Policy Snapshot | April 2024

A Closer Look at the New Federal Child Care and Development Fund Rule

By: Audrey Kasselman

On March 1, 2024, the US Department of Health and Human Services (HHS) Administration for Children and Families (ACF) announced a final rule on the Child Care and Development Fund (CCDF). This is a federal program that provides funding to states that helps families with low-incomes to pay for child care. States, including Washington, DC, are updating their FY2025-FY2027 CCDF state plans to comply with this new federal rule.

The rule includes new requirements and new encouragements of state lead agencies (in DC it is the Office of the State Superintendent of Education (OSSE)) which go into effect today, April 30, 2024. States meeting certain criteria may request a waiver for an extension of up to 2 years.

What does the final CCDF rule seek to achieve?

1. Lower families' costs for child care, increase access to child care, and improve family well-being.
2. Strengthen CCDF payment practices to child care providers, expand parents' child care options, and better support child care operations.
3. Reduce program bureaucracy for families to make it easier to enroll in CCDF.

The new requirements are positive for families and child care providers participating in the Child Care Subsidy program. If adopted by OSSE, the encouraged changes provide a pathway for the District of Columbia to continue to be a leader in child care affordability and accessibility.

Prospective payments will change the game for providers

The most significant change in the federal rule is that **OSSE is now required to pay providers participating in the Child Care Subsidy program in advance of or upon the delivery of services**. OSSE currently pays providers after the early learning program has provided care for the child and absorbed the upfront costs. Payments from OSSE will now occur prospectively. Paying providers prospectively is the expectation for most private-pay families, who, for example, might be required to pay for child care at the beginning of each month.

This improved payment practice could increase stability for providers and incentivize more to participate in the child care subsidy program, increasing the supply of affordable child care in the District. However, paying providers prospectively will likely take time and effort for OSSE to implement. According to FY2022-FY2024 CCDF state plans, only eight states and territories pay providers prospectively.

DC's leadership in early care and education policy gives OSSE a leg up

Washington, DC already practices many of the policies in the new CCDF rule and will likely not see meaningful change in these areas.

- Cap family co-pays at 7% of family income (required)
- Pay providers in a timely fashion (required)
- Pay providers based on enrollment instead of attendance (required)
- Offer online subsidy applications (encouraged)
- Waive co-pays for children in foster care and for children experiencing homelessness (encouraged)
- Pay providers the state's established subsidy rate to ensure that reimbursement rates are not artificially capped by what private pay parents can afford (encouraged)
- Align eligibility periods to the new child's eligibility period so that all redeterminations occur at the same time (encouraged)

New rule highlights opportunities to make DC's early childhood education and care system more equitable

The updated CCDF rule includes a number of policies that are not currently in practice in DC. Two of the most significant new policy changes include:

- Waiving co-pays for families with incomes up to 150% of the federal poverty level (FPL) and for families with a child with a disability (encouraged)
  - OSSE currently waives co-pays for families with income up to 100% of the FPL. According to census data, expanding to 150% would improve affordability for nearly 1,600 children under age three in families in the 101-150% FPL.
  - OSSE does not categorically waive co-pays for families with a child with a disability (although they do so in some cases). While it is unclear how OSSE would define disability, one metric to do so could be infants and toddlers with an Individualized Family Service Plan (IFSP).
    - This could improve affordability for families of 1,334 infants and toddlers
- Use presumptive eligibility and expand categorical eligibility to reduce barriers for entry into the Child Care Subsidy program and decrease processing time for families (encouraged)
  - Presumptive eligibility would allow families to receive temporary and immediate child care vouchers while their documentation and verification is being processed. This would allow families to enroll their child in care in a timely way, and take advantage of career and educational opportunities that depend on the availability of child care.
  - Categorical eligibility allows for child care eligibility determinations to be aligned with family enrollment in other government programs. If a family is already participating in select other public programs, they would not have to separately apply for child care assistance.
    - OSSE currently uses categorical eligibility for some programs (TANF, SNAP), but not all.
    - Expanded categorical eligibility could also allow for certain population groups, such as child care providers, to be considered automatically eligible for child care assistance.

Read more and see the table below to learn more about all of the policies in the new rule.

Policy Changes in the Federal Rule	Currently Implemented in DC	Partially Implemented in DC	Not Implemented in DC	Notes
Required				
Cap family co-pays at 7% of income for subsidy eligible families	✓			Co-pays are currently below 7% of family income, though this is not explicitly written in the state plan
Post information about co-pay sliding fee scales on consumer education sites		✓		OSSE posts this information on its website, but not on DC Child Care Connections or My Child Care DC websites
Pay providers in a timely fashion		✓		OSSE's state plan says it pays providers within 30 days, but anecdotal data suggests payments are often delayed
Pay providers prospectively			✓	OSSE currently pays providers retrospectively
Reimburse providers based on enrollment instead of based on attendance		✓		OSSE currently reimburses providers based on enrollment for children who are absent fewer than 10 days/month
Provide some services through grants and contracts to increase supply of child care for children in underserved geographic areas, for infants and toddlers, and for children with disabilities			✓	OSSE does not currently use grants and contracts for child care slots, though the last state plan says OSSE is "exploring the possibility of providing child care services through grants or contracts for child care slots with providers serving medically fragile children or children with disabilities"
Implement eligibility policies and procedures that minimize disruption to parent employment, education, or training opportunities		✓		Examples could include offering an online application, which OSSE already does, and reducing family paperwork and document submission, which is currently burdensome

Policy Changes in the Federal Rule	Currently Implemented in DC	Partially Implemented in DC	Not Implemented in DC	Notes
Encouraged				
Offer online subsidy applications	✓			OSSE offers an online subsidy application, but it needs improvements
Waive co-pays for additional populations: Waive co-pays for families with income up to 150% of the federal poverty level (FPL)			✓	OSSE currently waives co-pays for families with incomes up to 100% of FPL
Waive co-pays for children who are in foster and kinship care	✓			OSSE does waive co-pays for children who are in foster and kinship care
Waive co-pays for children experiencing homelessness	✓			OSSE does waive co-pays for children experiencing homelessness
Waive co-pays for children with a disability			✓	OSSE does not waive co-pays for children with a disability
Waive co-pays for children enrolled in Head Start or Early Head Start			✓	OSSE does not waive co-pays for children enrolled in Head Start or Early Head Start
Use presumptive eligibility to allow families to receive temporary and immediate child care vouchers, while their documentation and verification is being processed			✓	OSSE does not use presumptive eligibility
Use categorical eligibility, or a family's enrollment in or verification used for other public benefit programs, to confirm eligibility for CCDF		✓		OSSE uses categorical eligibility for TANF and SNAP programs. This policy could be more expansive and include more programs
Pay providers the state's established subsidy rate to better account for the actual cost of care, even if the state's established rate is greater than the price the provider charges private pay parents	✓			OSSE does this in practice, though this is not explicitly written in the state plan
Clarifies that the 12-month minimum eligibility requirement applies when children are newly added to a family already participating in the subsidy program. Encourages states to align eligibility periods to the new child's eligibility period so that all redeterminations occur at the same time	✓			OSSE does this in practice, though this is not explicitly written in the state plan