Secretary
United States Department of Health and Human Services

Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund (CCDF)
A Proposed Rule by the Health and Human Services Department on 7/13/2023

August 27, 2023

The Honorable Xavier Becerra
RE: Docket number ACF–2023–0003 / RIN number 0970–AD02

Dear Secretary Becerra:

Home Grown appreciates this opportunity to provide comments in response to the Department of Health and Human Services, Administration for Children and Families proposal to amend the Child Care and Development Fund (CCDF) regulations. We are grateful to the Biden-Harris administration for proposing these changes to respond both to the needs of families to access affordable, quality child care and to the needs of child care providers to earn a family-sustaining wage for their critically necessary work offering high-quality child care. Our recommendations aim to ensure that all home-based child care providers, who constitute a vital part of the sector and serve approximately half of the children in care, can share in the benefits of the changes proposed by the administration and help meet the need for high-quality, accessible and affordable child care.

The mission of Home Grown is to increase access to, and the quality of, home-based child care. To achieve this vision, Home Grown works to remove policy barriers, strengthen home-based child care practices and business models, and support the growth and recognition of the sector so that all providers offer quality care and parents can choose quality care.

Home Grown broadly supports the proposed changes, with the refinements noted below.   Further, we appreciate the opportunity to offer additional recommendations that are detailed below and, for your convenience, listed at the end of this document.

Prevalence of Home-Based Child Care

Home-based child care (HBCC) includes a range of providers offering child care in a home. It includes licensed or registered Family Child Care (FCC), and Family, Friend and Neighbor Care (FFN), as an alternative to a commercial (center) or institutional (school) setting. The vast majority of home-based child care providers are license exempt family, friend and neighbor (FFN). Home-based child care is the most prevalent form of child care in the country (NSECE, 2019). More than 12 million children under the age of 13 receive care in a home-based child care setting. Home-based child care is also the most prevalent child care placement for infants and toddlers: 30% of infants and toddlers attend home-based child care as their primary care arrangement.

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Home-Based Child Care Is Preferred by Many Families and Fills Important Gaps

For many families, home-based child care is a **first choice** for quality child care.[1] Commonly held misperceptions about FFN care include a belief that families choose license exempt care as a last resort, driven by affordability and flexibility, and that these child care options do not offer developmentally appropriate or safe care. Data on FFN settings indicate that while families may appreciate affordability and accessibility as elements of FFN care, the continuity of caregiver, trusted relationships, feelings of safety, cultural competence and linguistic match are all key deciding factors for families choosing FFN care. Expansion of access to affordable high-quality child care must include strategies that support access to family preference for home-based child care options, including Family Child Care and FFN Care. While many policy makers and advocates are willing to include FCC among strategies for increasing child care supply, widely held biases about family, friend and neighbor care mean that FFN is largely excluded from child care supply conversations.

Importantly, FFN and home-based child care is particularly critical for children whose parents work nontraditional hours. Currently, only 8% of child care centers offer care during nontraditional work hours, compared to over 60% of informal home-based child care providers. Urban Institute analysis of 2014-2018 Census Data Children 0-6 in three states reveals adequate care for families working outside of traditional hours is also an equity issue: More than 90% of families working non-traditional hours are low income, and half of that group is below the federal poverty level. More than 75% in all three states were black and brown families. As the proposal recognizes, families need access to affordable quality child care options. Home-based child care is a significant part of the equation for building child care supply. Expansion of access to affordable high-quality child care must include strategies that support access to family preference for home-based child care options, including Family Child Care and FFN Care. Additional incentives should be offered to encourage states that do not currently fully include or support FCC and FFN in their systems to do so.

Home-Based Child Care Is an Equity Issue

Research illustrates that home-based child care is an equity issue for the population of providers as well as for the children they care for. Over 97% of the home-based child care workforce are women, and 50% are persons of color. Home-based child care providers also serve families from marginalized communities of color (including Black, Latinx, immigrant, and Indigenous), families experiencing poverty, as well as families living in rural communities (Bromer, Melvin, et al., 2021; Henly & Adams, 2018).

Compensation for Home-Based Child Care Providers Is Low and Declining

The pandemic shined a light on the low pay that child care providers receive. Despite their irreplaceable role, home-based child care providers are the lowest compensated among child care workers (CSCCE 2018 ECE Workforce Index). Average annual child care income for a licensed home-based child care provider, including public and private sources, is $29,377. FFN caregivers,

[1] Center for the Study of Child Care Employment Parent Preferences in Family, Friend, Neighbor, and Nanny Care: A Study of Family, Friend, Neighbor (FFN), and Nanny Care in California - Part One; Mathematica Understanding the Strengths of Family, Friend, and Neighbor Child Care; Urban Institute What Child Care Arrangements Do Parents Want during Nontraditional Hours?

when paid, earn an average of $7,420 annually. These caregivers provide an average of 56.5 hours of care per week, or 10 to 12 hours a day (OPRE, 2016). Data from the RAPID-EC survey documented that one in three child care providers reported experiencing hunger (February 2022 RAPID EC Survey). RAPID-EC data also revealed that one in four child care providers reported having at least one other job in order to make ends meet (July 21, 2021 RAPID EC Survey). As a result of low wages, over 53% of child care workers receive public assistance (2020 CSCCE Early Childhood Workforce Index).

While families struggle to pay for child care, inflation has caused the cost of food and supplies to increase as much as 20%, making it even harder for providers who remain in the field to cover their costs. The expiration of the Keep Kids Fed Act in June 2023 resulted in the loss of an additional $0.10 per meal or snack and reduced meal reimbursements for smaller home-based child care providers. With the impending expiration of ARPA child care funds and ongoing debates over annual appropriations, there is tremendous uncertainty about the future of funding for child care. It is no surprise that child care providers are leaving the industry in droves.

It is for these reasons we are writing to express appreciation for the proposed rules that will make child care more affordable and accessible and will also stabilize the financial well-being of child care providers. Home-based child care is an essential part of the child care system and plays an essential role in meeting the Administration's goals for broad access to affordable, high-quality care. **As such, Home Grown urges you to explicitly address the needs of home-based child care providers in the proposed regulations.**

Sufficient Resources Are Imperative

The policies included in the Notice of Proposed Rulemaking (NPRM) reflect positive and necessary improvements that, if adequately funded, will help to stabilize our child care system. Without sufficient resources, it will be extremely challenging for states and territories to fully and faithfully implement the changes. Tradeoffs forced by inadequate funding will make it impossible to achieve the intended outcomes of the proposed rule. States may need time to approve legislative and/or administrative changes, identify revenue sources, conduct stakeholder feedback processes, adopt technology upgrades, train staff, inform families and providers, and take other steps necessary to implement any new rules. It is imperative to also secure additional resources at this moment, giving states the opportunity to maintain and build upon the strides that they have made in recent years and embrace the opportunities created by the NPRM. Without sufficient resources, the inequities in how states continue to advance these important policies and goals will be exacerbated, creating unintended and counterproductive impacts on providers and families.

Lowering Families' Costs for Child Care

- § 98.45(l)(3) **Provides for affordable family copayments not to exceed 7 percent of income for all families,** regardless of the number of children in care who may be receiving CCDF assistance, that are not a barrier to families receiving assistance under this part;

Home Grown supports this proposed change and urges that it remain in the final rule. Published data from the most recent Survey of Income and Program Participation (SIPP) shows families with low incomes spend 35 percent of their income on care, while families with higher incomes spend 7 percent of their income. Families with lower incomes, such as families who are eligible for CCDF, face challenging financial decisions and are not in a position to pay more to cover the true cost of child care. This is particularly limiting for home-based child care providers, who typically serve high percentages of children with lower household incomes (Barnett & Li, 2021; Datta et al., 2021; NSECE Home Based Child Care Chartbook 2012 & 2019). Reducing copays for these families will help significantly to make child care affordable in the setting of their choice. **States should also be encouraged to consider the 7 percent copayment guidance a maximum cap and to consider, where revenue is available, a sliding scale to further reduce copayments for families with lower incomes.**

Yet lowering family copays can not come at the expense of lower reimbursement rates for child-care providers, especially home-based child care providers who are already often making less than the minimum wage. **The NPRM should require states to demonstrate how the Lead Agency will cover the cost of capping a family's copayment to 7 percent, and prevent this from reducing provider revenue.** Without this assurance, providers who have relied on family contributions to cover expenses may be forced to close or may choose to not enroll families who pay with subsidy, which is not the equity direction we all seek.

We further recommend that ACF clarify that state payment rates may not be lowered in response to the limitations on family copayments, and require state plans to specify steps they will take to ensure that the 7 percent guideline is a true limitation on costs to families. Currently, 38 states allow providers to pass lost costs back to parents by charging families additional amounts above the required copayment. Limiting the copayment to 7 percent only to have desperate providers pass through expenses in other fees defeats the purpose of the proposed policy change.

Allow Lead Agencies to Waive Copayments for Additional Families

- § 98.45(l)(4) At Lead Agency discretion, **allows for co-payments to be waived for families whose incomes are at or below 150 percent of the poverty level** for a family of the same size, that have children who receive or need to receive protective services, that have children who have a disability, or that meet other criteria established by the Lead Agency.

Home Grown supports this proposed change and urges that it remain in the final rule. Families with lower incomes spend approximately five times the share of their income on child care compared to families with higher incomes, and we applaud the encouragement for states to waive copayments for eligible families with incomes up to 150 percent of the Federal Poverty Level (FPL) and eligible families with a child with a disability.

Home Grown further recommends that states be given additional flexibility to waive copayments for other populations beyond families with incomes up to 150% of FPL, based on landscape analysis. In many states, families with incomes above 150 percent of FPL still struggle to afford their basic needs and cannot afford copayments. Therefore, states should have the ability to waive copayments for families at a higher income threshold, and potentially even waive them for all CCDBG-eligible families, if resources allow.

The final rule could also give states flexibility to waive copayment for, and encouragement to develop eligibility policies for, families enrolled in other programs and/or belonging to particular populations that could benefit from child care assistance. Some examples include: early educators working in child care programs, families receiving Temporary Assistance for Needy Families (TANF), families with children enrolled in Head Start or Early Head Start, families experiencing homelessness, families at risk of becoming homeless, families involved with the state child welfare agency, children in foster care, and teen parents.

While waiving copayments for other populations beyond families with incomes up to 150% of FPL is relevant to many child care providers— assuming that provider revenue is not cut— this change would be particularly meaningful for home-based child care providers who serve high percentages of children in marginalized communities. Waiving copays for these families improves their ability to continue to utilize child care subsidies to make child care affordable in small home-based child care settings with a trusted caregiver who will support the child and family over time. This continuity of care is an important element of child care quality for all children, but is a particularly critical form of stability for children experiencing homelessness, involved in the child welfare system, involved in the foster care system, or otherwise at risk due to adverse childhood experiences.

Consumer Education

- § 98.33(a)(8) **Require Lead Agencies to post current information about their process for setting the sliding fee** scale and for policies related to waiving copayments and estimated payment amounts for families.
- Section 658E(c)(2)(E) of the Act (42 U.S.C. 9858c(c)(2)(E)) requires **Lead Agencies to collect and disseminate consumer education information that will promote informed child care choices to parents of eligible children**, the public, and providers.

Home Grown supports this proposed change and urges that it remain in the final rule. Families often struggle to find available child care options. We are supportive of the requirement of Lead Agencies to post current information about child care options, child care subsidies, and processes for setting the sliding fee scale for parent copayments and other related policies.

In order to respond to family preferences and, in particular, to the needs of families for weekend and third shift care, **Home Grown further recommends that the final rule require Lead Agencies to ensure that consumer education websites and materials include license exempt care (FFN) options among their child care lists**. This may necessitate that states develop processes for understanding the supply of exempt care (FFN) and maintaining basic demographic information for these caregivers. Multiple resources are available to states to do this, including but not limited to:

- CCDF subsidy fund lists in states that include FFN caregivers as eligible providers of subsidized care
- Child and Adult Care Food Program (CACFP) participation lists, in states where FFN caregivers are eligible providers
- Information from parents who have selected FFN caregivers
- **We also recommend that states be required to use a portion of the CCDF quality set aside to offer quality supports such as professional development, grants, and peer mentoring for FFN caregivers**. FFN caregivers accessing CCDF-funded quality supports can be added to state websites and materials.

Further, in states where FFN care is subsidized, **Consumer Education websites should provide clear process directions for families to utilize subsidy funding to reimburse their FFN caregivers.** Oklahoma Department of Human Services and the George Kaiser Family Foundation built an online platform during the pandemic, Kith.care, to support essential workers in qualifying and paying their relatives for in-home child care. In addition, just this year the Department of Defense announced the expansion of the Child Care in Your Home program offering fee assistance to military personnel for in-home child care providers. "The program expanded from five to 11 locations and now includes lawful permanent residents and family members as possible in-home providers."

States can take a similar approach by using CCDF funds to subsidize FFN care and incorporating FFN care into Consumer Education websites. We recommend that these activities be coordinated to understand the utilization of FFN care in states, to maintain lists of FFN caregivers, and to further ensure essential supports are delivered to FFN caregivers and the children in their care.

Since Congress expanded the focus on consumer education in the 2014 reauthorization of the Act, all states and territories have launched consumer education websites providing parents and the general public with critical information about child care in their community and improving transparency around the use of Federal child care funds. Forty-three percent of households with lower incomes do not have broadband services,[2,3] and 32 states have expanded their information dissemination strategies to include a combination of print materials, electronic media, counseling referrals from agencies, and mass media.

To ensure state consumer education approaches meet the needs of families, **all information included in any consumer education resource should include how parents and providers were engaged in the process of developing the resources and approaches for dissemination**. Further, actual subsidy policies should be presented in straightforward and consumable language and format. **We recommend that the rule encourage Lead Agencies to deploy a range of best practices to make consumer education information more complete and more accessible**, including but not limited to:

- Using all four information dissemination strategies (print, electronic media, counseling referrals, and mass media)
- Adopting search engine optimization strategies to increase the visibility of state websites in online searches
- Using community-led design processes to integrate feedback on what information communities want and how to ensure they receive it.
- Including parents in design processes, to test user friendliness of consumer education websites with particular attention to language access, literacy level, form and function, ease of use, technology access and general relevance of information based on the priorities of families.

Building Supply with Grants and Contracts to Expand Parent Choice

- § 98.30(b)(1) **Require states and territories to provide some child care services through grants and contracts** as one of many strategies to increase the supply and quality of child care, including at a minimum, using some grants or contracts for infants and toddlers, children with disabilities, and nontraditional hour care.

The single most impactful change that could increase the supply of high-quality, family-responsive child care would be to include license exempt FFN care in state subsidy programs. Home-based child care is the most prevalent form of care; within that category, the numbers of exempt home-based child providers vastly outnumbers licensed FCC. The Department of Defense has begun to integrate FFN care in its child care reimbursement program to address its workforce's need for available, flexible and high-quality child care. Current regulation gives states the option to include license exempt FFN care in their subsidy programs. To respond to family preference and to stabilize supply of care in high quality settings, **Home Grown recommends that the revised rule stipulate that FFN be included in CCDBG subsidy programs in all states.**

Home Grown supports the proposed change requiring provision of some child care services through grants and contracts and urges that it remain in the final rule. We appreciate the

[2] Patti Banghart, Zoelene Hill, Gabriella Guerra, et al., Supporting Families' Access to Child Care and Early Education: A Descriptive Profile of States' Consumer Education Websites, OPRE, 2021, https://files.eric.ed.gov/fulltext/ED616310.pdf
[3] Emily A. Vogels, "Digital divide persists even as Americans with lower incomes make gains in tech adoption," Pew Research Center, June 22, 2021, https://www.pewresearch.org/short-reads/2021/06/22/digital-divide-persists-even-as-americans-with-lower-incomes-make-gains-in-tech-adoption/

recognition of serious, intractable child care shortages, particularly for these populations, and of the critical role that contracted seat funding can play in stabilizing existing child care supply. By reducing provider uncertainty, grants and contracts can be an effective tool to increase the supply, stability, and quality of child care.

> "Caregivers sometimes pay for extra food or medicine for the children of low-income families they serve, But we don't hold back [any care from the families we serve] to take care of ourselves." —FFN Caregiver Colorado

Home Grown further recommends that the final rule require Lead Agencies to design their grants and contracts, and the application process for grants and contracts, so that they are available and accessible to all types of child care providers that meet the state's or territory's requirements for participation in the CCDBG program. Grants and contracts should also be available to networks that support home-based child care providers. Even in states where licensed and regulated family child care homes and/or FFN caregivers are eligible to participate in CCDBG, they may not currently be eligible for grants and contracts or the system of applying for grants and contracts may not be accessible to them. Given the significant number of children served by home-based child care providers and their role in filling child care gaps, designing grants and contracts for home-based child care providers is essential to achieving the intended outcome of the proposed rule change.

> "Even though I am without resources myself, [I Love] being able to find resources for families and provide that normalcy for that family and the quality of care."
> —FCC Provider Washington DC

For all the reasons given in the NPRM, the structure of grants and contracts contributes meaningfully to promoting child care provider stability. However, structure alone does not ensure child care supply if the contracted payment amount is insufficient. With home-based child care providers earning less than minimum wage on an hourly basis, going hungry, experiencing housing challenges and challenges with access to health care, a payment approach that addresses the reliability, predictability and timeliness of payments while continuing to pay a percentage of market rates, and failing to address sufficient payment just further locks in those inadequate wages of home-based child care providers. Adequate payment is essential to helping child care providers, including home-based child care providers, keep the lights on and the doors open. **Home Grown urges the administration to propose stronger language in the rule for states to adopt cost estimation approaches that reflect the true cost of care, including family-sustaining wages.** The approach that states use to build a cost estimation model should require community input from a diverse range of stakeholders, including the lived experiences of licensed and license exempt home-based child care providers. This may require targeted recruitment for data collection activities and the use of trusted community-based organizations to connect with historically marginalized child care populations. While the financial stability of child care providers hinges on reliable, consistent and predictable payment, the ability of the payment model to cover actual costs is also essential to both financial stability and overall child care supply. Home Grown further recommends that:

- **Contracts allow approved, paid closures** to account for emergencies, professional development, paid leave and access to routine and preventative health care. Home-based child care providers are frequently sole proprietors, and often work alone. Contracted paid closures permit home-based caregivers to respond to business and personal emergencies, as well as access time off benefits available to other professional workforces.
- **The rule** encourages states **to utilize quality set-aside funds to support offerings of specialized care by subsidizing insurance premiums and other additional costs** incurred by home-based child care providers caring for infants and toddlers, children with disabilities, and offering nontraditional hour care.
- **Quality set-aside dollars focused on delivering business training and technical assistance to child care providers include topics that support home-based child care providers** in accessing contracted seat payment, meeting the fiscal requirements of maintaining those contracts, and benefits counseling to mitigate the loss of any other public benefits resulting from increased revenue.

The potential impact of predictable, reliable income has been illustrated by multiple demonstrations, including a project implemented by Home Grown with local partners. The Thriving Providers Project (TPP) is a direct cash demonstration in multiple communities around the country. TPP seeks to address the material hardship of home-based child care providers using guaranteed income strategies to deliver predictable, reliable, consistent monthly payments to address the sufficiency of payment for their child care work. Early findings from the first cohort of TPP in Colorado with FFN caregivers demonstrate that the direct cash payments have allowed the majority of participants to remain a child care provider (85.1% average over the past three months of surveys) and that they feel confident about staying in the field of child care while receiving direct cash transfers (80% average over the past three months of surveys). TPP participants who had been in the direct cash transfer program for longer (received 20 cash transfers vs. 13 cash transfers) reported less income volatility (44.4% vs. 60%). Finally - in all seven indicators of quality of care, measured monthly by self-report, frequency of engagement in various activities (e.g., creating activities that build on children's interests, preventing challenging behaviors, engaging in back-and-forth exchanges with children) have increased steadily since the beginning of the direct cash program. These findings demonstrate the power of grants and contracts to stabilize the economic well being of home-based caregivers and as a result to impact the quality of care children receive in these settings. We applaud the recommendations to require states to pay for high need child care services through grants and contracts and would further recommend that states be encouraged to move all child care payments to grant and contract models.

Improving Parent Choice in Child Care and Strengthening Payment Practices to Child Care Providers

- § 98.45(m)(1) **Require states to pay prospectively (not as a reimbursement) and** § 98.45(m)(2) **based on enrollment not attendance**, or some alternative proposed by the Lead Agency and approved by the OCC. Those that say they cannot pay prospectively must provide evidence that their proposed alternative reflects private pay practices for most child care providers in the state, territory, or Tribe and does not undermine the stability of child care providers participating in the CCDF program.

Home Grown supports the proposed change requiring prospective payment and payment-based on enrollment and recommends that it remain in the final rule. Twenty-eight states took steps to pay based on enrollment or use contracts to provide direct services using COVID-19 funding, and a majority of states opted to use CCDBG funding to provide grants to child care providers during the COVID-19 pandemic to help support their businesses throughout periods of reduced enrollment or temporary closure.[4] This practice increases stability, supports the ECE workforce across settings, and aligns with the payment practices of the vast majority of child care programs including Head Start, Pre-K, and private pay care. **Home Grown further urges that the final rule require this approach for vouchers as well as for grants and contracts.** Providers offering child care that is paid for by vouchers face the same economic pressures as those offering child care paid for by contracts — or, arguably, face even greater economic challenges. Authorizing prospective payment and payment based on enrollment would support expanded supply and enhanced stability.

This proposed rule change is particularly important to stabilize the business model and expected revenue for home-based child care providers who operate on a small scale, with thin margins, and face difficulty accessing lines of credit. Ensuring the equity of subsidy payment policies to home-based child care providers who serve high need and highly mobile families stabilizes supply specifically for these populations. This also ensures that home-based child care providers can afford to provide subsidized care, instead of offloading subsidized care slots for other payment arrangements which do pay prospectively based on enrollment. **Home Grown also recommends that the final rule calls for Lead Agencies to ensure payments to providers are low burden, automated, accessible to the underbanked, technology accessible and accessible to those speaking multiple languages.**

- § 98.45(g) **Clarifies that Lead Agencies may pay providers an amount higher than they charge private paying parents when the CCDF agency established payment rate is above the providers' private pay price**.

Home Grown supports the proposed language ensuring that all providers are paid at the CCDF agency established rate, even when that rate exceeds their private pay price, and recommends that it remain in the final rule. This practice will support providers' continued stability and has the potential to mitigate providers leaving the subsidy system in pursuit of higher or more stable wages. Clarification and additional guidance is welcome. **Home Grown further recommends delinking subsidy reimbursement rates from type of care** to ensure that set payment rates are high enough to support high-quality child care for all children across settings.

Reducing Bureaucracy for Better Implementation

- § 98.21 At a Lead Agency's option, **a child may be considered presumptively eligible for up to three months** and begin to receive child care subsidy prior to full documentation and eligibility determination.

Home Grown supports the proposed change permitting use of presumptive eligibility for children while their eligibility for subsidies is being fully determined, and recommends that it remain in the final rule. This change encourages states to employ a transformative solution that minimizes bureaucratic barriers for families in need.[5]

The three-month time frame is well-balanced, provides accountability, allows for necessary processing time, while also addressing the immediate needs of families seeking child care services. Moreover, the proposed rule further ensures that providers are paid for services rendered, regardless of eligibility determination. **Specifying that payments to providers will not be deemed improper if a child is ultimately determined to be ineligible and will not be subject to**

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[4] Office of Child Care, "COVID Investments in Child Care: Supporting Children, Families, and Providers," May 25, 2023, https://www.acf.hhs.gov/occ/infographic/covid-investments-child-care-supporting-children-families-and-providers
[5] How Presumptive Eligibility Can Help Families Access Child Care, CLASP, May 2023, https://www.clasp.org/publications/fact-sheet/how-presumptive-eligibility-can-help-families-access-child-care/

disallowance—except in cases of fraud or intentional program violation—is a significant support for providers and we urge that this, too, remain in the final rule.

Eligibility Verification

- § 98.21(g)(1) and (2) At the Lead Agency's option, **enrollment in other benefit programs or documents or verification used for other benefit programs may be used to verify eligibility** for CCDF.

Home Grown supports the proposed clarification that Lead Agencies may use enrollment in/verification of other benefit programs to establish CCDF eligibility and recommends this remain in the final rule. All possible reductions in paperwork support greater access to child care for vulnerable families.

Home Grown also supports the proposal to allow CCDF eligibility requirements to be satisfied by other benefit programs with complete alignment and/or to establish CCDF eligibility policies using the criteria of other public benefits programs.[6,7] We also encourage ACF to expand eligibility for additional populations including, but not limited to, families enrolled in Temporary Assistance for Needy Families (TANF), families with children enrolled in Head Start or Early Head Start, families experiencing homelessness, families at risk of becoming homeless, families involved with the state child welfare agency, children in foster care, and teen parents, as well as child care workers as this benefit may help recruit and retain employees.[8] With streamlined eligibility criteria across other benefit programs, states can also undertake efforts to implement a "no wrong door" enrollment approach to connecting families across programs to child care options.

Home Grown further recommends that the tri-agency letter, which provided additional guidance to states on how to approach application questions related to immigration status, be amended to offer guidance for determining the child's eligibility for CCDF funds. Federal regulation asserts that only the citizenship and immigration status of the child may be used for determining a child's eligibility for child care assistance for CCDF funds. While the tri-agency letter only formally applied to SNAP, Medicaid, CHIP, and TANF, it can also serve as a guide for child care applications. This letter indicated that applicants do not need to disclose information about SSNs or citizenship/immigration status, but do need to provide information, such as income and resources, that is needed to determine eligibility for those members who are applying for benefits States should not deny benefits to otherwise eligible individuals simply because other household members do not furnish SSNs or citizenship/immigration information.

Application Processes

- § 98.21(f)(1) **The Lead Agency shall establish procedures and policies for eligibility that minimize disruptions to employment, education, or training**, including the use of online applications and other measures, to the extent practicable; and ensure that parents are not

[6] Expanding Access to Child Care Assistance: Opportunities in the Child Care and Development Fund, CLASP, June 2023, https://www.clasp.org/publications/report/brief/expanding-access-child-care-development-fund/

[7] Confronting the Child Care Eligibility Maze: Simplifying and Aligning with Other Work Supports, CLASP, December 2013 https://www.clasp.org/publications/report/brief/confronting-child-care-eligibility-maze-simplifying-and-aligning-other/

[8] Providing Child Care for Child Care Providers: A Strategy for Addressing Staffing Shortages and Compensation for Early Childhood Educators, NAEYC, December 2022 https://www.naeyc.org/sites/default/files/wysiwyg/user-73607/providing_child_care_for_child_care_providers.december_2022.pdf#:~:text=Categorical%20eligibility%20in%20this%20case%20means%20that%20qualifying,child%20care%20centers%20and%20family%20child%20care%20homes

required to unduly disrupt their education, training, or employment in order to complete the eligibility determination or redetermination process.

Home Grown strongly encourages the Department to require Lead Agencies to implement eligibility policies and procedures that minimize disruptions to parental employment, education, or training opportunities to the extent possible. Research has shown that burdensome application processes hinder a family's ability to receive much-needed care.[9]

The rule should require that all Lead Agencies offer, at a minimum, both paper and online applications, but also encourage states to revise their policies and procedures to reduce all undue burden placed on families when seeking assistance.

While the Department has provided extensive technical assistance, particularly in the form of the model application, it should consider clarifying which questions in the application are required and which are not.[10] For example, the Department should clarify in the final rule that the hours of care do not have to match the hours of the eligible activity. Lead Agencies that are asking families to provide documentation of their work or school hours are doing so unnecessarily, and adding additional barriers that hinder families' access to assistance.[11,12] Furthermore, **the rule should encourage Lead Agencies to have flexible documentation requirements for income verification for gig workers or others with informal employment.**

Additionally, although we recognize the importance of online applications, it is crucial for the Department to also recognize the significance of the digital divide. The majority of individuals, especially those from underserved communities, rely heavily on mobile phones as their primary means of accessing the internet. As such, the Department should require Lead Agencies to ensure online application systems are designed to be mobile-friendly. Removing barriers for families accessing online application systems is critical; however, in-person support is also needed to support families throughout the eligibility process. We further recommend requiring that application systems and paperwork are at accessible literacy levels and are available in multiple languages.

Finally, Home Grown recommends that the same steps taken by state Lead Agencies to streamline, simplify and ensure equity in the family application process, be applied to the application and contracting process for child care providers who face similar barriers to accessing system resources.

Additional Children in Families Already Receiving Subsidies

- § 98.21(d) **The Lead Agency shall establish policies and processes to incorporate additional eligible children in the family** (e.g., siblings or foster siblings), including ensuring a minimum of 12 months of eligibility between eligibility determination and redetermination for children previously determined eligible and for new children who are determined eligible, without placing undue reporting burden on families.

Home Grown supports the clarification of the minimum 12-month eligibility requirement and recommends that it remain in the final rule. Codifying this requirement will help ensure there is

[9] United States Government Accountability Office, "Child Care: Subsidy Eligibility and Use in Fiscal Year 2019 and State Program Changes During the Pandemic," March 2023, https://www.gao.gov/assets/gao-23-106073.pdf.
[10] Creating a family-friendly child care assistance application, Department of Health and Human Services, Child Care Technical Assistance Network, https://childcareta.acf.hhs.gov/creating-family-friendly-child-care-assistance-application#WhyGuide
[11] Family-Friendly Applications are Key to Equitable Access in Child Care, CLASP, March 2023, https://www.clasp.org/blog/family-friendly-applications-are-key-to-equitable-access-in-child-care/
[12] Confronting the Child Care Eligibility Maze: Simplifying and Aligning with Other Work Supports, CLASP, December 2013 https://www.clasp.org/publications/report/brief/confronting-child-care-eligibility-maze-simplifying-and-aligning-other/

consistent implementation of the policy and will help reduce confusion among Lead Agencies, families, and providers.

Additionally, we support the encouragement for Lead Agencies to align eligibility periods to the newest child's eligibility period for families with multiple children accessing assistance. Furthermore, we support the recommendation for Lead Agencies to leverage existing family eligibility verification information and only requiring the minimum necessary information for the additional child.

Simplifying the application process for additional children can reduce significant barriers for families that are already accessing child care assistance and increase capacity for Lead Agencies that have already reviewed a family's application information.

According to the National Survey of Early Care and Education 2012 and 2019 data, only 62.4 % of listed home-based child care providers reported receiving any reimbursements from government programs (including local, state and federal in both cases). Public reimbursement rates do not cover the true cost of caring for children. As a result, some child care providers opt out of providing publicly subsidized child care services because they cannot afford to. Further, current federal subsidized child care funding is not enough to serve all eligible children. Some child care providers are not in receipt of federal funding to provide these services as the children they enroll sit on subsidy waitlists. An estimated 1.9 million children received child care subsidies in fiscal year 2017, representing just 14% of all children estimated to be eligible under federal rules.

Major Renovations

- (§ 98.2) Definitions - Amend the definition of ***major renovation*** to be based on cost and not based on a description of structural change. Specifically, we propose setting the threshold at $250,000 for centers and $25,000 for family child care homes in recognition that costs will vary based on the size of the child care program, with annual adjustments based on inflation that will be posted on the OCC website.

Home Grown applauds the administration for taking steps to improve the clarity of what constitutes "major renovation" in order to decrease confusion among child care providers and lead agencies and support critical infrastructure needs of providers. Home Grown recommends that the final rule increase the cost threshold to $40,000 for family child care homes to better reflect cost variations across markets and other factors associated with facilities improvements and related financing. The availability of CCDF funds to make major renovations, enables home-based child care providers to meet changing licensing and quality systems requirements for facilities. With razor-thin revenue margins and earnings barely above minimum wage, many home-based child care providers cannot shoulder the direct costs of these facilities improvements. In communities where housing stock is old, ongoing maintenance and renovation costs to maintain licensing and quality standards are high. Renovations may also require additional incurred soft costs such as architects and environmental assessments and must be included in the consideration of funding. Data indicates that the hard and soft costs for making improvements to spaces have skyrocketed in recent years, with the cost of facilities materials 37% higher than before the pandemic.[13] While supply chain disruptions are slowly improving, they still exist; and skilled labor shortages and the logistics challenges associated with getting materials to where they are needed have contributed to increased materials

[13] Walsh, N. (2023, February 21). Cost of construction materials remains 37% higher than pre-pandemic according to latest ABC analysis. Architect News.https://archinect.com/news/article/150339906/cost-of-construction-materials-remains-37-higher-than-pre-pandemic-according-to-latest-abc-analysis#:~:text=The%20price%20of%20construction%20materials,annual%20increase%20since%20January%202021.

scarcity[14] and costs. In addition, **Home Grown supports the proposed language which codifies annual adjustments to adjust for inflation.**

Home Grown further recommends **that the final rule allow provides maximum flexibility to use CCDF resources to cover renovation activities that fall below the major renovation threshold regardless of whether the activities are part of collective renovations whose costs may exceed the threshold.** Funding for renovation activities within the established thresholds should not be prohibited if the activities happen to be part of collective activities meant to improve the condition, quality, or availability of care settings. Most often, providers cobble together multiple funding sources to address facilities challenges. Limiting the application of CCDF resources to projects whose entire total cost is at or below the proposed cost threshold would undercut the ability of providers to attract private, philanthropic, and other public sector funding streams

Additional recommendations regarding facilities of home-based child care:

- **Lead Agencies should be required to engage home-based child care providers in understanding the needs for investing federal funds for facilities improvements.**
- **Lead Agencies should be required to include facility improvement plans specific to home-based child care in their state plans.**
- **Lead Agencies should be encouraged to explore opportunities to offer incentives to residential landlords that make necessary property enhancements to support and maintain home-based child care in communities.**

Home Grown welcomes further questions as we work collectively to invest in a high-quality early childhood education system that supports all children, families, child care providers, businesses, and our nation's economy.

Sincerely,

Natalie Renew
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[14] Jones, C.(2023, January 19).How is Construction Adapting to Supply Chain Problems. International Construction.
https://www.international-construction.com/news/how-is-construction-adapting-to-supply-chain-problems-/8025990.article#:~:text=The%20report%20says%20supply%2Ddemand,material%20scarcity%20in%20recent%20years.

List of Additional Recommendations

Lowering Families’ Costs for Child Care

- **Recommend states demonstrate how the Lead Agency will cover the cost of capping a family’s copayment to 7 percent, and prevent this from reducing provider revenue.**
- **Recommend states should be encouraged to consider the 7 percent copayment guidance a maximum cap and to consider, where revenue is available, a sliding scale to further reduce copayments for families with lower incomes.**
- **Recommend ACF clarify that state payment rates may not be lowered in response to the limitations on family copayments, and require state plans to specify steps they will take to ensure that the 7 percent guideline is a true limitation on costs to families.**

Allow Lead Agencies to Waive Copayments for Additional Families

- **Recommend that states are given additional flexibility to waive copayments for other populations beyond families with incomes up to 150 percent of FPL, based on landscape analysis.**
- **Recommend that states are given flexibility to waive copayment for, and encouragement to develop eligibility policies for, families enrolled in other programs and/or belonging to particular populations that could benefit from child care assistance.**

Consumer Education

- **Recommend Lead Agencies be required to ensure that consumer education websites and materials include license exempt care (FFN) options among their child care lists**.
- **Recommend that states be required to use a portion of the CCDF quality set aside to offer quality supports such as professional development, grants, and peer mentoring for FFN.**
- **Recommend consumer education websites provide clear process directions for families to utilize subsidy funding to reimburse their FFN caregivers.**
- **Recommend information included in any consumer education resource should include how parents and providers were engaged in the process of developing the resource and the approaches for dissemination.**
- **Recommend that the rule encourage Lead Agencies to deploy a range of best practices to make consumer education information more complete and more accessible.**

Building Supply with Grants and Contracts to Expand Parent Choice

- **Recommend that the revised rule stipulate that FFN be included in CCDBG subsidy programs in all states.**
- **Recommend that the final rule require Lead Agencies to design their grants and contracts, and the application process for grants and contracts, so that they are available and accessible to <u>all types of child care providers</u> that meet the state’s or territory’s**

requirements for participation in the CCDBG program. Grants and contracts should also be available to networks that support home-based child care providers.

- **Recommend the administration propose stronger language in the rule for states to adopt [cost estimation approaches] that reflect the true cost of care, including family-sustaining wages.**
- **Recommend contracts allow approved, paid closures.**
- **Recommend proposed rule encourage states to utilize quality set aside funds to support offerings of specialized care by subsidizing insurance premiums and other additional costs incurred by home-based child care providers caring for infants and toddlers, children with disabilities, and offering nontraditional hour care**.
- **Recommend quality set-aside dollars focused on delivering business training and technical assistance to child care providers including topics that support home-based child care providers in accessing contracted seat payment, meeting the fiscal requirements of maintaining those contracts, and benefits counseling to mitigate the loss of any other public benefits resulting from increased revenue.**

Improving Parent Choice in Child Care and Strengthening Payment Practices to Child Care Providers

- **Recommend the change requiring prospective payment and payment based on enrollment remain in the final rule and be the approach for vouchers as well as for grants and contracts.**
- **Recommend that the final rule calls for Lead Agencies to ensure payments to providers are low burden, automated, accessible to the underbanked, technology accessible and accessible to those speaking multiple languages.**
- **Recommend delinking subsidy reimbursement rates from type of care to ensure that set payment rates are high enough to support high-quality child care for all children across settings.**

Reducing Bureaucracy for Better Implementation

- **Recommend that the proposed change permitting use of presumptive eligibility for children while their eligibility for subsidies is being fully determined remain in the final rule.**

Eligibility Verification

- **Recommend expanded eligibility for additional populations including, but not limited to, families enrolled in Temporary Assistance for Needy Families (TANF), families with children enrolled in Head Start or Early Head Start, families experiencing homelessness, families at risk of becoming homeless, families involved with the state child welfare agency, children in foster care, and teen parents, as well as child care workers as this benefit may help recruit and retain employees.**
- **Recommend states also undertake efforts to implement a "no wrong door" enrollment approach across federally funded programs to connect families to child care options.**

- **Recommend that the tri-agency letter, which provided additional guidance to states on how to approach application questions related to immigration status, be amended to offer guidance for determining the child's eligibility for CCDF funds**.

Application Process

- **Recommend the rule should require that all Lead Agencies offer, at a minimum, both paper and online applications, but also encourage states to revise their policies and procedures to reduce all undue burden placed on families when seeking assistance.**
- **Recommend the rule should encourage Lead Agencies to have flexible documentation requirements for income verification for gig workers or others with informal employment.**
- **Recommend the same steps taken by state Lead Agencies to streamline, simplify and ensure equity in the family application process, be applied to the application and contracting process for child care providers who face similar barriers to access of system resources**.

Additional Children in Families Already Receiving Subsidies

- **Recommend the clarification of the minimum 12-month eligibility requirement remain in the final rule.**

Major Renovations

- **Recommend that the final rule increase the minor renovation cost threshold to $50,000 for family child care homes to better reflect cost variations across markets and other factors associated with facilities improvements and related financing.**
- **Recommend that the final rule permit providers maximum flexibility to use CCDF resources to cover renovation activities that fall below the major renovation threshold regardless of whether the activities are part of collective renovations whose costs may exceed the threshold.**
- **Recommend Lead Agencies be required to engage home-based child care providers in understanding the needs for investing federal funds for facilities improvements.**
- **Recommend Lead Agencies be required to include facility improvement plans specific to home-based child care in their state plans.**
- **Recommend Lead Agencies be encouraged to explore opportunities to offer incentives to residential landlords that make necessary property enhancements to support and maintain home-based child care in communities.**