

# Michigan Department of Education Child Care Relief Fund Grants Beneficiary Considerations

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## **Purpose**

This memo documents the Michigan Department of Education's (MDE) consideration of Child Care Relief Fund Grants passed through MDE, and whether amounts provided to childcare providers should be considered subawards or payments to beneficiaries.

## **Overview / Background**

The following excerpt from MDE's [website](#) provides a brief overview:

### **Total Child Care Relief Fund Grants Awarded**

The Department utilized \$215M in federal funds to help mitigate the impacts of the global pandemic on the child care field - including \$100.8M from the CARES Act and \$115M from the Coronavirus Relief Fund. These funds supported three primary activities:

- Child Care Relief Fund Grants (\$209.6M)
- Child care billing for school age children during virtual only learning opportunities (\$6M)
- COVID absence hours (\$251K)

Six rounds of the Child Care Relief Fund grants were available for child care providers throughout the state. All six rounds offered funding to support child care providers operational costs and Rounds 3-6 included funds to make care more affordable for families through tuition credits. Please see the [Final Grant Numbers here](#).

The six rounds of funding included a grand total of 27,485 applications to approximately 8,000 unique recipients.

## **Subrecipients, Contractors, and Beneficiaries**

The Child Care Relief Fund Grants were provided using two separate federal programs:

- 93.575 - Child Care and Development Block Grant (CCDBG)
- 21.019 - Coronavirus Relief Fund (CRF)

According to <https://beta.sam.gov/>, the Uniform Guidance (the "UG" or 2 CFR 200) is only partially applicable to these programs. Specifically, Subpart E - Cost Principles, is excluded from coverage for both programs. As this is typically the primary source of guidance for subrecipient vs. contractor determinations, this complicates the process of identifying the appropriate treatment of recipients of Child Care Relief Fund payments.

While not directly applicable to these programs, it may nevertheless be instructive to consider the UG definition of a subrecipient:

**§ 200.93 Subrecipient.**

Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

As shown above, the UG typically considers beneficiaries to be “individuals” rather than entities. However, the CARES Act was specifically crafted to broaden this definition and provide relief to impacted individuals, businesses, nonprofit organizations, and local governments. In the specific case of the CRF, the US Department of Treasury has issued [guidance](#) that addresses its view of intended beneficiaries:

13. What are the differences between a subrecipient and a beneficiary under the Fund for purposes of the Single Audit Act and 2 CFR part 200, subpart F regarding audit requirements?

The Single Audit Act and 2 CFR part 200, subpart F regarding audit requirements apply to any non-federal entity, as defined in 2 CFR 200.69, that receives payments from the Fund in the amount of \$750,000 or more. Nonfederal entities include subrecipients of payments from the Fund, including recipients of transfers from a State, territory, local government, or tribal government that received a payment directly from Treasury. However, subrecipients would not include individuals and organizations (e.g., businesses, non-profits, or educational institutions) that are beneficiaries of an assistance program established using payments from the Fund. The Single Audit Act and 2 CFR part 200, subpart F regarding audit requirements do not apply to beneficiaries.

In this guidance, the term “beneficiary” has been expanded to encompass both “individuals and organizations (e.g., businesses, non-profits, or education institutions)”, and clearly states that such beneficiaries are excluded from the definition of subrecipients and therefore not subject to the Single Audit Act.

In distributing the Child Care Relief Fund Grants provided to childcare providers in Michigan, MDE clearly intended to treat these providers as beneficiaries. The funding was provided as a relief grant to providers to defray operating costs not fully covered by reduced enrollment and to reduce the cost of care passed on to families. In this regard, the providers were not “carrying out a Federal program” but rather the direct or indirect “beneficiaries of an assistance program established using payments from” the CCDBG and CRF programs.