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INFORMATION MEMORANDUM

To: State and Territory Lead Agencies administering the Child Care and Development Fund (CCDF) program; State and Territory Lead Agencies administering the Temporary Assistance for Needy Families (TANF) program; and other interested parties.

Subject: 2014 Child Care Reauthorization and Opportunities for TANF and CCDF

References: The Child Care and Development Block Grant Act of 1990, as amended, 42 U.S.C. § 9858 et seq., as further amended by the Child Care and Development Block Grant Act of 2014, Pub. L. No. 113-186; the Personal Responsibility and Work Opportunity Act of 1996, Pub. L. No. 104-193.

Purpose: The purpose of this Information Memorandum is to provide key information on the recent reauthorization of CCDF and its implications and opportunities for TANF and CCDF. Lead Agencies from both programs can work together to implement the reauthorization and leverage this opportunity to support family economic security and well-being.

Background: CCDF provides funds to states, territories, and tribes to provide financial assistance to low-income parents to access child care so they can work or attend job training or educational programs and to improve the quality of child care for all families. TANF provides funds to states, territories, and tribes to design and operate programs that help needy families achieve economic security and child and family well-being, including through the provision of child care services.[1] In FY 2014, states spent approximately $2.6 billion of federal TANF funds on child care, either directly or through a transfer to the CCDF.

CCDBG Reauthorization. The bipartisan CCDBG Act of 2014 (hereinafter referred to as the "Act"), signed into law on November 19, 2014, reauthorized

[1] This Information Memorandum applies to states and territories as the 2014 CCDBG Act does not indicate the extent to which CCDF provisions apply to tribes. The Office of Child Care will be issuing separate guidance for tribes related to the CCDF reauthorization.

CCDF for the first time in nearly 20 years. The Act made sweeping changes intended to improve the health, safety, and quality of child care, and provide more stable child care assistance to families. The law represents a historic shift in the program to better balance the dual goals of promoting economic stability for low-income families and the healthy development and school readiness of children. This re-envisioning presents an important opportunity to support low-income children and parents, including those receiving TANF-funded services and cash assistance.

Meeting the Needs of Children and Families Together. TANF and CCDF have the potential to develop two-generation approaches in serving low-income families with children. Both programs are well-positioned to design service-delivery so that CCDF and TANF address the needs of children and their parents together with the goal of improving the entire family's overall economic security and well-being. Low-income parents need access to child care in order to work and to further their education, both of which contribute to their economic stability. When low-income parents receive help paying for child care, they are more likely to be employed, have more stable employment, and have higher earnings[2]-- thereby, improving the well-being of parents and children. This can assist state TANF agencies in meeting required work participation rates and desired employment outcomes. However, the quality of children's child care arrangements is equally important. Affordable, high-quality child care is an essential component to support families in their progress towards economic stability. High-quality child care helps children develop foundational skills that prepare them for success in school and improved adult outcomes. It also helps parents balance the demands of work and parenting by lessening their stress and supporting child and family well-being.[3] TANF families with children in stable, high-quality child care can focus on their own goals for employment success and economic mobility, with less chance of loss in productivity due to worries about their children's well-being.

Legislative Background. CCDF and TANF are linked in federal legislative history and, depending on the state, through the daily operations of both programs. CCDF and TANF were created upon the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996 (Pub. L. No. 104-193), in which Congress replaced the former Aid to Families with Dependent Children with the framework of TANF block grants and established a new structure of consolidated funding for child care. This child care funding, provided under section 418 of the Social Security Act (42 U.S.C. 618), combined with funding from the Child Care and Development Block Grant (CCDBG) Act of 1990 (42 U.S.C. 9858 et seq.), was designated by ACF as

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[2] Acs, G., Loprest, P., and Ratcliffe, C., *Progress toward Self-Sufficiency for Low Wage Workers,* Urban Institute, 2010; S. Danziger, E. Ananat, Elizabeth Oltmans; and Browning, Kimberly G. "Child Care Subsidies and the Transition from Welfare to Work." *Family Relations,* 52(2), 219-228.

[3] Council of Economic Advisors, Executive Office of the President of the United States, *The Economics of Early Childhood Investments*, 2014.

CCDF. PRWORA established connections between CCDF and TANF, including the following provisions:

- TANF funds may be spent directly on child care and up to 30 percent of TANF block grant funds may be transferred to CCDF. Once funds are transferred, they must be spent consistent with CCDF regulations.
- No less than 70 percent of Mandatory and Matching CCDF funds must be used to provide child care assistance to families who are receiving, transitioning off of, or at risk of becoming dependent on TANF cash assistance.
- Parents who receive TANF must be informed that single custodial parents of children under 6 may not be sanctioned if the parent demonstrates an inability, as determined by the state, to obtain appropriate child care within a reasonable distance from home or work, suitable informal child care by a relative or other arrangement, or appropriate and affordable formal child care.

TANF and CCDF Connections. Changes to CCDF will impact TANF programs and the families served by them. In some cases, families receiving TANF also receive CCDF-funded child care services, which are subject to new requirements included in the Act. As of 2014, approximately 14 percent of families receiving CCDF-funded child care reported also receiving TANF assistance.[4] Many states and territories prioritize or guarantee child care for families receiving TANF. Therefore, families receiving TANF assistance will benefit from improvements in the Act. While TANF Lead Agencies have flexibility to determine rules governing child care programs funded directly by TANF, the CCDF reauthorization offers an opportunity to improve the quality of child care and stability of assistance accessed by families and to create greater alignment between CCDF and TANF-funded child care.

States vary in how they administer CCDF and TANF. Lead Agencies may operate the two programs jointly or may align particular policies and practices across programs. In some states, families interact with both programs as the operation of particular functions of child care assistance (e.g., eligibility determination, authorization, redetermination, etc.) may be distributed across programs. For example, a TANF agency may make an eligibility determination for child care but a CCDF agency may oversee the authorization of services and child care provider payments for the TANF client.[5] Or, TANF parents may initially interact with only the TANF agency and subsequently interact with the CCDF agency after transitioning from cash assistance to employment. Other partners, including child care resource and referral agencies, may also play a role in helping parents find available child care.

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[4] Child Care and Development Fund Statistics, *FY 2014 CCDF Data Tables (Preliminary Estimates, May 2015).*
[5] Adams, G., Holcomb, P., Snyder, K., Koralek, R., Capizzano, J., *Child Care Subsidies for TANF Families: The Nexus of Systems and Policies,* Urban Institute, 2006.

Effective coordination of TANF and CCDF is important to ensure parents get the child care they need to be able to focus on successful work or training/education participation, and that their children have positive child care and learning experiences. For example, effective coordination can involve:

- Prioritizing TANF clients for child care services;
- Waiving copayments for TANF families;
- Simplifying intake processes so parents get the information they need to make informed child care choices as they enter TANF;
- Implementing a shared case management approach to child and family needs; and
- Facilitating cross training of front line staff for both programs.

A Historic Opportunity to Increase the Health, Safety, and Quality of Child Care and Improve Family Economic Stability and Well-being. Implementation of the child care reauthorization provides an opportunity to redesign state child care assistance programs to support low-income parents' education, training, and employment needs while increasing access to affordable, high-quality care for their children. This IM provides an overview of the 2014 CCDBG reauthorization with a specific focus on how key provisions might affect TANF families, how TANF agencies can leverage improvements in CCDF to improve TANF, and how such changes in TANF-funded child care programs would simultaneously promote the goals of TANF and CCDF.

Guidance: Provisions in the CCDBG Act apply to CCDF-funded child care (including funds transferred from TANF) and do not apply to TANF-direct child care services. However, TANF and CCDF Lead Agencies can use the opportunity of reauthorization to consider how their child care programs support a two-generation approach to improving family economic security and well-being. ACF encourages Lead Agencies to work together to implement the reauthorization. Specifically, ACF believes that all children deserve to be in child care that meets minimum standards of health and safety, the foundation of quality. We also believe that stable child care assistance can support parental success in school and in the workforce and children's access to high-quality child care. Lead Agencies may consider applying provisions of the Act to TANF-funded child care in order to improve access to high-quality child care and support for parents' educational and employment success for families receiving TANF. CCDF lead agencies can and should include child care provided to families receiving TANF-funded child care assistance in their implementation plans for meeting new federal standards. In some states, including these children may increase total costs, but leaving them out may leave their health and safety less protected than other children receiving ACF-funded child care.

Key Provisions of the CCDBG Act of 2014 for TANF:

Revised Purposes of CCDF: The provisions in the Act will better support success of children and parents by supporting parents' education, training, and

employment needs; improving the quality of children's care; and helping parents support their children's development and learning. New purposes of CCDF added by Congress include: to assist states in delivering high-quality, coordinated early childhood care and education services to maximize parents' options and support parents trying to achieve independence from public assistance; to improve the overall quality of child care services and programs; to improve child care and development of participating children; and to increase the number and percentage of low-income children in high-quality child care settings.

Opportunities for TANF and CCDF:

- **Create a vision for child care.** CCDF and TANF Lead Agencies can work together to adopt a cohesive vision of child care that supports stable child care assistance for low-income families and increased access to higher quality care in light of CCDF's revised purposes.
- **Improve coordination.** We encourage CCDF and TANF Lead Agencies to jointly review policies, procedures, and practices in both child care programs, including transitions from TANF to CCDF child care, and to identify opportunities for improved services and service delivery. For example, better aligned policies and practices could result in:
    - Retention of subsidy during temporary changes in parental work/education/training status; and
    - Increased access to additional supports for families such as referrals to federal, state, and local food, medical, and education services.

CCDF Plan and Effective Dates: The CCDF Plan process is the primary mechanism by which ACF determines Lead Agency compliance with requirements in the law. The Act changed the CCDF Plan cycle from a biennial to a triennial Plan period. Lead Agencies are required to submit their FY 2016-2018 CCDF Plans to ACF by March 1, 2016, and approved Plans will become effective June 1, 2016. Some provisions of the Act have statutorily defined effective dates. All other provisions were effective upon the date of enactment of the law, and Lead Agencies have until September 30, 2016, to implement them (see attached timeline of effective dates). If a state or territory cannot certify compliance with a specific requirement at the time of CCDF plan submission, the grantee must provide to ACF a state/territory-specific implementation plan for achieving compliance with such provision(s).

Opportunities for TANF and CCDF:

- **Plan for Implementation.** Lead Agencies should consult with one another during the preparation of the CCDF plan and share or jointly develop implementation plans.

- **Offer Joint Training:** Front line staff working in both programs will need to understand new CCDF requirements as they apply to TANF and the timeline for implementation. Lead Agencies can offer joint trainings for staff to increase coordination across programs and adherence to new policies. Lead Agencies should be mindful of the applicable cost allocation principles.

Minimum 12-Month Eligibility: The Act establishes a minimum 12-month eligibility period for all children. This includes children in families receiving TANF who receive CCDF-funded child care. Once determined eligible, children are to be considered eligible for a minimum 12-month period regardless of temporary changes in a parent's participation in work, training, or education, as long as their family income does not exceed 85 percent of state median income (SMI). Lead Agencies are permitted to allow children to retain their eligibility through non-temporary changes in work, training, or education as well. Longer, continuous eligibility periods give families increased stability through changes in education, training, or employment; provide children with more continuous care that fosters healthy development; and reduce administrative burden for administering agencies responding to frequent changes. This is particularly important given the often dynamic nature of work activity among low-income individuals.[6]

Opportunities for TANF and CCDF:

- **Provide More Stable Child Care Assistance.** Lead Agencies must implement 12-month eligibility for all children receiving CCDF-funded child care, including children in families receiving TANF, regardless of *temporary* changes in a parent's TANF work activity.

Continued Assistance before Termination. The Act gives Lead Agencies the *option* to terminate CCDF child care assistance prior to 12 months based on a parent's *non-temporary* loss of employment or cessation of participation in a job training or educational program. If a Lead Agency chooses this option, they must allow for a minimum 3-month period of continued CCDF child care assistance to allow for job search activities prior to termination. Families that are sanctioned, subject to penalties, or otherwise become ineligible for TANF benefits (e.g., by reaching a federal- or state-established time limit for cash assistance) must also receive a minimum of 3 months of continued CCDF-funded child care assistance prior to termination.

Opportunities for TANF and CCDF:

[6] Susan J. Lambert, Peter J. Fujiel, and Julia R. Henly, *Precarious Work Schedules Among Early Career Employees in the U.S.: A National Snapshot,* University of Chicago, April 2014, http://ssascholars.uchicago.edu/work-scheduling-study/files/lambert.fugiel.henly_.precarious_work_schedules.august2014.pdf..

- **Provide Child Care During 3 Months Minimum Extension of Child Care Assistance.** If a CCDF Lead Agency opts to terminate child care assistance based on the cessation of a parent's TANF work activity, families receiving CCDF-funded child care must receive a minimum of 3 months of continued child care assistance prior to termination of services. This facilitates stability in child care arrangements during the period in which the parent is looking for and/or transitioning to a new job or work activity.

Consumer Education and Family Engagement. The Act includes provisions to promote involvement by parents and family members in the development of their children in child care settings. CCDF Lead Agencies are required to provide consumer education information to parents, providers, and the general public on the availability of child care assistance; the quality of child care providers (if available); other programs for which families may qualify; research and best practices in child development; and state/territory policies regarding social and emotional development.[7] CCDF Lead Agencies are also required to provide information on developmental screening, including how parents and providers can access resources and services to obtain developmental screenings for children who may be at risk for developmental delays. All families, including families receiving TANF assistance, need easy access to reliable information on quality child care, child development, and public benefits, services, and supports that can help their family succeed. Concerns about children's development, unmet health needs of family members, and other stresses can make it difficult for parents to succeed at work.

Opportunities for TANF and CCDF:

- **Enhance consumer engagement:** Lead Agencies may consider creating a coordinated system of consumer education for TANF and CCDF families. Lead Agencies can work closely with social service agencies, workforce agencies, child care resource and referral agencies, and other relevant agencies to ensure that parents seeking child care are provided with the information and support necessary for them to make informed child care decisions and to access appropriate benefits and services.
- **Coordinate service delivery:** Lead Agencies may consider cross-enrollment and other streamlining and alignment strategies for multiple benefit programs so that families can easily access all available benefits.

[7] The Act specifies that Lead Agencies must provide information on TANF, Head Start and Early Head Start, the Low-Income Home Energy Assistance Program (LIHEAP), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Medicaid and the Children's Health Insurance Program (CHIP), the Child and Adult Care Food Program (CACFP), and Individuals with Disabilities Education Act (IDEA).

Health and Safety Requirements. The Act requires CCDF Lead Agencies to conduct comprehensive criminal background checks on all child care providers, including on those who are legally exempt from licensing and receive CCDF funds (unless they are related to all children in their care) and have monitoring and inspection requirements for all CCDF providers, including license-exempt providers receiving CCDF funds. It also requires pre-service and ongoing training for CCDF child care providers in 10 basic health and safety areas: prevention and control of infectious diseases; prevention of sudden infant death syndrome and safe sleeping practices; administration of medication; prevention of and response to emergencies due to food and allergic reactions; building and physical premises safety; prevention of shaken baby syndrome and abusive head trauma; emergency preparedness and response planning for emergencies; handling and storage of hazardous materials; safe transportation of children, if applicable; and first aid and CPR. States may opt to exempt relative providers from some or all of the health and safety requirements. ACF believes that all children in child care should be in settings that meet minimum health and safety standards, which is a prerequisite for high-quality child care.[8]

Opportunities for TANF and CCDF:

- **Establish minimum health and safety standards.** We urge Lead Agencies to ensure that children in TANF-funded child care are cared for in settings that meet CCDF health and safety standards. A common framework of health and safety standards for CCDF and TANF child care would provide a more consistent foundation for quality child care within states. This can be accomplished by referring families receiving TANF-funded child care to providers that meet CCDF requirements. We also encourage Lead Agencies to define "appropriate" child care as care that meets CCDF health and safety standards, for the purposes of the prohibition on sanctioning a parent for non-compliance in TANF when appropriate child care is not available.
- **Include providers that typically care for children receiving TANF-funded child care in outreach, training, and technical assistance to comply with health and safety requirements.** Although licensed, regulated, and registered providers in a state may enroll both CCDF and TANF-funded children, some may take only TANF-funded children. License exempt providers, such as family, friends, and neighbors of TANF-receiving families who care for their children, may need additional outreach and support to complete required training and prepare for annual monitoring visits. States may exempt relative providers from health and safety requirements. CCDF quality funds may be used to enhance the quality of all child care and isn't limited to those who care for children receiving CCDF.

[8] *Caring for our Children Basics*, http://www.acf.hhs.gov/programs/ecd/caring-for-our-children-basics.

Provider Payment Rates and Practices. The Act requires CCDF Lead Agencies to conduct a valid and reliable market rate survey, or use an alternative methodology, and describe how payment rates for CCDF providers will be established based on results of the survey or alternative methodology, taking into account the cost of providing higher quality services.[9] The Act requires that CCDF Lead Agencies set provider payment rates sufficient to ensure equal access for eligible children to comparable child care services provided to children who are not eligible for CCDF.[10] Lead Agencies also must establish policies that reflect generally accepted payment practices for providers serving families that do not receive CCDF assistance, including (to the extent practicable) paying for absence days, and timely reimbursement for child care services. Adequate provider payment rates and generally accepted payment practices are critical to ensure that providers have the means to purchase appropriate materials and supplies, meet quality standards, and attract and retain highly qualified caregivers. Allocation of additional CCDF and TANF funds may need to be considered in order to raise payment rates and maintain the current caseload of children. Lead Agencies considering this will need to weigh the potential benefits of high-quality care for children such as better long-term outcomes for children and increased child care stability to support parent work activities against the reality of limited resources.

Opportunities for TANF and CCDF:

- **Improve child care provider payment rates and practices.** We encourage Lead Agencies to apply consistent provider payment rates and practices across CCDF and TANF to ensure that all children receiving child care assistance have access to the full range of child care providers. Current CCDF regulations prohibit establishing payment rates based on a family's eligibility status or circumstances, which prohibits Lead Agencies from establishing different child care payments for families receiving TANF assistance.

Access for Underserved Populations. The Act requires CCDF Lead Agencies to establish procedures for the enrollment of children experiencing homelessness in CCDF pending completion of documentation. CCDF Lead Agencies are also required to develop strategies for increasing the supply and quality of child care for children in underserved areas, infants and toddlers, children with disabilities, and children in non-traditional hour care and to prioritize investments for high-quality child care services for children in areas that have significant concentrations of poverty and unemployment and that lack high-quality.child care

[9] The Act requires states to take "into consideration the cost of providing higher quality child care services than were provided under this subchapter before the date of enactment of the Child Care and Development Block Grant Act of 2014." (Section 658E(c)(4)(B)(iii)(II).

[10] The preamble to the 1998 CCDF Final Rule indicated that payments established at least at the 75th percentile of the market would be regarded as providing equal access for eligible children to child care services that are comparable to child care services provided to children whose parents are not eligible to receive CCDF (63 FR 39959).

services. Expanding the supply of high-quality child care for vulnerable children can ensure that more parents have access to child care settings that can support their children and their own success in school and in work.

Opportunities for TANF and CCDF:

- **Coordinate Services for Vulnerable Populations.** CCDF and TANF Lead Agencies can work together to coordinate services for priority populations, including establishing common definitions of priority groups and aligning enrollment procedures. Lead Agencies can share information about unmet needs to inform approaches to increase access to high-quality child care for vulnerable and underserved populations.

/s/

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/s/

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Attachments:

- CCDF-ACF-PI-2015-02: Timeline of Effective Dates for States and Territories: Child Care and Development Block Grant (CCDBG) Act of 2014, http://www.acf.hhs.gov/sites/default/files/occ/timeline_of_effective_dates_for_states_and_territories.pdf.