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The San Francisco Office of Early Care and Education is dedicated to taking complex policies and funding streams and creating meaningful local solutions for families and providers. We thank you, on behalf of our families, for your leadership and the opportunity to comment on the CCDF Plan for States and Territories – second version of the Plan Preprint.

The Plan Preprint demonstrates a deep understanding of the need to move the system to a shared support of parents need for care and the child’s need for a quality early care and education experience. We agree with the Administration that one can hold both priorities within the federal programs. The proposed regulations are an important next step in moving our systems toward that shared vision. Leadership at the federal level, from the President and the Departments, provides real hope for our nation’s children and for those of us in the trenches, working to take complex federal and state programs and turn them into workable systems for children, parents and providers on the ground level.

We have concerns that some of the proposed regulations entail significant costs for Lead Agencies. It is possible that CCDF funding could be diverted from providing direct child care services to children and families in order to comply with new regulations. In order to maintain access and increase quality, implementation of many of the proposed requirements would require additional funding from CCDF.

Listed below are comments on the second version of the Plan Preprint.
San Francisco Office of Early Care and Education

Comments on (FY) 2016–2018 Child Care and Development Fund (CCDF) Plan for States and Territories - second version of the Plan Preprint (9-14-15)

1.8 Disaster Preparedness and Response Plan:

It is vital to establish that facilities and environments meet licensing, health and safety, and fire and building regulations and codes before an early care and education program is able to serve children. This includes meeting emergency planning requirements. It seems inconceivable that some efficiencies or expediencies would be considered at the risk of children's’ safety. We applaud the inclusion of language specifically requiring a Statewide Child Care Disaster Plan to plan for disasters and reunification of parents and children. Too often emergency preparedness of providers is focused on fires and evacuation. Requiring our child care providers, afterschool providers, and schools to proactively develop disaster plans—with families—is essential. Federal requirements that highlight the importance of this in our work are welcome. Sufficient funding should be available in order to meet new requirements with additional costs associated with them.

2.2 Consumer and Provider Education Information:

We are in support of families being given the tools, information and resources, and access to a consumer education website and other materials, to enable them to identify high quality child care and make a meaningful, informed choice regarding their selection. This should include inspection information and licensing violations, and a description of any QRIS indicators required by the respective Lead Agencies. The appropriate platform for this information to be disseminated is through the existing national network of local Child Care Resource and Referral (CCR&R) agencies.

Although CCR&R is referenced in section 2.2.5 as an example, State/territories should be required to partner with CCR&R agencies as part of the consumer education system. In the absence of this strategy duplication and fragmentation of information is likely. ACF should consider CCR&R as a platform for delivering information regarding quality and health and safety standards to parents. CCR&R’s are already supported to maintain information on licensed
providers. As we move to robust QRIS systems, CCR&R’s are the most efficient and suitable platform for explaining QRIS standards to parents and maintaining updated information of licensing records and QRIS standards. While some states may wish to employ alternate strategies for consumer information, any strategy developed should be coordinated with and linked to the R&R system of informing parents. Detailing guidance in this area can reduce redundancies and further fragmentation. The additional costs associated with creating or revising websites, providing technical support and ongoing operation need to be taken into consideration. Sufficient funding should be available in order to assist local CCR&R agencies in building their technological capacities.

3.1 Eligible Children and Families:

We are encouraged to see the inclusion of language that clarifies that Lead Agencies may choose to set base payment rates that differ because they take factors such as geographic location into consideration. This implies that Lead Agencies have the flexibility to use an Area Median Income (AMI), such as those used in HUD, in different regions to establish income eligibility. In many Lead Agencies the use of the SMI does not take into account the wide range of cost of living and doing business in economically diverse regions. As an example, in California state law limits the eligibility to be treated the same across the state, but California is much too diverse economically to set a statewide standard for the income eligibility and exit ceiling. Because of the vast difference in Area Median Incomes, applying a state median income standard creates unfair disparities. For example, Fresno County Area Median Income is $55,500, while Santa Clara County AMI is $105,000. In high income counties families hit the income ceiling far before they can transition to affording care on their own, while in low-income AMI counties, better resourced families never reach the SMI, thus reducing availability for waiting families. The state income ceiling, particularly one that is suppressed by several years of not being adjusted, does not translate in high cost counties, such as those in the California Bay Area. At the same time, the income ceiling allows higher income families to never lose eligibility in some areas of the state which have a low cost of living. The spread of the AMI amongst counties or regions indicates a need to move away from a statewide income standard for eligibility.

Lead Agencies retain the flexibility to establish income eligibility thresholds up to 85% of SMI but many are set at a lower threshold (currently in California it is 70% of SMI). In the absence of ACF allowing flexibility for Lead Agencies to implement Area Median Income thresholds, we recommend a federal change in CCDF regulations setting the income ceiling to the 85th percentile for all Lead Agencies. Alternatively, this could be suggested as an option for Lead Agencies where disparate income levels exist, thus adjusting for allowing high income/high cost regions where families have to bear the higher cost of living (e.g., higher income is quickly eaten up by housing and other costs). Families are particularly vulnerable as they move into economic self-sufficiency and can quickly destabilize when the costs of early care and education consume an unreasonably significant proportion of family earnings.
We suggest that Lead Agencies be given the option to set the income eligibility threshold with an entrance and exit threshold. We believe requiring this of states could improve the “child churn” issue. A separate initial eligibility from exit eligibility would improve continuity of care issue and, if set adequately, taking into account AMI, would significantly address the issue of the eligibility ‘cliff’ for families that all Lead Agencies face. Providing an entry level eligibility threshold and a higher exit income eligibility threshold allows families to retain child care necessary to their employment while making slightly increased income, and ensures that children experience continuity of care. Both San Francisco and San Mateo counties in California, through individualized child care subsidy pilot projects, have successfully instituted and demonstrated the positive benefits of separate eligibility entrance and exit thresholds for families (70% or below of SMI for entrance income eligibility; 80% of SMI as income eligibility cut off at exit).

Clarifying the source of SMI levels for all Lead Agencies provides consistency and equity. OECE supports this rule. In California the benchmarked SMI is six years old. We strongly support the re-benchmarking of the subsidy eligibility ceiling and fee schedule to the most recently available SMI figures.

We recommend that the alignment of CCDF eligibility policies with Head Start and Early Head Start be required in the proposal. Extending eligibility for families concurrently in Head Start and CCDF funded programs is an efficient and less burdensome way to maintain subsidy eligibility, particularly for those whom are employed or in educational programs full time. This will reduce the chances of a family losing a portion of their child care services at a time when the parent may be most productive, and also for the child at an age when early education can make a difference in adult outcome.

3.2 Increasing Access for Vulnerable Children and Families:

We are disappointed to not see language included that encourages Lead Agencies to authorize adequate hours to enable a child to meaningfully access high quality early education (for example, allowing full-time care for the child irrespective of the parents’ part-time work or school schedule). This would acknowledge that both the early learning and developmental needs of children and work and training support for their families are considered equally important outcomes of CCDF funded services, and would enable access to full-day educational programs for children who can most benefit from this exposure. Any flexibility provided to include the needs of children into policies is to be encouraged.

We support the inclusion of requirements that prioritize child care assistance for children with special needs, families with very low income and receiving TANF, and improve access for homeless children and families. However, we would also encourage that language be included that broadens the range of definitions so that more children can be considered to be eligible for CCDF. ACF should provide direction in defining high-risk populations that can be included and prioritized to ensure that this proposal is not subject to misinterpretation. For example, including families who are living in a domestic violence, homeless shelter, or residential
treatment settings who have young children, teen parents, children in foster care, and/or families who have children with disabilities, would provide these extremely vulnerable populations with a necessary priority status within the child care subsidy system. Research demonstrates that these are the very families/children that most benefit from a quality early care and education experience.

3.3 Protection for Working Parents:

While understanding the desire to allow the Lead Agencies flexibility, the issue of continuity of care for the children who need it most is severely impacted by the churning in and out of families due to employment eligibility and ineligibility. Children and families benefit from consistent policies addressing this issue and determining whether job search activities are included in work, job training or educational programs, and for how long. Inconsistent policies between Lead Agencies do not ensure that the provision of continuity of care and stability for families is equitable between states.

We wholeheartedly support the proposal to establish that Lead Agencies may re-determine a child’s eligibility for child care services no sooner than 12 months (and makes allowances for longer than 12 months) following the initial eligibility determination or most recent re-determination. ACF has accurately identified the many negative impacts on children, families and program administrative staff, and the associated costs, of constant eligibility re-determinations. As ACF obviously recognizes the benefits of a 12-month re-determination, we recommend that this policy be required and language included that a child will be considered eligible for the entire 12 months regardless of changes to family’s circumstances as long as the family met eligibility requirements on the date of eligibility determination or re-determination. Minimizing compliance burdens, supporting continuity of care for children, and encouraging family self-sufficiency are important goals that would be supported with this change. Currently families churn in and out of eligibility due to rigid expectations of constant monitoring and requirements for families to constantly report changes, thus creating burden on families, AP providers, and the child care setting where the child is enrolled. These disruptions are also bad for stabilizing classrooms and hard on teaching staff and on the other children in family child care homes and in centers.

Minimizing reporting requirements where possible (as described in the option above) would greatly benefit families, county welfare departments and their AP partners mitigating an already administratively cumbersome and overwhelmed system. Minimizing reporting requirements will also reduce the state error rate and increase the goals of school readiness.

Longer eligibility redetermination periods, would increase families’ access – in particular, access to formal early education programs - since many center based and some family child care providers will not take vouchered families as a result of the inherent instability related to the frequent eligibility determination process, or approval for intermittent care arrangements. Setting eligibility for longer periods will also dramatically reduce the significant administrative burden on small businesses and at-risk families. Constant redetermination of eligibility is
contrary to best practice in research and does not save the money. Rather, it causes a “churn” in who is enrolled. Delinking poor families due to erratic fluctuations in household size, need and income fails to recognize the realities of the lives of poor families.

Providers are refusing vouchered children. There are three reasons which providers cite: children don’t stay eligible; the administrative burden of reporting; and rates are too low. Ideally, extending redetermination to 24 months would substantially reduce two of these barriers and reduce the “churn” of young children in and out of ECE classrooms because of periodic breaks in family eligibility and the intermittent nature of eligibility approval based on the parents’ needs rather than the child’s. Further, extending the time frame would improve access for low-income and at-risk children, increasing access to a more consistent early education experience, which will lead to better overall child outcomes. Additionally, it would improve access to care for families, as more providers may be willing to serve CCDF-funded families given the reduced administrative burden as well as increased classroom stability. This policy would improve increase school readiness amongst children at risk and/or living in low-income households.

The impact of the “churn” is particularly pronounced in our state in relation to TANF families. Because TANF families are treated with an entitlement to care, they are largely closed out of the quality center contracted system. This has been an indirect result of the state’s interpretation of the federal “parent choice” requirement, largely relegating TANF families to care that is substandard, or unregulated, particularly in counties where the rates do not ensure access to the market.

The Plan Preprint should include language that offers an interpretation of “non-temporary job loss”.

3.4 Family Contribution to Payment:

We wholeheartedly support allowing Lead Agencies to waive contributions/co-payments from families whose incomes are below the poverty level. Perhaps language could be included to offer other examples of vulnerable populations, such as homeless or migrant workers, or aligned services that might benefit from this proposal, such as Head Start. Moreover, clarification of nomenclature related to fees and co-payments may be necessary. In California, co-payments are defined as the difference in payment between the rate ceiling and the market rate the provider charges a private payer. We appreciate the inclusion of language ensuring that the family contribution/co-payment is affordable by offering the option of not allowing providers to charge families the difference between the maximum payment rate and their private pay in addition to any copayment. We agree that it is unfair to set a low market rate and require families to make up the difference, particularly when nearly the entire market requires co-pay from parents (or “scholarship” on behalf of providers.) Ideally systems would be set at the 85th percentile of a valid, current, market price study and parents would have a flat fee without respect to setting or cost. It is reasonable, in this system, to assume that the parent
co-payment for the difference in cost at the upper 15th percentile of the market is reasonable and allowable.

4.1 Parental Choice in Relation to Certificates, Grants or Contracts:

We support the inclusion of language that Lead Agencies find ways to offer the option of providers that have grants and/or contracts within their administration of CCDF. California can be held as a leading example of the success of direct contracts in increasing access to quality care. We would like to note that a mixed income delivery model, offering contracted slots, and also serving vouchered and private paying families, is the ideal, though may not be feasible in all neighborhoods.

4.2 Assessing Market Rates and Child Care Costs:

We are very pleased to see the inclusion of language that enables Lead Agencies to propose valid and reliable alternative methodologies for setting payment rates, such as cost estimation models. This offers opportunities for innovation and the possibility of more accurately setting reimbursement rates in a way that helps ensure equal access to quality services. However, we believe that given the cost pressure on state budgets, some states or finance departments within the states may use this flexibility as an opportunity to drive down reimbursement rates or otherwise adjust reimbursement below current markets. Accordingly, we urge ACF to allow this flexibility only when the reimbursement methodology correctly recognizes that the cost of quality care for low-income children and children at risk is being set ABOVE the current market at the 85th percentile of the market rate category. Innovative rate setting options can lead to setting rates that reflect a truer cost of providing quality services.

Reimbursement rates are established to provide equal access to early care and education services for low income children in the open market. The current Regional Market Rates allowed by our state are not sufficient to ensure equal access for low-income families comparable to private paying or families ineligible for subsidies.

- Sampling of markets below the federal guidance of 65% has resulted in skewed market findings in our state in the past. We believe that a minimum of 50% of the market provides an inadequate sample to ensure a market rate.

- We strongly support including all categories of care in the market rate survey (MRS) including licensed family child care and school age care. We suggest adding clarifying language related to out-of-school time care, noting that afterschool rates vary drastically from summer “camp” rates and surveys may need to take such differences into account. Failure to do so has greatly limited access to summer care and enrichment programs for CCDF funded children.
• We encourage identifying local Child Care Resource and Referral agencies as appropriate places for Lead Agencies to collect significant data. This would be cost effective as it would involve utilizing data that is already being collected through existing databases.

Lead Agencies function in state economic climates which pressure the suppression of rates, thus undermining the federal goals of children’s access to quality. ACF should require a Lead Agency to use the most current MRS completed within the past two years when setting rates. In California, as in many states, this is not the current practice. Consequently children are only able to access unlicensed settings or, in many cases, low quality providers that are “cheaper” and accept the state rate. Proposed regulatory language lacks clarity in the area of access and rates. ACF is not requiring states to increase rates, yet acknowledges that states are expected to provide access to the market and reflect rates according to the current market. In order to ensure access to quality care and meet the goals of the program, SF OECE strongly urges ACF to hold states to a standard of access to the market based on the most recent MRS. Making this a requirement, perhaps phased in over a period, will move the federal programs toward the goal of ensuring access to quality.

The current State Reimbursement Rate (SRR) for state contracted centers in California is so far below 85% of the current market rate that in higher cost counties, such as San Francisco, it is difficult for state subsidized providers to retain their contracts and provide quality early and education programs. In San Francisco the current SRR monthly amount for a preschooler is $743.00, which provides less than 50% of $1574.00 (85% of the current market rate.)

To further illustrate the urgency of federal guidance in this matter, under the current guidance ACF expects a Lead Agency to conduct a current MRS but it is not required to set rates according to the study in order to ensure access to 85% of the market. California is currently using the 2009-10 MRS adjusted down to set payment levels, severely suppressing the reimbursement rate, impacting the quality of care that is offered, while increasingly limiting low income families’ access to the child care market and, in particular, quality child care options, and thereby not ensuring equal access. Locally providers have begun to refuse care to vouchered TANF and other low income families, thus further reducing access.

A local rate study recently conducted by the San Francisco Controller’s Office and San Francisco Human Services Agency at the request of the SF OECE dramatically demonstrates that in most rate categories under California’s current Regional Market Rates San Francisco vouchered families have access to access to 0% of the child care market without significant co-pays that are unaffordable to our low-income families. The state suppression of the Regional Market Rate since 2004 has had significant impact on access for families. We recommend that the ACF require Lead Agencies to use the most current valid local MRS and meet the intent of the law, to ensure access to 85% of the market. In order to achieve the goals of ensuring access to quality, the rates must be regionalized and based on local market costs and quality costs.
The current California method of a standardized rate for all contractors statewide does NOT ensure quality as the contract rate has abysmally lagged behind the actual market survey process. Moreover, California delinks the process, which has caused contract relinquishments, contract under earnings, and challenged providers in high cost areas of the state (i.e. Bay Area) with 100% contracted enrollments to afford to care in a quality way and to meet local minimum wage requirements, soon to move to $15.00 per hour.

4.3 Setting Payment Rates:

We strongly support higher reimbursement rates being paid for higher quality care. Components of quality care cost more to provide and increased compensation can serve as an incentive for providers to increase the quality of care and meet specified quality indicators. We are encouraged to see language encouraging tiered reimbursement as a means of compensating higher quality. There should be some requirement that the Lead Agency’s base rate must not be reduced but rather retained and built upon as quality improves, and different measures of quality are met. We believe that ACF should require rather than recommend that Lead Agencies pay higher rates for higher quality, and that CCDF funding should reflect this accordingly. SF OECE has set local tiered reimbursement rate differentials at 5% and 10%. Research shows that tiered reimbursement has promise in lifting quality of care. Gormley and Lucas, of the Georgetown Public Policy Institute, found that tying quality to rates is effective when there is reimbursement at a meaningful rate difference. Differential reimbursement had a statistically significant positive effect in six states (Florida, Mississippi, Nebraska, New Jersey, New Mexico, and Oklahoma) where the average reimbursement rate difference was 15.8; and no statistically significant effect in four others (Kentucky, Ohio, Utah, Wisconsin) where the average reimbursement rate difference was 9.2.¹

Sufficient funding should be available in order to meet new requirements with additional costs associated with them.

4.5 Payment Practices and Timeliness of Payments:

ACF encourages the use of electronic tools (such as automated billing and direct deposit), yet utilizing these methods have not readily been approved by many Lead Agencies (such as California). We urge that language be included to require that Lead Agencies accept electronic options for payments, such as direct deposit payments to providers for services, recordkeeping and tracking the eligibility of families and the attendance of children. The use of technology would maximize service to families, expedite processes, reduce administrative burden and increase efficiency in monitoring. This will allow agencies and providers to focus valuable resources on the direct services impacting children and families.

¹ W. Gormley, Jr. and J. K. Lucas, Georgetown Public Policy Institute, Money, Accreditation, and Child Care Center Quality (Aug. 2000).
5.2 Monitoring and Enforcement Policies and Practices

Unannounced annual on-site monitoring for all licensed facilities is the ideal and we support this requirement. However, we believe that many Lead Agencies will have significant issues meeting this requirement unless additional CCDF funding is allocated specifically for this purpose, and not redirected from early care and education direct services. Currently in California licensed centers and family child care homes are visited by licensing approximately once every five years (unless there is a complaint or violation reported). To require this monitoring to occur annually would take an influx of additional funding and staff. Sufficient funding should be available in order to meet new requirements with additional costs associated with them.

While we appreciate the flexibility of allowing other agencies to conduct annual visits and monitor license-exempt providers, we are not convinced that this is the best investment for the ACF. Because of the turnover of license-exempt providers the cost and implementation of license-exempt requirements may direct resources from improving the quality of licensed providers. However, we support fingerprint clearance for all non-relative license-exempt provider.

6.1 Training and Professional Development Requirements:

We believe that if a minimum number of both pre- and post-service training hours (e.g. health and safety) are required by States/Territories there must be a mechanism to ensure that the training is meaningful and meets specific standards. Also, rather than leaving the decision to Lead Agencies to determine when training must be completed, the ACF should provide some parameters that they believe are appropriate time limits. We suggest that there be flexibility around time frames for certain requirements to be completed which would not impose a barrier to initially accessing services. Sufficient funding should be available in order to meet new requirements with additional costs associated with them.

7 Support Continuous Quality Improvement:

We strongly recommend the addition of local early care and education planning activities and Child Care Resource and Referral services being included in the listed of suggested quality improvement activities.

The emphasis on quality in the Plan Preprint is to be commended, but establishing policies that require specific standards of quality to be met should take into account the cost of proving high quality early education experiences. We support the increase in the funding percentage designated for Quality activities, but only if that could be accomplished in a manner that would ensure that sufficient funding remained available to maintain or expand the number of existing
slots. Reimbursement rates should be increased accordingly. Sufficient funding should be available in order to meet new requirements with additional costs associated with them.

7.1 Activities to Improve the Quality of Child Care Services:

We are very supportive of the inclusion of language throughout the Plan Preprint highlighting the importance of quality programs. The increased emphasis on high quality early education reflects mounting research that it is not just access to child care that makes a difference in children’s learning and future academic success, but access to high quality child care. The research demonstrates that the return on investment (ROI) is especially important for the children of families benefitting from CCDF subsidized care.

7.2 Quality Rating and Improvement System:

States/Territories are asked if they have a QRIS. As this focus ties into so many other new proposals in the Plan Preprint, and acknowledges the importance of high quality services, we suggest that establishing a QRIS, and thereby providing a system of quality indicators, become a requirement for funded Lead Agencies, within a defined period of time. Sufficient funding should be available in order to meet new requirements with additional costs associated with them.

The San Francisco Office of Early Care and Education appreciates the opportunity to submit our comments and suggestions on the CCDF proposals. We are excited to see the commitment to and emphasis on increasing the quality of early educational experiences for all children receiving CCDF assistance. Thank you in advance for your consideration. If there is any need for additional clarification regarding our comments, please do not hesitate to contact me at michele.rutherford@sfgov.org.

Respectfully,

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