



State Child Care Subsidy Policies that Support Early Head Start-Child Care Partnerships *A Tool for States*

April 4, 2014

Early Head Start (EHS)-Child Care Partnerships present an opportunity to extend access to high-quality comprehensive services to children eligible for and receiving child care subsidies. To make the most of this, states can review child care subsidy policies to identify opportunities to simplify and align policies in ways that support EHS-Child Care Partnerships by offering greater continuity for families and that make it easier for programs to administer such partnerships.

About this Tool. This tool offers a menu of key subsidy policies that would help children in partnerships get and keep child care assistance and support child care providers in the provision of high-quality infant toddler care. It can be used to identify a state's current child care subsidy policies and strategize what state child care subsidy policy changes could be made, whether to work toward those changes in the short- or longer-term, and whether those changes need state gubernatorial action, legislative action, or an administrative or regulatory change. As states anticipate changes to the federal Child Care and Development Block Grant (CCDBG, also known as the Child Care and Development Fund or CCDF)¹ program—either through new rules promulgated by the federal Office of Child Care (OCC) or through a Congressional reauthorization of CCDBG²--this tool also helps forecast how state policies may be required to change as compared to current law.

This tool is not meant to capture all state child care subsidy policies that improve continuity for infants and toddlers. It is also not intended as a complete guide to the content of the CCDBG reauthorization bill or proposed regulations. Rather, it identifies policies most relevant to supporting partnerships. While some policies are very specific to children in partnerships, others may be implemented to benefit all families receiving subsidies more broadly, including those in partnerships. This tool is divided into two sections. The first addresses helping families get and keep child care subsidies through policies related to enrollment, eligibility determination, and ongoing eligibility. The second section addresses how to support families and providers through payment policies including parent co-payments and provider payment rates and practices.

Assistance in using this tool is available from CLASP. Please contact Hannah Matthews at (202) 906-8006 or hmatthews@clasp.org.

State Flexibility Under CCDBG. CCDBG is a federal block grant administered by states. The federal government provides guidance and regulations to states, but states have significant flexibility in the policies they set and how they administer these funds. Most policies that impact access and retention of

¹ CCDF and CCDBG are often used interchangeably.

² In June 2013, the federal Office of Child Care released new proposed regulations for CCDF. As of the writing of this publication, final rules are expected to be released the summer of 2014. The final content of the rules is unknown at this time. In March 2014, the U.S. Senate passed the Child Care and Development Block Grant Act of 2014, the first step in reauthorizing CCDBG for the first time in nearly 20 years. The U.S. House of Representatives held a hearing on CCDBG but has not released a reauthorization bill. As of the release of this tool, it is unknown whether the House will act on CCDBG reauthorization this year or what the content of a final reauthorization would be. This document compares current law to the draft proposed regulations and the March 2014 Senate reauthorization bill.

child care subsidies, such as eligibility, parent copayment fees, and redetermination periods and interim reporting, are determined by states.

Helping Families Get & Keep Child Care Subsidies

Enrollment, Eligibility Determination, and Ongoing Eligibility

How eligibility is defined, determined, and verified are among the most important policy and programmatic decisions that policymakers and administering agencies make, and are key to simplifying the receipt of child care subsidies. They affect the ease or complexity of every step that parents go through to get and keep benefits: application, enrollment, eligibility redetermination, and reporting of interim changes in circumstances. States can simplify and align eligibility, documentation and verification, reporting, and redetermination requirements.

To simplify eligibility, it is first essential to examine what eligibility requirements are in place and how they are defined. Overly burdensome requirements and processes not only cause eligible families to lose assistance, but also create significant administrative costs associated when families cycle off and on the program at the point of redetermination.

Between recertification dates, state agencies commonly require parents to report changes in their circumstances that may affect their eligibility for (or the level of) benefits. In some cases, states require parents to report a long list of changes—in income, work schedule, employment, residence, household composition, or child care provider—even if the change produces little or no change in eligibility, services, or co-payments. This places significant burden: on parents; on agencies, which have to process even minimal changes; and on child care providers, which must keep track of multiple adjustments to their clients' status.

Key Areas of Current Law and Regulations:

- Federal law establishes a limited set of eligibility criteria related to the age of the child, household income, reason for care, and citizenship status (see Core Eligibility Elements in Resource Section below).
- States are responsible for verifying eligibility of children receiving assistance and establishing their own verification procedures.
- States may define an eligible activity (or work) in ways that allow for continued eligibility through temporary disruptions, for example job loss, maternity leave, semester breaks and disability.
- States are permitted to deem eligibility for groups of children based on findings from other programs. For example, states may deem families income eligible for child care based on eligibility for Head Start or the Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps).
- States must prioritize services for families with very low incomes, and children with special needs. States define each of these categories and may choose to give priority to additional categories of children.
- States must spend at least 70 percent of federal mandatory and matching CCDBG funds on child care assistance to families who are receiving Temporary Assistance for Needy Families (TANF), are attempting to transition off of TANF, or are at risk of being dependent on TANF.

- States set eligibility periods. Federal guidance clarifies that states may establish different and longer eligibility periods for children in Head Start-child care collaborations (i.e. to align to the school year or to cover the entire length of EHS or HS services).
- States set policies related to interim reporting between eligibility redeterminations.
- There is no federal requirement that establishes a minimum number of hours that parents are required to work, or that requires states to set a minimum.
- There is no requirement to match work hours and schedules with child care authorizations.
- States have broad authority over application and enrollment processes, including coordinating with other benefit programs and making the process more family-friendly.

Key Changes in OCC Proposed Regulations:

- Requires a minimum of 12-month eligibility for children. States have the option of allowing children to remain eligible until the next redetermination regardless of changes in income or work.
- Requires states to include some length of job search in their definition of work.
- Permit states to require parents to report changes in circumstance in the interim but recommend against tracking all eligibility criteria.
- Clarifies that the protective services category may include other at-risk children who are not involved with child protective services or the child welfare system, such as homeless families and migrant workers. In some cases, income and employment requirements may be waived for these families.
- Clarifies that states are not required to limit authorizations based on parents' work schedules.
- Requires states to consider the developmental needs of the child when authorizing child care.
- Encourages linkages with other public benefit systems.

Key Changes in Senate Reauthorization Bill:

- Maintains requirements to meet the needs of TANF families (as described above) and requires states to prioritize investments to children of families in areas that have significant concentrations of poverty and unemployment.
- Requires a minimum of 12-month eligibility for children, even if a parent's work/education status or income changes during this period as long as family income does not exceed 85 percent of State Median Income (SMI).
- Requires states to provide continued child care assistance for up to 12 months to children deemed ineligible at redetermination due to a modest increase in parental income (if income does not exceed 85% of SMI).
- Establishes that if states determine a child is ineligible due to parental job loss within less than 12 months of the last eligibility determination, the state may not terminate child care for at least 3 months.
- Requires states to take into account temporary changes in families' employment or earning in determining initial or ongoing eligibility.
- Establishes that states must ensure working parents are not required to unduly disrupt employment to comply with redetermination requirements.

Please use the following worksheet as a guide for thinking through how to align your policies more closely with practices that promote better, more stable child care.

Enrollment, Eligibility Determination, and Ongoing Eligibility

State Child Care Subsidy Policies That Promote More Stable, Quality Care	Current State Policies <i>Consider state policy as well as variation in local office implementation.</i>	Opportunities for Change <i>Identify specific policy changes and strategies, e.g. through changes at the gubernatorial, legislative, or administrative level</i>
<p>Eligibility & Enrollment</p> <ul style="list-style-type: none"> • Prioritize subsidies for infants and toddlers in partnerships. • Establish automatic CCDBG eligibility for Head Start-eligible families, eliminating the need for families in partnerships to document income eligibility. • Establish coordinated referrals for dually eligible children from CCDBG to EHS-CC partnerships. • Allow for a broad definition of vulnerable populations under the protective services category, providing more flexibility in meeting other eligibility requirements. • Allow for broad definitions of employment, education and training. • Include job search in definitions of work activities. • Offer broad authorizations that allow for fluctuations and short-term interruptions in employment/eligible activities (e.g. maternity leave, disability, semester breaks). • Do not set minimum work hour requirements. • Allow for broad authorizations of assistance that are not limited to hours of work • Allow children in partnerships to be authorized for subsidies for the duration of the partnership without redetermining eligibility (may be longer than 12 months). 		

State Child Care Subsidy Policies That Promote More Stable, Quality Care	Current State Policies <i>Consider state policy as well as variation in local office implementation.</i>	Opportunities for Change <i>Identify specific policy changes and strategies, e.g. through changes at the gubernatorial, legislative, or administrative level</i>
<ul style="list-style-type: none"> • Align CCDBG eligibility periods to Early Head Start. • Allow families to qualify for child care subsidies without redetermination for at least 12 months. • Allow parents to apply for subsidies through multiple methods including online, by mail, and in person with evening/weekend hours. • Coordinate the application and eligibility processes for child care subsidies with other social service programs, such as the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps), TANF, and Medicaid. • Consider synchronizing eligibility periods for other benefit programs, including SNAP and Medicaid/CHIP. 		
Interim Reporting & Recertification <ul style="list-style-type: none"> • Require only minimal interim reporting on changes in family economic status for 12 months. • Simplify the recertification process by requiring that reports are necessary only on changes that have occurred. • Allow families to report changes in status through automated phone systems, on-line mechanisms, and after hours and weekends at the administering agency. • Send notifications of eligibility end dates to providers as well as families at least four weeks in advance. • Ensure that subsidy recertification notification is provided to limited English proficient (LEP) parents in 		

State Child Care Subsidy Policies That Promote More Stable, Quality Care	Current State Policies <i>Consider state policy as well as variation in local office implementation.</i>	Opportunities for Change <i>Identify specific policy changes and strategies, e.g. through changes at the gubernatorial, legislative, or administrative level</i>
their home language.		
Documentation & Verification <ul style="list-style-type: none"> • Require documentation and verification only for elements that affect eligibility. • Simplify documentation requirements and allow flexibility for required verification. • Use other federal and state data systems to verify eligibility information. • Use information collected and verified by other federal or state programs, such as SNAP, to determine eligibility. • Align documentation requirements across public benefit programs. • Do not require verification of work schedules or job search activities. 		

Supporting Families and Providers Through Payment Policies

Even low-income families receiving child care assistance struggle with affording child care co-payments, particularly those with incomes below poverty. If co-payment fees are too high they can comprise a significant share of families' household income and may be a barrier to families' retaining child care subsidies. When families cannot pay child care fees, many child care providers continue to care for children receiving subsidies resulting in lost income for the provider.

Regular, stable, and sufficient funding is necessary for any business to sustain itself and meet expenses. The amount paid to child care providers has a direct impact on the quality of child care. Insufficient and unpredictable payment rates have the effect of both limiting the child care available to families and limiting child care provider's ability to provide quality child care. Conversely, a stable source of adequate funding can support stability for child care providers and support quality investments. Direct contracts with child care providers, tied to high quality standard and higher payment rates, can increase the supply of high quality infant-toddler child care for low-income children.

Family Co-Payments

Key Areas of Current Law and Regulations:

- States must establish a sliding fee scale for parent co-payments, although they are permitted to exempt parents with incomes at or below the federal poverty level from making co-payments.

Key Changes in OCC Proposed Rules:

- States may establish their own criteria for waiving parent co-payments and may select additional categories of families to waive.

Key Changes in Senate Reauthorization Bill:

- Clarifies that cost sharing should not be a barrier to families receiving assistance

Provider Payment Rates and Practices

Key Areas of Current Law and Regulations:

- Parents must have their choice of providers. If a state uses direct contracts, they must also make vouchers available to parents.
- Provider payment rates must be sufficient to ensure equal access to child care for CCDBG families compared to non-eligible families.

Key Changes in OCC Proposed Rules:

- Maintains parent choice provisions.
- Requires states to use contracts, in addition to certificates, for the provision of direct child care services and to offer parents a choice between the two.
- Requires state plan to indicate how state will use contracts to address shortages in the supply of high-quality child care.
- Allows states to use an alternate methodology or a market rate survey to demonstrate that provider payment rates ensure equal access for CCDBG families.
- Requires states to take into account the quality of care when determining payment rates.
- Requires states to describe provider payment practices.

Key Changes in Senate Reauthorization Bill:

- Maintains parent choice provisions.
- Requires states to develop and implement strategies to increase the supply and improve the quality of child care for: children in underserved areas; infants and toddlers; children with disabilities; and children who receive care during nontraditional hours. Strategies may include direct contracts.
- Requires states to ensure that provider payment policies reflect generally accepted payment practices for non-CCDBG providers.

Please use the following worksheet as a guide for thinking through how to align your policies more closely with practices that promote better, more stable child care.

Provider Payment Rates and Practices

State Child Care Subsidy Policies That Promote More Stable, Quality Care	Current State Policies <i>Consider state policy as well as variation in local office implementation.</i>	Opportunities for Change <i>Identify specific policy changes and strategies, e.g. through changes at the gubernatorial, legislative, or administrative level</i>
Family Co-Payments <ul style="list-style-type: none"> • Waive parent co-payments for families in EHS-child care partnerships (under poverty). • Do not require recalculation of co-payments until the end of the eligibility period for families in poverty, regardless of interim changes in circumstance. 		
Provider Payment Rates <ul style="list-style-type: none"> • Pay infant/toddler providers at least the 75th percentile of the current market rate for infant/toddler care. • Allow providers to receive a full-day subsidy regardless of the hours a child spends in Head Start/Early Head Start. 		
Payment Methods & Processes <ul style="list-style-type: none"> • Contract directly with providers or family child care networks for high-quality care. • Establish rates that support high-quality care through contracts. • Pay providers prospectively and/or regularly through direct contracts at rates that support high-quality care • Pay providers based on enrollment, not attendance, such as aligning with EHS policy requiring an average daily attendance of 85 percent for center-based programs. • Provide subsidy payments to providers and caregivers for all days when babies and toddlers are absent due to illness. 		

References

CCDBG Core Eligibility Elements

States must ensure that children meet a limited set of criteria to qualify for assistance paid from CCDBG funds. Below are the specific criteria the federal government requires (any state eligibility requirements not on this list have been developed at the state’s discretion and are therefore under state control to revise or eliminate).

- **Requirement 1—Age of child:** Funds may be used to provide care for children from birth to age 13. If a child is physically and/or mentally incapable of self-care or under court supervision, care may be provided up to age 19.
- **Requirement 2—Income of family:** States may use federal funds to provide assistance to children whose household income does not exceed 85 percent of the state median income (SMI) for a family of the same size. States may set income eligibility anywhere below that ceiling. SMI levels vary considerably across states.
- **Requirement 3—Reason for needing child care:** Children must reside with parents who are working or in education or training, or in need of or receiving protective services. States determine what activities qualify as work, education, and training and define protective services. They determine whether gaps in the eligible activity are allowed, for example, in the case of job loss. States also determine whether a minimum number of hours of the activity is required or whether families may be eligible for combinations of activities and what rules might apply (for example, for a student who is also working).
- **Requirement 4—Citizenship status:** Children must be citizens or qualified noncitizens to receive assistance. States are required to verify immigration or citizenship status of recipients of “federal public benefits” including CCDBG-funded child care. Federal law establishes that the child is the primary beneficiary of the child care services; therefore, states may only consider the immigration status of the child, and not the parent, when determining eligibility.

ACF Policy Interpretation on Eligibility Determination for Head Start Collaboration

“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. Hence, the Lead Agency may establish a different eligibility period for children in Head Start, Early Head Start or State pre-K/child care collaborative programs than generally applies to CCDF-funded children.”

<http://www.acf.hhs.gov/programs/occ/resource/piq-cc-99-02>

CLASP Publications

Confronting the Child Care Eligibility Maze: Simplifying and Aligning with Other Work Supports

This report, a product of the Work Support Strategies (WSS) initiative, helps states confront burdensome administrative processes that make it difficult for low-income families to get and keep child care benefits, and the cumulative challenges eligible clients face in trying to access

other benefits (i.e. SNAP/Medicaid). Through concrete policy ideas and examples from states across the country, it offers an in-depth guide to help states not only simplify child care subsidy policies, but also align child care policies with other work supports. With this information, states can improve service delivery for clients and staff, and reduce administrative burden.

<http://www.clasp.org/resources-and-publications/publication-1/WSS-CC-Paper.pdf>

CCDBG: What's in the Law?

The federal Child Care and Development Block Grant program allows states broad discretion to develop their child care assistance programs within federal guidelines. This brief lays out the federal requirements states must follow in designing their child care programs and spending CCDBG funds. <http://www.clasp.org/resources-and-publications/publication-1/ccdbginlawrev.pdf>

Ensuring Quality Care for Low-Income Babies: Contracting Directly with Providers to Expand and Improve Infant and Toddler Care

The supply of high-quality infant and toddler child care is limited, particularly for low-income families. While most states provide child care assistance through vouchers or certificates, states have the option of contracting directly with providers to expand infant/toddler care for low-income families. Based on interviews with state policymakers, this paper explains how states are using contracts to create or stabilize care in particular communities or for specific populations; to create child care slots meeting quality standards important for infants and toddlers; to extend the day for infants and toddlers served in Early Head Start; and to improve the quality of infant/toddler family child care. <http://www.clasp.org/resources-and-publications/files/0422.pdf>