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Adopting 12-Month Subsidy Eligibility

Impacts on Children, Families, and State Child Care Programs

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About this Paper

Child care subsidies make quality child care more affordable, support the healthy development of children, and help low-income parents access the child care they need to go to work or to school to support their families.

Under federal regulations, states have a great deal of flexibility in setting child care policies to promote access to child care assistance. Adopting 12-month subsidy eligibility, with limited interim reporting requirements, is one strategy states can implement to promote sustained access to subsidies and continuous care arrangements for children. This paper lays out the associated impacts of adopting an annual redetermination policy on children, parents, and state subsidy systems.

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By Danielle Ewen and Hannah Matthews

Child care costs are particularly burdensome for poor and low-income families, who pay a significantly higher share of their income for care than do upper-income families. For families struggling to find and retain employment, child care can be an obstacle that keeps them from economic success.

The Child Care and Development Block Grant (CCDBG, also known as the Child Care and Development Fund or CCDF) is designed to help families working, or in training or education, to receive assistance paying for child care. According to the most recent data, 92 percent of families receiving child care subsidies need help because parents are working or are in education or training programs.[1]

Children and families benefit when they have access to stable, continuous child care arrangements. Parents retain employment needed to support their families and young children benefit due to consistent care that fosters healthy development. During the current economic recession, consistent child care arrangements can provide a secure environment for young children whose families are struggling more than ever to make ends meet. High-quality child care helps children learn and develop skills they need to be successful in school and in life.

Although receiving a subsidy can help parents stay connected to the workforce and promote stable care for young children, research has found that the duration of subsidy use for recipients is often short.[2] A multitude of factors, both internal and external to the subsidy system, likely affect subsidy duration. Contributing factors within the subsidy system are a state's eligibility redetermination and interim reporting policies.

Under federal CCDBG regulations, states have a great deal of flexibility in setting policies to promote access to child care assistance. Authorizing subsidies for longer periods can help families have sustained access to child care settings. Twenty-two (22) states currently set their maximum length of eligibility at 12 months.[3] In many cases, families are required to report changes, such as changes in employment or income that would impact their eligibility status between periods of redetermination. Failure to report can result in families losing their subsidy, depending on state rules.

A number of states are considering changing subsidy rules to allow for 12-month eligibility, and some have recently changed their policies. This is consistent with annual redetermination periods in other federal programs including Head Start and the Supplemental Nutrition Assistance Program (SNAP). This paper lays out the associated impacts of adopting an annual redetermination policy on children, parents, and state subsidy systems.

Continuity in Child Care Arrangements Supports Healthy Development

Creating a secure and trusting relationship between children and their caregivers is critical for children's healthy development.[4] When a child care arrangement is stable, or without disruptions, it better lends itself to developing secure attachments between young children and their caregivers. Multiple factors can cause instability in child care arrangements, including those internal and external to families. For example, families may be dissatisfied with a child care arrangement and choose to use another one, there may be a breakdown in an arrangement as a result of a change in the provider's schedule or a change in the parent's work schedule, or the family may experience a change in employment, work schedules, or income. In some cases, multiple factors may occur simultaneously, or trigger additional factors, which lead to multiple causes in changes in arrangements.[5] For low-income families receiving subsidies, the loss of a subsidy often results in the loss of child care. Extending redetermination periods for child care assistance to 12 months, with limited interim reporting requirements, could help promote a continuous child care arrangement for families.

To promote continued participation in programs that support children's development, the federal government has long encouraged states to align eligibility for children participating in child care assistance programs and Head Start, Early Head Start and state pre-kindergarten programs.[6] Aligning child care with other school readiness programs matches priorities in place at the federal level to create more coordinated state early childhood systems. This priority is reflected in the new Race to the Top program,[7] which funds State Early Childhood Advisory Councils, and the proposed Early Learning Challenge Fund. It is also reflected in recent statements from the Secretaries of Education and Health and Human Services:

"The President has looked to HHS and the Department of Education to develop a coordinated and seamless plan to get children off to great starts, and to help families and communities to break cycles of poverty." —U.S. Secretary of Health and Human Services Kathleen Sebelius

"…We need to build a more coordinated system of early care and education, and to focus on key improvements to teaching and learning in the early grades. Through our collaboration with our partners at HHS, we have begun to tackle this challenge by identifying the key elements of high quality early learning programs, and studying what works to improve and sustain outcomes once children reach school." —U.S. Secretary of Education Arne Duncan[8]

Children in high-quality child care demonstrate better school outcomes, including higher vocabulary scores, math and language abilities, and success in school.[9] Ensuring children have uninterrupted access to child care settings can help facilitate this learning and development.

Impact of Adopting 12-Month Subsidy Eligibility

Impact on Program Costs

When coupled with reduced interim reporting requirements, extending redetermination periods for subsidy eligibility is likely a cost-saving policy change. States incur a staffing cost at the point of redetermination, often at four or six months. Under a 12-month redetermination policy, the staffing cost at the four- or six-month juncture is eliminated. If interim reporting is limited as well, states will incur savings in reduced staff-time processing reports related to what may be only minimal changes in employment or income. States could use administrative savings to offset any technology or other costs associated with implementing the new policy.

States have documented cost savings in extending redetermination periods. A 2008 Colorado State Auditor report found that six-month redetermination and family reporting requirements were costly to administer and overly burdensome on participants in the subsidy system.[10] Michigan adopted a 12-month redetermination period in response to staff shortages because the state found that a longer eligibility period reduced staff burden associated with processing paperwork. [11]

Impact on Families' Access to Subsidies

Research on child care assistance has found both low take-up rates of subsidies and short durations of subsidy receipt, suggesting that it is difficult for families to obtain and retain subsidies. The process of obtaining and retaining subsidies can be unduly complex or burdensome. There may be multiple steps in accessing a subsidy, including in-person visits to subsidy offices and paperwork and documentation requirements.[12] State policies on what parents must report, such as changes in work hours and/or income, while receiving a subsidy vary. Recertification requirements, which may include an additional in-person visit, also vary. Apart from their interactions with the subsidy system, the lives of low-income workers are often chaotic, juggling shift work or employment spells. No single policy change in the subsidy system will ameliorate all of the difficulties low-income parents face accessing child care assistance; yet, policies that reduce families' burden likely will support both higher take-up and longer duration of subsidy receipt. To that end, such policy changes also support sustained parental employment.

Adopting annual redetermination, therefore, may not only be cost effective, but may also reduce the burden of redetermination on eligible families so they continue receiving assistance. At the point of redetermination, families may leave the subsidy system, even when they remain employed and eligible for assistance.[13] The reasons families may lose their subsidies vary, though research suggests it is related to the complexities and frequency of the redetermination process rather than changes in family income, hours, or employment structure.[14] Working parents may be unable to take time off from work for in-person visits to subsidy agencies to file necessary paperwork, or they may be unclear about the steps required to recertify their eligibility. Requiring copious documentation makes the process overly difficult for parents as well as for agency staff.[15] An Urban Institute study of several midwestern state child care subsidy programs found implementing a 12-month redetermination period, at least for some families, to be one strategy for easing the complexity in some states.[16]

An Oregon study found entering a redetermination period to be a key factor for families exiting the subsidy system. The study found that families in their last month of eligibility (in this case, three or four months) were more than two and a half times as likely to leave the subsidy system than at any other time. Based on analysis of employment and earnings data at the time of their exit and 12 months later, these parents were likely still eligible for subsidy at the time of their exit. [17]

Low-income workers often have episodic work experiences.[18] Extending eligibility for parents even during spells of unemployment, supports work because it helps parents be able to look for a job. Moreover, extended eligibility also provides continuity of care for children during inconsistent parental work spells.

Whether an eligible family receives 12 continuous months of child care assistance or two consecutive six months of assistance, it has the same effect on the overall operation of the child care program. No other child can use that slot during that period. If more families become eligible but the state does not have enough resources to add new slots, a waiting list will grow regardless of how long families are determined to be eligible. Whether a family is evaluated for eligibility at six months or 12 makes no difference to the overall number of slots paid for in the subsidy program, but it does matter tremendously for the family. While extending eligibility may limit the number of new families entering the system, that number is already limited by financial constraints in any state that does not guarantee subsidies to all eligible families. Moreover, research has found significant reentry to the subsidy system.[19] In many cases "new" families are just returning to the system after a subsidy termination. Longer eligibility would support these parents and their children and avoid the administrative burden for agencies that must process new authorizations.

Impact on Improper Payments and Accountability

A common concern about extending redetermination periods and limiting interim reporting requirements has been the increased federal focus on improper payments. States are responsible for ensuring that federal funds are used for eligible families. It is possible, however, to design state policies so parents remain eligible for subsidies for longer periods and have fewer interim reporting requirements without increasing improper payments.[20] Improper payments only happen when payments are made for services contradicting state or federal eligibility or payment policies. If the state policy allows a family to be eligible to continue receiving a subsidy without reporting a change, the family is not being paid improperly. Admittedly, however, there may be continued tension in state policies between monitoring for improper payments and improving access and retention for families.

State policymakers also may be concerned that extending redetermination periods will allow non-working individuals to access subsidies while working families are placed on a waiting list. If a 12-month authorization period is granted and a parent loses a job during that period, for example, the state may allow the parent to keep their subsidy while they search for a job. There are several important issues to consider for states. The state may choose a 12 month redetermination period but require parents to report job loss, allowing the state to choose whether to continue providing assistance to those families. However, in many states, job search, often for extended periods, is an activity that makes families eligible for child care assistance. Therefore, as long as the state eligibility policy allows for the period of job search, the parent is not receiving an improper payment. States may also consider extending eligibility periods for only some families. For example, Kansas targets the granting of annual redetermination to families with more stable work histories. [21]

Given the limited funding for child care subsidies, it is understandable that policymakers would be reluctant to allow parents to retain subsidies during unemployment spells. However, it is important to recognize how the subsidy is still supporting the goal of work by helping the parent find a new job. Broadening definitions of work to include job search and accommodating parent's fluctuating employment is particularly important during the current economic climate when it may take individuals longer to secure work.

What Are Appropriate Interim Reporting Requirements?

States policies on interim reporting vary significantly, but they generally require reporting when a change in the family occurs that relates to eligibility. Such changes include income, family size, marital status, the number of days of care or the reason for care. The Office of Child Care offered states flexibility in a Policy Interpretation Question (PIQ) in 1999, which remains current:

The Child Care and Development Block Grant Act does not prescribe a specific eligibility period for families receiving CCDF-funded child care. Nor does the Act address the frequency of, or need for, redetermining eligibility once it is established.

In the implementing regulations, ACF left the Lead Agency flexibility to establish its eligibility process.[22]

In the Urban Institute report *Designing Subsidy Systems to Meet the Needs of Families: An Overview of Policy Research Findings*, Gina Adams recommends many specific state policies that support families. She also provides a rationale for implementation. Adams lists the following as measures of interim reporting policies:

- simplify what needs to be reported,
- make it easier for families to report,
- identify alternative ways of getting information on changes in family circumstances, and
- only adjust subsidies with some changes that are reported.[23]

Several states have taken steps to limit the interim reporting burden for families:

- Delaware recently revised its interim reporting requirements and has limited the need for reporting to very few situations. All families remain eligible for 12-month assistance unless the following occurs: the child moves out of or is removed from the parent's/caretaker's home; the child moves out of state; the child is deceased; or the parent/caretaker does not cooperate with child support requirements. Additionally, the child care parent fee will not change during the authorization unless the parent/caretaker in a single parent home loses his or her job or one or both parents in a two parent home loses his or her job. [24]
- Oklahoma requires parents to submit new information when the following occur during the 12-month period: there is an expected or reported change in the days and hours child care is needed; there is an anticipated change in income; or protective or preventive child care is approved.
- Pennsylvania allows families to stay in the program if their income increases without interim reporting. The family reports changes at the planned redetermination period. The state also allows continued eligibility without required interim reporting for 60 days due to involuntary loss of work or the parent's completion of an education or training program.

Specific implementation of interim reporting that support families include ideas such as:

- Give families blanket eligibility regardless of changes in status if families are participating in Head Start, Early Head Start or state pre-kindergarten, as recommended by federal guidance.[25]
- Require families to submit information only if they have significant increases in income (eg, 10 percent or more to their base salary.) In these cases, decreases may not be reported (unless/until they would change the co-payment) and job loss may or may not be reported. Illinois uses a 20 percent change in income measure. According to the Urban Institute, parents in Wisconsin only have to report changes in income when their monthly income increases $250 or more, or decreases $100 or more. Indiana only requires parents to report changes in between recertifications that result in a "loss of service" (eg, they are no longer eligible for the subsidy because of job loss or the child no longer needs care).
- Report changes in the hours of care needed only if they change significantly (eg, from full time to part time needs, or by a factor such as 50 percent).
- Continue eligibility in case of job loss for a particular period of time without interim reporting (usually 30 to 60 days).
- Continue eligibility for short-term fluctuations in hours worked, income, or child care needed (eg, reporting is not required if the change is due to overtime or temporary reductions in work hours).
- Require reports of changes in status, but the subsidy is not adjusted until the regular redetermination period (Connecticut, Ohio, and West Virginia do this in some form).
- Allow flexibility in interim reporting, with opportunities to provide needed paperwork in person, by phone, fax or electronically, and limit what paperwork families have to submit to changes to income or other eligibility factors

without requiring resubmitting the original paperwork determining eligibility.

- Allow families a significant period of time to report changes in status. State policies range from five days, which may put enormous burdens on families, to 30 days or more after the effective date of the report changes.
- Put mechanisms in place to capture information from other data sources and from parents about interim changes in circumstances by linking computer systems for public assistance, food programs, and health care.

States also have policies in place to address families' failure to report interim changes. North Carolina regulations state: "If the failure to report results in a significant overpayment (e.g., the recipient is ineligible or the fee increases substantially) and it appears that there was intent to commit fraud, the child care social worker may refer the family's case to the agency's Program Integrity Unit…**Services may only be terminated if the recipient is determined ineligible**.[26] [Emphasis in original]."

In addition to simplifying reporting requirements, states have taken steps to simplify the recertification process. For example by linking benefit systems (such as TANF, SNAP and Medicaid) and synchronizing recertification dates, simplifying paperwork, minimizing or eliminating in-person visits, granting grace periods to families, and sending reminders to child care providers to ensure the completion of recertification,[27] states have been able to help families maintain their child care subsidies without significant burdens during reporting periods.

Conclusion

Adopting annual redetermination policies, with limited interim reporting requirements, can be a positive, cost-neutral policy change for states. The change may reduce administrative burdens on families and state administrators, help parents maintain child care subsidies that keep them employed, and improve continuity of care for children. Importantly, by changing redetermination periods and interim reporting requirements, states can better align and coordinate child care programs with other early childhood programs, including Head Start, Early Head Start, and state pre-kindergarten programs. Decades of research show that children benefit from access to high-quality child care and early education experiences, improving the odds in particular for low-income children and helping to build solid foundations for future learning and success in life. Thoughtful subsidy redetermination policies can facilitate continued access to these settings for vulnerable children.

Endnotes

[1]U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *Child Care and Development Fund Preliminary Estimates: Reasons for Receiving Care, Average Monthly Percentage of Families (FFY 2008)* http://www.acf.hhs.gov/programs/ccb/data/ccdf_data/08acf800_preliminary/table10.htm.

[2] Marcia K. Meyers, et al, *The Dynamics of Child Care Subsidy Use: A Collaborative Study of Five States*, 2002, http://nccp.org/publications/pdf/text_484.pdf; Roberta Weber, *Measurement of Child Care Arrangement Stability: A Review and Case Study Using Oregon Child Care Subsidy Data*, Oregon State University, 2005.

[3] National Child Care Information and Technical Assistance Center, *CCDF Eligibility Policies,* http://nccic.acf.hhs.gov/poptopics/eligibility_policies.pdf.

[4] Ross A. Thompson, "Early Attachment and Later Development," in *Handbook of Attachment: Theory, Research, and Clinical Applications*, ed. Jude Cassidy and Phillip R. Shaver, 1999.

[5] For a discussion of the causes of child care instability see Gina Adams, Monica Rohacek, and Anna Danziger, *Child Care Instability: Definitions, Context and Policy Implications*, Urban Institute, forthcoming.

[6] U.S. Department of Health and Human Services, Administration for Children and Families, *Eligibility Determination for Head Start Collaboration,* http://www.acf.hhs.gov/programs/ccb/law/guidance/current/pq9902/pq9902.htm.

[7] The Race to the Top application included an invitational priority on early learning that encouraged states to submit applications that include practices, strategies, or programs to improve educational outcomes for high-need students who are young children by enhancing the quality of preschool programs.

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[11] Kathleen Snyder, Patti Banghart, and Gina Adams, *Strategies to Support Child Care Subsidy Access and Retention: Ideas from Seven Midwestern States,* Urban Institute, 2006, http://www.urban.org/publications/311388.html.

[12] Gina Adams, Kathleen Snyder, and Jodi R. Sandfort, *Navigating the Child Care Subsidy System: Policies and Practices that Affect Access and Retention,* Urban Institute, 2002, http://www.urban.org/uploadedPDF/310450.pdf; Gina Adams, Kathleen Snyder, and Patti Banghart, *Designing Subsidy Systems to Meet the Needs of Families,* Urban Institute, 2008, http://www.urban.org/UploadedPDF/411611_subsidy_system.pdf; Gina Adams, Kathleen Snyder, and Jodi R. Sandfort, *Getting and Getting and Retaining Child Care Assistance: How Policy and Practice Influence Parents' Experiences*, Urban Institute, 2002, http://www.urban.org/UploadedPDF/310451.pdf.

[13] Adams et al., *Designing Subsidy Systems to Meet the Needs of Families.*

[14] See Deana Grobe, Roberta B. Weber, Elizabeth E. Davis, *Why Do They Leave? Child Care Subsidy Use in Oregon,* Oregon State University Family Policy Program and Oregon Child Care Research Partnership, 2006, http://www.hhs.oregonstate.edu/familypolicy/occrp/publications/2006-C&S_Study_Final_Report_FINAL.pdf; Adams et al., *Getting and Retaining Child Care Assistance*.

[15] Adams et al., *Getting and Retaining Child Care Assistance*.

[16] Snyder et al., *Strategies to Support Child Care Subsidy Access and Retention*.

[17] See Deana Grobe et al., *Why Do They Leave?*

[18] See discussion of dynamic nature of employment of low-income women in Adams et al., *Designing Subsidy Systems to Meet the Needs of Families*.

[19] Marcia K. Meyers, et al, *The Dynamics of Child Care Subsidy Use: A Collaborative Study of Five States*, 2002, http://nccp.org/publications/pdf/text_484.pdf.

[20] U.S. Department of Health and Human Services, Administration for Children and Families, *Program Instruction CCDF-ACF-PI-2010-06—Program Integrity, Financial Accountability, Access to Child Care,* 2010, http://www.acf.hhs.gov/programs/ccb/law/guidance/current/pi2010-06/pi2010-06.htm.

[21] Kathleen Snyder et al., *Strategies to Support Child Care Subsidy Access and Retention*.
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[25] U.S. Department of Health and Human Services, *Eligibility Determination for Head Start Collaboration*.
[26] North Carolina Department of Health and Human Services, *Child Care Subsidy Services Policy Manual*, Chapter 11: Responding to Eligibility Changes and Redetermination, http://zeus.dhhs.state.nc.us/olm/manuals/dcd/ccs/man/CCSc11-02.htm#TopOfPage.
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