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WORRIED ABOUT IMPLEMENTING NEW CCDF RULES?

Modern Technology Can Help.

By Louise Stoney

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Substantive changes to the federal Child Care Development Fund (CCDF) became effective on April 30, 2024.[1] The rule changes are designed to benefit both families and child care providers and will specifically lower co-payments and options for families, make enrollment easier, and strengthen payment practices for child care providers. Unless the state receives an approved waiver, these changes apply to the FY2025-2027 CCDF State Plans, which must be submitted by July 1, 2024, and become effective October 1, 2024.

Harnessing the power of modern technology can help states to implement the new rule effectively and efficiently. Moreover, federal funds can be used to pay for technology modernization. Indeed, the rule clarifies that, in addition to direct services and quality supports, CCDF funds may be used to support the cost of establishing and maintaining child care information systems, including the development of an online application, and that these technology costs are not considered child care administrative expenses (which are subject to a cap).

The phrase “modern technology” can mean many things. For child care center and home-based providers, it typically means Child Care Management Software (CCMS), which can be purchased as an off-the-shelf Software as a Service (SaaS) product specifically designed to help automate the day-to-day operations of a child care program. CCMS are commonly known by brand names such as Procare, brightwheel, Playground, Alliance CORE, Lillio and so forth, and most include the modules identified in the graphic on page 2. If used well, a CCMS not only supports sound child care business management but will also hold much of the data that government agencies need for accountability and that industry intermediaries need to effectively support the sector.

Most of public and private sector entities that lead early care and education (ECE) policy and practice also use technology in some form. Intermediary organizations (such as Child Care Resource and Referral Agencies) use technology to collect child care supply and demand data (and often support a child care search website), as well as data to track coaching, training and other services they deliver. Government agencies use a variety of technology products to support licensing, quality rating, professional development, administer public funding, and more. However, all too often these systems are outdated, with limited capacity, and focused on only one funding stream or administrative data set. Moreover, most are costly, custom-built systems that are expensive to staff and maintain. While a growing number of states are consolidating all early care and education programs in one agency, or crafting strategies to link and coordinate work across several agencies responsible for ECE, all struggle with siloed technology and systems that lack capacity to share data. These challenges are

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exacerbated when CCDF funding is used for a variety of purposes, and data are needed for eligibility, funding, accountability and reporting.

Modern, cloud-based technology can be a game-changer, especially when it is delivered as an adaptable **Software as a Service** license rather than a custom-built product. Indeed, if providers, intermediaries and government agencies use modern, cloud-based technology they likely have capacity to link and share data, and can contribute to crafting an effective **ECE Technology Ecosystem** able to generate timely, accurate data to inform a range of policy, funding and administrative decisions.

Specific examples of how modern technology can help states implement the new CCDF requirements are described below.

FAMILY CO-PAYMENTS

The final federal rule requires CCDF Lead Agencies to establish co-payment policies that ensure families receiving CCDF subsidy pay no more than 7% of their family income for child care. The cap would be applied to household income regardless of the number of children in care (not 7% per child). States continue to have flexibility to set co-pays below 7% of family income.

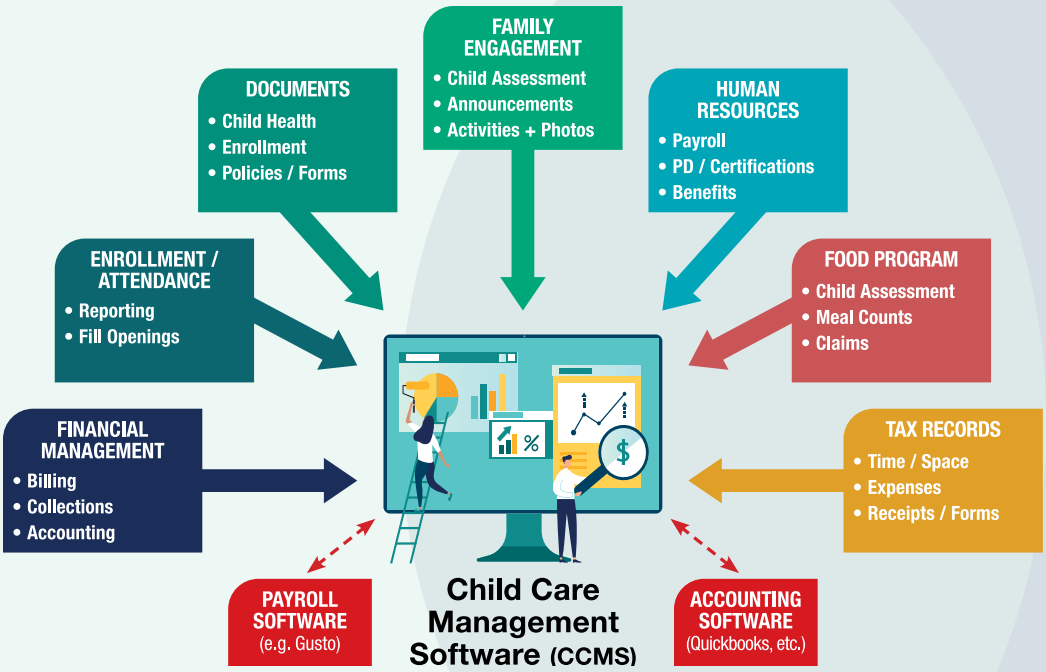
POTENTIAL TECHNOLOGY SOLUTION

CCDF Lead Agencies pay providers the state reimbursement rate, minus the co-pay, for each child that is authorized for child care assistance. If a family has more than one child, and the co-payment is established for the family, states will need payment systems that can calculate what percentage of the co-pay is assigned to each child. This means Lead Agencies will likely need:

- Co-payment calculators, and payment systems, that can determine and apportion the co-payment across multiple children—even if the parent uses more than one provider.
- Improved provider notification and reconciliation capacity, so that providers know exactly how much they will receive from the state for each child, and how much they are expected to collect from the parent.

To enable data sharing, states, such as **Iowa** have defined Application Programing Interfaces (APIs), or data bridges, that allow providers using CCMS to exchange data with State systems. The API includes provider notification and reconciliation capacity that makes it possible for a provider to quickly determine what portion of a child's tuition is paid by the state and what portion should be collected from the family. A data bridge of this type is an extremely effective, time-sensitive, and user-friendly way to ensure that both providers and families know exactly how much is owed and to whom. Additionally, child care subsidy calculators could be included in, or linked to, on-line applications for child care assistance as well as the child care search portals maintained by the CCDF Lead Agency or Child Care Resource and Referral Agencies (CCR&Rs). These calculators

Child Care Management Software is Powerful



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could help families estimate potential costs when reviewing options and choosing a child care center or family child care home.

PROVIDER (ADDITIONAL) CO-PAYMENTS

Many providers charge parents a second co-payment (on top of the state-required co-payment) because their tuition or cost of care is higher than the state's maximum reimbursement rate. Some states choose to prohibit providers from charging additional co-pays, but most do not. The final rule requires that data on the extent to which CCDF child care providers charge amounts to families more than the required co-payment be included in the market rate survey report.

POTENTIAL TECHNOLOGY SOLUTION

Although this requirement could be met by including a co-payment question in the market rate survey, states could also collect this information on an on-going basis by harnessing the power of modern technology.

- Tuition and fee data is typically included in the web-based child care marketplaces (child care search engines) supported by the CCDF Lead Agency or CCR&Rs. A report could be generated by pulling aggregate data from these sites.
- Data on the tuition and fees charged to families is stored in the CCMS providers use to operate their businesses. States could improve data quality by incentivizing all providers to use CCMS and subsequently pull data from these tools into search sites or data dashboards.

> **By harnessing the power of modern technology**, states can implement new CCDF rules effectively, efficiently and in ways that are user-friendly for families and service providers.

CONSUMER EDUCATION ON CO-PAYMENTS

The final rule requires Lead Agencies to post information about the co-payment system they currently use, including adjustments based on family size and income as well as policies related to waiving co-payments. This requirement is significant, as families and providers often do not understand that the expected family co-payment is deducted from state reimbursement prior to paying the provider. It is important that both families, and the providers that serve them, are clear on exactly how much will be paid by the state, and by the family, for each child. Unfortunately, posting generic co-payment charts/tables/algorithms on-line is not likely to be helpful, as co-payment calculations are complicated to understand and results vary based on circumstances. What would be helpful is giving families a tool to calculate their own family co-payment, based on the idiosyncratic factors such as family income, number of children in care, state rate and the tuition charged by a chosen provider.

POTENTIAL TECHNOLOGY SOLUTION

Given that co-payments vary based on circumstances, the best option is to have a web-based calculator, where a family can enter their specific circumstances and the calculator will tell them their likely fee (much the same way that mortgage calculators can estimate that if a consumer buys a house for X dollars, with taxes of X and homeowners insurance of X, and takes a loan at X percentage, the monthly payment will be XX.) As noted earlier, a calculator could be included in, or linked to, an on-line application for child care assistance and/or a child care search portal maintained by the CCDF Lead Agency or CCR&Rs.

GRANTS & CONTRACTS

The final rule requires Lead Agencies to use some grants and contracts for child care provided to children in underserved geographic areas, infants and toddlers, and children with disabilities. There is no specific percentage or benchmark for State use of grants and contracts however they must be used for direct services for the specified categories.

A direct service grant or contract means that the state purchases a child care slot, and then has systems in place to make sure that the slots they purchase are fully enrolled with eligible children. In short, child care grants or contracts are linked to specific providers, not specific children. In contrast, most child care funding is linked to a specific child and administered as a flexible voucher that follows the child to whatever provider is chosen.

It can be challenging for states to administer child care subsidy dollars for both contracts

and vouchers in one administrative system. To keep slots full, providers need to know that family eligibility will be determined promptly, that an appropriate match between a funded child and an available space (for the right age, in the right location, at the right days/hours) can be made quickly, and that communication and payment are timely and accurate. It is not at all uncommon for contracted slots to go unfilled or underutilized because the above tasks are not completed. The result is that providers don't get paid (if the state bases payment on enrolled children) or the state pays for empty seats.

Moreover, CCDF rules require that states provide "a description of internal controls to ensure integrity and accountability, processes in place to investigate and recover fraudulent payments and to impose sanctions on clients or providers in response to fraud, and procedures in place to document and verify eligibility, pursuant to §98.68."[2] This rule applies to both contracts and vouchers.

POTENTIAL TECHNOLOGY SOLUTION

Administering CCDF funds via contracts and vouchers is, for all intents and purposes, uncharted territory. Only 8 states (CA, GA, IN, MA, MI, NV, NY, SD) and 2 territories (PR and VI) reported in their FY2022-2024 CCDF State Plans that they were using any grants and contracts for direct services and only 4 states (CA, MA, NV, NY) and 2 territories (PR and VI) report supporting more than 5% of children receiving subsidy through a grant or contract. None of these states appear to have harnessed the power of modern technology to support administration of grants and contracts.

Effectively administering slot contracts and vouchers in a single automated system and ensuring that systems are in place to prevent improper payments will require a host of specific business requirements as well as decisions regarding who has authority to submit/accept applications, authorize payment and enroll children. Some of the states noted above allow contracted providers to perform these functions, which means that the subsidy eligibility determination process must be accessible to providers.

Given that CCMS technology includes capacity to collect a host of data in real time (or near-real time), and that CCMS vendors can create data dashboards to share these data in user-friendly ways, it stands to reason that CCMS could play a helpful role in ensuring accountability for full enrollment, reporting data on cost and collection of co-payments, and more. Deeper exploration of this approach is warranted.

> **CCMS technology** includes capacity to collect a host of data in real (or near-real) time, and CCMS vendors can create data dashboards to share these data in user-friendly ways.

PROSPECTIVE PAYMENTS

The final rule requires Lead Agencies to pay child care providers serving CCDF families prior to the delivery of services or at the beginning of the delivery of services to align with private-pay practices.

Implementing this rule will be likely be a challenge for many Lead Agencies. Despite the federal rule, some states have policies that prohibit prospective payment for services, and most are challenged by public concern about fraud or improper payments. In short, prospective payment policy that meets legal or political barriers will require systems that can quickly verify that children are enrolled in a child care site and attending regularly.

POTENTIAL TECHNOLOGY SOLUTION

The good news is that CCMS technology can enable states to quickly verify that children are enrolled in, and attending, child care programs. Indeed, a growing number of states are engaged in initiatives that pay for, or leverage use of, CCMS technology with capacity to verify enrollment and attendance.

States that currently use public funds to purchase CCMS licenses for providers (either directly or via grants to industry intermediaries) include IA, ID, IN, KS, KY, MI, MO, NM, NV, OH, VA, WA and WI. Some of these states have begun to work with CCMS vendors on audit dashboards to verify enrollment and attendance in near-real-time. A possible next step could be to require use of CCMS as a condition to receipt of prospective subsidy payments.

SUBSIDY PAYMENTS BASED ON ENROLLMENT

The final rule requires Lead Agencies to pay subsidy based on authorized enrollment, not attendance. (The Final Rule also allows states to "use an alternative equally stabilizing

approach approved by the Office of Child Care" but it is not clear what that alternative approach might be.)

This is a substantial policy change for many states. Indeed, significant sums have been spent on automated child care time and attendance tracking systems that are directly linked to provider payment. Eliminating or revising these systems will be a big lift.

POTENTIAL TECHNOLOGY SOLUTION

States that currently own or license a technology system that tracks time and attendance for purposes of child care subsidy payment will need to shift to a system that uses those data to determine enrollment-based payment (rather than payment based on daily attendance). While some of the existing systems and vendors can likely make that switch, states will need to analyze the pros and cons of continuing with current technology systems or shifting to an alternative approach. As noted earlier, CCMS technology can enable states to quickly verify that children are not only enrolled in child care programs but also attending the program on a regular basis. States could ask CCMS vendors to create dashboards (or ideally, ask vendors to link to a centralized dashboard) to verify enrollment and attendance in real-time.

> **A growing number of states** are engaged in initiatives that pay for, and leverage use of, CCMS technology with capacity to verify enrollment and attendance.

ONLINE APPLICATIONS AND ELIGIBILITY DETERMINATION FOR CCDF SUBSIDY

The final rule requires Lead Agencies to implement child care subsidy eligibility policies and procedures that minimize disruptions to parent employment, education, or training opportunities, to the extent practicable, by offering an online subsidy application option. States without online subsidy applications will be expected to demonstrate in their CCDF Plans why implementation of an online application is impracticable. The rule cautions against simply making the current paper application available online and recommends using this as an opportunity to address undue burdens or barriers and make the application process easier for families. More detailed guidance can be found in sections of the federal rules related to eligibility screening and simplification described below:

Eligibility Screening

The final rule encourages states to develop screening tools to help families determine whether they are eligible for subsidy or other publicly available benefits and then link directly to applications for benefit programs.

Presumptive Eligibility

The final rule clarifies that Lead Agencies can choose to utilize presumptive eligibility for subsidy prior to full documentation and verification of criteria. States may define minimum presumptive eligibility criteria and verification requirements for up to 3 months. In this case, CCDF payments will not be considered an error or improper payment if a child is ultimately determined to be ineligible for subsidy unless such payments are a result of fraud or intentional program violation. Lead agencies will be required to track and report the number of presumptively eligible children ultimately determined to be fully eligible, the number for whom the family does not complete the documentation for full eligibility verification, and the number who turn out to be ineligible. The 3-month timeframe is a maximum. States could set a shorter amount of time for presumptive eligibility (in other words, they could stop payments if a child is found ineligible sooner).

Eligibility Simplification

The final rule clarifies that Lead Agencies can choose to simplify eligibility verification through use of documentation or enrollment forms from other similar programs.

Additional Children in the Family

The final rule clarifies that the minimum 12-month eligibility requirement applies when a child is newly added to the case of a family already participating in subsidy (e.g., a baby is born, or a foster child is in care). The rule encourages Lead Agencies to align eligibility periods to the new child's eligibility period so that all the children's redeterminations can occur at the same point in time (in other words,12 months is a minimum, not a maximum).

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> **Many states learned** during the COVID pandemic that current child care supply and demand data are inadequate. Most current systems cannot accurately identify all available care or track vacant slots by age of child and location.

POTENTIAL TECHNOLOGY SOLUTION

Modern technology can enable all requirements and suggestions noted above. Indeed, some states experiences suggest best practices, including:

- First Five South Carolina has created an eligibility screener that allows families to learn about early childhood public assistance programs, determine eligibility for those programs, and complete a coordinated application for services. They also created a **toolkit**, a free and open resource, that system leaders can use to develop a similar process in their states.
- Code for America has created **open source code** for a model on-line Child Care Assistance Application and is currently working with Minnesota and Illinois on a coordinated application process.
- With leadership from the Virginia Early Childhood Foundation, Virginia's Ready Regions are working on coordinated enrollment across child care, PreK, Head Start, early childhood special education and early intervention.
- Some private sector vendors that support employers to offer child care benefits have begun to craft platforms that enable employees to apply for child care assistance from employers and public sector partners via **a single mobile app**. This technology is particularly powerful for states seeking to implement **Tri-Share Child Care Subsidy Initiatives**.
- Some child care and PreK search websites have an "apply for child care scholarship" button that sends families to an eligibility screener or on-line application, creating a more direct link between the specific child care site they are considering and the availability of child care assistance. Examples include **CT**, **TX** and several of **Virginia's Ready Regions**, among others.

SUPPLY AND DEMAND DATA

CCDF rule currently requires Lead Agencies to include child care supply data in their CCDF Plans, including data on care for infants and toddlers, children with disabilities, children who receive care during nontraditional hours, and underserved geographic areas. The rule revisions add a new requirement that Lead Agencies describe strategies and actions used to address supply shortages and improve parent choice for families eligible to participate in CCDF. Additionally, Lead Agencies are required to include data sources used to identify shortages in the supply of child care providers as well as the method used to track progress toward goals to increase supply and support equal access and parental choice.

POTENTIAL TECHNOLOGY SOLUTION

Each state currently has a child care supply (search) website that also includes information on licensing violations. Thus, most states could likely comply with rule revisions without significant changes in their child care supply websites. However, many states learned during the COVID pandemic that current child care supply and demand data are inadequate. Few states can identify all available care with accuracy, and most are unable to identify vacant slots, by age of child and location. Over the past few years, quite a few states have taken steps to modernize the data sources used for child care search and others are considering changes. A key goal is to secure comprehensive data on enrollment in all early care and education establishments in near real-time. Modern technology offers many opportunities.

- Some of the Lead Agencies that purchased CCMS licenses for providers are also working with CCMS vendors to create dashboards and data bridges that make it possible to gather enrollment data in near-real time. (Examples include Iowa, Indiana and Kentucky, among others.) Accurate and timely enrollment data is key to tracking and reporting actual vacancies in early childhood programs.
- A growing number of child care search websites include capacity for providers to easily share and update enrollment and vacancy data, via text messaging, email, or direct entry in a provider portal. (Examples include Iowa, Maryland, Texas, among others.)
- During COVID recovery, some states required child care providers to regularly report

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enrollment data and used automated text messaging/emails to remind providers to submit up-to-date information. In most cases this requirement was linked to receipt of stabilization funding and the process ceased when this funding stream ended. Given the importance of timely enrollment data, a strategy for continuing to require timely submission of enrollment data is worth exploring.

- Technology also offers a way to understand the demand for child care. Families using the state child care search portal enter data to refine their search; this information can be collected in a de-identified manner to illustrate where and what kind of care is needed.

Thinking strategically about child care supply and demand data standards is an important next step. Opportunities Exchange is working to craft a protocol for logging desired capacity and pulling vacancy data, by age of child, from CCMS. The goal is to establish an industry-accepted protocol that will make it easier to standardize the collection of ECE supply data at scale. Guidance is also needed for both states and CCMS vendors seeking to develop open APIs that enable data to be shared with .gov child care supply sites. This could include data on a host of consumer education requirements and needs, such as: slot availability, price, hours, location, licensing/quality rating status, staffing, child care subsidy contracts or agreements, and more.

> **Modern technology** is poised to help states secure accurate and timely data on child care supply in general and on vacancies in particular.

CONSUMER EDUCATION

The final rule clarifies that Lead Agencies must maintain consumer education websites and ensure that child care facility monitoring and inspection reports are available, electronically, on these public sites. Moreover, the final rule includes an additional requirement that CCDF consumer education websites also post the total number of children in care each year disaggregated by provider category and licensing status.

POTENTIAL TECHNOLOGY SOLUTION

Modern technology is poised to help states secure accurate and timely data on child care supply in general and on vacancies in particular. As noted above, most states currently have child care supply websites (typically a .gov child care finder site) however the supply data included on these sites is usually based on licensed capacity, which is a poor proxy for both available slots and actual enrollment. Moreover, child care finder websites are typically limited to licensed child care, leaving out a significant number of child care options used by families, including care that is legally exempt from regulation such as child care located in a public or private school, operated by the military or, in some states, a religious organization.

Many technology companies have launched 'child care finders' and—without question—capacity to capture comprehensive child care availability via an electronic marketplace is significant. But unfortunately, most cities and states currently have myriad, competing child care finder websites, and each site has different providers and different information. The result is that families seeking care must search multiple websites to identify providers with a potential opening, and then call each provider to gather additional information. Industry leaders and policymakers are unable to use child care search data to accurately gage available child care supply by location or age band. And no one has accurate information on *effective demand* [3] for child care.

The ECE sector lacks consistent data collection protocols and business requirements to ensure that data gathered and reported on myriad child care finder sites is uniform. All too often, maps showing "child care deserts" are based on inconsistent, dated, and extremely generalized data from multiple sources. At best, these maps are limited in scope. At worst, they are misleading. As noted earlier, leadership focused on crafting child care supply data collection standards, data bridges (APIs) and data-sharing agreements that enable collection of comprehensive ECE data is essential. Opportunities Exchange is focused on crafting industry standards to guide collection of supply data, and plans to test a new approach with a few states and technology vendors later this year.

States also need to prioritize development of a single website that aggregates information on all ECE establishments, in near-real time, regardless of auspice, funding stream or

population served. This could be a .gov site or one that is built and maintained by the private sector. Indeed, several public entities and private sector vendors have begun to move in this direction. Promising practices include: Locate Child Care in **Maryland**, the Partnership for Children in **Mesa County**, Colorado, and the forthcoming Child Care Connect site in Iowa.

CRIMINAL BACKGROUND CHECKS

Current federal rule requires a child care staff member to complete a comprehensive background check to be eligible for employment by a child care provider that is licensed, regulated, or registered or eligible to participate in CCDF. This check must include an FBI fingerprint check, a search of the National Crime Information Center's National Sex Offender Registry, a fingerprint-based search of the state criminal registry, a search of the state sex offender registry, and a search of the state-based child abuse and neglect registry in the state where the child care staff member resides and each state where such staff member resided during the preceding 5 years. Staff members that are hired before all required background checks must be always supervised.

POTENTIAL TECHNOLOGY SOLUTION

While technology improvements are not needed to comply with this requirement, they are recommended to streamline the process and make background checks portable and easily accessible electronically. Several states have launched new strategies to support portable background checks, so that staff who move from one child care center to another or substitutes who work in multiple sites do not have to secure a background check for each center or home-based program in which they work. Modern technology is key to implementing these strategies. Some examples follow.

- Indiana crafted a Coordinating Agency pilot that enables a single entity to support a network of Early Learning Substitute Educators. The Coordinating Agency holds background check data for all participating educators in a password protected website.
- Utah sends each screened staff person an electronic Background Check Card, which is valid for any place of employment.
- Connecticut has implemented a **digital fingerprinting** process in partnership with 2-1-1 child care.

CONCLUSION

The new CCDF rule offers states myriad opportunities to improve services for children, families and providers. By harnessing the power of modern technology, states can implement these changes effectively, efficiently and in ways that are user-friendly for families and service providers. This issue brief highlights many of those opportunities.

In addition, Opportunities Exchange has created an **ECE Technology Ecosystem** page on our website that includes tools, resources, case studies and information on best practices. Our Team will continue to work closely with industry intermediaries, non-profit organizations, foundations and government entities to support a new ECE technology transformation.

[1] A full copy of the rule (45 CFR Part 98, RIN 0970-AD02) is available at the Federal Register March 1, 2024, **Pages 15366-15417**

[2] Federal Register, March 1, 2024. **https://www.federalregister.gov/documents/2024/03/01/2024-04139/improving-child-care-access-affordability-and-stability-in-the-child-care-and-development-fund-ccdf**

[3] Effective demand is an economic concept that refers to the willingness and ability of consumers to purchase goods at different prices. An effective demand analysis will show the amount of goods that consumers actually buy, supported by their ability to pay.