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EXPANDING ACCESS TO CHILD CARE ASSISTANCE

OPPORTUNITIES IN THE CHILD CARE AND DEVELOPMENT FUND

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Originally published June 2023 | ***Updated September 2024***

EXECUTIVE SUMMARY

While the challenges of the child care sector have recently garnered national attention due to the COVID-19 pandemic, it has been in crisis for decades. Families all over the country are struggling with a lack of affordable and accessible child care and providers have faced unprecedented workforce shortages.[1] The child care and early education system was built on deeply rooted, structural racial and gender discrimination. This bias created and has maintained limited access to child care assistance today.

This brief offers states ways to improve child care access within the confines of the current system. It focuses on policies surrounding financial assistance for child care. Due to racial and economic barriers, expanding equity in access to such support is especially vital to families of color with low incomes.

The Child Care and Development Fund (CCDF) program is the primary federal funding source to help families with low incomes access child care. However, Congress has never fully funded CCDF at anywhere near the level needed to serve all eligible families. In 2020, only about 18 percent of eligible families received support from the program.[2] In addition, complex and burdensome rules and requirements at the state level make it challenging for families to access and retain child care assistance. This is especially true for families of color and families with low incomes.[3]

States have complex child care assistance policies for a variety of reasons. Inadequate resources, for example, can create tension in decision-making that often result in tradeoffs. Under CCDF, state child care agencies can design many of their policies and practices to increase equity in the program, particularly those connected to access and eligibility. However, sometimes state child care agencies may perceive pre-existing policies as federal requirements when in reality they have significant flexibility.[4] Additionally, in March 2024, the U.S. Administration for Children and Families (ACF) issued regulatory changes to CCDF through a final rule which updated both required and recommended policies.[5] This report has been updated to reflect these changes.

Present day challenges in accessing programs and services are not new. They have deep roots in racism, resulting in policies and practices that often excluded or marginalized people of color. Such bias has direct impacts on families' access to many programs, including child care and early education. These policies and practices have significant intended and unintended negative consequences for families' economic, physical, social, and mental well-being, and especially harm Black families. Understanding this history is crucial to addressing the ongoing disparities in access to child care for families of color and families with low incomes.

Setting these policies is not an easy task. Decision-makers often face challenges and tradeoffs, especially given the historic lack of federal investment in child care.

To support states in improving child care access, this brief addresses four key areas. Each section provides a range of policy considerations for state child care agencies. They include:

- **Improving Information Access and Outreach:** Consider improving the accessibility of information by ensuring the state child care assistance website is user-friendly, available in multiple languages, and available in a mobile-friendly format. Additionally, explore ways to increase the availability of information. For example, state child care agencies can work with other state agencies that administer social services to offer eligible families automatic referrals to multiple programs.
    - **Updates from the March 2024 CCDF Final Rule:**
        - Lead Agencies must post information about their sliding fee scales for parent co-payments.
        - Lead Agencies must offer an online subsidy application for families.
        - Lead Agencies have the option to use documents from other benefit programs to verify CCDF eligibility.

- **Simplifying the Application and Streamlining Eligibility:** Consider simplifying the documentation requirements, asking only for documentation and verification information that directly impacts eligibility. Allow flexibility about what documentation is needed for verification. Additionally, explore implementing a presumptive eligibility phase.
    - **Updates from the March 2024 CCDF Final Rule:**
        - Lead Agencies are encouraged to implement presumptive eligibility policies that offer assistance for up to 90 days while a family's application is being processed.
        - Lead Agencies have the flexibility to establish eligibility periods longer than 12 months, which allows the eligibility period for existing children receiving a subsidy to align with a new sibling's eligibility period.
        - Lead Agencies must offer an online subsidy application for families.

- **Increasing Affordability:** If funding allows, consider waiving co-payments for the most vulnerable families or capping co-payments at the federally recommended affordability threshold (7 percent of household income). Additionally, explore alternative strategies, like a cost estimation model, to better align with the true cost of care.
    - **Updates from the March 2024 CCDF Final Rule:**
        - Lead Agencies must include data on the extent to which child care providers who accept assistance through CCDF charge more to families than the required family co-payment.
        - Lead Agencies must cap family co-payments at 7 percent of a family's income.
        - Lead Agencies can waive co-payments for a wider range of populations without needing to request approval in the CCDF Plan.

- **Recruiting Providers Who Meet a Range of Family Needs:** If funding allows, consider setting payment rates at or above the 75th percentile of the market rate survey. Additionally, consider engaging navigators who can help providers go through the subsidy approval processes and meet the required standards.
    - **Updates from the March 2024 CCDF Final Rule:**
        - Lead Agencies must reimburse providers based on enrollment, rather than attendance, with very limited exceptions.
        - Lead Agencies must ensure that provider payment practices meet generally accepted payment practices used for families not participating in the CCDF program.
        - Lead Agencies must pay CCDF providers in advance of, or at the beginning of, the delivery of child care services.
        - Lead Agencies can pay eligible child care providers caring for children receiving assistance through CCDF established subsidy payment rate to account for the actual cost of care–even if that amount is greater than the price the provider charges parents who do not receive subsidies.

Despite funding constraints, state child care agencies can maximize their limited resources to equitably increase access to child care assistance programs nationwide. They can do so by embracing available flexibility in implementing policies and practices of the CCDF system while centering racial equity.

State child care agencies can start by seeking input from providers and families to ensure that changes to policy and practice are responsive to the local need. Then, they can review current policies to identify possible changes that can substantially improve access for all families and providers.

Adopting policies to address these needs can contribute to the well-being and economic success of the agency and families with low incomes, while also supporting children's development. Although the lack of federal funding for child care assistance programs persists, state child care agencies can continue to improve equitable access to care within the parameters of current law.

INTRODUCTION

One of the most daunting tasks of becoming a parent is finding affordable child care that meets your family's needs. Stable and reliable child care enables parents and caregivers to work, attend school, or pursue other career advancement opportunities that support family economic growth. Child care also supports the economic growth of communities and the country.

Over time, the federal government has developed assistance programs to help families afford child care. Today, the Child and Care Development Fund (CCDF) is the primary source of federal funding that helps families with low incomes access child care.[6] However, Congress has never fully funded CCDF at anywhere near the level needed to serve all eligible families.

Furthermore, the policies shaping these programs have a racist history. They have persisted in limiting access for families of color, particularly those with low incomes. Families nationwide have faced barriers to finding care, largely due to the unprecedented workforce shortage as child care employment has remained low. In addition to this challenge, families of color with low incomes must also overcome significant, systemic racial and economic hurdles to access child care assistance.[7]

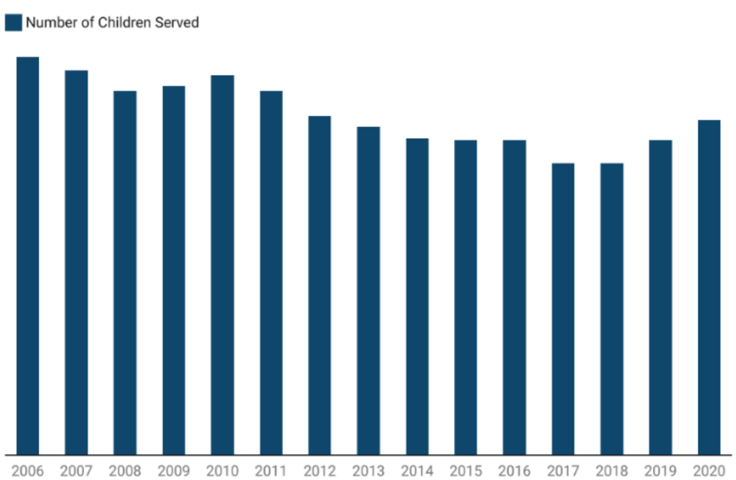
This brief offers states ways to improve child care access within the confines of the current system. It focuses on policies surrounding financial assistance for child care. Due to racial and economic barriers, expanding equity in access to such support is especially vital to families of color with low incomes. Both large-scale transformative policies and smaller-scale policy flexibility are discussed and recommended.

IMPROVING THE SYSTEM UNDER CURRENT LAW

The consistent lack of public investments—paired with deeply rooted, structural racism and gender discrimination—create challenging program limitations. As the most recently available data from 2020 shows, child care assistance from all sources reaches only 18 percent of eligible children.[8] The most recent public CCDF data indicate that approximately 1.5 million children were served in fiscal year (FY) 2020, which could be as high as 1.8 million in FY2023.[9,10] *See how participation in CCDF has shifted over time in Figure 1.*

Figure 1: Number of Children Served in CCDF (in millions)

National Average Monthly Children Served with CCDF Funds FY 2006-2020



Total includes data for territories.

Source: Administration for Children and Families, Office of Child Care administrative data. • Created with Datawrapper

Policymakers' consistent failure to invest sufficient federal funding in child care assistance provides crucial context for the challenges the sector is facing today. Without increased federal investment, states will not be able to implement the large-scale, transformative policies necessary for increasing access to child care assistance for all eligible families. However, state leaders have meaningful ways to improve *equitable* access to child care assistance that are allowable within federal regulations. Some of these changes have little to no cost.

Despite common practice, the requirements in the federal regulations are not necessarily as strict as the agencies that operate the CCDF programs at the state level may interpret them to be. We will refer to these agencies as state child care agencies throughout this brief.[11] State child care agencies, which are dedicated to supporting CCDF programs with integrity, often attribute the complexity of their state-run program regulations and practices to compliance with federal regulations. However, these agencies may not realize the significant flexibility they have to design important program components that can improve equity and best address the needs of families, while still complying with the law.

State examples show us that while many state child care agencies are working on components of the system, there is not yet a state that has an easily accessible, affordable, and aligned system. This is understandable, as the lack of federal funding creates tension in decision-making for states that often result in tradeoffs. For example, states often try to control spending by restricting access to care. While many considerations offered in this brief may take resources to implement, it is possible to make seemingly small changes in practices that can substantially improve access for all families and providers.

RACIAL AND ECONOMIC INEQUITY IN THE CHILD CARE WORKFORCE

The workforce shortage and child care crisis that families are experiencing today stems from persistent, systemic racism and sexism. These forms of oppression have contributed to society's substantial undervaluing of the labor of those who care for young children. Women represent 94 percent of child care workforce. Child care workers are also disproportionately people of color, including:

- Black workers, at 15.6 percent in this sector, compared to 12.1 percent in the overall workforce; and
- Hispanic workers, at 23.6 percent in this sector, compared to 17.5 percent in the overall workforce.[12]

These numbers are likely a conservative estimate given the lack of comprehensive data on the full spectrum of care providers, which encompasses unlicensed, unregulated, and unpaid workers, among others. Those left out of data collection are often people of color who are more likely to experience systemic inequities in connecting with a formalized system that would track their role as a child care provider.

While the median yearly salary for full-time wage-earning and salaried workers in the United States is around $56,000, the median pay in the child care workforce is just $27,490 per year—approximately the poverty threshold for a family of four.[13] The demoralized profession is plagued with burnout and high turnover rates due to extremely low wages, intense emotional labor, long hours, and a lack of health coverage and other benefits. This creates a domino effect of economic burdens and instability for families and providers.[14] The U.S. Treasury has called the nation's child care system "unworkable," saying it is beset by market failures that continue to impact families' access to much-needed services.[15] Without a fairly treated, well-supported workforce, our nation will continue to experience a shortage of child care providers. That will make it more challenging for families to find care.

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TIMELINE: A HISTORY OF CHILD CARE AND GOVERNMENT INTERVENTIONS

The history of child care in the United States has been shaped by racism and discrimination. From the era of chattel slavery to the present day, federal, state, and local policies and practices have often excluded or marginalized people of color. Such discrimination had direct impacts on families' access to many programs, including child care and early education. This discrimination also had significant intended and unintended negative consequences on families' economic, physical, social, and mental well-being, especially harming Black families. Understanding this history is crucial to addressing the ongoing disparities in access to child care for families of color and families with low incomes. A selection of policy decisions that have influenced access to public assistance is included below.

The following policy timeline is not comprehensive. But it provides some examples demonstrating how the roots of racial and gender oppression, discrimination, and segregation continue to shape today's state child care policies. Existing policies have created a system that is impractical and unjust for both families and providers.

The history of the child care system dates back centuries. In the time of chattel slavery, Black enslaved women were forced to take care of white children, while not being allowed to take care of their own.[16] In the post-emancipation period, domestic work was one of the only industries available to Black women.[17] Similarly, immigrant women were coerced into domestic and service industries while being barred from other professions.[18]

IN 1935, **Congress established the Aid to Dependent Children (ADC) program** as part of the Social Security Act to support families with low incomes. It was a grant program that provided cash payments—or pensions—to widowed, divorced, and unmarried mothers.[19] These programs were later renamed "Aid to Families with Dependent Children" (AFDC).	**Implications for Limiting Access:** By having pensions administered at the local level, states could discriminate in who they deemed acceptable and able to provide a "suitable home."[20] States primarily paid benefits to white families, while largely excluding Black and other families of color. Additionally, states excluded Black families by not offering pension programs in localities with large Black populations.[21] Similarly, by removing the original language prohibiting racial discrimination, the ADC allowed states and localities to create policies that excluded families of color and, later, limited spending on Black children.[22]
IN 1938, **Congress passed the Fair Labor Standards Act**. It established a minimum wage, overtime pay, and restrictions on child labor.	**Implications for Limiting Access:** This policy harmed communities of color economically. It excluded domestic, agricultural, and service occupations when creating the minimum wage and compensation for hours worked beyond the 40-hour week.[23] Black and other communities of color were often relegated to the kinds of work excluded from the landmark legislation. Today, these communities continue to be overrepresented in domestic, agricultural, and service occupations, such as in the child care workforce.[24, 25]
IN 1971, **Congress passed the Comprehensive Child Development Act** with overwhelming bipartisan support. Public sentiment at the time was hopeful for using the act to create a universal child care system.	**Implications for Limiting Access:** Instead, lobbyists convinced President Richard Nixon to veto the bill, claiming that it would erode the nuclear family. That argument was a subdued cover-up for their real intentions to maintain power in the segregated South and revitalize conservatism.[26]
IN 1996, **the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)** ended the AFDC program and created the Child Care and Development Fund (CCDF). This measure consolidated mandatory funds from the Child Care Entitlement to States, implemented by the Social Security Act, and discretionary funding through the Child Care and Development Block Grant, enacted six years earlier.[27]	**Implications for Limiting Access:** The PRWORA expanded work requirements to filter out those seen as "undeserving" or "lazy."[28] It further reduced eligibility and spending on early childhood education, while also limiting benefits for families who were Black, Latino, or undocumented.[29] These changes were deeply connected to what is frequently referred to as "welfare reform." This movement was rooted in anti-Black racism and stereotypes such as the "welfare queen"—single Black mothers who supposedly refused to work and, instead, took advantage of public assistance. In reality, intersecting forms of oppression create persistent employment inequities for people in Black, Hispanic, and immigrant communities. These intersections include systemic job discrimination, underemployment or unemployment, and the burdensome red tape of providing proof of work.

CHILD CARE AND DEVELOPMENT FUND

Today, CCDF is the primary source of federal funding that helps families with low incomes access child care.[30] Congress first authorized CCDF under the Child Care and Development Block Grant (CCDBG), which was enacted under the Omnibus Budget Reconciliation Act of 1990. It was amended and reauthorized by PRWORA in 1996, which included the problematic expansion of work requirements that limited access to the program.[31]

In 2014, Congress reauthorized CCDBG with hopes of creating significant improvements through statutory changes focused on reforming child care and increasing access to healthy, safe, high-quality child care for families with low incomes.[32] After CCDBG's reauthorization, the U.S. Administration for Children and Families (ACF) also published a final rule in 2016. It dictated major regulatory improvements to the program, including:

- Protecting the health and safety of children in child care;
- Helping parents make informed consumer choices and access information to support child development;
- Supporting equal access to stable, high-quality child care for children from families with low incomes; and
- Enhancing the quality of child care and the early childhood workforce.

The rules and regulations that govern the CCDF program aim to address many of the challenges that families and providers face today. Yet, historic inequities that have limited access to care, especially for families of color, have persisted in the program's implementation. However, states—which administer these federal child care dollars—have many opportunities to leverage flexibility within federal regulations to improve equitable access to child care assistance.

2024 CCDF FINAL RULE

In March 2024, the ACF issued regulatory changes to CCDF through a final rule, Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund (CCDF), which included both required and recommended policy updates.[33]

The final rule includes important improvements to make it easier for families to access and afford child care. Unfortunately, the rule does not come with any additional or dedicated funding. States will determine how they will implement the required provisions and determine if and how they will implement the encouraged provisions in the coming years and months, utilizing the existing resources they have for the program.

This report has been updated to reflect the changes in the final rule.

OPPORTUNITIES FOR IMPROVING ACCESS

1. IMPROVING INFORMATION ACCESS AND OUTREACH

The process for families with low incomes to access child care starts with finding information on CCDF assistance. This can be particularly challenging for families with low incomes, families of color, and immigrant families who often face socio-economic challenges that intersect with their different identities. Such hardships include limited access to transportation, unreliable internet connectivity, and inconsistent work hours.[34] These factors can make it more difficult to access information and assistance programs.

In addition to these barriers, families may face other challenges in learning about child care assistance. Information on child care assistance is frequently distributed through written materials, particularly websites, pamphlets, posters, or signs. When these materials are not reviewed for use by people who have limited literacy, they create a barrier to access. Families who speak languages other than English may also find it difficult to get information if the state child care agency has not translated outreach materials into their language.

Unreliable internet connectivity can also create a significant barrier to families if the information is distributed through websites. Non-mobile friendly-websites can prevent families from accessing information through their phones if they do not have computers or other devices. Furthermore, having to navigate multiple websites to gather information on different assistance programs can be time-consuming and cumbersome, and may result in families not getting all the information they need.

Organizations responsible for distributing information may also encounter challenges carrying out that task. For example, states may have a shortage of multilingual staff, staff who do not live in the same communities as the families they are trying to reach, or limited staff capacity to conduct outreach and build trust in communities of color. They may also have limited access to funding for advertising in public spaces. State child care agencies may also intentionally limit their outreach if they already have long waitlists and don't want eligible families to have false hope for support.

The challenges of accessing and distributing information may seem like a significant hurdle to overcome. However, states have the flexibility within federal regulations to design outreach policies that can help close the information gap.

According to the National Survey of Early Care and Education, families most frequently rely on information from family and friends, as well as information on the internet, to make decisions about care.[35] Thus, it is important for state child care agencies to consider reaching social networks and promoting a strong online presence in designing accessible information for families. An Urban Institute report also recommended that to improve equity in the child care assistance program, state child care agencies "examine how parents are treated and their experiences in working with the subsidy agency to ensure explicit or implicit biases do not result in unfair treatment."[36] Considering the history of discrimination that Black families and other families of color have encountered when seeking public assistance, it is vital to identify the harmful biases within subsidy agencies and work to eliminate them.

FEDERAL GUIDANCE AND FLEXIBILITY UNDER CURRENT LAW

Federal regulation 45 CFR § 98.33 requires state child care agencies to promote information on child care services, as well as the availability of financial assistance to obtain child care services, to parents; the general public; and, where applicable, child care providers.[37] This also includes disseminating consumer education information that will support parents in making informed decisions on child care services.[38]

The Technical Assistance Center in the Office of Child Care (OCC), under the ACF at the U.S. Department of Health and Human Services, offers more information. The Technical Assistance Center explains this information can be shared through a child care resource and referral agency or other means determined by the state child care agency. State child care agencies can also partner with other organizations, such as Temporary Assistance for Needy Families (TANF) agencies, Head Start programs, schools, and religious organizations, to ensure that parents have access to consumer education information.[39]

This information must include the following:

- The availability of child care services through CCDF; other early childhood education programs for which families might be eligible, such as state pre-kindergarten; and the availability of financial assistance to obtain child care services;
- Other assistance programs for which families receiving CCDF may be eligible, including TANF; Head Start and Early Head Start; the Low-Income Home Energy Assistance Program; the Supplemental Nutrition Assistance Program (SNAP); the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); the Child and Adult Care Food Program; and Medicaid and the Children's Health Insurance Program (CHIP);
- Programs carried out under Section 619 and Part C of the Individuals with Disabilities Education Act (IDEA);
- Research and best practices concerning children's development, including meaningful parent and family engagement and physical health and development;
- State policies regarding social-emotional and behavioral issues and the mental health of children, as well as positive behavioral intervention and support models based on research and best practices for those from birth to school; and
- State policies to prevent the suspension and expulsion of children between birth and age five from child care and other early childhood programs receiving CCDF funds.

Federal regulation 45 CFR § 98.33 also directs state child care agencies to ensure that all materials are accessible for all families, providing the widest possible access to services for families who speak languages other than English; persons with disabilities; and those with different literacy levels.

Federal regulation also includes specific regulations on getting information to families with limited English proficiency and families experiencing homelessness:

- Federal regulation 45 CFR § 98.16 requires that CCDF state plans include a description of how the state child care agency will provide outreach and services to eligible families with limited English proficiency and persons with disabilities. The state child care agency must also describe how to facilitate the participation of child care providers with limited English proficiency and disabilities in the subsidy system.[40]

- Federal regulation 45 CFR § 98.51 directs state child care agencies to spend funds on activities that improve access to quality child care services for children experiencing homelessness, including specific outreach to families experiencing homelessness.[41]

RELEVANT UPDATES FROM THE MARCH 2024 FINAL RULE

The final rule includes updated requirements and encouragements for states to make information more accessible to families.[42]

- **Posting sliding fee scales:** The final rule requires Lead Agencies to post information about their sliding fee scales for parent co-payments, including policies related to waiving co-payments and estimated co-payment amounts for families on their consumer education websites. Tribal Lead Agencies are exempt from this requirement.
- **Online applications:** The final rule requires that Lead Agencies offer an online subsidy application for families or that they demonstrate why the implementation of an online subsidy application is impracticable in their CCDF State Plan.
- **Eligibility verification through other programs:** The final rule offers Lead Agencies the option to use documents from other benefit programs to verify CCDF eligibility or use enrollment in these programs to satisfy CCDF eligibility without additional documentation, so long as these programs' eligibility aligns with CCDF.

POLICY CONSIDERATIONS

Accessibility of Information

- Consider what information is being shared and how websites can be user-friendly and easily accessible for all.[43,44]
    - Ensure the website is accessible in a mobile-friendly format.
    - Ensure the website landing page and online application are available in multiple languages.
    - Ensure the website is easy to navigate for families with varying levels of experience with technology.
    - Ensure the website is accessible for people with disabilities.
- Ensure all information is available in the languages of potential applicants.
- Create grants to community-based organizations to conduct outreach and enrollment for multiple benefit programs. This can ensure families have access to the full range of benefits for which they are eligible and can also help families track the status of any applications they have submitted, including if any documents are outstanding.
- Examine how parents are treated. Listen to their experiences in working with the subsidy agency to understand the role of biases in decision-making.[45]

Availability of Information

- Consider working with other state agencies that administer social services (such as early intervention programs and WIC or SNAP offices) to offer eligible families automatic referrals to multiple programs.
- Add shortcuts to the website to allow users to easily post information on Facebook, WhatsApp, email, Twitter/X, Instagram, and other social media applications. That will help families share content with their social media networks.
- Use trusted community partners, leaders, or organizations who speak the languages of the community to share and provide information to potentially eligible families.
- Provide information about the state's child care assistance program in community settings such as churches, grocery stores, libraries, clinics, and pediatricians' offices.
- Collect data on how families access information about child care assistance and what information they would like to receive and adapt strategies accordingly.

PROMISING STRATEGIES

- **Georgia** features information on the state's child care website that facilitates parents' ability to search for child care providers, information regarding their Quality Rating and Improvement System, and options on financial assistance.[46] The website also has information on the state's pre-K programs, meal programs, IDEA programs, and services, including a searchable feature for inclusion specialists along with child care information. Georgia's website is comprehensive, linking all the necessary information in one place.[47]
- **Massachusetts** partners with community-based organizations as part of its consumer education efforts. Their state plan includes a partnership with the state Office of Refugees and Immigrants to identify the most commonly spoken languages of families who receive child care assistance, and supports translating information into these languages. In addition, Massachusetts works to employ bilingual staff in the primary languages of their clients to provide services in the families' native language and offer access to telephonic translation services.[48]
- **Oregon** families can submit child care subsidy applications in person, online, or via fax, mail, or email. The state also offers the application in various languages including Braille.[49]

2. SIMPLIFYING THE APPLICATION AND STREAMLINING ELIGIBILITY

Over time, federal, state, and local policymakers have relied on the historical foundation of child care policy and program structures. This foundation has centered on white supremacist systems and marginalized families of color by aligning eligibility requirements with racist ideas around worthiness, need, and resource scarcity. Within the context of public benefits programs more broadly, these white-centered or white supremacist ideas have been embedded in policy as "work requirements,"[50] "family caps," "drug testing," and "resource limits."[51]

These ideas have irrevocably shaped current state policies. Today, these choices have inequitable impacts on Black, Latino, immigrant, and other communities of color.

Ending a burdensome and lengthy process to access child care assistance would help more children receive care. However, state child care agencies will benefit the most from making their systems simple and accessible. State agencies can work more efficiently when their capacity is not strained by overly complicated application processes or eligibility rules. Simplifying the application process can lead to stronger support for the child care system as a whole.

Moreover, OCC's National Center on Subsidy Innovation and Accountability found that,

> "in general, streamlined eligibility processes are less difficult to administer. Eliminating complex rules and eligibility practices reduces administrative workload burden… Lead Agencies with less complex eligibility processes generally have fewer administrative errors than those with complex program rules and practices.[52]

Consequently, OCC has repeatedly encouraged state child care agencies to make the application and eligibility processes easier, as it leads to better program integrity.[53]

CREATING CHANGES WHILE MAINTAINING PROGRAM INTEGRITY

As with any publicly funded program, integrity is the core responsibility of those in charge. Program integrity is meant to ensure that federal and state taxpayer dollars are spent appropriately, as well as to prevent fraud, waste, and abuse. However, history has shown that rather than creating efficient and effective policies to support families, some policies perpetuate harmful stereotypes and result in spending resources on unnecessary fraud prevention measures.

For example, the term "welfare queen" originated in the 1970s and 1980s as a racist stereotype of a Black woman who supposedly abuses the welfare system by having multiple children and living off government assistance. This term played into the tropes that created a welfare system that expects the worst from families seeking assistance. In so doing, it further entrenches a presumed link between poverty and poor character in popular discourse.

This image has been debunked as a myth but continues to perpetuate racist and sexist stereotypes.[54] Studies have shown that fraud in public benefit programs is relatively rare. The amount of money lost to fraud is minimal compared to the cost of administrative procedures to prevent fraud.[55, 56] Although state child care agencies are required to document policies and procedures for determining child care assistance, as well as to have ways to detect fraud and improper payments, OCC stresses the importance of having these measures "reasonably balanced with family-friendly practices."[57]

One of the suggestions from OCC is to create an access and integrity scorecard. It can gauge application burden, eligibility decision timeliness, verification delays, denials, and payment rates. By tracking this data, state child care agencies can determine their need to make changes to their application process.[58] As state child care agencies begin to examine their subsidy programs, they should consider their application, eligibility rules, and documentation requirements and what flexibility within current law can make their systems more friendly to families.

SIMPLIFYING THE APPLICATION

Applying for child care assistance should not be arduous or frustrating for families. As the first step in the process, the application sets the tone for the rest of the eligibility and verification process. Therefore, the application should be simple enough for all families to access, understand, and complete, considering that families applying for assistance typically need care quickly.

State child care agencies should not just simplify the application itself, but also clarify the application process for families by:

- Explaining how long it takes for their agency to process the application;
- Sharing the support available to families to help them fill out the application; and
- Communicating the steps that the state child care agency will take when addressing missing or incorrect information.

It is also important for state child care agencies to consider the sensitive nature of handling families' information. When families understand how their information is going to be used, stored, and shared, they are more likely to feel at ease when submitting the application. This is especially important for people facing family violence; those who are involved with the immigration system; and Black families who have experienced exclusion, harm, and policing of their actions by the government. Due to generations of systemic racism, which created a legacy of trauma, families may be mistrustful and may fear further discrimination. They may also worry that their personal information will be misused. When state child care agencies communicate data safety measures, they cultivate trust with families and increase access to families who might otherwise not feel comfortable seeking assistance.

FEDERAL GUIDANCE AND FLEXIBILITY UNDER CURRENT LAW

The Application

OCC created a guide for state child care agencies on how to create family-friendly child care applications. It encourages state child care agencies to revise the content and format of child care assistance applications to make them easier for families, explaining that simplifying the application process itself is a key step in helping more families access subsidies. *The guide also provides recommendations for state child care agencies, which are summarized below:*

1. Make the application layout simple and accessible.
    - Only ask for information that is required to process the application. Asking for extraneous details makes it harder for someone to successfully complete the application, creates more opportunities for unintended errors, and takes longer to process.
    - Make sure applications follow best practices for accessibility and ensure the application is available in all languages spoken in your jurisdiction.
2. Use plain language.
    - Keep the wording very simple. If families don't understand what you're asking for, they might not apply or submit accurate responses. This creates burdens for people applying and for state child care agencies, as they will spend more time investigating and correcting these errors.
    - Include helper text or examples. This allows families to know exactly what is being asked.
3. Personalize the application.
    - Leverage information that families have already entered to tailor subsequent questions. Allow people to skip questions that do not apply to them. For example, if someone enters that they are not working and are instead engaged in educational activities, do not ask them to list employers.
    - Ask questions in an order that quickly determines if a family can bypass certain requirements (for example, because they are homeless or receiving protective services). Then, let them fill out a streamlined version of the application that removes all the non-required questions.
4. Ensure your application is online and mobile-friendly. *The CCDF March 2024 Final Rule requires online applications.*
    - Offer an online application option, not just a paper-based version or a fillable pdf. Applications that require access to a printer, copier, and mail system create accessibility issues.
    - Make document submission easy. Allow applicants to take pictures with their smartphones. Accept a range of file types and sizes.
    - Consider the entire online application process. Make sure it works for people who may not have consistent phone numbers, forget their passwords, or get locked out of email accounts.

Safeguarding Information

Data privacy is a major concern for many families, especially those involved with the immigration system. Minimizing or eliminating the potential harm of data-sharing policies on mixed-immigration-status families is vital to making families feel comfortable and welcomed.

ACF released a confidentiality toolkit to support state and local data-sharing efforts with considerations for child care.[59] This guidance explains how state child care agencies can create a data-sharing agreement that includes determining how family information will be maintained in a confidential manner.

RELEVANT UPDATES FROM THE MARCH 2024 FINAL RULE

The final rule includes updated requirements and encouragements for states to simplify their applications for families.[60]

- **Online applications:** The final rule requires that Lead Agencies offer an online subsidy application for families or that they demonstrate why the implementation of an online subsidy application is impracticable in their CCDF State Plan.
- **Posting sliding fee scales:** The final rule requires Lead Agencies to post information about their sliding fee scales for parent co-payments, including policies related to waiving co-payments and estimated co-payment amounts for families on their consumer education websites. Tribal Lead Agencies are exempt from this requirement.

POLICY CONSIDERATIONS

- Verify that the application process is easily accessible and user-friendly. This includes making sure the application is accessible for people with disabilities, those with limited access to the internet, and people who speak a language other than English.
- Eliminate duplicative questions on applications. Only ask questions that are essential for determining eligibility.
- Ensure that applicants have various modes for accessing the application, such as a website, including a mobile-accessible version; a phone call or call center; an online portal; and an in-person contact.
- Allow documentation to be submitted in a variety of ways, including by allowing updates online and using electronic customer accounts. Permit submission by email, text, or phone.
- Keep users at the forefront and incorporate feedback from a range of users when designing the application.
- Institute data security measures to minimize or eliminate the potential harm of data-sharing policies on families who are affected by domestic violence.
- Prohibit information sharing between the state child care agency and law enforcement agencies or federal immigration enforcement to protect families' information, especially those with mixed-immigration statuses.

SIMPLIFYING ELIGIBILITY

Navigating the eligibility requirements for child care subsidies can be a complex and confusing process, leaving many families without the support they need to access child care services. Unfortunately, complex policies and practices surrounding the application process and eligibility criteria frequently create significant administrative burdens for state child care agencies. They also exacerbate inequities for providers and families.[61] These administrative burdens are often costly and may reflect negatively on state child care agencies, whose goal is to be responsible with public funding.

State child care agencies can streamline and broaden states' eligibility criteria while adhering to federal regulations to make the application process more accessible. By streamlining eligibility requirements and expanding access to child care subsidies, state agencies can promote equity and improve outcomes for children and families alike.

State child care agencies have a great deal of flexibility to ensure their program fits the needs of their state. However, unnecessarily complex policies often create an eligibility maze and restrict families' access.[62] Some CCDF policies are particularly burdensome for specific populations such as Latino families. For example, seven of the 13 states with the highest percentages of Latino residents have minimum weekly work hour requirements that are challenging for families who work informal or seasonal jobs.[63]

Additionally, while CCDF eligibility is based on children's citizenship status—not their parents'—several states ask for Social Security numbers of family members on enrollment forms. This request creates an intimidating administrative hurdle for immigrant parents or caregivers who may fear revealing family members' immigration or citizenship status.

Even with limited resources to provide assistance to all families, state child care agencies have several ways to support families by making eligibility criteria broader and more flexible.

FEDERAL GUIDANCE AND FLEXIBILITY UNDER CURRENT LAW

Federal regulation 45 CFR § 98.20 requires that for a child to receive federal assistance, the child should:

- Be under age 13 or under age 19 and physically or mentally incapable of caring for himself or herself, or under court supervision as determined by the state child care agency;
- Reside with a family whose income does not exceed 85 percent of the state's median income (SMI) and whose assets do not exceed $1,000,000;
- Reside with a parent(s) who is working or attending a job training or educational program; and
- Be a citizen or qualified immigrant.[64]

Within the federal requirements, state child care agencies have several opportunities to structure their programs. Some of those include:

Income

Federal regulation 45 CFR § 98.20 limits child care assistance to families whose income is at or below 85 percent of SMI. However, state child care agencies have the discretion to, and often do, set this limit much lower due to limited resources to serve all families within this income threshold. State child care agencies also have the discretion to determine what counts toward a family's income, or how to account for irregular fluctuations in family earnings.

For example, state child care agencies can decide if TANF, Social Security Insurance, or child support payments are counted as income.

Additionally, state child care agencies can decide if they will account for income fluctuations by:

- Taking the average family earnings over a period (e.g., 12 months) to better reflect a family's financial situation;
- Adjusting documentation requirements to better account for average earnings. For example, they can request the earnings statement that is most representative of the family's income, rather than the most recent statement; or
- Choosing to discount temporary increases in income, provided that a family demonstrates that an isolated increase in pay (e.g., short-term overtime pay, lump-sum payments such as insurance payouts, etc.) is not indicative of a permanent increase in income.

Work, Training, or Education Schedule

Federal regulation 45 CFR § 98.21(g) states that "Lead Agencies are not required to limit authorized child care services strictly based on the work, training, or educational schedule of the parent(s) or the number of hours the parent(s) spend in work, training, or educational activities."[65]

In other words, there is no federal requirement establishing a minimum number of hours that parents are required to work or that requires states to set a minimum. Any policy tying work, training, or education schedules to demonstrate a need for child care is at the discretion of the state child care agency. Requiring such information often makes it difficult for many families of color to gain access to assistance, as they are often workers with low incomes, gig workers, and people who are self-employed.[66]

Immigration Status

Federal regulation 45 CFR § 98.20(c) asserts that only the citizenship and immigration status of the child may be used for determining a child's eligibility for child care assistance through CCDF funds.[67] To further address how states should approach application questions related to immigration status, the federal government issued policy guidance to states in the form of a tri-agency letter.[68] While the letter only formally applied to SNAP, Medicaid, CHIP, and TANF, it can also serve as a guide for child care applications.

Categorical Eligibility

In December 2021, President Biden issued an Executive Order on Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government. It required federal agencies to reduce the challenge of navigating multiple eligibility processes and support alignment and coordination across federal public benefit programs.[69]

Categorical eligibility allows for eligibility screening processes for child care assistance to be aligned with other programs, such as SNAP or TANF, as well as other population groups, such as child care providers, as determined by state child care agencies. Aligning eligibility across programs and circumstances reduces the amount of paperwork families are asked to supply to verify their eligibility and supports greater access to child care for vulnerable families.

Protective Services

Federal regulation 45 § 98.20(a)(3)(ii) clarifies that,

> "the protective services category may include specific populations of vulnerable children as identified by the state child care agency. Children do not need to be formally involved with child protective services or the child welfare system in order to be considered eligible for CCDF assistance under this category. The Act references children who 'need to receive protective services,' demonstrating that the intent of this language was to provide services to at-risk children, not to limit this definition to serve children already in the child protective services system."[70]

This allows state child care agencies to go beyond children who are involved in the child welfare system and expand eligibility to other vulnerable children who have limited access. Populations that could be served by broadening the definition of protective service could include children who are affected by family violence; refugees; pregnant minors; children whose parents are incarcerated or transitioning out of incarceration; and children whose parents or caregivers are participating in a drug treatment program, to name a few.

Relevant Updates from the March 2024 Final Rule

The final rule includes updated requirements and encouragements for states to simplify eligibility.[71]

- **Eligibility verification through other programs:** The final rule offers Lead Agencies the option to use documents from other benefit programs to verify CCDF eligibility or use enrollment in these programs to satisfy CCDF eligibility without additional documentation, so long as these programs' eligibility aligns with CCDF.
- **Additional siblings:** The final rule clarifies that Lead Agencies have the flexibility to establish eligibility periods longer than 12 months. This flexibility allows the eligibility period for existing children receiving a subsidy to align with a sibling's eligibility period.

Policy Considerations

- Consider creating policies that will support families who may have fluctuating incomes. Refrain from counting temporary increases in income for eligibility.
- Remove policies that tie work, training, or education schedules and hours to the need for child care.
- Confirm that questions on the application do not explicitly or implicitly require immigration status information of anyone other than the child who is receiving assistance.
- Use categorical eligibility with programs that overlap in eligibility requirements, such as SNAP, WIC, and Medicaid to streamline eligibility.

- Expand the definition of children in protective services to best reach the most vulnerable children.

Simplifying Documentation

The verification process is just as important for state child care agencies to consider as the eligibility rules themselves. When states require families to produce long lists of documents to access child care assistance, many may forgo applying altogether. This barrier particularly hurts families of color and families with low incomes.[72] State child care agencies are tasked with verifying the information that families provide. It is important to consider the administrative burden on families and states when the requirements go beyond those needed to verify eligibility.

Federal Guidance and Flexibility Under Current Law

Federal regulation 45 CFR § 98.68(c) requires state child care agencies to describe in their state plans the procedures for documenting and verifying that children meet eligibility criteria at the time of eligibility determination and redetermination.[73]

The regulation states that,

> "Lead Agencies should, at a minimum, verify or maintain documentation of the child's age, family income, and require proof that parents are engaged in eligible activities. Income documentation may include, but is not limited to, pay stubs, tax records, child support enforcement documentation, alimony court records, government benefit letters, and receipts for self-employed applicants. Documentation of participation in eligible activities may include school registration records, class schedules, or job training forms."[74]

This indicates that within federal regulations, state child care agencies have flexibility in determining acceptable documentation that families are asked to provide to verify their eligibility. This flexibility is especially important for parents and caregivers who work in part-time, seasonal, or non-traditional jobs, or as contract workers. They are disproportionately families with low incomes and families of color.

State child care agencies should also use automated verification systems and electronic recordkeeping to reduce paperwork.[75] However, automated verification systems should only be used to expedite the application process, not track the documentation status of a family or the legality of their work arrangement. Doing so can create additional barriers for families who are immigrants or have mixed-immigration statuses.

In the OCC guide, the federal government recommends that state child care agencies be flexible when verifying information.[76] Some examples of this flexibility included in the guide are summarized below:

- To verify income from full- or part-time employment with an employer, state child care agencies should accept the following forms of proof:
  - Digital or paper copies of pay stubs that are most representative of the family's income;
  - Non-consecutively dated pay stubs; or
  - Pay stubs from any time period within the last three to six months.

- To reduce the burden, state child care agencies should not require more than a month's worth of pay stubs from this period. However, if a family prefers, they should be allowed to submit more than a month's worth of pay stubs to demonstrate their income fluctuations more accurately. Other ways that state child care agencies can allow families to submit information regarding their income include:
    - A letter from an employer that includes information about income;
    - Tax returns, W2s, or other wage statements;
    - Bank statements that demonstrate income; or
    - Any other documentation that reasonably establishes income.
- To verify income from self-employment, independent contracts, gig work, or other non-traditional work arrangements, state child care agencies should accept:
    - Tax returns, 1099s, or other wage statement;
    - Contracts that demonstrate income;
    - Payment receipts for services rendered;
    - Bank statements that demonstrate income;
    - Profit/loss statements or self-employment ledgers; or
    - Any other documentation that reasonably establishes self-employment income.
- When documentation cannot be provided to prove self-employment income, allow applicants to self-certify by providing a signed and dated statement that includes a description of their work and the amount of income earned in the past month.

Presumptive Eligibility

Presumptive eligibility allows children and families to get access to child care services for a short time while awaiting a final eligibility decision. This period gives families time to submit outstanding documents while getting access to much-needed care. Families can access child care services immediately so they can go to work or attend school without worrying about their children's care. Additionally, presumptive eligibility can help reduce the wait time for families to receive ongoing subsidies, which can be a barrier for many families with low incomes who need affordable child care.

Federal regulation 45 CFR § 98.51 allows state child care agencies to "permit enrollment (after an initial eligibility determination) of children experiencing homelessness while required documentation is obtained."[77] Federal regulations do not prohibit extending this policy to children who are not experiencing homelessness. By broadening this policy, state child care agencies can allow children and families access to child care services before verifying families' documentation.

State child care agencies' main concern for such a policy is the risk of improper payments. However, because of the flexibility offered under federal regulations, state child care agencies have limited financial risks in creating such a policy. For example, if a family is determined to be ineligible for the program under the state or jurisdiction's eligibility rules (such as a lower income threshold below 85 percent of SMI, or a minimum number of work hours), but is determined to be eligible within the federal eligibility requirements (e.g., below 85 percent of SMI, participating in work/training, education, etc.), state child care agencies may use federal funds to cover the cost of the subsidy. In other words, if a family met federal eligibility requirements but failed to meet additional state eligibility requirements, the payment would still be allowable even though the family would not continue to be eligible for the program.

In the rare occasion that a presumptively eligible family is determined not eligible for CCDF under state and federal eligibility rules, the family would no longer be eligible for care. The March 2024 final rule updated guidance to explain that payments made "up to the point of final eligibility determination, will not be considered an error or improper payment if a child is ultimately determined to be ineligible and will not be subject to disallowance." Presumptive eligibility is currently available in four states and one county (Delaware, Maryland, Montana, Wyoming, and Monroe County, NY). None of the states or county that have this policy in place reported unallowable expenses as a concern. Most reported that the policy has been in place for many years and the amount of state funds needed to cover limited circumstances is very small.

It's important to note that presumptive eligibility is temporary, and families must complete the application process to receive ongoing subsidies.

Relevant Updates from the March 2024 Final Rule

The final rule includes updated requirements and encouragements for states to simplify documentation.[78]

- **Presumptive eligibility:** The final rule clarifies that Lead Agencies are encouraged to implement presumptive eligibility policies that offer assistance for up to 90 days while a family's application is being processed.

Policy Considerations

- Simplify documentation requirements. Ask only for documentation and verification information that directly impacts eligibility.
    - For example, consider ending requirements that parents or caregivers submit the days/hours they are working or in school.
- Allow flexibility about what documentation is needed for verification.
    - For example, allow multiple documents to verify the income of gig workers, self-employed workers, or workers who are paid under the table. People facing these circumstances are disproportionately workers of color. Approved documents might include a letter from the employer, most recent tax returns, or even the ability to self-certify wages.
- Explore implementing a presumptive eligibility phase.
    - For example, provide parents with the ability to self-certify their eligibility for a specified amount of time (no more than 90 days), while the final decision on their eligibility is completed.

PROMISING STRATEGIES

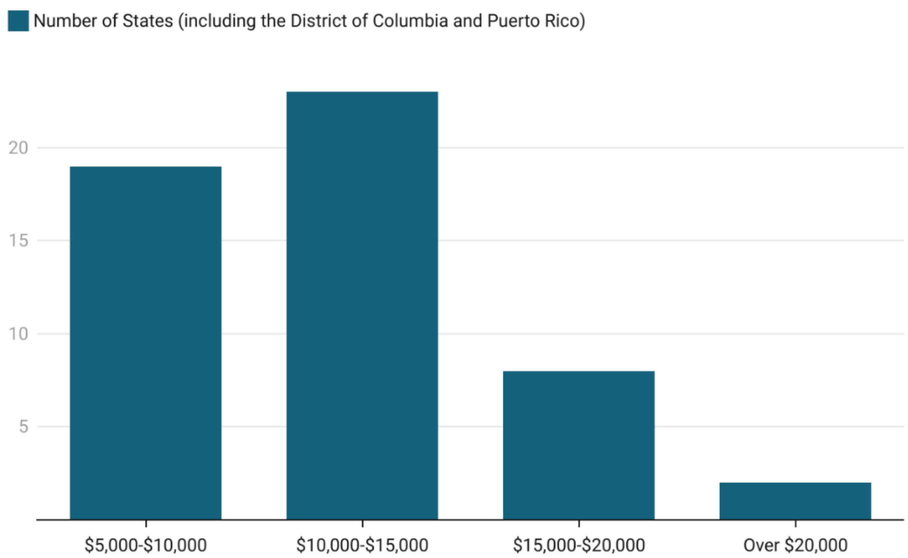
- **Kentucky** recently announced categorical eligibility for all child care workers in licensed and certified programs. This means they will automatically qualify for subsidies.[79]
- **Connecticut** allows for children's information to be verified through TANF, SNAP, or medical programs. If the child's information cannot be verified by other programs, families are asked for other records such as a birth certificate or school and medical records.[80]
- **Minnesota** created the MNBenefits website, which permits families to apply to public assistance programs such as SNAP, TANF, and child care assistance.[81] This allows for families to have a more streamlined process when accessing several programs. Minnesota also allows families to self-verify their identity if other documentation, such as a driver's license or birth certificate, is not available.[82]
- **California** allows parents to report their income in various ways, such as with pay stubs; an independent letter from their employer, including wage information; most recent tax returns; or any additional documentation that supports the parent's reported income, including self-certification.[83]
- **Delaware, Maryland, Montana, and Wyoming, among other localities,** have a presumptive eligibility policy that allows families to enroll their children in child care for 30 to 60 days, while families complete the eligibility verification process.

3. INCREASING AFFORDABILITY

Affordability is one of the main challenges for families when accessing child care services. Families of color, especially those with low incomes, have historically struggled to afford child care.[84] The U.S. Department of Labor Women's Bureau recently revealed the *National Database of Childcare Prices*. It shows that the median annual price for child care for one child in 2018 ranged from $4,810 to $15,417, depending on the provider type, child's age, and county population size. When adjusted to 2022 dollars, these estimates range from $5,357 to $17,171. These prices are equivalent to 8 percent to 19.3 percent of the median family income, well above the federal government’s benchmark of affordability (7 percent). It illustrates how unaffordable child care prices are for families across the country.[85]

Figure 2: 2022 Average Cost of Child Care by Number of States

The costs are the 2022 average annual prices of full-time center-based child care.



Source: Price of Care: 2022 Child Care Affordability Analysis, Child Care Aware of America, 2023, https://info.childcareaware.org/hubfs/2022_CC_Afford_Analysis.pdf. • Created with Datawrapper

Many families with low incomes are eligible for child care assistance, but a lack of federal investments forces some state child care agencies to set income eligibility thresholds below federal limits. As a result, a limited portion of eligible families are able to access assistance in their state.[86] Historically, state child care agencies have required co-payments that may be unaffordable for families or have long waitlists to access support.[87]

Some state child care agencies allow providers to charge families additional fees to help fill the gap between the state assistance payment rates and the actual cost charged by the provider. These additional costs can limit access to child care, leaving parents unable to afford care even though they are receiving a subsidy.[88] However, state child care agencies have the flexibility to ensure that high costs don’t prevent families from getting the child care they need.

FAMILY VOICES

In the latest publication of the RAPID survey project, which is based in the Stanford Center on Early Childhood, all four parents who were quoted in the publication shared that they were worried about child care costs. One parent from Montana said, "our biggest concern is the rising child care costs – our child care [provider] informed us that unless the state renews some of the grant funding, our costs will increase 20 percent for the 2023–24 school year." Another parent from Massachusetts shared, "our biggest concern is the cost of daycare. We are expecting a baby this winter and with two children in full time care, the monthly cost in our area will be $5,000 per month."[89]

FEDERAL GUIDANCE AND FLEXIBILITY UNDER CURRENT LAW

Co-payments

Federal guidance previously designated 7 percent of family income as the recommended affordability benchmark for families to spend on child care. However, most families have historically spent much more.[90] According to the U.S. Census Bureau, families with low incomes spend, on average, approximately four times the share of their income on child care compared to higher-income families.[91] Child care is already expensive for most families. Yet access for families with low incomes is sometimes out of reach because of the high share of income they are required to pay. In the 2024 final rule, ACF updated their copayment policies. The final rule requires that family co-payments cannot exceed 7 percent of a family's income and the total payment to a provider (subsidy payment amount and family co-payment) must not be impacted by the reduction in family co-payments.

CCDF assistance is intended to offset the disproportionate financial burden facing families with low incomes. The program aims to support parents and families in achieving economic stability. And with the implementation of the new rule, families receiving assistance will not be expected to pay a greater share of their income on child care than is reflected in the national average.[92]

Federal regulation 45 CFR § 98.71(a)(11) also requires state child care agencies to report the family's total monthly co-payment, as well as any fees charged by providers above the co-payment when the provider's price exceeds the amount paid by the state.[93] Affordability continues to be a challenge today, as rising costs and a decrease in the supply of child care providers has created a bigger strain on the system than ever before.

Income Eligibility

As mentioned above, federal regulations dictate that a family's income must be at or below 85 percent of SMI to initially qualify for a child care assistance.[94] This means that state child care agencies have the discretion to set their limit for initial income eligibility at a rate that fits the state's needs. As of 2019, 41 states and Washington, D.C. had their initial income eligibility set below 85 percent of SMI,[95] while 15 states and territories had their initial limits set at 85 percent. Many state child care agencies are restricted in increasing the initial income eligibility limit due to a lack of resources to provide assistance to additional families. For reference, 85 percent of SMI for a family of four in most states in 2022 fell between $60,000 and $130,000. See *Appendix A* for a full list of SMIs.

However, states looking to expand access can increase the initial income eligibility limits to the maximum allowance under CCDF regulations. State child care agencies that consider this solution would need to offset the cost with state funding in the absence of additional federal resources. Similarly, state child care agencies could use non-federal funding to set income eligibility limits above 85 percent of SMI. At the same time, with limited resources, it is important for states to consider investing in outreach to make sure all families who are eligible under CCDF regulations are served before expanding eligibility beyond that.

RELEVANT UPDATES FROM THE MARCH 2024 FINAL RULE

The final rule includes updated requirements and encouragements for states to increase affordability.[96]

- **Market rate survey reports:** The final rule requires that states and territories include data on the extent to which child care providers who accept assistance through the CCDF charge more to families than the required family co-payment in instances where the provider's price exceeds the subsidy payment, including data on the size and frequency of any such amounts.
- **Capping family co-payments:** The final rule requires that family co-payments cannot exceed 7 percent of a family's income and the total payment to a provider (subsidy payment amount and family co-payment) must not be impacted by the reduction in family co-payments.
- **Waiving co-payments:** The final rule also makes it easier for Lead Agencies to waive co-payments for a wider range of populations without needing to request approval in the CCDF Plan. These populations include children in foster and kinship care; children experiencing homelessness; children with disabilities; and children enrolled in Head Start or Early Head Start. It also encourages states to waive co-payments for families making 100-150 percent of the federal poverty line.

POLICY CONSIDERATIONS

- Waive co-payments for the most vulnerable families and cap co-payments at the federally recommended affordability threshold of 7 percent of household income.
- If funding allows, raise the initial income eligibility limit of families to 85 percent of SMI or above this level.
- Seek alternative state revenue sources, like taxes on higher-income individuals or other innovative ideas.
- Explore alternative methodology strategies, such as a cost estimation model, to better align with the true cost of care.
- Collect data on additional fees families may be paying out of pocket to ensure they are not limiting access to care.

PROMISING STRATEGIES

- **New Mexico** has made great strides in increasing investments to expand eligibility and access to child care services. Currently, families who qualify for assistance will have the full cost of their child care covered through June 30, 2023. Additionally, as of May 1, 2022, the state Early Childhood Education and Care Department started using funds through the American Rescue Plan to waive child care assistance co-payments for any qualifying family. To qualify, a family must earn less than 400 percent of the Federal Poverty Level (FPL), an increase from 350 percent.[97] This investment will be supported even after the stabilization funding ends in 2024. New Mexico policymakers passed House Bill 83 in February 2020, which drew on the state's Land Grant Permanent Fund to create an Early Childhood Education and Care Fund.[98] It was established with $300 million on July 1, 2020.[99] Additionally, in 2021, New Mexico became the first state, following Washington, D.C., to conduct a cost estimation model to better inform their assistance rates instead of only using market-rate surveys.[100]
- **Illinois** is reducing co-payments for most families in the state. Payments were lowered to $1 per month for families with incomes at or below 100 percent of the FPL. Across the state, 80 percent of all families will see a reduction in their monthly co-payments, which will remain permanently capped at 7 percent of family income.[101]
- **South Dakota** has significantly lowered costs for families by reducing and eliminating co-payments. Families with adjusted gross income at or below 170 percent of the FPL do not have a co-payment. Families with adjusted income over 170 percent of the FPL will have a co-payment of under 1 percent of the family income.[102]

4. RECRUITING PROVIDERS WHO MEET A RANGE OF FAMILY NEEDS

For many families, getting approved for child care assistance is only the first among many challenges in finding care for their child. In addition to the limited overall supply of providers, an even smaller number of providers accept child care subsidies. Many providers who choose not to accept subsidies often cite financial considerations that contribute to the decision, particularly that payment rates are too low to cover the true cost of care.[103]

Cost concerns can fall hardest on families with needs that the child care system is not adequately set up to meet. For example, some families require accommodations for children with disabilities. Others seek services in their home language or need child care beyond the traditional work day. With the already limited pool of providers who accept subsidies, affordable care options for these families become even smaller.

The National Women's Law Center's State Child Care Assistance Policies report notes that, as of 2021, only two states had all their base payment rates at the federally recommended level for that year.[104] Underinvesting in the workforce translates to low pay and high stress for providers. This, in turn, created widespread staffing shortages as well as challenges recruiting new people. The practice of compensating providers with poverty-level wages is a result of the historical and structural racism of the child care system. And this extremely low pay negatively impacts families as they try to afford child care that meets their needs.[105]

While providers struggle to operate on slim profit margins, many families with low incomes also struggle to pay co-payments and fees. By increasing payment rates, and thus increasing the revenue of child care programs, state child care agencies can ease the financial burden on both parents and providers. Increased payment rates are essential to making sure families can afford care. They also encourage providers to enroll more children receiving assistance, rather than only or mostly serving private-paying families, who often pay more than the state payment rates.[106]

Supporting Affordability for Providers and Families

Importantly, strategies to make care more affordable for families should be done in conjunction with increasing providers' payment rates to adequate levels. Otherwise, states could risk depriving providers of resources they need to operate and creating a disincentive for them to serve families who receive subsidies. State child care agencies need to address this cycle of unaffordability if they want to increase equitable access to their programs. However, accomplishing this will require significant financial investment, which has not historically been available to state child care agencies.

In addition to increasing payment rates, state child care agencies have historically had the flexibility—if funding is available—to pay providers for a child's *enrollment* instead of their *attendance*. However, the 2024 final rule *requires* states to reimburse providers based on enrollment, rather than attendance, with very limited exceptions. The distinction between enrollment and attendance is important. In the past, states often only paid providers for the actual hours a child receiving assistances was in care (attendance) and not based on that child having a spot in the class, regardless of the hours in care (enrollment). This creates more consistency in payments for providers serving children who receive care through child care assistance.

Some Families Face a Range of Needs that Impede Access

Families may be further limited in their options based on their need for care at non-traditional hours, a provider who speaks their home language, or a setting that can best meet their child's developmental needs:

Non-traditional Hour Care

Access to care at non-traditional hours is essential to meeting the needs of working parents, but this type of care is often difficult for families to find. In 2019, approximately one-third of all children younger than six had parents who worked outside of 7:00 a.m. to 6:00 p.m. on weekdays.[107] According to research compiled by the Economic Policy Institute, non-traditional hour work schedules are more common among Black and Latino workers.[108] This pattern is driven by unequal policies and practices in education and the labor market due to structural racism, which has limited job opportunities for communities of color.[109]

Investments in non-traditional hour care can increase access to child care services by meeting the needs of parents who work beyond Monday through Friday from 7:00 a.m. to 6:00 p.m. Offering financial incentives to providers who offer non-traditional hour care is one way to increase families' access to these services. Another strategy is to make it easier for home-based child care providers, who more commonly offer non-traditional hour care, to be compensated for caring for families who receive child care assistance.

Providers Who Speak Children's Home Language

Across the United States, the number of children who live in homes where a language other than English is spoken is rising. Many of these children are acquiring skills in two or more languages. As of 2018, 33 percent of all U.S. children under the age of nine were dual language learners.[110]

Child care providers play a critical role in supporting children's brain development, including their language skills. Many families prefer to have their children in settings where their multilingualism is celebrated, not viewed as an additional barrier.

It is also important to offer developmental screenings in a child's main language. When programs do not screen in the home language, they get an incomplete picture of students' linguistic abilities, setting in motion a "deficit perspective" that focuses on what children cannot do versus what they can achieve. Screening bilingually or multilingually can also help educators differentiate between typical development and language delays or other learning disability issues. Providing professional development, subsidized educational opportunities, or financial incentives for dual language educators can increase the number of providers who can offer care that is culturally and linguistically responsive to multilingual families.

Meeting Children's Developmental Needs

For families who have children with disabilities, finding a setting that can meet their child's needs and allow them to thrive is particularly difficult. An analysis of multiple surveys on child well-being showed that compared with parents of nondisabled children, parents of young children with disabilities:

- Faced difficulty finding care for their child (34 percent vs. 25 percent); and
- Are three times more likely to experience job disruptions because of problems with child care.[111]

Families Can Struggle to Find Appropriate Accommodations

Families with any of these needs often have limited options to access care. Some families may seek home-based child care settings, including licensed family child care providers and license-exempt care providers, who may be relatives. However, home-based providers experience many challenges in participating in the child care subsidy program. Barriers include the application process, the health and safety requirements providers must meet, and the timelines of the approval process. These are all in addition to the low payment rates and cumbersome payment policies and logistics.[112]

Furthermore, the workforce crisis has further exacerbated the challenge of finding care, as many providers are still struggling to stay open. According to an early childhood survey from the Stanford Center on Early Childhood, "from October to December of 2021, the percentages of providers who were considering leaving their jobs each month ranged from 15 percent to 18 percent. During 2022, the monthly percentages ranged from 26 percent to 32 percent."[113,114]

"I AM CONSIDERING LEAVING MY ROLE AS A CHILD CARE PROVIDER BECAUSE I HAVE TROUBLE MAKING ENDS MEET AND BURNOUT. THE STRESS OF 'COPING' IS GETTING TO ME AND OFTEN MAKES ME WONDER HOW MUCH LONGER I WANT TO BE AN EARLY CHILDHOOD EDUCATOR." – HOME-BASED PROVIDER, RAPID ECE SURVEY

FEDERAL GUIDANCE AND FLEXIBILITY UNDER CURRENT LAW

Payment Rates

The economics of cost is simple: supply and demand dictate how much things cost. With more supply and less demand, a service or product will be less expensive. However, in the current child care crisis, there is ample demand for care but very little supply, setting up what the U.S. Department of the Treasury has called a market failure.[115]

Much of this market failure can be traced to the undervaluation by our economy of the child care workforce, which has not received the resources it needs to thrive. One key component of compensation for providers is the payment rate associated with child care assistance. Providers in various states find it challenging to accept children receiving assistance through CCDF because payment rates for care are often based on outdated market rates, not the true cost of care. And while federal guidance asks states to set their payment rates at the 75th percentile of the market rates, there has historically not been a requirement, so they were often set lower.[116] However, in April 2023, following President Biden's Executive Order on Increasing Access to High-Quality Care and Supporting Caregivers, the ACF issued letters to state child care agencies stating that the agencies must set their payment rates at or above the 50th percentile of their most recent market rate survey to be considered in compliance with the equal access provisions for the CCDF.[117]

Alternative Payment Methodology

State child care agencies also have the flexibility to use an alternative, pre-approved methodology, or to use it in conjunction with a market rate survey. One alternative approach is a cost estimation model. This can "involve setting rates based on the actual costs experienced by child care providers in their delivery of services, based on the type of care, age of the child, and state licensing and quality regulations."[118] Under this approach, child care assistance payment rates better align with the true cost of care, increasing providers' ability to retain staff and access more resources to support high-quality care.

The true cost of care, and even the 75th percentile of the market rate survey, is much higher than existing payment rates in many states. As a result, changing the methodology or increasing the percentile of the market survey rate may require additional resources from both the federal and state governments.

Equal Access Regulations

According to federal regulation 45 CFR § 98.45, state child care agencies should not be prevented from differentiating payment rates based on factors such as:

- Geographic location of child care providers (such as location in an urban or rural area);

- Age or particular needs of children (such as the needs of children with disabilities, children served by child protective services, and children experiencing homelessness);
- Whether child care providers offer services during the weekend or other non-traditional hours; and
- The state child care agency's determination that such differential payment rates may enable a parent to choose high-quality child care that best fits the parents' needs.

This is important as financial incentives are needed to build the supply of child care providers that can support a variety of children.

Additionally, state child care agencies must provide parents with consumer education about the full range of child care options. These options include care during non-traditional hours, which supports families who may have specific needs.[119]

Furthermore, federal regulation 45 CFR § 98.15(a)(9) also asserts that a state must maintain or implement early learning and developmental guidelines that are developmentally appropriate for all children from birth to entry into kindergarten. These guidelines include research-based, culturally and linguistically appropriate domains that ensure all families and children, regardless of their background or languages are supported.[120]

Relevant Updates from the March 2024 Final Rule

The final rule includes updated requirements and encouragements for states to make information more accessible to families.[121]

- **Reimbursement on enrollment:** The final rule requires states to reimburse providers based on enrollment, rather than attendance, with very limited exceptions.
- **Adapting general payment practices of private pay:** The final rule generally requires that provider payment practices meet generally accepted payment practices used for families not participating in CCDF program.
- **Prospective payment:** The final rule requires states and territories to pay CCDF providers in advance of, or at the beginning of, the delivery of child care services.
- **Paying the established subsidy rate:** The final rule codifies existing policy that allows Lead Agencies to pay eligible child care providers caring for children receiving CCDF subsidies the Lead Agency's established subsidy payment rate to account for the actual cost of care–even if that amount is greater than the price the provider charges parents who do not receive subsidies.
- **Reimbursement rates must be above 50th percentile:** The final rule reiterates that setting payment rates at the 50th percentile is not an equal access benchmark, nor is it a long-term solution to create equal access, and thus may not be considered sufficient for compliance in future cycles.

POLICY CONSIDERATIONS

- Set payment rates at or above the 75th percentile of the market rate survey, if they are not already there, to support the workforce.
- Pay providers the true cost of care and for a child's enrollment instead of attendance. In other words, providers should receive a full week of pay, even if a child is out sick one day.
- Recruit home-based child care providers and ensure they can access the program without administrative burdens.[122]
- Create positions for navigators or facilitators who can help providers go through the subsidy approval processes and help them meet health, safety, and other standards.[123]
- Incentivize providers to offer families non-traditional hour care. Consider offering incentives, such as higher bonuses, stipends, or differentiated increased rates.
- Through professional development, subsidized education opportunities, or financial incentives such as bonuses, increase the number of providers who can offer care that is culturally and linguistically responsive to multilingual families. In addition, support providers with including language diversity in their program. Inclusion could look like having books in different languages, previewing key vocabulary terms, or pointing out cognates in children's primary language.
- Require developmental and disability screening in children's primary language. Or align screening requirements with those of the Head Start program to make sure screening tools are also culturally appropriate and reliable.

PROMISING STRATEGIES

- **Illinois** allocated over $60 million to early care and education programs. It also allocated $2 million for a new program, operated by the state's Department of Human Services, to increase access to "off-hours" child care services. The program is aimed at supporting first responders and other workers to identify and access child care.[124]
- **Pennsylvania's** subsidized child care program increased funding for non-traditional hour care using stabilization grants. The state will allocate $16.8 million for add-on incentives to their child care assistance base payment rates for providers who offer at least two hours of care during non-traditional hours.[125]
- **Washington** policymakers enacted a bill in 2017 that implemented dual language programs beginning in early care and education. The bill acknowledges the strengths of the state's population of bilingual learners. Data from the 2015-2016 academic year showed that students who received instruction in both English and their native language developed academic proficiency more quickly than when only receiving instruction in English. In this case, collecting data showed the value and importance of bilingual care environments.[126]

CONCLUSION

Today's child care system is in crisis, largely due to severe federal underinvestment and structural racial and economic inequities. Current systemic challenges harm families and providers. With access limits rooted in historical policies and practices shaped by racism and gender-based discrimination, barriers disproportionately hurt people of color with low incomes.

Despite funding constraints, state child care agencies can maximize their limited resources to equitably increase access to child care assistance programs nationwide. They can do so by embracing available flexibility in implementing policies and practices of the CCDF system while centering racial equity.

State child care agencies can start by seeking input from providers and families to ensure that changes to policy and practice are responsive to the local need. Then, they can review current policies to identify possible changes that can substantially improve access for all families and providers.

Specific solutions to effectively address gaps in child care access include focusing on four key areas:

- Improving Information Access and Outreach;
- Simplifying the Application and Streamlining Eligibility;
- Increasing Affordability; and
- Recruiting Providers Who Meet a Range of Family Needs**.**

Adopting policies to address these needs can contribute to the well-being and economic success of the agency and families with low incomes, while also supporting children's development. While the lack of federal funding for child care assistance programs persists, state child care agencies can continue to improve equitable access to care within the parameters of current law.

ACKNOWLEDGMENTS

CLASP is grateful to the many people who engaged with us on this brief, including our colleague, Stephanie Schmit, who worked with the Child Care and Early Education team to write the initial memo for a state, which served as the basis for this brief. We are also grateful for the support, contributions, and review of our colleagues Alycia Hardy, Shira Small, Elizabeth Lower-Basch, Emily Andrews, Suzanne Wikle, Juliana Zhou, Wendy Cervantes, and Suma Setty. We would also like to offer a special thank you to our colleagues at other organizations including Karen Schulman from the National Women's Law Center, Gina Adams from the Urban Institute, and Hannah Matthews, who was previously at CLASP and is now with the Office of the State Superintendent of Education in Washington, D.C., for their review. Finally, we want to thank the CLASP Communications team and the many others who made this brief possible.

APPENDIX A

STATE	2022 85% SMI FOR FAMILY OF FOUR
Alabama	$ 71,222
Alaska	$ 93,334
Arizona	$ 73,167
Arkansas	$ 63,288
California	$ 88,278
Colorado	$ 94,168
Connecticut	$ 108,327
Delaware	$ 89,315
District of Columbia	$ 129,237
Florida	$ 70,934
Georgia	$ 76,442
Hawaii	$ 95,406
Idaho	$ 69,099
Illinois	$ 90,228
Indiana	$ 75,814
Iowa	$ 83,245
Kansas	$ 78,324
Kentucky	$ 70,124
Louisiana	$ 70,944
Maine	$ 84,077
Maryland	$ 108,675
Massachusetts	$ 115,546
Michigan	$ 82,124
Minnesota	$ 99,949
Mississippi	$ 60,317
Missouri	$ 77,485
Montana	$ 76,653
Nebraska	$ 81,518
Nevada	$ 72,378
New Hampshire	$ 106,167
New Jersey	$ 113,252
New Mexico	$ 60,450
New York	$ 93,259
North Carolina	$ 75,527
North Dakota	$ 91,015
Ohio	$ 79,602
Oklahoma	$ 66,323
Oregon	$ 85,179

Pennsylvania	$ 88,596
Puerto Rico	$ 28,649
Rhode Island	$ 92,735
South Carolina	$ 71,211
South Dakota	$ 77,589
Tennessee	$ 72,112
Texas	$ 75,466
Utah	$ 79,627
Vermont	$ 86,321
Virginia	$ 96,969
Washington	$ 95,454
West Virginia	$ 66,989
Wisconsin	$ 87,463
Wyoming	$ 83,601

Source: CLASP analysis of "State Median Income (SMI) by Household Size for Optional Use in FFY 2022 and Mandatory Use in LIHEAP for FFY 2023," United States Department of Health and Human Services, Administration for Children and Families, 2022, **https://www.acf.hhs.gov/sites/default/files/documents/ocs/COMM_LIHEAP_Att1SMITable_FY2023.pdf.**

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