

Leveraging Increased Resources to Advance Child Care: Next Steps for States

In March 2018, Congress passed the fiscal year 2018 (FY 2018) omnibus spending bill, which included a \$2.37 billion increase for the Child Care and Development Block Grant (CCDBG), the largest source of federal funds for child care assistance for families with low incomes and to improve the quality of child care. Federal funding increased from \$5.8 billion in 2017 to \$8.1 billion in 2018—the largest one-year increase in federal funding for child care in history.¹

This historic investment comes almost four years after President Obama signed the CCDBG Act of 2014. The act made critical improvements to CCDBG by allowing children to have more sustained access to child care assistance, supporting greater continuity of care, and helping parents stay and move up in their jobs. However, these new provisions were not adequately funded, leading many states to delay their implementation or further restrict already limited access to subsidies.

With this historic investment, states can get back on track and make child care subsidies work better for families with low incomes. Some states have moved quickly and allocated new funds to serve additional children or increase provider payment rates. But others are lagging behind in fully implementing the act. In allocating the funding, Congress was clear that this increased investment should fully fund the implementation of new provisions in CCDBG law; therefore, states should use this opportunity to review policies and come into full compliance with the new law and regulations. This brief offers an overview of opportunities to increase the availability of high-quality child care to meet the needs of families and concrete policy steps states can take with the new funding.²

For more about the state policy opportunities included in the CCDBG Act of 2014, see *Implementing the Child Care and Development Block Grant Reauthorization: A Guide for States*, published by CLASP and the National Women's Law Center.

Access and Availability

The number of children participating in CCDBG has declined over time. In an average month in 2016, 1.37 million children received child care subsidies—the smallest number of children served in the program in 18 years.³ Moreover, there are clear racial and ethnic disparities in who receives child care assistance, with Latino and Native American children having far less access compared to others.⁴ States should consider strategies that expand access to and the availability of child care assistance, particularly for populations that are most underserved. For example, states may prioritize investments for families in areas with significant concentrations of poverty and unemployment and where there is a shortage of high-quality child care.

Expand income eligibility. In 2017, a family at 200 percent of the federal poverty level (FPL)—\$40,840 for a family of 3—would earn too much to qualify for assistance in 36 states⁵, despite research suggesting that 200 percent FPL is the minimum income for a family to meet its basic needs.⁶ With increased resources,

states can raise income eligibility to qualify for assistance to levels that consider the cost of basic needs, including housing, food, child care, transportation, and other necessities.

Identify priority populations for assistance. States are required to prioritize services for children in families with very low incomes, children with special needs, and children experiencing homelessness. States are also permitted to identify additional priority populations, such as families receiving Temporary Assistance for Needy Families (TANF), children in foster care, or children of teen parents.

States can prioritize services in multiple ways. In addition to addressing enrollment disparities, states may also consider the following strategies to promote access to quality care for priority populations:

- Paying higher rates to providers serving priority populations;
- Waiving copayments;
- Using grants and contracts to reserve slots; and
- Offering expedited enrollment, presumptive eligibility,⁷ or grace periods for meeting enrollment requirements like immunizations and other health and safety requirements.

Outreach to families. Increasing families' awareness of the availability of child care assistance is a critical component to improving access. Because families of color experience disparate access to child care assistance, states should compare participation data with the broader demographics of eligible families and develop consumer education and outreach plans that reflect where underserved families live and their linguistic and cultural needs. States' outreach plans should also reflect an understanding of who is providing child care in the community and how families get information to make child care choices. States should collaborate with effective and trusted community-based partners—such as resource and referral agencies, labor organizations, schools, health care providers, faith-based organizations, and immigrant-serving organizations—as they create and implement these plans.

Continuity and Stability

Ensuring continuity and stability for families receiving subsidies was a primary goal of the CCDBG Act of 2014. States should leverage new federal funds to extend the duration of subsidy receipt, which allows families to maintain assistance during short-term or predictable changes in employment. These policy changes promote continuity for all families in the subsidy system and make assistance more accessible for parents in low-wage jobs—many of whom are women of color.⁸ These policies also mitigate the administrative burden for state agencies by reducing the frequency of eligibility determinations.

Implement continuous 12-month eligibility. States should ensure a minimum eligibility period of 12 months is implemented in accordance with the law, which requires states to maintain assistance for a full year so long as the family's income remains below 85 percent of State Median Income (SMI) and they maintain participation in an allowable employment or educational activity, including temporary changes to that activity.

If a family experiences a non-temporary loss in employment, education, or training, states are required to provide parents with at least three months of continued assistance for a job search. States may choose to fund longer periods of job search to reflect the actual time needed to find employment. Ideally, states would allow families to retain assistance for the entire eligibility period, even during non-temporary changes in employment, education, or training.

States can also extend eligibility periods beyond 12 months to align with other benefit programs, such as nutrition assistance, health insurance, Head Start, or Early Head Start. Doing this minimizes the administrative burden on parents and agencies operating those programs and ensures continuity of services.

Eliminate burdensome reporting and redetermination requirements. During the eligibility period, states must limit reporting requirements to changes affecting a family's eligibility. These can include a change in income exceeding 85 percent of State Median Income (SMI); a non-temporary loss of work, education, or training activity (at the state discretion); or changes that limit the state's ability to contact the family or pay their child care provider.

At the time of redetermination, states are prohibited from requiring processes that are disruptive to parents' employment. To achieve that goal, states can consider:

- Verifying information from existing data sources and only asking parents to produce documentation as a last resort.
- Prepopulating renewal or interim change reporting forms with information that the state already has and asking the family to note where information has changed.
- Coordinating redetermination processes across benefit programs, such as Medicaid, Children's Health Insurance Program (CHIP), and Supplemental Nutrition Assistance Program (SNAP).

States must provide a range of options for families to report changes and renew their eligibility, including phone, email, or other electronic options, and offering services during nonstandard business hours.

Allow families to retain child care assistance as their income rises. States are required to have policies that allow families to continue receiving services once their income exceeds the initial eligibility threshold. Establishing an entrance and exit income—known as tiered income eligibility—allows families to continue receiving assistance until a graduated phase out. Implementing a well-designed graduated phase-out period can help families avoid the “cliff effect” (a sudden, drastic change in expenses following a loss of benefits). However, this outcome only works if exit eligibility limits are high enough to allow for sufficient wage growth.

Simplify and expand eligible activities for continued enrollment. Policies on eligible activities for parents are an important factor in whether families can enroll in and retain child care assistance. While child care assistance is generally targeted to working parents, CCDBG law also recognizes that certain activities—such as education and job search—are important pathways to employment.

State eligibility policies should incorporate a broad definition of education, including postsecondary education, English as a Second Language, and additional degrees to update skills and meet labor market demands.⁹ To support student success and degree completion, states should not require additional hours of employment for parents who are participating in postsecondary education. States may also consider authorizing child care hours for time spent on transportation, studying or homework, labs, meals, and other activities related to school attendance.

States may also consider allowing job search as an allowable activity at the initial eligibility determination.

Quality and Supply

Increased resources allow states to improve the quality of child care and increase the supply of high-quality child care. States must now reserve a larger share of funds for quality-improvement activities (8 percent in FY 2018 and 2019, and 9 percent in FY 2020) and 3 percent for activities to increase the quality and supply of infant-toddler care. The increase in federal resources will lead to more quality set-aside dollars that states are required to use for quality-improvement activities that maximize positive outcomes for children, increase the availability of high-quality care, and support the providers who meet their needs.

Strengthen payment rates. As of 2017, just two states set their base payment rates at the federally recommended 75th percentile of current market rates. In many states, even higher rates for providers meeting higher quality standards are set below the 75th percentile.¹⁰

States should evaluate their methodologies for setting payment rates to ensure they are competitive with the private market, allowing all eligible families to access quality care. That means, at a minimum, base payment rates should offer providers the resources and incentives necessary to provide high-quality care to children receiving child care assistance. States may consider strengthening tiered payment rates to programs meeting higher levels of quality and those serving priority or other target populations, operating during non-traditional care hours, or in underserved geographic areas.

Implement mechanisms for building supply. States should analyze data to identify where and for whom quality child care is in short supply. The following strategies may help build supply for targeted populations:

- **Direct contracts** guarantee payment to a provider for a specific number of children, possibly prospectively and over several years. This offers opportunities to build capacity or improve quality of care. Contracts inherently provide more stable revenue to providers, which may incentivize quality investments such as better-qualified teachers, supplies, materials, and other resources. Contracts are also a useful strategy to build supply for particular populations, such as infants and toddlers and children with disabilities, for whom care tends to be more costly or is in short supply.¹¹
- **Tiered payment rates** offer additional financial support or incentives to providers who care for specific populations, who operate during non-traditional hours, or in underserved geographic areas, or who provide higher quality care.
- **Grants and other supports** for start-up costs, equipment, or quality-improvement and professional development activities can help centers, family child care homes, and license-exempt caregivers in underserved areas meet basic quality thresholds or improve quality over time.

States should focus on how these strategies can improve access for infants and toddlers, children with disabilities, and children requiring care during non-traditional hours.

Advance quality-improvement strategies. With increased resources, states can develop truly cohesive quality-improvement strategies that guide policy choices within the framework outlined by CCDBG. States should assess the full range of program quality-improvement needs, from start-up grants and basic materials to access to postsecondary education for providers. States may consider using resources to develop core competencies specific to infant and toddler child care staff; offering specific certifications for providers working with infants and toddlers, dual language learners, or children with disabilities; and providing targeted reimbursement and compensation for professional development among providers that serve particular populations.

States must carefully balance competing demands on their quality dollars and consider how their approaches to meeting the law's requirements may serve more than one objective. For example, if on-site inspections of license-exempt providers are designed thoughtfully, they may serve as a quality-improvement strategy for child care in underserved areas, infant-toddler care, and non-traditional-hour care. Inspections can be an opportunity to offer technical assistance, materials, and supplies that help providers meet minimal licensing requirements and enhance their overall quality.

Increase the supply of high-quality infant and toddler care. Building the supply of quality care for infants and toddlers is particularly important because it tends to be more costly than care for older children and is in short supply in many communities. The infant-toddler set-aside is one way to finance these strategies. States may consider leveraging these resources to build on other investments in infants and toddlers, such as providing targeted reimbursement and compensation for professional development among infant and toddler teachers and offering higher payment rates or direct contracts to providers who serve infants and toddlers. Importantly, the set-aside can also be used to increase infants' and toddlers' access to quality care.

States should not limit strategies for supporting infants and toddlers to the designated set-aside. Rather, they should consider infants and toddlers in broader eligibility, enrollment, supply building, and quality-improvement policies and procedures. This will help embed an infant-toddler agenda into broader state strategies.

Promote meaningful professional development opportunities for racially, culturally, and linguistically diverse child care workers. The quality of child care is largely dependent on the experience, training, and wellbeing of the workforce. The CCDBG Act encouraged states to develop a coherent strategy for building a stable, diverse, qualified child care workforce that has the skills and knowledge to offer high-quality care. Women of color make up 40 percent of the early education workforce, but they're often relegated to the sector's lowest-paid positions, including aides and assistants, teachers in infant and toddler classrooms, and informal, home-based care providers.¹²

States should understand the characteristics of their child care workforces and gain a better understanding of their challenges and needs by conducting comprehensive workforce studies. States can support diverse child care professionals by offering scholarships and stipends toward higher education and certifications; ensuring that training and technical assistance opportunities are accessible and linguistically appropriate for providers with limited English proficiency; and developing early childhood career ladders tied to increased compensation.

Support home-based providers in meeting health and safety requirements. The CCDBG Act of 2014 bolstered basic health and safety requirements, including annual monitoring of all providers receiving CCDBG funds, health and safety trainings, and comprehensive criminal background checks on all non-relative providers. States must ensure that meeting health and safety requirements does not unnecessarily push providers—particularly licensed, home-based providers and unlicensed family, friend, and neighbor care—out of the subsidy system.

States should be flexible with annual inspection opportunities and consider implementing announced visits for home-based caregivers that do not have regular program hours or that provide care on the weekends or during non-traditional hours. States should also think about how to use annual inspections as a technical assistance opportunity, rather than solely a compliance review.

In addition, home-based providers who would like to participate in trainings often face barriers, including cost, limited English proficiency, and difficulty taking time off of work to attend classes. States can offset these burdens by offering grants or stipends for trainings and providing courses through multiple avenues and in multiple languages. States should work with networks of providers or trusted community leaders to understand the specific challenges home-based providers face in their communities and collaborate on solutions that meet their needs.

Conclusion

Smart policy and spending decisions now can pay dividends for years to come when we strengthen state child care systems; improve access and availability; and support providers in offering high-quality care that meets the needs of children and their families. Moreover, advocates and state leaders can help encourage sustained investment by documenting how the new CCDBG funds are benefitting children, families and providers.¹³

Endnotes

¹ CLASP, *Child Care in the FY 2018 Omnibus Spending Bill*, 2018, <https://www.clasp.org/publications/fact-sheet/child-care-fy-2018-omnibus-spending-bill>.

² Many of the state policy options detailed in this brief are further discussed CLASP and the National Women Law Center, *Implementing the Child Care and Development Block Grant Reauthorization: A Guide for States*, 2017.

³ Office of Child Care, "Child Care and Development Fund Statistics," 2018, <https://www.acf.hhs.gov/occ/resource/ccdf-statistics>.

⁴ Stephanie Schmit and Christina Walker, *Disparate Access: Head Start and CCDBG Data by Race and Ethnicity*, CLASP, 2016, <https://www.clasp.org/publications/report/brief/disparate-access-head-start-and-ccdbg-data-race-and-ethnicity>.

⁵ Karen Schulman and Helen Blank, *Persistent Gaps: State Child Care Assistance Policies 2017*, National Women's Law Center, 2017, <https://nwlc.org/resources/persistent-gaps-state-child-care-assistance-policies-2017/>.

⁶ National Women's Law Center analysis of data from Elise Gould, Tanyell Cooke, and Will Kimball, *What Families Need to Get By: EPI's 2015 Family Budget Calculator*, Economic Policy Institute, 2015, <http://www.epi.org/publication/what-families-need-to-get-by-epis-2015-family-budget-calculator/>; and from Sylvia Allegretto, *Basic Family Budgets: Working Families' Incomes Often Fail to Meet Living Expenses Around the U.S.*, Economic Policy Institute, 2005, <http://www.epi.org/page/-/old/briefingpapers/165/bp165.pdf>.

⁷ Presumptive eligibility, within the context of CCDBG, means to give a family immediate temporary access to services, based on income or other criteria, prior to full verification of the child's eligibility.

⁸ Julie Vogtman and Karen Schulman, *Set Up to Fail: When Low-Wage Work Jeopardizes Parent's and Children's Success*, National Women's Law Center, 2016, <https://nwlc.org/resources/supporting-parents-in-low-wage-jobs-and-their-children/>

⁹ In 2015, nearly half of all states did not include ESL as an eligible activity; thirteen states did not include any form of postsecondary education. For more information, see Kathryn Stevens, Sarah Minton, Lorraine Blatt, et al., *The CCDF Policies Database Book of Tables: Key Cross-State Variations in CCDF Policies as of October 1, 2015*, Urban Institute, 2017, https://www.urban.org/research/publication/ccdf-policies-database-book-tables/view/full_report.

¹⁰ Schulman and Blank, *Persistent Gaps*.

¹¹ Hannah Matthews and Rachel Schumacher, *Ensuring Quality Care for Low-Income Babies Contracting Directly with Providers to Expand and Improve Infant and Toddler Care*, CLASP, 2008. <https://www.clasp.org/sites/default/files/public/resources-and-publications/files/0422.pdf>

¹² Marcy Whitebook, Caitlin McLean, Lea J.E. Austin, et al., *The Early Childhood Workforce Index 2018*, Center for the Study of Child Care Employment, University of California Berkeley, 2018, <http://cscce.berkeley.edu/early-childhood-workforce-2018-index/>.

¹³ CLASP and NWLC are documenting how the additional funding is expanding access to affordable, high-quality child care. For more information or to share your stories or updates, please see <https://www.clasp.org/publications/fact-sheet/document-impact-ccdbg-funds>.