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Information Memorandum

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

Subject: Policies and Practices that Promote Continuity of Child Care Services and Enhance Subsidy Systems

References: The Child Care and Development Block Grant Act (42 U.S.C. § 9858 et seq.); Section 418 of the Social Security Act (42 U.S.C. § 618); 45 CFR Parts 98 and 99; 63 FR 39936-39998[1]; ACYF-PIQ-CC-99-02[2]; CCDF-ACF-IM-2009-01[3]; CCDF-ACF-IM-2011-01[4]

Purpose: This Information Memorandum provides guidance to encourage Lead Agencies to adopt policies that promote continuity of child care services for the benefit of children and families.

Background: The Child Care and Development Fund (CCDF) offers States, Territories, and Tribes maximum flexibility to develop high-quality child care programs that best suit the needs of children and families as they pursue financial self-sufficiency and school success for their children. The statutory and regulatory commitment to flexibility provides Lead Agencies with the latitude to design subsidy systems that take into account local market dynamics, current budgetary parameters, and other factors that are unique to the local child care landscape. Given this flexibility, Lead Agencies have the opportunity and responsibility to craft policies that support the long-term, sustainable success of children and families.

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[1] 1998 CCDF Preamble Discussion
[2] Policy Interpretation Question: The length of CCDF eligibility for children in collaboratively-funded slots (ACYF-PIQ-CC-99-02)
[3] Information Memorandum on Flexibility in the Child Care and Development Fund (CCDF-ACF-IM-09-01)
[4] Information Memorandum on Emergency Preparedness and Response Planning for Child Care (CCDF-ACF-IM-2011-01)

It is of particular importance in times of economic uncertainty that Lead Agencies leverage this flexibility to offer much-needed support to families navigating the demands of a fluctuating economy and an uncertain job market. A five-state study has shown that the median length of child care subsidy receipt is often very short, ranging from 3 to 7 months.[5] These short periods of subsidy receipt can be the result of a variety of factors, but developing eligibility policies that provide increased continuity in the subsidy program would offer valuable support and relief to families working toward long-term stability.

Other factors in addition to eligibility also impact continuity. For example, a State study suggests that a significant number of families are still income-eligible for child care services, by both Federal and State eligibility criteria, when they leave the subsidy program.[6] Studies in several States show that many families who leave the subsidy program return within a short period.[7] With this in mind, it is important to not only revisit eligibility criteria and policies, but to reexamine the procedures required to participate in the child care subsidy program. Lead Agencies should, to the extent possible, streamline the administrative process and coordinate with partner agencies and organizations to reduce any unnecessary burden to families.

In addition to its value to a family's financial health, continuity is of vital importance to the healthy development of young children, particularly the most vulnerable.[8] Research has shown that children have better educational and developmental outcomes when they have continuity in their child care arrangements.[9] Unnecessary disruptions in services can stunt or delay socio-emotional and cognitive development because safe, stable environments allow young children the opportunity to develop the relationships and trust necessary to comfortably explore and learn from their surroundings. Since the early years are the most dramatic for brain development, constant adjustment to new surroundings and routines can have long-term negative consequences on the child's cognitive development.[10]

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[5] Meyers, M. K., Peck, L., Davis, E. E., Collins, A., Kreader, J., Georges, A., et al. (2002). *The Dynamics of Child Care Subsidy Use: A Collaborative Study of Five States.* New York: Columbia University, National Center for Children in Poverty.
[6] Grobe, D., Weber, R. B., & Davis, E. E. (2006). *Why Do They Leave? Child Care Subsidy Use in Oregon.* Corvallis: Oregon State University.
[7] Meyers, et al. (2002).
[8] Adams, G., Rohacek, M., & Danzinger, A. (2010). *Child Care Instability.* Washington, D.C.: The Urban Institute.
[9] Raikes, H. *Secure Base for Babies: Applying Attachment Theory Concepts to the Infant Care Setting*, Young Children 51, no. 5 (1996): 59-67.
[10] Dicker, S., & Gordon, E. (2004). *Ensuring the Healthy Development of Infants in Foster Care; A Guide for Judges, Advocates, and Child Welfare Professionals.* Washington, D.C.: Zero to Three Policy Center.

A high-quality child care subsidy system that meets the needs of children and families is an essential factor in the health of the economy as well as the healthy development of young children. In order to further establish programs that are child-focused, family-friendly, and fair to providers, the OCC strongly encourages States, Territories, and Tribes to develop and implement policies that promote continuity within the child care subsidy system. At the Federal level, OCC is working to promote this issue by adding key language and questions to the CCDF Plan that ask Lead Agencies to describe how their policies promote continuity of care for children and stability for families. Additionally, in the fall of 2011, OCC will introduce the new National Center on Subsidy Innovation and Accountability that will provide valuable technical assistance to Lead Agencies as they reexamine their policies.

Guidance: The Office of Child Care has identified (a) areas of flexibility within eligibility policy that can be leveraged to promote continuity of subsidy receipt, and (b) policies and practices that can reduce administrative burden to children, families, and organizations. These policies, many of which have already been adopted by a number of Lead Agencies, utilize family-friendly eligibility definitions, make allowances for minor variations in family circumstance, and facilitate coordination between agencies to increase stability of services. It should be noted that the following is not a checklist of required activities, but rather a menu of policy options that the Lead Agency should take into consideration when developing its policies. Lead Agencies are not required to implement the following strategies, but are strongly encouraged to consider implementing those that would work best to promote continuity within the circumstances, laws, policies, and priorities of the State, Territory, or Tribe.

Eligibility Policies that Increase Retention of Subsidy

Lead Agencies have a great deal of flexibility within the CCDF statute and regulations to establish the specific guidelines for determining and verifying eligibility for CCDF-supported child care assistance. Based on State experience and research, OCC has identified the following policy options as viable methods for increasing retention of subsidy:

- **Implement a 12-Month Eligibility Period:** Lead Agencies determine the frequency of eligibility reviews. Currently half of the States utilize a 6-month maximum eligibility period while the other half utilize a 12-month maximum period. To limit the burden on families, Lead Agencies should, if possible, consider increasing the amount of time between these reviews to 12 months.

  OCC recognizes that with the increased emphasis on program integrity measures and fraud prevention, there has been some concern about a possible conflict between the length of eligibility and accountability. However, Lead Agencies are reminded that in November 2009, the President issued Executive Order 13520, which underscored the importance of protecting access to programs by their intended beneficiaries while reducing improper payments in Federal programs.[11] Furthermore, through its ongoing program integrity efforts, OCC has found that strengthening eligibility determination practices through strategies such as caseworker training and automated data matches is a more effective method of reducing error than increasing the frequency of eligibility determinations. Accordingly, OCC considers 12-month eligibility to be consistent with the goals of both program integrity and child-focused, family-friendly policies. A 12-month eligibility period ensures regular, periodic eligibility reviews while also reducing the administrative burden on States and minimizing disruption to children and families.

- **Expand the Definition of Working to Include Job Search:** Lead Agencies have flexibility in defining "work, job training, and education activities," and may include "job search activities" in their definition. Retention of eligibility during a job search can alleviate some of the stress on families, facilitate a smoother transition back into the workforce, and support children's development by maintaining continuity in their early learning placement. Currently almost two-thirds of all States and Territories have adopted this policy.

- **Account for Changes in Family Circumstance:** Family circumstances, particularly in times of broad economic uncertainty, tend to fluctuate within a year. Through its policies, a Lead Agency can design a subsidy system that has the flexibility to account for these fluctuations and is nuanced enough to more accurately assess a family's economic circumstances. Below are several policy options that OCC has identified that address changes in family circumstance:

    - **Tiered-Eligibility:** Lead Agencies can set income eligibility guidelines up to the Federal limit of 85 percent of State Median Income (SMI). In instances where States set a threshold below 85 percent of SMI, a policy option that 16 Lead Agencies have implemented is Tiered-Eligibility: establishing an income eligibility threshold upon application that increases upon redetermination. This tiered design promotes continuity by allowing for wage growth, provides a graduated transition out of the child care subsidy program, and supports long-term self-sufficiency for families.

    - **Family Income:** A family's income may not be stable over the course of a year, particularly given seasonal fluctuations in certain fields of employment. The methodology by which

[11] 74 FR 62201 (Nov. 25, 2009)

Lead Agencies capture family income determines the accuracy of the eligibility determination. This has implications, not only on eligibility, but also on the amount of co-pay for which a family may be responsible. The following policy options would enable Lead Agencies to capture a more nuanced picture of family income:

- *Average Income:* To ensure that salary and wage information is reflective of annual income, the Lead Agency has the option of averaging the family earnings over a period of time (e.g. not limited to using the 3 most recent pay stubs to verify income). This offers the Lead Agency the flexibility to broaden the scope of income verification to account for irregular fluctuations in pay (e.g. seasonal irregularities) and provide a more accurate picture of the family's financial situation.

- *Allow for Temporary Income Increases:* Provided a family can demonstrate that an isolated increase in pay (e.g. short-term overtime pay, lump sum payments such as tax credits, etc.) is not indicative of a long-term raise in salary, the Lead Agency can choose to accept documentation that more accurately reflects normal wage levels.

- **Allow Retention of Eligibility during Temporary Changes:** If a family experiences a temporary change, the Lead Agency can allow that family to retain its eligibility despite the short-term change in circumstance. For example, if a working parent is temporarily absent from employment due to maternal or extended medical leave, or a child is temporarily visiting relatives or a non-custodial parent, the Lead Agency may allow families to retain eligibility until circumstances restore to normal. If the Lead Agency chooses to suspend payment during the temporary change, it can still allow the family to retain its eligibility until payment is resumed. In doing so, families can resume child care with the same provider or, at a minimum, receive services through another provider without repeating the eligibility determination process or going to the back of a waiting list.

- **Coverage for Child Sick or Vacation Days:** Lead Agencies can allow providers to be paid for days when a child is absent due to an illness and/or allow families a limited number of vacation days where providers would continue to receive payment. These policies would promote continuity of care by allowing the provider to retain the slot for the child without a financial penalty. Private-paying parents generally pay for an entire period (e.g., a week, a month) even if the child is out sick within that period. This policy would align subsidy policies with the general child care market and positively affect subsidy providers while also enabling families to retain child care services.

Policies and Practices to Reduce Administrative Burden

The Lead Agency should, to the extent possible, reexamine the processes required to participate in the child care subsidy program. Below are several options that the Lead Agency has at its disposal that can reduce the administrative burden on families and organizations:

- **Broaden Information Collection Options:** The process by which Lead Agencies collect eligibility documentation represents a potential barrier to services, particularly when documentation can only be provided in-person during standard work hours. Lead Agencies should consider offering a variety of family-friendly mechanisms for submitting documentation (e.g. phone, email, extended submission hours, etc.) for eligibility determination and/or redetermination. Diversifying the mechanisms by which families can submit required information widens the pathways through which families obtain and retain eligibility for child care services.

- **Coordination with Partner Agencies and Organizations:** Effective coordination within the child care subsidy program and across other partner organizations is essential for continuity and stability. Below are several avenues for collaboration that would decrease barriers and minimize disruptions to child care services:

    - **Cross-Locality Coordination:** For child care subsidy systems that are locally administered, the Lead Agency should ensure strong collaboration between localities (e.g. collaboration between neighboring counties) to allow families to retain their eligibility if they move between localities.

    - **Alignment of Eligibility Periods with other Early Education Programs:** In current practice, child care subsidy systems often have eligibility periods that differ from partnering educational programs. In order to facilitate a smooth delivery of services across sectors, the Lead Agency can align CCDF eligibility periods to match those of other early childhood services utilized by subsidy children (e.g. Head Start, Early Head Start, Pre-K, and School Age Programs). This alignment can be accomplished through a system-wide policy that minimizes disruption of services and creates a consistent policy for all children in the child care subsidy program. Alternatively, a Lead Agency may establish different eligibility periods specifically for subsidy children who are also enrolled in other early childhood programs, thereby targeting only children enrolled in multiple programs.[12]

- **Partnering with Providers:** Lead Agencies should consider partnering with providers so that providers can assist with notifying families of their responsibilities and upcoming deadlines. Providers have the advantage of direct contact with parents on a regular basis and Lead Agencies can take advantage of this regular interaction to ensure that families remain in compliance with subsidy requirements.

  For example, Lead Agencies can give providers, as well as parents, advanced notice of redetermination dates, and supply providers with copies of any necessary redetermination forms to share with parents. This would help families make the necessary preparations for the redetermination process. Another example of Lead Agency-provider partnership is delegating some parts of the eligibility redetermination process to providers (e.g. allowing the provider to collect redetermination documents and submit them on behalf of the families). Partnerships of this nature can significantly simplify the redetermination process for families and, as a result, promote continuity by reducing unnecessary terminations.

- **Information Sharing with Other Benefit Programs:** Lead Agencies should identify documents required by child care subsidy policy that are also collected by other work-support benefit programs (e.g. Supplemental Nutrition Assistance Program (SNAP), Medicaid, and Children's Health Insurance Program (CHIP)). Coordination with these organizations would streamline processes and avoid unnecessary duplication of effort on the part of families.

OCC strongly encourages Lead Agencies to consider these policy options and will offer support by assisting in the amendment of CCDF State Plans and providing technical assistance through the new National Center on Child Care Subsidy Innovation and Accountability. Continuity of care is a priority for the OCC because it significantly impacts a family's ability to achieve self-sufficiency and is essential for cultivating healthy child development. The proper application of the above policies will reduce barriers, enhance services, and ensure that the Child Care and Development Fund continues to meet the evolving needs of our most vulnerable children and families.

[12] Policy Interpretation Question: The length of CCDF eligibility for children in collaboratively-funded slots (ACYF-PIQ-CC-99-02)

Questions: Please direct all inquiries to the Child Care Program Manager in the appropriate ACF Regional Office.

Sincerely,

/s/

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Director
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