

**Stable Child Care Financial Assistance—
12-month eligibility, Fluctuation in Earnings, 3-Month Job Search, Graduated
Phase-Out**

CCDBG Requirement

CCDBG Act of 2014 section **658E(c)(2)(N, Protection for working parents**, includes requirements:

- I. For a **12-month period** during which families are considered eligible and receive assistance, before the state redetermines eligibility
- II. To account for **irregular fluctuations in earnings**;
- III. To provide for **job search of not less than three months**;
- IV. For a **graduated phase-out** of assistance to allow for continued assistance when family income exceeds the State's income limit, so long as income does not exceed 85 percent of SMI.

Deadline for Compliance:

Immediate per Act (no date given); preprint requires certain tasks by September 30, 2016.

Example: Where Graduated Phase-out not implemented, state must provide state-specific plan for achieving compliance, start and end dates and responsible agencies for necessary steps, and overall target completion date no later than 9/30/16. Preprint at 3.1.5.

California's Current Law or Practice

I. 12-MONTH ELIGIBILITY

- A. Service limited to less than 12 months where (1) seeking employment; (2) seeking permanent housing; and, (3) children 'at-risk' of abuse or neglect.**

Educ. Code §§ 8263(a)(1)(D), 8263(a)(2)(A)(ii), (b)(1)(B) ('at risk' only 3 months without further certification), 8263(d)(seeking employment 60 working days unless generally extended under specified circumstances); Cal. Code Regs. Tit. 5 §18091(a) (seeking permanent housing only 60 days).

- B. Redetermination intervals not to exceed 12-months.** Cal. Code Regs. Tit. 5 §18103(a)(3).

- C. Reporting that may result in redetermination and loss of child care prior to 12-months**

1. *Need To Report Changes in Family Income, Size, and Need for Services Even If They Do Not Affect Eligibility.*

Cal. Code Regs. Tit. 5 §§18102 (families told to notify contractors within **5 days** of any changes in family income, family size, or category of need for services), 18083(e)(whenever such changes occur, contractors must update a family's application to document continued need and eligibility and determine any change to fee within **30 days**).

2. *Contractor Discretion To Terminate for Failure to Report Within 5 Days, or Where Temporarily Ineligible Based on Information*

3. *Elaborate Interim Reporting To Document Eligibility Based on Education/Training*

Cal. Code Regs. Tit. 5 §§18087 (c) (requiring parents to report any change in class schedule within five days of requesting the change) and (h)(requiring parents to provide official interim progress reports within ten days of their release by institution).

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D. Re-Documentation of Need Every 4 Months for Parents with Variable Schedules

Parents with unpredictable days and hours of employment may be authorized for a “variable schedule” of up to a maximum number of hours of child care for actual hours worked. Cal. Code Regs. Tit. 5 § 18086(b)(2). Parents authorized for variable schedules must document their need for child care at least every four months by submitting pay stubs indicating the days and hours of employment, written statements from their employers, or other records of their time for the prior 4 months. Id.

II. FLUCTUATION OF EARNINGS

Where “income fluctuation,” contractors “average[e] the income from at least three consecutive months and no more than 12 months preceding...the recertification that establishes services.” Cal. Code Regs., Tit. 5 §18096(b)(3). Contractors often use the CDE “CD-ICW Income Calculation Work Sheet,” which instructs fluctuating income calculation as “12 months worth of income divided by 12 months.”¹ Where not “Seasonal, Migrant, Agricultural, [and] Fluctuating” (e.g. fluctuation due to job change) may base on fewer paystubs, making ineligible a parent who is over-income just prior to redetermination.

III. 3-MONTH JOB SEARCH

Only 60 working days under most circumstances. Educ. Code §8263(d); Cal. Code Regs. Tit. 5 §18086.5.

IV. GRADUATED PHASE-OUT

Statewide, we have no income eligibility phase out. At both entry and exit, income limit is 70 percent of SMI that was in use for the 2007-08 fiscal year. Educ. Code § 8263.1(c). Current Census Bureau SMI for a family of 4 in California is \$79,418. Thus 85% of current SMI is \$67,505, and the income ceiling for a family of 4 (\$46,896) reflects only 59% of current SMI.

High-cost San Francisco and San Mateo counties administer individualized county child care subsidy plans with, *inter alia*, higher entry and exit income limits. Educ. Code §§ 8335 through 8347.5. In San Mateo and San Francisco, entry income limit is the state benchmark SMI under Education Code section 8263.1, but families phase-out at 80% of SMI, with a family fee schedule under which they pay approximately ten percent of their monthly income in child care fees. Alameda County established a similar pilot project in 2015, authorized through January 1, 2021. Educ. Code §§ 8340, et seq.

Points of Agreement

I. 12-MONTH ELIGIBILITY

The current reporting requirements are overly burdensome and should be reduced. State program integrity provisions should match parent reporting provisions.

California should look to models from other states: Implemented: WA & CO; Will be implementing MN, CT, NE. In other states, e.g. WA, the Lead Agency has hired an outside evaluator to assess eligibility workers’ practices related to reporting, in order to identify and prevent reporting that exceeds federal legal requirements. Similar outside evaluation might benefit California.

¹ Cal. Dep’t. Educ., CD-ICW Income Calculation Work Sheet 2, *available at* <http://www2.cde.ca.gov/familyfee/famfeecalculator2014.aspx>

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Requirements should align with Head Start, to the extent practicable: programs report absences rather than parents reporting continued eligibility. Continued absences results in efforts to reengage and ultimately termination. Chronic attendance below 85% results in funds reallocated to other programs. Alignment with these requirements easiest to implement with respect to regularly scheduled child care in either directly contracted or voucher contracted facilities, which may also receive Head Start funding. Eligibility determination and redetermination should be coordinated with other public benefits, to the extent practicable, to minimize required number of agency interactions.

II. FLUCTUATION OF EARNINGS

There should be no need to report changes that do not create changed need for care, except voluntarily to reduce family fees. Families should receive care for a full year as long as they do not go above income ceiling; families should report if income goes above 85% of SMI.

III. 3-MONTH JOB SEARCH

Current job search period is too brief.

IV. GRADUATED PHASE-OUT

Agreement on phase-out: current income limits at both entry and exit are too low. Raising the exit threshold to level at or close to 85% SMI would allow greater family stability through phase-out.

Points of Slight Disagreement

The extent to which schedule matters, e.g. highly variable schedules, or changes from night need to daytime need. Advocates maintain that so long as there is an eligible need and child continues to be in care, schedule change does not matter because child-focus means child’s schedule in child care does not need precisely to match parent’s schedule activity. Some contractors concerned about ability to earn contract if variability in schedules means parents do not use allotted care: will AP have to give the money back, resulting in loss of funds that might have been made available to other parents?

Amount of time for which job search should be an eligible activity. Stakeholder proposals range from 90 days to one year.

Whether entry limits should also be raised, or only exit limits, and how high limits should be raised. Support for pilot program models (80% of SMI exit threshold) and for use of federal limit of 85% SMI, but also recognition of impact on waiting lists.

Points of Significant Disagreement

Activity: The extent to which parent activity (e.g. work vs. job search), and child care setting (e.g. license-exempt vs. licensed) matter. Should we be worried about implications for families on the waiting list with working parents, when other families receiving care include parents engaging only in job search or other non-work/training activities? Some contractors believe that in light of limited resources and the traditional role of child care as a necessary work support, we should value the enrollment of new families who are currently working or in training, even if it means dis-enrollment of children who have received care for less than 12 months, if parents have lost a “need” for care related to work or training. Other stakeholders maintain that the helping parents to move out of poverty and their children’s development require reducing churn, without placing a comparative value on different, eligible parental needs (e.g. job search as opposed to work).

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Job-search: Whether we certify for 12 months if initial eligible activity is job search. Whether parents need to report when they move from work or training to job search, or vice versa.

Setting: The extent to which we believe there is value to children in a full year of eligibility in license-exempt care, divorced from the value in supporting parents' eligible activities that require these settings (e.g. variable and non-traditional work schedules). Some stakeholders do not believe that these represent "high quality" settings, and that we should incentivize use of licensed family child care homes and centers. Other stakeholders believe that these settings can be high quality, offer stability and opportunity for focused adult attention and attachment, and represent equally valid parental choices about what will best support a child's development.

Things to Consider/Keep in Mind

I. 12-MONTH

Difference between eligibility and payment: even if eligible, have to submit documentation for payment. What and how much required documentation is appropriate for payment?

Should age of child matter? E.g. Child-focus may dictate one set of eligibility rules where child is 0-5, and another where child is school age.

II. FLUCTUATION OF EARNINGS

12 month eligibility without any reporting could obviate the need for separate income fluctuation policy. What is time period for calculation of over 85% of SMI (Single paycheck? One month? Prior year?) What happens if parent reports monthly income that goes over 85%--assessment of prior 12 months and expected ongoing income?

III. JOB SEARCH

Should 12 month initial eligibility on basis of job search be allowed? Should parents have to report if activity changes to job search during 12 month period?

Current practice does not explicitly address barriers for families that include individuals with long-term disabilities, which may create need for more time for job search, or to locate and maintain child care prior to redetermination.

IV. PHASE-OUT

If we use current SMI data, we are at roughly 59% of SMI. The closer we set entry income limits to federal benchmark of 85% current SMI, the less phase-out there is.

Estimated Cost

One Time Ongoing Cost:

One-time costs related to changing training, forms, computer systems, and other relevant aspects of program administration. Reduces certain ongoing costs related to reporting and to otherwise administering state child care subsidy programs. Except in Stage 3, which is caseload driven, the number of "slots" in each CCDF child care program is static, limiting increased costs associated with payment for family with improved retention of a particular slot. In Stage 3, improved retention can impart some costs if it allows a family that would have lost child care instead to maintain it.

I. 12-MONTH ELIGIBILITY AND II. FLUCTUATION OF EARNINGS- In 2013, the California Department of Education estimated the cost of a similar provision in proposed federal regulations at \$25 million. In

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2015, LAO tagged 12-month eligibility with a cost estimate of \$39 million.

III. JOB SEARCH and IV. GRADUATED PHASE-OUT

In 2015, an estimate of \$28 million was attached to an Assembly proposal to increase the income limit at both entry and exit from 70 percent of SMI to 100 percent of SMI. Increase up to 85% of SMI, and/or only of exit income limits, would presumably cost significantly less.