U.S. Child Care Bureau. (2004). Child Care and Development Fund: Report of state plans FY 2004-2005 [Executive summary]. Washington, DC: U.S. Child Care Bureau.

EXECUTIVE SUMMARY

The Child Care and Development Fund (CCDF) provides $4.8 billion in block grants to States, Territories, and Tribes to subsidize the cost of child care for low-income families. CCDF supports early care and education services for more than 1.8 million children each month. These services help low-income families become self-reliant and help ensure that children enter school ready to learn. By subsidizing child care services to parents who are entering the labor force or who are in job training and education programs, CCDF has played an important role in assuring the success of welfare reform. And while supporting families on the road to economic self-sufficiency, CCDF also helps prepare a pathway to future success by supporting the social, emotional, and cognitive development of children birth to age 13 in a variety of early care and education settings.

CCDF Plans

These CCDF-supported services are described in the biennial State Plans that are summarized in this report. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) requires each State and Territory to submit a Plan outlining how it will implement its share of the CCDF block grant over a two-year period. This report is a summary of CCDF Plans—for the 50 States, the District of Columbia, and the five Territories—approved by the Administration for Children and Families (ACF), U.S. Department of Health and Human Services (HHS), for the period of October 1, 2003, to September 30, 2005. CCDF Plans may be amended as policies or initiatives change.

Administration

CCDF State Plans for Federal Fiscal Years (FY) 2004-2005 indicate that Lead Agencies are working in partnership with multiple Federal, State, Tribal, and local entities, including private sector partners, to administer the program. Grantees may administer some or all portions of the program through other governmental and non-governmental entities. The number of States administering and implementing all child care services, programs, and activities funded under CCDF falling from nine as reported in the FY 2002-2003 CCDF Plans to six. In some cases, States have devolved administrative responsibility for CCDF to local jurisdictions or to contractors, most notably regarding eligibility determination and child care referrals. Slightly more CCDF grantees reported that the Lead Agency makes payments to providers than reported doing so in the FY 2002-2003 CCDF Plans.

States continue to maintain close control over administrative expenditures and are increasingly reaching out to public and private sector partners to leverage resources. By statute, Lead Agencies are required to cap administrative costs at 5 percent of their grant award. Eight States reported administrative costs below 2 percent of their CCDF allocation. Lead Agencies are using State prekindergarten expenditures to meet a portion of the CCDF Maintenance of Effort (MOE) and Matching Fund requirements, and using them to a greater degree than in the past. In the FY 2002-2003 CCDF Plans, two States reported using pre-K expenditures to meet more than 10 percent of State MOE requirements; in the FY 2004-2005 Plans, 12 States used pre-K expenditures to meet more than 10 percent of MOE. Seventeen States reported using pre-K expenditures to meet CCDF match and, on average, met 19 percent of their Matching Fund requirement with State pre-K funding (just shy of the maximum level permissible, 20 percent of match). The number of States reporting the use of private, donated funds increased from five to 13 between FY 2002 and FY 2004.

Service Coordination and Planning

States coordinate service delivery with a variety of agencies focused in the following areas: Temporary Assistance for Needy Families (TANF), public education, health, Head Start, Tribal, labor, special needs and mental health, higher education, and child care resource and referral (CCR&R). In fact, more than 40 States each reported collaboration with public health programs and the Healthy Child Care America initiative; employment/workforce programs; public education; TANF agencies; programs that promote inclusion of children with special needs; and Head Start. Through collaboration, States are seeking ways not only to deliver integrated services to children and families, but also to increase resources available to the early childhood system.

States reported consultations with 35 different types of entities in developing the CCDF Plans, including State departments of education and other State agencies; local governments; Head Start grantees, associations and Head Start–child care collaboration offices; Tribal organizations; and child care providers, among others. Advances in communication technology continue to spur States to reach out and involve more people in the development of Plans. More States are using video-conferencing in addition to traditional on-site public hearings. Many Lead Agencies also post the State Plans on and solicit input via their Web sites. Some States use television and radio to broadcast hearings.

In addition to coordination with public entities, many States reported on public-private partnerships in support of many aspects of the child care assistance program. Thirty-two States involved professional development initiatives through such partnerships, often with businesses, higher education, and foundations. States also described successful partnerships with foundations and businesses in such areas as improving children’s school readiness and/or literacy skills; raising public awareness; increasing the availability of providers or of specific types of care such as infant/toddler or school-age care; improving quality and professional development; and supporting facility start-up and enhancements.

Efforts to streamline processes among TANF, Head Start, and child care are described in many State Plans. For example, States are streamlining eligibility, aligning cross-program processes and information systems, and creating smoother transitions from one program into the next.

Certificates, Grants, and Contracts

In most States, the bulk of CCDF funds are administered through certificates or vouchers for direct services. However, 26 States reported that they also administer grants or contracts for child care slots. These grants and contracts support Head Start “wrap-around” initiatives, school-age child care, or programs that target specialized populations or services such as care for migrant or teen-parent populations or that provide care during nontraditional hours.

Payment Rates

States establish subsidy reimbursement rate ceilings informed by data compiled through biennial Market Rate Surveys (MRS). Fewer States reported capping rates at the 75th percentile of the MRS—a benchmark established by the Child Care Bureau, ACF/HHS for setting rates that ensure equal access with private-paying parents; 23 States set rates at or above the 75th percentile, down from 27 that indicated doing so in FY 2002-2003 Plans. In eight of those 23 States, the percentile was based on a prior year MRS.

For most States, reimbursement rate ceilings remained constant from FY 2002 to FY 2004. In each age range, between 65 percent and 70 percent of the States showed no change in the maximum rate during that period. Between 20 percent and 25 percent of States increased rate ceilings for infant, toddler, and preschool care, while fewer than 15 percent of States decreased rate ceilings for infant, toddler, and preschool care. Maximum rates for school-age child care showed no change in most States; however, about 15 percent of States increased rates and 15 percent of States decreased rates. Among those States for which comparisons for infant, toddler, and preschool care could be made between rate schedules included in CCDF Plans for FY 2002-2003 and FY 2004-2005, more States—nearly twice as many—raised rate ceilings than lowered them.

More States—a total of 30—reported using rate differentials for care that is more difficult to find or more expensive to provide. States pay higher rates for higher-quality care that meets standards beyond licensing minimums (19 States); for care provided to children with special needs (18 States); and/or for care provided during nontraditional hours and on weekends (9 States).

Eligibility Criteria

States set income eligibility limits for child care assistance ranging from 28 percent to 85 percent of State Median Income (SMI), with 45 States establishing caps below the maximum level permitted in Federal regulations. Overall, States reported an average income eligibility level equivalent to 59 percent of SMI, down from the 62 percent average reported in FY 2002-2003 CCDF Plans, although 14 States used SMI data ranging from 1994 to 2002. As indicated in FY 2002-2003 and FY 2004-2005 CCDF Plans, 26 States lowered their income limits. At the same time, one out of five States increased eligibility thresholds, making more families eligible for child care assistance. The relative decreases were more modest (median 6 percent of SMI) than the relative increases in income thresholds (median 9 percent of SMI). Fully one in four States did not change income eligibility levels as reported in FY 2002-2003 and FY 2004-2005 CCDF Plans.

Seven States reported using a two-tiered income eligibility threshold, permitting families to earn more while receiving child care assistance than when they first apply, a strategy to assist families that experience wage increases to continue to make progress toward self-sufficiency without being forced to exit the subsidy program altogether.

Parent Copayments

States establish sliding fee scales to determine a parent's share of the cost of care under the subsidy system. These scales usually vary by family size and income and typically express the parent's share or copayment as a percentage of family income. In 50 percent of the 46 States for which fees could be determined for both the FY 2002-2003 and FY 2004-2005 Plans, the copayment required of a sample family did not change. In 37 percent of States examined, the sample family faced an increased fee, while in 13 percent of States the fee decreased.

Processes with Parents

Increasingly, Lead Agencies are responding to the needs of families by making it easier to apply for child care. States use the Internet, e-mail, and other information systems to disseminate child care information to allow parents or providers to estimate eligibility, and to request and/or complete an application for child care services without an in-person interview. Reducing barriers to initial and continuing eligibility has been a key concern. Fourteen States sought to simplify application policies and procedures and 10 States reported working to coordinate eligibility policies across programs. Lead Agencies reported taking other steps including extending office hours and establishing multiple intake locations to ease families' access to child care subsidies.

Some States are supporting families enrolled in full-day, full-year programs—including Head Start–child care collaborations—by simplifying the eligibility determination process and lengthening the period of child care subsidy authorization. Ten States—up from eight in the last Plan Period—reported extending the eligibility period for families whose children also are enrolled in Head Start–child care programs. More States are moving toward 12-month periods of payment authorization, with fewer States requiring in-person visits to redetermine eligibility—measures that aid low-income working parents.

States continue to track and report on complaints filed against child care programs. A small but growing number of States—five States in FY 2004-2005 Plans, up from three reporting in FY 2002-2003 Plans—use the Internet to allow parents to request or receive complaint information, and 13 States reported that parents can call a toll-free telephone number to register complaints or receive complaint information about a particular provider.

Improving the Quality and Availability of Child Care Services

By statute, States must spend no less than 4 percent of their CCDF allocation for quality activities. States may use these funds for a variety of quality initiatives discussed on the following pages.[1] On average, Lead Agencies estimated that 7 percent of their CCDF allocation will be set aside for quality activities. In addition, Congress has earmarked portions of CCDF to

[1] Quality activities that count toward the set-aside include those that target infants and toddlers, CCR&R services, school-age child care, comprehensive consumer education, grants or loans to providers to assist in meeting State and local standards, monitoring compliance with licensing and regulatory requirements, training and technical assistance, compensation of child care providers, and other activities that increase parental choice and/or improve the quality and availability of child care.

be spent on quality and to improve services for infants and toddlers, child care resource and referral (CCR&R), and school-age child care.

Earmarks

Child Care Services for Infants and Toddlers. States have implemented a wide range of infant/toddler programs. Almost all use infant/toddler set-aside funding for specialized training and more than half of States described technical assistance and other supports offered to infant/toddler programs and practitioners. Other initiatives supported through the infant/toddler set-aside include quality improvement grants, rate enhancements and compensation initiatives, and evaluation and planning. Increasingly, States are reporting taking steps to link all of their infant/toddler initiatives into a comprehensive effort, often linking planning and evaluation, program supports, and direct services with a focus on systemic change.

Resource and Referral. All States provide CCR&R services, including dissemination of consumer information and referrals, development of new child care homes and centers, training and/or technical assistance to child care providers, and other quality enhancement initiatives. Most States provide these services via contract with a nonprofit, community-based organization, although three States provide CCR&R services directly and two use a combination of approaches. Nine States described using CCR&R set-aside funds to establish or upgrade data collection systems used by CCR&R agencies.

School-Age Child Care (SACC). Most States make funds available to support school-age child care programs and services and they continue to make program quality a focal point. The number of States that reported using SACC funds to support training increased from 26 in the FY 2002-2003 Plans to 34 in the FY 2004-2005 Plans. Similarly, more States reported funding technical assistance activities and grants with the SACC set-aside.

Quality Activities

Consumer Education. All States reported that they support CCR&R services that include, among other activities, consumer education. All of the States reported that they will undertake comprehensive consumer education activities to improve child care quality and nearly half described their involvement in public awareness campaigns designed to promote a wider understanding of the importance of early care and education.

Grants and Loans to Providers. States continue to support child care programs by making start-up grants and loans available to providers, including school districts and community-based organizations. Twenty-one States reported using CCDF funds to support child care start-up or expansion grants, while 18 States targeted funds for quality improvement grants. A small but growing number of States described grant or loan programs to support providers pursuing accreditation and several States reported awarding flexible, community planning grants aimed at building local capacity to address child care supply and quality.

Monitoring Compliance with Regulatory Requirements. CCDF funds are an important source of support for monitoring compliance with State child care licensing and regulatory requirements. In the FY 2004-2005 Plans, 39 States—up from 29 in FY 2002-2003 Plans—

reported using CCDF, including designating portions of the infant/toddler and SACC set-asides, to support licensing staff. In addition, eight Lead Agencies reported that they use CCDF quality funds to help pay for new or upgraded automation systems to track compliance with licensing standards.

Professional Development, Including Training and Technical Assistance. Twenty-nine States reported using CCDF quality funds to help build or support a career development system for early care and education practitioners, up slightly from 28 States reporting in the FY 2002-2003 Plans. In many States, these systems serve as a framework for a host of training, technical assistance, and other quality improvement initiatives. The number of States that reported using CCDF funds for T.E.A.C.H. Early Childhood®, a scholarship program that links increased education with increased compensation, continues to grow, as does the number of States that indicated that they are engaged in cross-system training activities.

Compensation of Child Care Providers. More States are using CCDF funds to plan or implement strategies aimed at addressing practitioner compensation. Twenty States—up from 12 in the FY 2002-2003 Plans—described initiatives such as wage supplements, apprenticeship programs, and one-time bonuses or quality awards. Several States have multiple compensation initiatives.

Activities in Support of Early Language, Literacy, Pre-reading, and Numeracy. Almost all States reported activities planned or underway to support the development of early language, literacy, pre-reading, and numeracy. Twenty-three States described training initiatives aimed at assisting practitioners in this area. Lead Agencies are reaching out to partners, other sectors including libraries, Head Start and Early Head Start agencies, and faith-based organizations.

Healthy Child Care America and Other Health Activities Including those Designed to Provide the Social and Emotional Development of Children. States use CCDF funds to support children's health, commonly through provision of nursing or health consultant services. In FY 2002-2004 CCDF Plans, 14 States reported engaging in cross-system planning to strengthen children's social and emotional development and better serve children with mental health and behavioral problems.

Other Activities to Support Child Care Quality. Twenty-eight States reported training initiatives to assist providers to serve children with special needs and 13 States have established technical assistance efforts to address inclusion. As part of the Healthy Child Care America initiative, 20 States reported developing a network of nurse or health consultants and 19 States indicated they funded train-the-trainer initiatives designed to promote health and safety in child care settings.

***Good Start, Grow Smart* Planning and Development**

States reported making considerable progress in implementing the President's early childhood initiative, *Good Start, Grow Smart*, which calls for States to develop voluntary early learning guidelines (ELGs), to promote professional development among early childhood practitioners, and to coordinate early childhood programs.

Early Learning Guidelines. While nearly one-fifth of the States are in the planning stage of developing ELGs, more than half of Lead Agencies indicated that ELGs were in development in their State, and nearly one-third described efforts to implement guidelines that have already been developed. Most States reported that efforts had been taken or were underway to align ELGs with State K–12 educational standards and no State reported that ELGs were mandatory.

Professional Development. Thirty-six States reported that they have a professional development plan and an additional 13 States are taking steps to develop such a plan; in many cases, these plans offer a continuum of training and education for practitioners. While only five States reported that their professional development plan was linked to ELGs, more than half of States delineated how their plan addressed early language, literacy, pre-reading, and numeracy development.

Program Coordination. Twenty-nine States reported that they have a plan for coordination across early childhood programs and 14 described efforts to develop such a plan, with common partners including Head Start, TANF, State Prekindergarten, and other State funding streams. Where program coordination occurs, CCDF Lead Agencies play an instrumental role, working in concert with other State agencies and Statewide early childhood commissions and councils.

Health and Safety Requirements in Child Care

Establishing and monitoring health and safety requirements are critical functions of State child care programs. The number of States requiring facilities paid with CCDF funds to meet licensing requirements showed little change. More States reported subjecting relative providers to some or all of the health and safety requirements that other child care providers must meet. Forty-eight States reported that child care providers are subject to unannounced monitoring visits and all States reported that providers are subject to background checks. The report introduces a summary of health and safety requirements in the five Territories. Four Territorial grantees reported subjecting all relative providers to the same requirements that other child care providers must meet. All five Territories reported that they subject child care providers to unannounced monitoring visits and require them to obtain health clearances or health certificates.

This brief Executive Summary only suggests the efforts Lead Agencies are undertaking with CCDF. The full *Child Care and Development Fund Report of State Plans, FY 2004-2005* describes in greater detail how States are working to make high-quality, affordable child care accessible to America's low-income families.