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	Regulations Regarding Use of CCDF Funds for Research and Evaluation	

TO: State, Territorial and Tribal Lead Agencies administering child care programs under the Child Care and Development Block Grant Act of 1990 (the CCDBG Act), as amended, and other interested parties.

SUBJECT: To provide guidance on the use of Child Care and Development Fund (CCDF) funds for the purposes of research and evaluation.

REFERENCES: The CCDBG Act; section 418 of the Social Security Act; 45 CFR Parts 98 and 99.

PURPOSE: This Program Instruction (PI):

- Provides clarification about the use of CCDF funds for research and evaluation; and
- Encourages States, Territories and Tribes to evaluate subsidy policies and quality initiatives as a means to improve program performance, inform policy decisions, and effectively target available child care funds.

EFFECTIVE DATE: April 8, 2005

BACKGROUND: The CCDF allows States maximum flexibility in developing child care programs and policies that best suit the changing needs of children and families. At the same time, States must use their child care dollars as effectively as possible and demonstrate that their investments are making a difference in outcomes for families and children. Research and evaluation can help States make policy and program decisions that support these goals.

The Child Care Bureau (CCB) is committed to supporting State access to policy-relevant research and evaluation. Since FY 2000, CCB has invested close to $50 million in research and evaluation to create a research infrastructure that includes:

- Policy Research Partnerships which provide State and cross-State information on child care needs, utilization patterns and outcomes for low-income families;
- Field-Initiated Research Grants which support researchers in investigating child care issues that are consistent with the CCB's research agenda;
- Research Scholar Grants which increase the number of graduate students conducting dissertation research on child care issues;
- Data and Research Capacity Grants which provide grants to States to develop their child care data and research capacity either internally or through contract;
- Evaluation studies, *the Evaluation of Child Care Subsidy Strategies* and *the Evaluation of Promising Models and Approaches to Child Care Provider Training (QUINCE)*, each of which addresses key issues of concern to researchers and policymakers;
- The Child Care Policy and Research Consortium, a national alliance of research projects sponsored by the CCB; and,
- The Child Care and Early Education *Research Connections*, a web-based resource for researchers and policymakers.

These investments have yielded findings on subsidy utilization, parent choice of care, quality of care, and the child care workforce – all relevant to State and national child care policy. In addition, CCB research activities underscore the importance of States and researchers working together to identify and conduct policy-relevant research that addresses important short- and long-term issues.

The importance of these activities is discussed in a September 2002 GAO report that looks at evaluations of State quality initiatives.[1] This report notes that the descriptive information collected from State-sponsored studies can provide reliable information required to address program design issues including provider reimbursement rates, as well as to assess program implementation, such as examining the number of caregivers who have earned child development credits, which can then be useful in planning more rigorous evaluations of program impacts.

Recognizing that CCB's funds are limited and that States often find their own research most responsive to the specific issues faced by the State, questions have arisen about the circumstances under which States may use CCDF funds for research and evaluation.

This Program Instruction is intended to provide guidance on the use of CCDF funds to assess program performance and to support evidence-based research that can be used to guide the development of child care services and systems. Examples of ways States have used research to make decisions about subsidy policies and quality initiatives also are included.

GUIDANCE: The Child Care and Development Fund (CCDF) primarily helps States, Territories, and Tribes make child care services available to low-income working

[1] *States Have Undertaken a Variety of Quality Initiatives, but More Evaluations of Effectiveness Are Needed* (GAO-02-897). September 2002. General Accounting Office.

families. At least four percent of CCDF dollars as well as specially-earmarked funds must be used to improve child care quality. While no more than five percent of CCDF may be used for administrative purposes, certain costs incurred in providing services directly to families, including eligibility determination and re-determination are considered non-administrative costs. (These are referred to as "non-direct services" for purposes of the ACF 696 Financial Report.) **Special Note About Tribes:** Specific provisions in this section related to quality expenditures and administrative costs vary for Tribes (See 45 CFR 98.83).

States, Territories and Tribes may use CCDF funds for research and evaluation purposes. Costs associated with research and evaluation may be considered administrative, non-direct (non-administrative), or quality expenditures depending on the nature of the study and, to some extent, grantee preference.
More specifically--

Use of CCDF Administrative Funds for Research and Evaluation

As described in the CCDF regulations (45 CFR 98.52), administrative costs include expenses associated with CCDF administration and implementation. This includes activities such as plan development, public hearings, monitoring, resolution of audit and monitoring findings, coordinating the provision of CCDF services with other programs, and evaluation of program results. Administrative costs also include travel expenses to carry out the program, accounting and audit services, goods and services required for program administration, and indirect costs. Since evaluation of program results is defined as an administrative cost, studies dealing with issues such as how well the State CCDF program meets the needs of low-income families; economic development studies; cost-benefit analyses of financing options; and, the adequacy and accuracy of payments made to providers would be considered CCDF administrative activities. As discussed below, an evaluation of a quality initiative, intended to enhance the effectiveness of a State's efforts to improve child care quality, could be considered either an administrative or quality activity.

Use of Non-Direct (Non-Administrative) Funds for Research and Evaluation

The Preamble to the July 24, 1998 CCDF Final Rule (63 FR at 39962) lists the following activities that should not be considered administrative costs under CCDF: 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; child care resource and referral (CCR&R) services; child care staff training; and the establishment and maintenance of computerized child care information systems. Research and evaluation costs associated with carrying-out these activities are considered non-direct expenditures not subject to the five percent administrative limit. For instance, CCDF regulations require States to demonstrate in their biennial CCDF State Plans how payment rates are adequate based on a local market rate survey conducted no earlier than two years prior to the effective data of their current Plan (45 CFR 98.43). Because rate setting is not considered an

administrative cost, CCDF funds spent on a market rate survey would not be subject to the administrative limit under CCDF.

Use of Quality Funds for Research and Evaluation

States are required to spend not less than four percent of their CCDF funds (not including maintenance-of-effort) on quality activities (45 CFR 98.51). Allowable activities to improve the quality of child care include, but are not limited to:

- Activities designed to provide comprehensive consumer education;
- Activities that increase parental choice;
- Activities to improve the quality and availability of child care, such as:
    - CCR&R programs;
    - Grants or loans to child care providers to meet applicable health and safety requirements;
    - Monitoring of compliance with, and enforcement of, licensing and health and safety requirements;
    - Training and technical assistance related to the provision of child care services;
    - Improving the salaries and compensation of staff who provide CCDF child care services.

In recent years, and under current FY 2005 appropriations, States have been subject to three earmarks targeted as follows: child care resource and referral and school-age child care activities; improving the quality of infant-toddler care; and, additional quality expansion activities.

While a study designed to evaluate outcomes related to a State CCDF quality initiative may be considered a CCDF administrative activity, it may alternatively be categorized as a quality activity if the findings are intended to help the State improve the effectiveness of its quality investments. This would be true whether or not the evaluation is funded separately or as part of the implementation of the quality initiative.

The following are examples of research and evaluation activities that are allowable uses of CCDF dollars.

EXAMPLES:

Market Rate Surveys

The Act and regulations governing CCDF require Lead Agencies to provide assurances that payment rates for CCDF-funded direct service subsidies are sufficient to provide equal access for eligible children to comparable child care services that are provided to children whose parents are not eligible to receive CCDF-funded subsidies (45 CFR 98.43). States must conduct at least biennial local market rate surveys and demonstrate how their payment rates are adequate based on the survey results.

Some States use CCDF funds to pay for their market rates surveys including Connecticut, District of Columbia, Illinois, Massachusetts, Minnesota,

Oregon, and Washington. Many of these States also use their market rate survey to gather broader information about the child care workforce in their State.

Research on Local Child Care Markets

CCDF urges States to consider the capacity of local child care markets in meeting the child care needs of families (63 FR at 39950).

Oregon
Using CCDF funds, Oregon pays for the purchase of child care questions in the biennial Oregon Population Survey. These questions relate to child care supply and help the State better understand changes in the child care market over time. Inclusion of child care questions in the larger survey has also allowed Oregon to describe the supply of child care from families' perspectives based on parent reports of their care arrangements.

Illinois, Minnesota , Mississippi, South Carolina
Using CCDF funds in combination with other public/private funds, these States have conducted household demand surveys to explore the child care use patterns, cost, and parent satisfaction with child care. These studies increase States' understanding of the child care needs of families. In addition, some States are creating public use data files for ongoing analysis of household demand surveys.

Illinois
Illinois used CCDF quality funds to produce a 2003 State Child Care Needs Assessment report with supply and demand data specific to ages 0 – 5 for every county and urban area with populations over 30,000.

Wisconsin
Wisconsin requires its CCR&R agencies to conduct annual stakeholder surveys in their service delivery areas. These surveys provide data to evaluate child care needs at a community level and are supported in part with CCDF funds.

Evaluation of Activities to Improve Quality

Lead Agencies are encouraged to evaluate the success of their efforts to improve quality (63 FR at 39962). Examples include evaluation of compensation initiatives, evaluation of training programs and evaluation of grants programs.

Connecticut
CCDF funds together with State funds were used in Connecticut to evaluate the content and format of infant and toddler training (offered through Connecticut Charts-a-Course to provide information useful to curriculum developers and program planners).

Florida

Using CCDF funds, Florida studied the effects of their ratio and education requirements on children's cognitive and socio-emotional development. They found that lower child to staff ratios significantly contributed to gains in children's cognitive and language development.

Illinois

CCDF funds were used in Illinois to evaluate the success of its Great START (Strategy to Attract and Retain Teachers) program. Great START aims to increase retention of child care providers and increase provider education levels by paying stipends to providers based on their level of education every six months that they stay in their same position. The evaluation assessed retention and education outcomes of participants in the program. Participants in the program, especially those who had not already earned a college degree, were more likely to remain in their current positions and to pursue additional education.

Minnesota

CCDF funds were used to conduct a process evaluation of Minnesota's grants program to support organizations providing culturally responsive care, and to support a variety of quality initiatives.

North Dakota

Using a combination of CCDF funds (as they relate to the infant and toddler earmark), funds from the Maternal and Child Health Bureau's Healthy Child Care America, and private funds, North Dakota is working with its CCR&R agencies to develop a network of consultants and trainers to support caregivers who work with infants and toddlers. This initiative uses the WestEd *Program for Infant/Toddler Caregivers (PITC)* curriculum as well as a lending library of books, resources, and equipment. The State is currently conducting long-term planning and evaluation (using the *Infant/Toddler Environment Rating Scale*).

Washington

CCDF and Temporary Assistance for Needy Families (TANF) reinvestment funds were used to assess the effects of Washington's Child Care Career and Wage Ladder Pilot Project, which aims to establish specific job titles and related wages based on teacher education and experience. The study examined the program's impact on the retention of participants in relationship to a comparison group. Results indicated strong inter-relationships among the variables studied – retention, education pursuits, wages, and sense of professionalism.

North Carolina, Pennsylvania and Wisconsin

Of the 17 states with T.E.A.C.H. (Teacher Education and Compensation Helps) Early Childhood Projects, three states have initiated evaluations of their programs – North Carolina, Pennsylvania, and Wisconsin. The

Pennsylvania evaluation is ongoing. Results from North Carolina, funded with CCDF quality funds, indicated a drop in turnover rates among

participants in the program. Similarly, through its Child Care Research Partnership, Wisconsin used CCDF quality funds to evaluate the success of its T.E.A.C.H. program. Operating since 1999, an evaluation in 2003 was conducted by the Partnership that assessed the scholarships granted and the credit hours or degrees earned. Findings indicated that recipients completed a substantial number of college courses, turnover rates were reduced, and the wages of T.E.A.C.H. recipients rose.

Evaluation of Program Results

District of Columbia

Using CCDF administrative funds, the District of Columbia conducted a study of its child care subsidy waiting list in 2003. Findings indicate that families were on the waiting list an average of three months; the majority of families were single parents seeking full-time care for infants and toddlers while they worked; and families used multiple providers over the course of a typical week and across the duration of their time on the waiting list. Providers were also affected by the waiting list as their enrollments and revenues decreased, resulting in staff reductions and increased class sizes.

Minnesota

Since 1998, Minnesota has invested CCDF administrative funds in research and evaluation. In 2000, Minnesota conducted a process and outcome evaluation of its CCR&R system 10 years after its inception. This study is the only evaluation of CCR&R systems to date. Findings indicate that the vision to implement the CCR&R services in every county maximized stakeholders' investment in the system, and resulted in service delivery that is highly tied to local needs and interests of communities. Challenges indicated that while funding has remained relatively constant over the 10-year period, the number of contractual demands and duties for CCR&R staff has risen.

Wisconsin

With CCDF administrative funds, ongoing evaluation is conducted in Wisconsin using subsidy data from ACF-800 and ACF-801 data reports. This evaluation allows for trend analysis of child care use and age of children in care.

For more information on conducting research and evaluation, please see:

FOR ADDITIONAL INFORMATION:

- Porter, T., Mabon, S., Kearns, S., Robertson, A. & Kreader, J. L. (2003), *A Toolkit for Evaluation Initiatives to Improve Child Care Quality*, New York, NY: Institute for a Child Care Continuum. http://www.bankstreet.edu/gems/ICCC/QualityStudy03.pdf
- Child Care and Early Education *Research Connections* http://childcareresearch.org/discover/index.jsp

QUESTIONS Questions should be directed to your ACF Regional Office.

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And Families