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# Opportunities to Advocate for Equitable Child Care Policies through the State CCDF Planning Process

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## What are State CCDF Plans?

The **Child Care and Development Block Grant (CCDBG) Reauthorization Act of 2014** requires state lead child care agencies to submit a plan every three years that outlines their state child care policies and plans for using their Child Care and Development Fund (CCDF) resources. These state plans, which serve as the state application to the Administration for Children and Families (ACF) for appropriated federal CCDF dollars, also provide data on the variations in child care policies across states and offer a way for sharing information about effective policies across states.

While state CCDF plans can be amended over the three-year period, state stakeholders can use the plans' development as an opportunity to advocate for key policy changes in areas including parent eligibility, access, and provider payment policies that can promote equitable access to quality child care.

Federal officials at the Office of Management and Budget (OMB) and the Administration for Children and Families (ACF) Office of Child Care are reviewing the final template for the 2022-2024 CCDF plans and are expected to finalize it by April, but some states are already using the **preprint draft** to start their work. As part of that process, states are required to hold public hearings on their draft plans. State agencies are required to give 20-day advance notification and complete "sufficient statewide or territory-wide distribution" of the draft plan prior to those hearings. Agencies can hold hearings any time between January 2021 and the submission of the plan in July, but they should allow ample time for making changes based on public input.

This year's state planning process offers states and stakeholders a unique opportunity to reflect on the persistent racial inequities and economic challenges in the field that have been exposed and exacerbated by the COVID-19 pandemic and the lessons they have learned through the policy response to date. By authentically engaging parents, providers and other stakeholders in this conversation (as required), and using data (including disaggregated data) about the impact of the pandemic on families and the child care field, states can use their plans as important tools for turning those lessons from the field into policy. They can then use the lessons learned and **newly available federal funds** to extend, expand, and systematize policy changes that have benefited the field and take concrete steps to make policy changes addressing structural barriers that create racial and economic barriers for parents and providers to participate in state child care assistance programs.

## The Importance of Participating in the State Plan Process

Engaging in the state CCDF plan process can help those working for more equitable child care policies make progress toward advocacy goals, and the current health racial equity crises make this a critical time to take that opportunity. Fortunately, the process that states are required to use as they develop their CCDF plans every three years includes a chance for advocates, impacted parents and providers, and other stakeholders to join the conversation and ensure that those plans meet the needs of families with low incomes, communities of color, and the child care workforce.

## Key State Policies in the Plan

The **federal CCDBG law** specifies the required contents of state CCDF plans. The current draft template for state plans includes sections on leadership and coordination; family engagement and consumer education; financial assistance to families; equal access (including payment policies); monitoring and health and safety policies; workforce; quality improvement; and program integrity and accountability. Throughout this brief, we note the Sections and Questions from the plan template in parentheses.

States have specific opportunities to shape key policies that can improve equitable provider participation and access to child care assistance for families by:

### Defining eligibility for child care assistance (Section 3.1)

Under the CCDBG law, states establish their own eligibility criteria for child care assistance, within parameters set by the law. The state plan offers an opportunity to increase equitable access to child care assistance by:

- **Increasing income eligibility levels.** Initial income eligibility (Question 3.1.3) can be set as high as 85 percent of the state median income (SMI). States can also determine what income and assets count toward a family's eligibility, within federal limitations.

- **Broadening the scope of parent activities counted toward eligibility.** In addition, states establish their own definitions of what counts as approved work, job training, or education activity for the purposes of eligibility for state child care assistance. States can also choose to count activities related to job training or education, like transportation, labs, or study time. (Question 3.1.2)
- **Expanding the definition of eligible families.** Under this same section, states can define who is eligible under their definition of “protective services,” which can include children in foster care or other categories of children as defined by the state. States have the option of waiving household income eligibility and/or parent co-payments for children who are included in the definition of protective services. (Question 3.1.2)

## Increasing access for vulnerable children and families (Section 3.3)

While states are required to prioritize children who are homeless and those whose households have very low income, states also must prioritize children with “special needs” as defined by the state. States can make it easier for children who are part of a priority group to access child care assistance by:

- Prioritizing enrollment, including moving certain children ahead of others on an existing waitlist so they can immediately begin receiving assistance;
- Waiving parent co-payments;
- Paying higher rates for services; or
- Purchasing care for a specific group through contracts or grants.

## Setting affordable parent co-payments (Sections 3.2 and 4.5)

The federal CCDBG statutory language requires that states establish a system of **parent co-payments** on a sliding fee scale as part of their overall subsidy payment policies. Throughout the pandemic, states have found that covering the costs of parent co-payments with pandemic relief dollars and flexible CCDF funds has helped families suffering economically to continue accessing child care.

While guidance in the federal CCDBG rule encourages states to make their co-payments affordable by keeping them under 7 percent of household income, the rule includes no specific legal requirements to establish the sliding-fee scale. Options in the state CCDF plan that offer states opportunities to make their fee systems affordable and equitable include:

- Waiving the co-payment for families with very low incomes, those in protective services, or those who meet other criteria established by the state (Question 3.2.4);
- Setting co-payment rates that are as minimal as possible (There is no minimal amount established in federal law.) (Question 3.2.1); or
- Capping the maximum payment per family or household (Question 3.2.2).

Beyond the family co-payments included in the sliding-fee scale, states have the option of allowing providers to charge additional fees to families. (Question 4.5.2) While this policy may support parent choice when state subsidy payments are set too low, it also undermines efforts to contain the costs of child care to parents. States should consider prioritizing higher subsidy payments, or covering parent fees with state dollars where possible, to reduce prohibitive out-of-pocket costs for families.

## Ensuring equal access through payment policies and rates (Section 4)

In each state plan, CCDF lead agencies must report to ACF how they will pay providers serving children with subsidies, how much they will pay them, and how they will ensure that their payment policies offer parents equitable access to high-quality child care.

### *Payment policies*

States have flexibility in setting CCDF payment policies to provide a sufficient and stable income stream for child care providers who accept children with subsidies, while supporting the full range of parent choices. When states do not align CCDF subsidy payment policies with private-pay policies and the cost of providing care, child care providers may be less likely to serve children with subsidies. To encourage providers to participate in CCDF, lead agencies should set payment policies that promote stability and equity. They can do that by:

- Paying by enrollment, not by attendance. Providers usually require private-pay families to pay full tuition despite any absences, and they generally only offer full-time or part-time schedules, rather than the option to pay based on the hours of care accessed. States can pay providers based on child enrollment rather than attendance, recognizing that providers have fixed costs they must still meet whether a child is present or absent on any particular day. CCDF guidance encourages states to delink payments from occasional absences, and many states that didn't already do this enacted a **temporary policy** during the COVID-19 pandemic. This temporary change allowed continued payments to providers even when children were not in attendance or when programs were closed due to stay-at-home orders. (Question 4.4.1.b)
- Eliminating hourly rates and instead paying either a full-day or part-day rate. Providers need to be able to offer regularly scheduled hours to their workforce, which in turn requires having consistent income to cover the cost of staffing. Paying rates based on enrollment and paying rates that cover either a half-day or full-day slot regardless of actual hours of attendance can provide the stability that providers need to run a **financially sustainable** program with professional educators. (Question 4.4.1.c)
- Increasing the use of contracts and grants, particularly for underserved populations. Unlike the traditional per-child voucher, this strategy can encourage providers to accept

children with subsidies knowing that they have a stable source of funding for those slots over the period of the contract. This **strategy** can increase access in areas of the state where supply does not meet demand, for particular underserved populations, such as infants and toddlers, or for types of care in short supply, such as care during nontraditional hours. (Question 4.1.6)

### **Payment rates**

States are required to set CCDF payment rates based on a recent market rate survey (MRS) or an approved alternative methodology. Setting and updating payment rates gives lead agencies the opportunity to set rates at a level that enables families with subsidies to have equal access to child care options comparable to those of private-paying families, which promotes equity. States can ensure equitable and sustainable child care payment rates by:

- **Postponing their market rate data collection.** In normal times, states must update their market rate data no more than two years before submitting their CCDF plan. Due to the COVID-19 pandemic, however, states can apply for a temporary waiver of this timeline. This waiver gives lead agencies until July 2022 to complete their MRS or alternative methodology, providing they can describe how delivery of services for children will not be interrupted. States should consider the benefit of applying for this waiver, given the pandemic's disruptions to the child care market and the likelihood that their most recent MRS is not representative of the current mid-pandemic market in which many child care programs are closed and those that are open are facing significant **cost increases** due to the pandemic. (Question 4.2 and Appendix A)
- **Exploring the use of an alternative methodology**, in combination with or instead of the traditional market rate survey. While the traditional market rate survey may accurately capture the current rates providers are charging, these rates do not necessarily reflect the **true costs** of providing quality child care. Providers typically set rates at levels that families in the communities they serve can pay. Unfortunately, in most communities the amount families can afford to pay for child care – especially for infants and toddlers - is not sufficient to cover the costs of quality care, which includes adequate teacher compensation. As a result, setting subsidy rates based on the market rate exacerbates existing inequities. States can opt to use an alternative rate setting process to address the inequities resulting from the traditional rate setting process. (Question 4.2.1)
- **Setting adequate base and tiered payment rates to cover the cost of high-quality care.** Lead agencies can better understand the true cost of providing services that meet state licensing and quality standards, along with equitably compensating the child care workforce, by developing a cost estimation model and conducting a cost-of-quality study. While many states offer higher subsidy rates for higher-quality programs, these are often not tied to the actual increase in cost of providing care at this higher level of quality. The **Provider Cost of Quality Calculator**, developed by the Office of Child Care, is an online

tool that states can use to estimate the true cost of care, better capturing the variations in cost related to age of child, program location, and program quality level. (Question 4.3.3)

## How You Can Take Action

Advocates can become involved in your state's CCDF plan development by taking several steps now.

- Find out who in your state is writing the plan (see the list of CCDF state lead agencies [here](#)) and get a seat at the table. If you do not already have a relationship with your CCDF state agency, now is the time to reach out and begin monitoring the agency's web site, social media, and other communications for notices of public hearings.
- If you are not a parent or provider, organize and support the participation of impacted parents and providers in the plan development and hearing process. If you are in the position to do so, invite them to the planning table, compensate them for their time, and encourage agency officials to schedule public hearings at family- and provider-friendly times and to make the hearings widely available through technology, translation, and other inclusive outreach strategies.
- When public hearings are scheduled, attend if you can or submit input in writing if you can't. Share your personal stories of the impact of state policies on your family or your business. Be sure to use any quantitative and qualitative data on how COVID-19 has affected ongoing policy priorities and needs of parents and providers gathered over the past year in your state.

State CCDF plans submitted in July will identify state priorities for spending on child care and provide the structure for state policy design and implementation for the next three years. Now is the time to ensure your voice is heard in the process. For more information or assistance with next steps, contact Christine Johnson-Staub at [cjohnsonstaub@clasp.org](mailto:cjohnsonstaub@clasp.org).