

Hannah Matthews

CCDBG allows states broad discretion to develop their child care assistance programs within federal guidelines. This document lays out federal CCDBG requirements that states must follow. Most policies that impact families, including income eligibility limits; parent copayment fees; and redetermination periods, are determined by states. States may make most policy changes at any time through administrative or regulatory processes, although changes in some states may require legislative actions.

Federal Requirements

Program Requirements

- **CCDBG funds may be used to provide care for children from birth to age 13.** States may also choose to provide assistance to children between 13 and 19 years of age who are physically and/or mentally incapable of self-care or under court supervision.
- **States may provide assistance to families whose 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. States determine how income is calculated, for example, whose income in the household is counted, what sources of income are counted, and what length of time is used to calculate income (i.e. over several weeks or months).
- **To qualify for assistance, parents must be working or in education or training programs or a child may be in protective services.** States determine what activities qualify as work, education, or training and the required number of hours. States also establish the length of time for which eligibility is determined and the process for redetermining eligibility at the end of that time period. Federal guidance notes that states may also set different eligibility periods for children receiving subsidies who are enrolled in Head Start, Early Head Start or state pre-kindergarten collaborative programs.¹ There is no maximum time period that a family may be determined to qualify for assistance (i.e. six months or one year).
- **Parents must have their choice of any legally operating child care provider, including those providers whom the state has determined do not need to be licensed.** Because parents must have their choice of provider, if a state chooses to contract directly with providers for care, they must also offer vouchers or certificates as an option to parents as well.

- **Parents must be given unlimited access to their children and the providers caring for them while in care. States establish procedures to ensure this requirement is met.**
- **States must prioritize services for families with very low incomes and children with special needs.** States define each of these categories. States may also choose to give priority to additional categories of children as well.
- **States must establish a sliding fee scale for parent copayments, although they are permitted to exempt parents with incomes below the federal poverty level from making copayments.** Federal regulations consider 10 percent of family income to be a benchmark for affordability, but states establish affordable copayments at their own discretion.
- **States must assure that provider payment rates are set at levels sufficient to ensure equal access for eligible children.** States must conduct market rate surveys at least every two years to determine an adequate level of payment rates. States are prohibited from paying rates that are higher than those charged to private-pay parents. Federal guidance recommends that states set payment rates at the 75th percentile of current market rates, but this is not a requirement.
- **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.** Federal guidance clarifies that child care providers who are subject to the federal Head Start Performance Standards and are supported by combined Head Start/Early Head Start and CCDBG funding are exempt from verifying the immigration status eligibility of any child.²
- **States must establish basic health and safety requirements for all providers, but are permitted to exempt certain providers.** These requirements must address the prevention and control of infectious diseases, the safety of buildings and physical premises, and minimum health and safety training for providers. A state may choose to require some providers to meet higher standards, for example, those receiving direct payments through contracts, as long as the parental choice requirement (see above) is not violated.
- **States may not use CCDBG funds for the purposes of purchasing land or facilities, construction, or making major renovations.** States are permitted, however, to use funds for minor remodeling and for upgrading facilities to meet state and local child care standards, including applicable health and safety requirements. Minor remodeling is considered to be any improvement that does not fall under the definition of major renovation. Federal regulations define a major renovation as structural changes to the foundation, roof, floor, exterior, or load-bearing walls of a facility; the extension of a facility to increase its floor area; or alteration of a facility to significantly change its function and purpose.
- **States must submit comprehensive, biennial state plans that describe their child care program and policies and detail how they are meeting federal CCDBG requirements.** States must hold a hearing for the purpose of receiving public comments on the plans. States are permitted to amend their plans at

any time over the two years; “substantial changes” must be submitted to the U.S. Department of Health and Human Services for approval.³

- **The chief executive office of a state must designate a lead agency to administer CCDBG funds, develop the state plan, and coordinate CCDBG-funded services with other federal, state, and local child care and early education programs.** The lead agency is accountable for the use of CCDBG funds.
- **States are required to collect information from CCDBG recipients on a monthly basis.** This information includes family income; the gender, race and age of children receiving assistance; family composition; the number of months the family has received benefits; the type of child care setting in which the child is enrolled; the cost of child care for families; and the average hours per month of care. States report this information to the U.S. Secretary of Health and Human Services on a quarterly basis.
- **States are required to report information on their child care programs to the Secretary on an annual basis.** This information includes the number of child care providers receiving CCDBG funds; the number of payments made through vouchers, contracts, and cash payments; the settings in which child care services were provided; the manner in which consumer education information was provided; and the unduplicated number of children and families served.

Spending Requirements

- **States are required to spend a minimum of 4 percent of all CCDBG funds on quality activities that provide consumer education to parents and the public, increase parental choice, and improve the quality and availability of child care.** Spending requirements are assessed at the end of the liquidation period for each funding stream.
- **States can spend no more than 5 percent of CCDBG funds on administrative activities.** The law does not define administrative activities but specifies that such costs do not include the costs of providing direct services. Federal regulations list activities that are, and are not, administrative costs. The following activities should not be considered administrative: eligibility determination and redetermination; preparation and participation in judicial hearings; child care placement; recruitment, licensing, inspection, reviews and supervision of child care placements; rate setting; resource and referral services; training of child care staff; and establishment and maintenance of computerized child care information systems. As states calculate administrative costs, the regulations note that the following should be included: salaries and related costs of staff engaged in the administration and implementation of the program; travel costs incurred for official business in carrying out the program; administrative services, including accounting services; audit services; other costs for goods and services required for the administration of the program, including rental or purchase of equipment, utilities, and office supplies; and indirect costs as determined by an indirect cost agreement or cost allocation plan.

- **To receive all available federal funds, states are required to meet a state match and maintenance of effort (MOE) requirement.** CCDBG is comprised of several funding streams: federal mandatory, matching, and discretionary funds. Discretionary funds do not require a state match (including the discretionary funds appropriated in the economic recovery law). States must spend state dollars to draw down their full allotment of matching funds. Private, donated funds and state pre-kindergarten funds may be used to meet match and MOE requirements (see Appendix for details).⁴
- **States must spend at least 70 percent of federal mandatory and matching CCDBG funds to provide child care assistance to families who are receiving Temporary Assistance for Needy Families (TANF) assistance, are attempting to transition off of TANF, or are at risk of being dependent on TANF.** States define which low-income families fall into these categories.
- **States are permitted to transfer up to 30 percent of their TANF block grants to CCDBG, in which case the transferred funds become subject to CCDBG rules (i.e. the minimum 4 percent quality requirement applies).** States may also transfer up to 10 percent of TANF funds to the Social Services Block Grant (SSBG). The total amount transferred to CCDBG and SSBG may not exceed 30 percent of a state's block grant.
- **States may choose to spend an unlimited amount of TANF funds directly on child care for needy families.** Federal guidance has also made clear that states can spend TANF funds on early education services that are intended to meet two purposes of TANF, specifically Purposes 3 and 4, to prevent out of wedlock pregnancies and to promote the formation and maintenance of two-parent families. TANF funds spent on child care are not subject to CCDBG rules.⁵

Appendix. Major Sources of Federal Child Care Assistance

Child Care and Development Block Grant (CCDBG): \$5 billion in FY 2010

- **Discretionary Funds** (\$2.1 billion): Once authorized, discretionary funds must be appropriated by Congress. Discretionary funds must be obligated in two years and liquidated in the subsequent year.
- **Mandatory and Matching Funds** (\$2.9 billion): Once authorized, mandatory and matching funds are not subject to annual appropriations.
 - **Mandatory Funds:** Mandatory funds must be obligated in the fiscal year they are appropriated and have no deadline for liquidation.
 - **Matching Funds:** Matching funds must be obligated in the fiscal year they are appropriated and must be liquidated within two years. Matching funds that are unobligated at the end of the fiscal year are returned to the Treasury for reallocation the subsequent year. To draw down all available matching funds, states must spend **state matching** funds and meet **maintenance-of-effort (MOE)** requirements, contributing a total of \$2.2 billion. MOE requires states to continue spending at least the same amount on child care services as they did prior to reauthorization of CCDBG in 1996.

Obligation and Liquidation Deadlines by CCDBG Funding Stream

Funding Stream	Obligation Deadline	Liquidation Deadline
Discretionary	2 years	3 years
<i>Appropriated in FY 2010</i>	<i>End of FY 2011</i>	<i>End of FY 2012</i>
Mandatory	1 year	No deadline
<i>Appropriated in FY 2010</i>	<i>End of FY 2010</i>	<i>- - -</i>
Matching	1 year	2 years
<i>Appropriated in FY 2010</i>	<i>End of FY 2010</i>	<i>End of FY 2011</i>

Funds are considered obligated when they have been legally committed, regardless of whether they have been spent.

Temporary Assistance for Needy Families (TANF) Block Grant: \$3.5 billion in 2009⁶

- **TANF Transfer:** States have the option of transferring up to 30 percent of their TANF block grant to CCDBG. Once funds are transferred, they become discretionary funds and subject to the same liquidation rules. In 2009, states transferred \$1.7 billion to CCDBG.
- **TANF Direct:** Child care assistance is one category of assistance on which states can directly spend federal TANF dollars. In 2009, states spent \$1.8 billion directly on child care assistance.
 - **TANF Maintenance-of-Effort (MOE):** States must also meet a MOE requirement in TANF. States are permitted to count child care expenditures towards both CCDBG MOE and TANF MOE requirements. In 2009, state TANF MOE funds spent on child care assistance totaled \$2.3 billion.

Text of the Child Care and Development Block Grant Act is available at

<http://www.acf.hhs.gov/programs/ccb/law/ccdbgact/index.htm>.

Final regulations for the law are available at

<http://www.acf.hhs.gov/programs/ccb/law/finalrul/index.htm>.

For more information, please contact:

Hannah Matthews

hmatthews@clasp.org

(202) 906-8006

¹ U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), *Eligibility Determination for Head Start Collaboration*, ACYF-PIQ-CC-99-02, <http://www.acf.hhs.gov/programs/ccb/law/guidance/current/pq9902/pq9902.htm>.

² HHS, ACF, *Clarification of Interpretation of "Federal Public Benefit" Regarding CCDF Services*, Program Instruction ACYF-PI-CC-98-08, <http://www.acf.hhs.gov/programs/ccb/law/guidance/current/pi9808/pi9808.htm>; HHS, ACF, *Verification of Citizenship and Immigration Status by Non-Profit Organizations and Head Start Grantees*, Program Instruction CCDF-ACF-PI-2008-01, <http://www.acf.hhs.gov/programs/ccb/law/guidance/current/pi2008-01/pi2008-01.htm>.

³ HHS, ACF, *Approval of Amendments to a Lead Agency's Approved Plan*, Program Instruction (CCDF-ACF-PI-2009-01), 2009, <http://www.acf.hhs.gov/programs/ccb/law/guidance/current/pi2009-01/pi2009-01.htm>.

⁴ For more information on CCDBG funding streams, including obligation and liquidation timelines, see http://www.clasp.org/publications/ccspending_notes.pdf and http://www.acf.hhs.gov/programs/ccb/ccdf/ccdf06_07desc.htm.

⁵ HHS, ACF, *Temporary Assistance to Needy Families Program Instruction No. TANF-ACF-PI-2005-01*, <http://www.acf.hhs.gov/programs/ofa/dts/tanf/tanf05-01.htm>.

⁶ HHS has not released more recent expenditure data for the TANF program.