a false
14 statement or documentation to obtain
15 funds disbursed under subsection
16 (f)(1)(A);

17 “(II) misrepresented ownership,
18 enrollment, attendance, or services in
19 connection with the operation of the
20 program by such institution or family
21 or group day care home, or the eligi-
22 bility of such institution or family or
23 group day care home to operate the
24 program, to obtain such funds;

1 “(III) made a knowing and im-
2 proper expenditure of such funds; or
3 “(IV) engaged in any other con-
4 duct related to such funds that con-
5 stituted fraud under Federal or State
6 law.”.

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

8 Section 658I(c) of the Child Care and Development
9 Block Grant Act of 1990 (42 U.S.C. 9858lg(c)) is amend-
10 ed—

11 (1) in paragraph (1) by striking “or sanctions
12 imposed upon a State in accordance with subsection
13 (b)(2)”;

14 (2) in paragraph (2)—

15 (A) in subparagraph (A) by striking “sanc-
16 tion or”; and

17 (B) in subparagraph (B) by striking
18 “sanction or”;

19 (3) in paragraph (3) striking “sanction or”;
20 and

21 (4) in paragraph (7) by striking “sanction(s)
22 or”.

1 **SEC. 9. GAO STUDY AND REPORT ON PROVIDER-RELATED**
2 **FRAUD.**

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

8 (1) the effectiveness of procedures and meas-
9 ures to prevent fraud carried out by providers of
10 services under such programs;

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

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

16 (B) used effectively by the Federal Govern-
17 ment to identify potential fraud carried out
18 under such programs; and

19 (3) with respect to the Child Care and Develop-
20 ment Block Grant program established under the
21 Child Care and Development Block Grant Act of
22 1990 (42 U.S.C. 9857 et seq.)—

23 (A) the program integrity results for
24 States that have delegated responsibilities re-
25 lated to program management and administra-

1 tion to counties, local municipalities, or other
2 entities; and

3 (B) whether any corrective action plans
4 have been implemented by States to improve
5 program integrity results, including any meas-
6 urable outcomes from implementing such a cor-
7 rective action plan.

8 (b) REPORT.—Not later than 2 years after the date
9 of enactment of this section, the Comptroller General of
10 the United States shall submit to the Committee on Edu-
11 cation and Workforce of the House of Representatives and
12 the Committee on Health, Education, Labor, and Pen-
13 sions of the Senate a report containing—

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

16 (2) any regulatory or legislative recommenda-
17 tions to improve fraud prevention measures in Fed-
18 eral early childhood education, child care, and child
19 nutrition programs.

20 (c) FEDERAL EARLY CHILDHOOD EDUCATION,
21 CHILD CARE, AND CHILD NUTRITION PROGRAMS DE-
22 FINED.—For the purposes of this section, the term “Fed-
23 eral early childhood education, child care, and child nutri-
24 tion programs” includes—

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

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

7 (3) the Child Care and Development Block
8 Grant program established under the Child Care and
9 Development Block Grant Act of 1990 (42 U.S.C.
10 9857 et seq.).

11 **SEC. 10. FRAUDULENT PAYMENTS.**

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

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

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

18 “(3) REPORT.—The State shall submit to the
19 Secretary an annual report that identifies the dollar
20 and percentage amount of improper payments made
21 by the State, disaggregated as specified by the Sec-
22 retary by standardized payment categories (includ-
23 ing suspected and verified fraudulent payments, non-
24 fraudulent overpayments, underpayments, and tech-

1 nically improper payments (e.g., system error pay-
2 ments)).”.

Passed the House of Representatives June 3, 2026.

Attest:

Clerk.

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