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EXECUTIVE SUMMARY

The Child Care and Development Fund (CCDF) supports early care and education services for more than 1.75 million children each month in the 50 States and the District of Columbia, four Territories, and among 256 Tribal CCDF grantees. By subsidizing child care services to parents who are entering the labor force or are in job training and education programs, CCDF has played an important role in welfare reform. CCDF has helped low-income families become self-reliant and has helped children become ready for school. In addition to supporting families on the road to economic self-sufficiency, CCDF also has supported the social, emotional, and cognitive development of children to age 13 in a variety of early care and education settings, helping prepare a pathway to future success.

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 to submit a biennial Plan outlining how it will implement its share of the CCDF block grant. CCDF Lead Agencies prepare Plans using a Plan Preprint developed by the Administration for Children and Families (ACF), U.S. Department of Health and Human Services. This report is an analysis of the ACF-approved State Plans for the period of October 1, 2001 to September 30, 2003[1].

Administration

The Child Care and Development Fund (CCDF) State Plans for fiscal years 2002-2003 indicate that Lead Agencies are working in partnership with multiple Federal, State, Tribal, and local entities to administer the program. Many Lead Agencies assume primary responsibility for administering funds for child care services (e.g., funding child care certificates/vouchers and/or contracting with child care programs to serve families that are eligible for child care assistance). However, all of the Lead Agencies contract with at least one other entity to assist them in administering funds to improve the quality and availability of child care. Often these partners are private-sector entities. In some cases, States have devolved substantive administrative responsibility for CCDF to local jurisdictions. Two areas in which this trend has become more pronounced since the 2000-2001 Plan Period are eligibility determination for families receiving Temporary Assistance to Needy Families (TANF), and payment to providers.

In no State does the cost to administer the program exceed 5 percent—a statutory requirement—and three States estimated administrative costs at between 1 and 2 percent of the CCDF allocation. Increasingly, Lead Agencies are using State prekindergarten expenditures to meet a portion of the CCDF maintenance of effort and Matching Fund requirements.

[1] This analysis includes information from 48 of the 50 States, the District of Columbia and Puerto Rico. Approved plans for Florida and Michigan were not available at the time of this analysis; therefore, information from these States is not included in this report. The report does not include information from U.S. Territorial or Tribal CCDF Grantees. States submitted Plans on July 1, 2001.

Service Coordination and Planning

A review of States' descriptions of the State Plan development process, coordination efforts, and public-private partnership initiatives indicates that States are committed to improving child care for children and families through coordination and collaboration. As research shows, the physical, emotional, cognitive, and social development of a child directly impacts a child's readiness for school and success in later life. To that end, States increasingly are addressing all areas of children's development by forming new partnerships with health agencies, schools, mental health agencies, businesses, community-based agencies, pediatricians, and other partners.

States coordinate service delivery with a variety of agencies focused in the following areas: TANF, public education, health, Head Start, Tribal, labor, special needs and mental health, higher education, and child care resource and referral (CCR&R). For example, in the 2002-2003 Plans, 31 more States than in the previous period reported collaboration with departments of health and labor, reflecting renewed interest in the nationwide Healthy Child Care America (HCCA) initiative and increased attention to apprenticeship programs. Through collaboration, States are seeking ways not only to deliver integrated services to children and families, but also to increase resources through coordination efforts.

Advances in communication technology have enabled States to reach out and involve more people in the development of Plans. Increasingly, 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.

Thirty-six States have established State and local coordinating councils or advisory boards that are instrumental in helping to develop the State Plans. Mechanisms to incorporate input from local communities to the Lead Agencies are common among the States. A number of States begin the Plan development process as much as a year before the formal public hearings by hosting community-based forums to gather local input.

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.

In addition to coordination with public entities, most States have developed or are in the process of developing public-private partnerships. Many States believe these partnerships add valuable resources to improving child care service delivery. States describe successful partnerships with foundations and businesses in such areas as raising public awareness, increasing the availability of providers, improving quality and professional development, and supporting facility start-up and enhancements.

Certificates, Grants and Contracts

In most States, the bulk of CCDF funds are administered through certificates or vouchers for direct services. However, 25 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 care during nontraditional hours.

Continuing a trend observed in the *Child Care and Development Fund Report of State Plans for the period 10/01/99 to 9/30/01*[2], States also are using grants and contracts to expand and improve the quality of care for infants and toddlers as well as to address issues of compensation and professional development funded with the CCDF quality set-aside, earmarks, and other funds.

Payment Rates

States establish subsidy reimbursement rate ceilings informed by data compiled through biennial market rate surveys. Most often, States implement new rate schedules within six months of the market rate survey; however, in nearly one-fifth of the States the process takes 12 months or longer, and more than a quarter of the States reported rate schedules that predated the market rate survey. To ensure that families who receive child care assistance have equal access to comparable child care services, 27 States reported that they capped reimbursement at levels equal to or higher than the 75th percentile of the local market rate.

On average, across all States and all age ranges, center-based rate ceilings increased 10 percent over the 2000-2001 levels. However, in some States and for certain age ranges, subsidy ceilings remained constant or declined since the previous Plan Period. Quite a few States are adjusting rates to reflect differences in quality. Thirteen States indicated that they have established tiered reimbursement schedules.

Eligibility Criteria

Most States continue to set income eligibility limits well below the Federal maximum—85 percent of State Median Income (SMI). In fact, the number of States that provide child care assistance to families with incomes up to 85 percent of SMI dropped from nine in the 2000-2001 Plan Period to five in the 2002-2003 Plan Period. Although 12 States reported higher eligibility ceilings expressed as a percentage of SMI, in nearly half of the States the income eligibility ceilings have declined as a percentage of SMI since the 2000-2001 Plan Period.

States typically set income eligibility ceilings below 85 percent of SMI in order to target limited funds to the lowest-income families. But even when the State ceiling is used as a benchmark, only three States report that they are currently able to serve all eligible families

[2] Child Care Bureau, Administration for Children and Families, U.S. Department of Health and Human Services, *Child Care and Development Fund Report of State Plans for the period 10/01/99 to 9/30/01* (2001). This report is available on the Web at *http://nccic.org/pubs/CCDFStat.pdf*.

who apply, down from 14 so reporting in the 2000-2001 CCDF Plans. Twenty-four States make TANF recipients their top priority and are able to serve only a portion of income-eligible non-TANF families.

The 2002-2003 Preprint introduced a question about how States define income for purposes of eligibility. Most CCDF Lead Agencies reported using gross income, usually expressed in monthly terms, when they determine if a family is eligible for child care assistance. However, 39 States exclude or exempt certain income, or allow deductions from income for certain expenses. Most commonly, States exclude or exempt income received from one or more public assistance or income security programs such as TANF, Supplemental Security Income, energy assistance benefits, or the value of public housing allotments. Nearly half of States reported that they count the income of all family members in the household.

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. In five States, for example, parents or providers can use an online tool to estimate eligibility. Eleven States reported that they contract with a community-based voucher management agency to determine eligibility for child care assistance.

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. Some Lead Agencies permit children who meet child care eligibility requirements upon initial registration to be considered eligible until they reach kindergarten age or complete the Head Start school year.

States also have increased their capacity to track and report on complaints filed against child care programs. A growing number of States use a toll-free telephone number, and three States use the Internet, to allow parents to register complaints or receive complaint information about a particular provider. The number of States that have developed automated systems to track these complaints and ensure that staff—and in some cases parents—have access to up-to-date information remains unchanged from the 2000-2001 Plan Period at eight.

Improving the Quality of Early Childhood 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 in the following pages.[3] On average, Lead Agencies estimated that 8.6 percent of their CCDF

[3] 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

allocation will be set aside for quality activities. In addition, Congress has earmarked portions of CCDF to be spent on quality and to improve services for infants and toddlers, child care resource and referral, and school-age care.

Child Care Services for Infants and Toddlers. Increasingly, States are using CCDF funds to help improve the quality of care provided to infants and toddlers, and they are doing so in ways that promote systemic change. For example, twice as many States in this CCDF Plan Period reported that they have developed a special infant/toddler credential as compared to the 2000-2001 Plan Period. Many States also described multi-faceted initiatives that link caregiver credentials, compensation, and program assessment. More Lead Agencies have launched planning efforts that target infant/toddler care and nearly 25 percent of States, often in collaboration with Healthy Child Care America, fund infant/toddler specialists or health consultants focused on infant/toddler issues.

Resource and Referral. All of the States reported that they provide some type of CCR&R services, which include 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. These services are typically provided via contract with a nonprofit, community-based organization, although three States provide CCR&R services directly and some use State or local public agencies. Several States described unique initiatives that use CCR&R agencies as coordinating bodies to support a range of services for parents and providers, including infant/toddler training programs.

School-Age Child Care (SACC). Most States make funds available to support school-age child care programs and services. While the most common use of SACC set-aside funds had been to support program start-up, quality improvement emerged as a priority in the 2002-2003 CCDF Plans. Twenty-six States reported that they use set-aside funds for school-age child care provider training. In addition to providing scholarships and other training resources, three States are developing SACC credentials, special mentor programs, and targeted distance-learning courses.

Consumer Education. All States reported that they support CCR&R services that include, among other activities, consumer education. Eighteen States also conduct a consumer education campaign that includes, at a minimum, written information about child care subsidies and services (via brochures and pamphlets). Some States also utilize broadcast and print media in their public education campaigns. A few States also have dedicated staff or established regional teams to focus on consumer education.

Grants and Loans to Providers. The number of States that reported using CCDF funds for a child care facility/home loan program more than tripled, from three to 10, since the 2000-2001 Plan Period. In some cases, loans are linked to grants, specialized technical assistance, or quality improvement initiatives. States also continue to support child care programs by making start-up grants and loans available to providers, including school districts and community-based organizations. Thirteen States target grants to programs that need funds to

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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.

maintain compliance with health and safety standards; 15 States target funds for quality improvement.

Monitoring Compliance with Regulatory Requirements. CCDF funds are an important source of support for monitoring compliance with State child care licensing and regulatory requirements. Twenty-nine States—up from 25 in 2000-2001—reported using CCDF to lower caseloads for licensing staff. In addition, eight Lead Agencies reported that they use CCDF quality funds to support training initiatives for licensing staff, with emphasis on improved observation and interaction skills as well as regulatory knowledge. Seven States also use quality set-aside funds to help pay for new or upgraded automation systems to track compliance with licensing standards.

Training and Technical Assistance. The number of States that reported using CCDF quality funds to help build or support a career development system for early care and education practitioners continues to climb, from 17 States in the 2000-2001 Plan Period to 28 in the current period. In many States, these systems serve as a framework for a host of training, technical assistance, and other quality improvement initiatives. Nearly twice as many States reported spending CCDF funds for T.E.A.C.H.®, a scholarship program that links increased education with increased compensation, and 14 States reported developing early care and education mentoring initiatives, which typically compensate skilled early childhood teachers who provide leadership and support to new staff entering the field. Moved by concerns about the effectiveness of quality improvement initiatives, many States have begun to require that participants conduct a program assessment, using a rating scale such as the Harms and Clifford Infant/Toddler Environmental Rating Scale (ITERS).[4] Five States reported spending CCDF funds to increase the number of trainers who are able to effectively administer the ITERS.

Compensation of Child Care Providers. As the number of States involved in career development efforts has grown, the importance of having a direct impact on practitioner compensation has become more recognized. States described initiatives including wage supplements, mentoring programs, and one-time bonuses or quality awards. Several States have multiple compensation initiatives. Twelve States reported that they use CCDF monies to support wage and/or benefit initiatives for the early care and education workforce, up from eight States reporting the same in the 2000-2001 CCDF Plans.

Health and Safety Requirements in Child Care

Establishing and monitoring health and safety requirements are important functions that States are taking seriously. In order to increase the health and safety of children in child care settings, many States revise requirements on a periodic basis. In the 2002-2003 Preprint, a new question was introduced to identify States that changed licensing requirements related to

[4] Thelma Harms, Richard Clifford, and others at the Frank Porter Graham Child Development Center at the University of North Carolina at Chapel Hill have developed a series of four early childhood environmental rating scales. The scales can be used to evaluate such program features as Physical Environment; Basic Care; Curriculum; Interaction; Schedule and Program Structure; and Parent and Staff Education. Additional information on these scales can be found on the Web at *http://www.fpg.unc.edu/~ecers/index.htm*.

staff-child ratios, group size, or staff training. Close to one-third of all States reported changes to licensing requirements since the last State Plan. States also have increased the number of licensing staff to intensify their monitoring efforts and thereby assure a higher compliance level with health and safety requirements.

Increasingly, States are making the connection between monitoring compliance with regulatory requirements and quality outcomes for children. This is evident in a number of areas: 1) training requirements for both center staff and home providers have increased; 2) some States have implemented center director and infant/toddler credentials; 3) States are implementing quality rating strategies and professional development initiatives that are tied to licensing requirements; and 4) in the last several years the number of apprenticeship programs has increased, as yet another strategy to tie staff training, professional development, and compensation to quality and to a more stable workforce.

While nearly all States conduct unannounced on-site monitoring visits, many States also provide technical assistance, training, and orientation sessions in their efforts to increase compliance with regulatory requirements. In addition, many States coordinate their monitoring activities with other agencies, such as health and fire departments, to increase the health and safety of children.

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