Tracking the Use of Increased CCDBG Funding in Three States

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Child care is an essential resource for the economic health of our nation and the developmental health and well-being of our children. The importance of child care has become acutely relevant as families across the nation have experienced a reduction or complete loss of child care due to COVID-19. Through the child care provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 and the recent increases in funding for the Child Care and Development Block Grant (CCDBG) in 2018, states are actively working to allocate resources to support families and child care providers.

Though it is too early to track outcomes due to policy changes made with the 2018 and 2020 CCDBG allocations, some states have begun to use state administrative data to monitor progress as a result of policy changes made with the 2018 CCDBG funding. This brief provides examples of how CCDBG implementation strategies in three states—Georgia, Michigan, and Oklahoma—may lead to improved outcomes for children, families, and providers. Lessons learned can help inform state policymakers' efforts to improve access to high-quality early care and education (ECE) through CCDBG and improve recovery efforts following the COVID-19 crisis.

Background

Since the early 1990s, CCDBG has aimed to improve access to child care for families with low income whose parents go to work or school.[1] CCDBG promotes parental choice and consumer education for parents when they select child care, and includes funds to improve the quality of care and the qualifications of the ECE workforce.

The CCDBG Act of 1990 authorized the appropriation of funds for child care subsidies through the Child Care and Development Fund (CCDF). As a block grant, CCDBG outlines requirements while also allowing states discretion in how they set subsidy policies and use funds.[2] In 2014, the first major reauthorization to CCDBG set new requirements focused on ensuring child care health and safety, improving the overall quality of early learning and afterschool programs, providing continuity of access to child care, and promoting consumer education.[3]

CCDBG has historically been underfunded relative to the number of eligible children in need of care. In 2015, the U.S. Department of Health and Human Services estimated that only 15 percent of 13.6 million eligible children were served by subsidies.[4] Without additional funding, states struggled to implement the reauthorization requirements while maintaining the limited number of available child care slots. To address this need, Congress appropriated the largest-ever increase in discretionary funding to CCDF in 2018, followed by another increase in 2020, bringing the total amount of discretionary funding to $5.8 billion.[5,6] These funds were intended to enable more families to obtain subsidized child care and ensure that the 2014 CCDBG reauthorization requirements could be fully implemented.[7]

August 2020

As the COVID-19 pandemic began to unfold in the winter of 2020, states' priorities shifted with regard to the use of their federal dollars. In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which included $3.5 billion in emergency funds for CCDBG to support child care workers and families that were grappling with the impact of the pandemic.[8] Likewise, the federal Administration for Children and Families issued guidance to allow states more flexibility in meeting CCDBG requirements.[9] A recent policy scan conducted by Child Trends revealed that a majority of states used these resources to continue paying providers that were forced to close or saw decreased attendance, provide funding to support emergency care for essential workers, and waive or cover a portion of child care fees that families would have otherwise had to pay.[10]

States' CCDBG Spending Priorities and Efforts to Monitor Progress Toward Intended Outcomes

In the fall of 2019, Child Trends conducted a national survey to learn how state and territory CCDBG administrators were prioritizing their use of the increased federal funding to meet reauthorization requirements and/or expand services for eligible children.[11] In the spring of 2020, Child Trends conducted follow-up interviews with three states (Georgia, Michigan, and Oklahoma) who indicated they would be willing to share data and insights about their spending priorities and efforts to monitor their progress towards improving outcomes for children, families, and providers. These discussions involved asking for detailed information about the specific strategies these states used to support children, families, and providers within the four broad categories identified above. We also asked for any data or methods the states were using to track progress towards these objectives. The survey revealed that states prioritized four broad goals for their use of the increased CCDF funding, which are identified below.

- **Expand families' ability to use subsidies.** Re-examine eligibility limits and family fees to expand families' use of subsidies by providing access to child care subsidies for 12-month periods, reducing or waiving parent co-payments, reducing parent reporting requirements, and allowing parents to retain subsidies while they search for a job. *(Examples from Oklahoma and Michigan below).*

- **Expand the use of subsidies**, **particularly for vulnerable and underserved groups** such as infants and toddlers, children with special needs, or children of families experiencing homelessness. *(Example from Georgia below).*

- **Increase provider payment rates and adjust payment schedules to encourage providers to accept subsidies**; this includes increasing provider payment rates so that they are reimbursed at a level that is comparable to the cost of care child care for families that are not participating in the subsidy system. *(Examples from Georgia and Michigan below).*

- **Continue to support the quality of care** by implementing the enhanced requirements articulated in the CCDBG Reauthorization Act of 2016; this includes a number of strategies such as expanding professional development opportunities, as well as provisions for health and safety practices, background checks for providers, and consumer education. *(Examples from Michigan and Oklahoma below).*

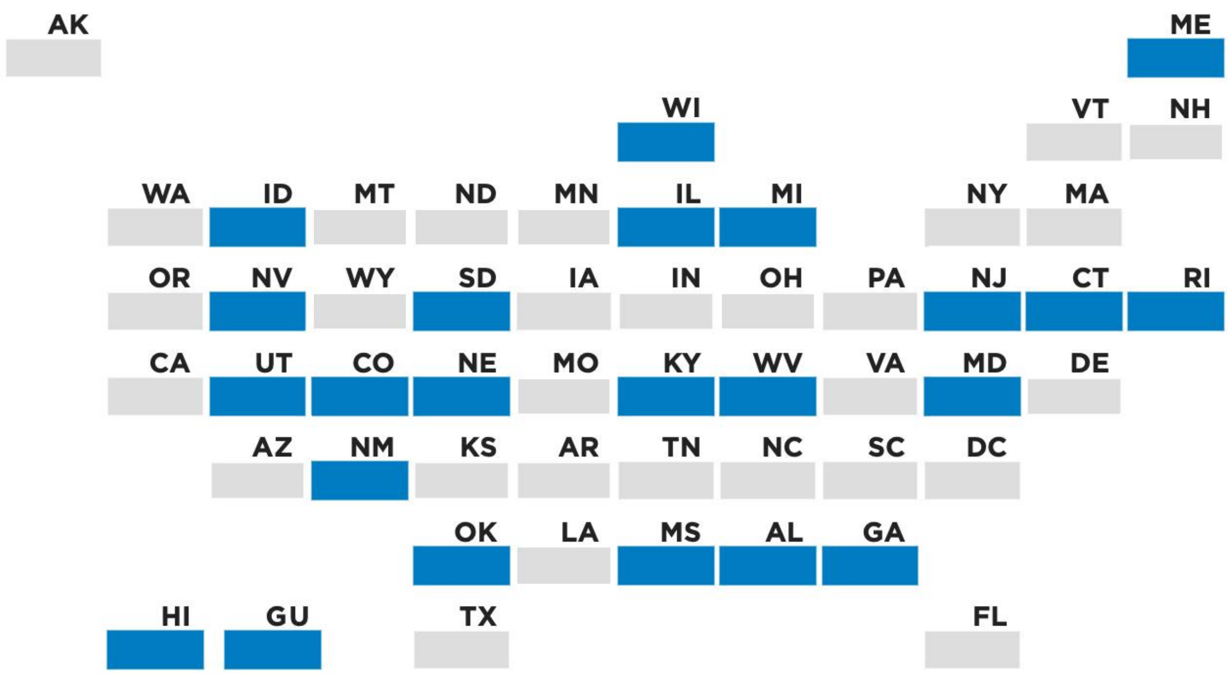
There are many way states can address CCDBG funding goals and measure progress towards those goals. The examples presented in this brief demonstrate different ways that states can work toward improving outcomes for children, families, and providers. However, it is important to note that the policy and programmatic changes that Georgia, Michigan, and Oklahoma have made may not be working in a linear way to bring about the specific outcomes reported here; rather, these changes are part of a set of policies and contextual factors that contribute to child, family, and provider progress.

Funding Goal: Expand families' ability to use subsidies

State strategies for achieving this funding goal

States can use CCDBG funds to implement family-friendly eligibility policies to help families retain their subsidy and promote continuity of care. They can do this by ensuring families can keep their subsidies for up to 12 months, and that they can use or maintain subsidies while they search for a job, reducing the burden of paperwork that is needed to apply and maintain a subsidy. Another way states can expand families' ability to use subsidies is by modifying policies and practices related to parent fees and co-payments. Families that receive subsidies are required to contribute to the price of care, depending on their income. Out-of-pocket costs can include co-payments, which are the amount a family pays for the cost of care after accounting for what the state pays. States can use the CCDBG funding to reduce those out-of-pocket costs, and limit financial burdens on families that receive subsidies by decreasing family co-payments or raising provider reimbursement rates. Decreased out-of-pocket costs can enable families to choose high-quality child care that they otherwise might be unable to afford.

23 states and Guam have indicated they are using a portion of the increased funding to expand families' ability to use subsidies.[12]



Oklahoma invested in increasing income eligibility, lowering co-payment rates, and eliminating co-payments for families at or below the federal poverty level. The increase in income eligibility was designed to allow families with higher income levels to receive subsidy benefits. Efforts to change co-payment rates were meant to incentivize families to choose high-quality care. Oklahoma reported an 18 percent decrease in the number of families that were required to pay out-of-pocket for child care between February 2019 and January 2020.

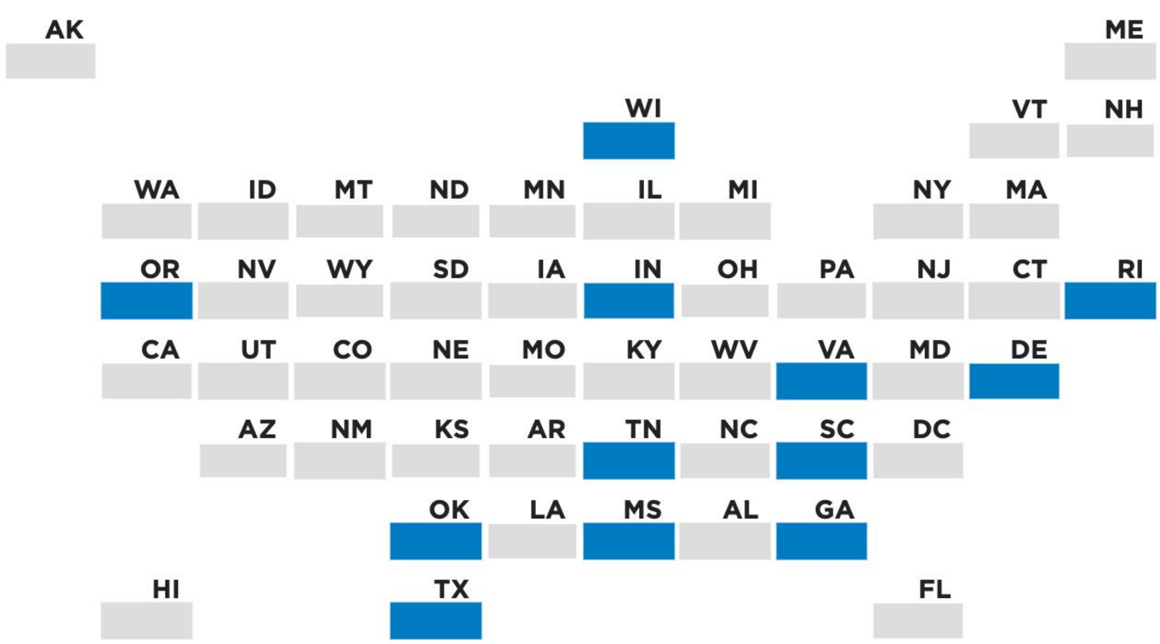
Though families may still have to pay a portion of the child care costs, **Michigan** waived co-payments for families that choose high-quality providers (and increased the 3-, 4-, or 5-star rated programs) to incentivize families to choose high-quality care. From 2018 to 2019, Michigan experienced an 11 percent increase in the number of children enrolled in high-quality care who received subsidies.

Funding Goal: Expand the use of subsidies for vulnerable and underserved groups

State strategies for achieving this funding goal

States can use CCDBG funds to address the needs of vulnerable children, including children experiencing homelessness and underserved groups, such as infants and toddlers. The examples below show how two states have focused on expanding infant and toddler care. Infant and toddler care is more expensive than preschool-aged care because fewer infants and toddlers can be cared for by one caregiver.[9] States can increase the incentive for providers to accept subsidies for infant and toddler care by offering targeted incentives, such as higher payment rates. Though the higher payment rate may not completely cover the cost of care, it may help to increase both parents' use of a child care subsidies for infant and toddler care, and providers' willingness to offer care to this underserved age group.

12 states indicated that they would allocate a portion of the increased funding to increase the number of slots available to infants and toddlers.



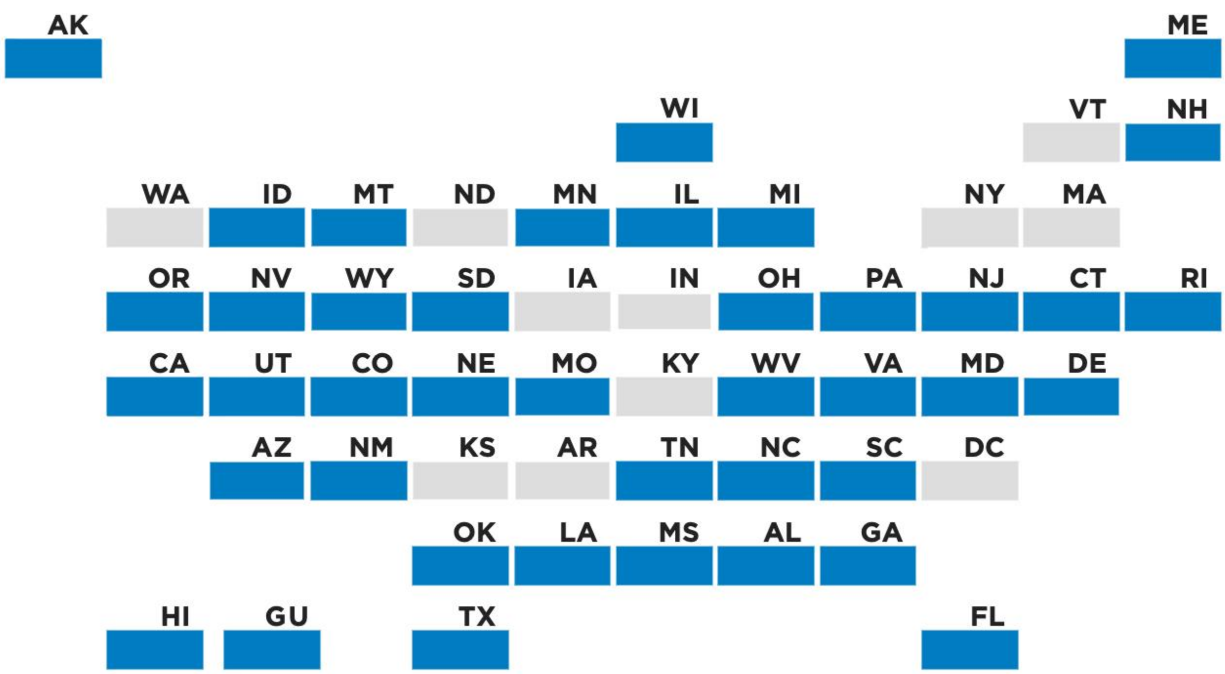
Georgia used the increased funding to improve the availability of child care for infants and toddlers by offering financial incentives to providers; the number of infants and toddlers receiving a subsidy increased by 41 percent between October 2018 and October 2019. Georgia also increased the number of Quality Rated Subsidy Grant (QRSG) slots, or contracted subsidy slots targeted for infants and toddlers in high-quality environments, by 20 percent. Also, since providers must meet additional criteria to qualify for the QRSG program, Georgia raised the payment rate for these providers to 50 percent above the base payment rate (the rate the state deems sufficient to enable providers to meet requirements). This rate increase was implemented in an effort to incentivize participation in the QRSG program. For all other providers serving infants and toddlers through the subsidy program, Georgia used the increased funding to raise the full-day payment rate by 14 percent.

Funding Goal: Increase provider payment rates and adjust payment schedules to encourage providers to accept subsidies

State strategies for achieving this funding goal

States can use CCDBG funds to provide increased payments to providers and align payment policies with the private child care market. To incentivize providers to serve children receiving subsidies, states used funding to increase child care payment rates and adjust payment schedules to ensure child care providers who accept subsidies can receive regular and consistent subsidy payments at the same time that they receive payment from families who pay out of pocket. To understand how these adjustments are supporting children and families, states can examine the change in the number of providers willing to care for children receiving subsidies.

43 states and Washington, DC, indicated that they would use a portion of the increased funding toward strategies related to increasing provider payment rates or changing payment policies.



Georgia adjusted its payment rates to encourage high-quality providers to accept children with a subsidy and incentivize providers to continue to improve and maintain quality. Georgia experienced a 16 percent increase in the number of Quality Rated (Georgia's Quality Rating and Improvement System) providers serving children receiving a subsidy. Georgia also saw a 22 percent increase in the number of children receiving a subsidy that were being served by Quality Rated providers between March 2018 and October 2019.[i]

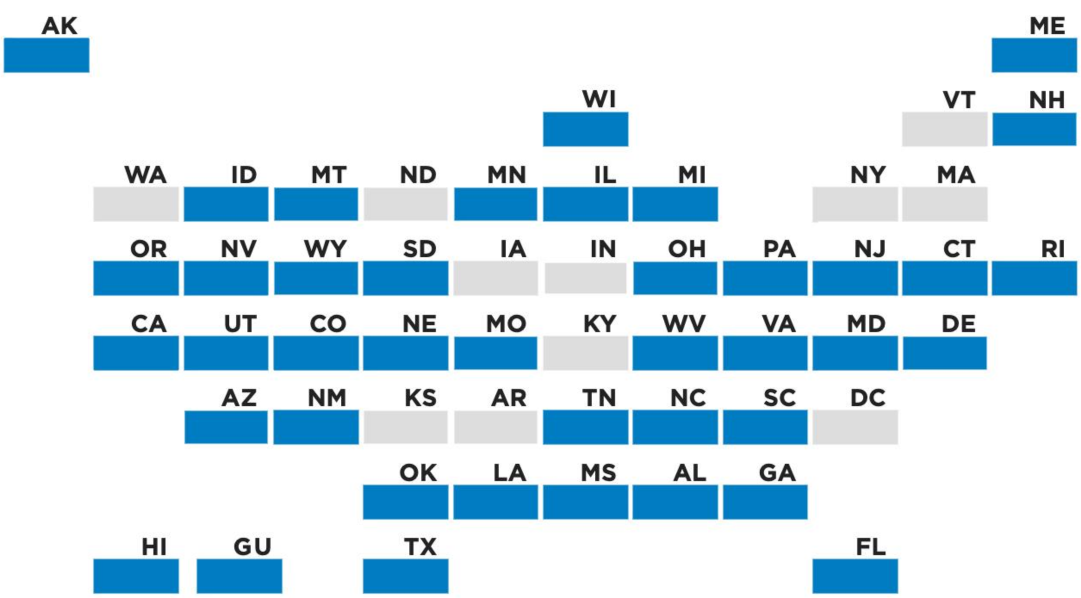
Michigan adjusted their mechanism for making subsidy payments to providers, moving from an hourly payment to a tiered, biweekly payment to match the payment schedule of families that pay out of pocket. This change in the payment schedule provides a consistent and predictable revenue stream, making it easier for providers to accept and use subsidies. Though it is difficult to draw a direct correlation between the change in this policy and an increase in providers accepting child care subsidies, Michigan noted an initial increase in the number of providers who accept child care subsidies in early 2020.

Funding Goal: Continue to support the quality of care

State strategies for achieving this funding goal

States can use CCDBG funds to support the child care workforce in professional development activities. By investing in training opportunities and financial incentives for providers to obtain additional credentials, states aim to improve the overall quality of child care offered. To understand how these uses of the funds are supporting children and families, states can examine the change in the number of providers taking steps to increase their education and credentials

40 states and Guam indicated that they would allocate a portion of the increased funding to support the child care workforce.



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[i] Georgia experienced a large increase between October 2018 and October 2019 in both the number of Quality Rated providers serving children receiving a subsidy and the number of children receiving a subsidy who were being served by Quality Rated providers (12 and 14 percent, respectively).

Michigan allocated a portion of the increased funding to offer additional Teacher Education and Compensation Helps (T.E.A.C.H.) scholarships, to enable child care providers to work toward earning additional degrees or credentials. Between 2018 and 2019 437 additional providers received a T.E.A.C.H scholarship (33 percent increase) yielding a total of 1,747 providers who received this benefit. The increased funding allowed more providers to access professional development and training opportunities to improve their education levels.

Oklahoma hired 11 coaches and began offering free monthly trainings for providers on a variety of professional development topics, using the increased funding. Topics ranged from building positive adult-child relationships to using responsive practices for children who have experienced trauma and exhibit challenging behaviors. Between August and December of 2019 the state held 60 of these trainings for 880 participants.

Looking Forward

This brief provides examples of how Georgia, Michigan, and Oklahoma are tracking progress and working toward meeting reauthorization requirements and expanding services for eligible children. Monitoring states' progress toward their goals is valuable not only as a part of ongoing state quality improvement efforts, but particularly at present, as the COVID-19 pandemic is heightening providers' and families' needs. Moving forward, it will be important for states to set clear objectives for tracking these goals to equitably expand the affordability, availability, and quality of care, and to identify ongoing needs and gaps.

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