Proposal

The Department of Early Education and Care (EEC) proposes to use up to $1.12 million of federal stimulus funds appropriated to Massachusetts by the American Recovery and Reinvestment Act (ARRA) of 2009 (Public Law 111-5) to provide one-time, start-up costs to current contracted child care providers and family child care systems in the Commonwealth that provide child care assistance to low-income families administered through both the voucher and contract systems. ARRA funds obligated to this initiative intend to compensate these contracted providers for the increased initial work resulting from the streamlining of the voucher reassessment process by transitioning voucher management reassessments from the Child Care Resource and Referral agencies (CCR&Rs) to the contracted providers. To further assist with streamlining the assessment process to the benefit of families seeking child care assistance, EEC also proposes to use up to $1 million of its ARRA appropriation to reimburse CCR&Rs for providing transitional support and technical assistance to contracted providers and/or families, and to provide initial, base funding for a new business model of voucher management whereby the CCR&Rs will monitor the error rates of contracted providers on voucher reassessments and provide technical assistance in this regard.

Additionally, of the ARRA funds obligated to this initiative, up to $150,000 may be used to compensate information technology consultant services to perform both short term and long term enhancements to EEC’s IT systems to allow for this transition plan, and to implement other innovative technological efforts to streamline the assessment process, including, but not limited to, developing linkages for information sharing between EEC and the Department of Revenue, MassHealth or any other public entities. The Department is exploring the possibility of using a portion of this ARRA IT funding to develop audit software to conduct risk assessments and increase targeted monitoring efforts to contracted providers to ensure that they are billing correctly and conducting eligibility assessments in accordance with EEC’s requirements.

ARRA Funds Appropriated to the Commonwealth

In April 2009, EEC was officially notified that Massachusetts was appropriated a supplemental Discretionary grant award totaling $23,966,942 associated with the CCDF ARRA allocation. Of the $23.9 million, ARRA targeted specific amounts to be spent on: (1) child care quality improvement; and (2) infant-toddler quality improvements. These targeted quality funds are in addition to the 4% minimum quality expenditure requirements of CCDF funds. Additionally, ARRA directs that states are expected to utilize these stimulus funds in a manner that supplements, not supplants State general revenue for child care assistance for low-income families. In sum, the breakdown of the ARRA funds allocated to Massachusetts is the following:

$20,838,177 – supplemental Discretionary grant
[At least, $833,527.08 of the $20.8M must be spent on quality (not less than 4%)]
$1,981,321 – targeted child care quality improvement funds
$1,147,444 – targeted infant toddler quality improvement funds
$23,966,942 – total ARRA Discretionary grant award

Consistent with other CCDF awards/appropriations, the expenditure of these additional ARRA funds is governed by federal regulations at 45 CFR Parts 98 and 99. In accordance with 45 CFR Part 98.50, States are expected to “spend a substantial portion” of its Discretionary grant award, in this case a portion of the $20.8 million identified above, on “child care services” provided to low-income children, as opposed to
quality improvements and/or administrative costs. As described in greater detail below, the Child Care Bureau of the Administration of Children and Families provides some guidance on spending ARRA dollars – for both child care services and child care quality improvements – in its official information memorandum CCDF-ACF-IM-09-01, which was issued on June 2, 2009.

As additional Discretionary funds for federal fiscal year 2009, these supplemental grant awards must be obligated by September 30, 2010 and liquidated by September 30, 2011.

**Guidance on CCDF ARRA Usage – from the Child Care Bureau and Perspectives from Other States**

In CCDF-ACF-IM-09-01, the Child Care Bureau (CCB) of the Administration for Children and Families (ACF) provides recipients of CCDF ARRA funds with guidance on how to spend ARRA funds highlighting the “tremendous flexibility” provided to Lead Agencies charged with developing “innovative strategies” to meet the increasingly complex needs of low income families seeking child care assistance. The document covers four distinct areas where States may wish to consider spending CCDF ARRA funds: 1) Eligibility; 2) Reimbursement Rates and Family Co-Payments; 3) Quality Activities and Targeted Funds; and 4) Service Coordination Across Programs.

Of particular relevance to the proposal described above, the CCB specifically identifies “Simplifying the Application Process” as an appropriate use of ARRA Discretionary funds to improve child care services to low-income families. In its brief explanation of this legitimate usage, CCB stated that Lead Agencies should review and analyze current policies and procedures, in order to identify any areas that may be streamlined through technology and improved systems capacity. As an initiative to improve the child care subsidy system to better meet the needs of the children and families that it serves, such an effort would be considered a general “child care services” expenditure within the meaning of 45 CFR 98.50(a), as opposed to a quality improvement activity within the meaning of 45 CFR 98.51. Therefore, any expenditure in this area should be off-set against the $20.8 million appropriated to Massachusetts in the form of supplemental Discretionary CCDF, rather than one of the targeted quality areas.

Moreover, in its June 2009 publication entitled “Using Recovery Act Funds to Expand Services For Children and Families,” CCB discussed various methods for using ARRA funds to increase affordability, accessibility and quality of child care by highlighting perspectives from other states. In an effort to help States, CCB set forth several areas for consideration in developing strategic plans for investing ARRA funds:

- Administrative policy changes and efficiencies for long-term benefits
- Implementation and expansion of new system elements, including provider incentive programs
- Use of one-time start costs for program improvements and innovations
- Fostering public-private partnerships for cross-sector collaboration

Furthermore, this publication highlights efforts for several states utilizing ARRA funds to implement infrastructure investments and/or administrative efficiencies. For example, CCB noted that several states have “primarily focused” on infrastructure investments seeking automation and data systems integration, electronic benefit payments and web-based attendance reporting, as appropriate child care services expenditures.

**Justification for Compliance with Intended Purpose of CCDF ARRA Funds**

The proposal described above will assist EEC in streamlining the reassessment process for families currently receiving child care assistance in the form of a voucher from a contracted provider because
these providers already conduct assessments for subsidy children in contracted child care slots and families have regular/frequent contact with their providers, which eases the burden on scheduling and conducting reassessments of CCDF eligibility currently conducted at regional child care resource and referral agencies. The proposal is responsive to parent needs; in recent studies, as well as parent focus groups conducted by EEC in preparation for the CCR&R procurement, parents and providers indicate that the voucher subsidy system is complex and would benefit by creating more “one stop shopping” options for parents, whereby parents can conduct eligibility reassessments and access financial assistance at their children’s child care program.

This proposal is also in line with federal guidance on use of CCDF ARRA money because it represents an affirmative effort by EEC to implement administrative policy changes to achieve actual efficiencies that will reduce the burden on families in receipt of child care assistance. The proposed IT enhancements and software will help increase monitoring efforts and help eliminate fraud, waste and abuse by, among other things, helping to more readily identify anomalies in child care utilization and billing. Moreover, this proposal satisfies the federal requirement to expend a substantial portion of the CCDF Discretionary funds, including the supplemental ARRA grant, on child care services to low-income families, as opposed to initiatives seeking to improve program quality.

**Proposed break down of ARRA spending for consideration**

**Contracted Providers/ Contracted Family Child Care Systems**

With regard to contracted providers/Systems, EEC proposes allocating up to $1.12 million to help contracted providers/Systems assume the voucher assessment process. Through EEC’s March 2009 Income Eligible Child Care Financial Assistance Request for Response (RFR), bidders were notified that EEC was considering implementing a pilot program that would allow contracted providers to conduct eligibility reassessments for enrolled voucher children. Bidders interested in participating in this proposed pilot program were asked to indicate their interest when completing the on-line questionnaire. Of the 194 contracted providers that responded to the question, 147 indicated that they would be interested in conducting voucher eligibility assessments. Based on first quarter caseload data, EEC estimates that approximately 5,514 voucher children are enrolled with providers who indicated their interest in conducting voucher eligibility assessments. EEC would propose providing these providers with one time, administrative “stipends” (e.g., an administrative add-on rate to their contracts) at 2% per voucher for a total cost of up to $1.12 million (calculated to cover January 2010 through September 2011).

Additional responsibilities assumed by the contracted providers will include:

- Attend either in person or over the phone a mandatory training regarding eligibility assessments/reassessments, internal controls (secondary reviews of eligibility determinations) and recoupments;
- Review the eligibility files for each voucher family currently enrolled at their program (confirm that children listed in the file attend their program, confirm the names of parents and service needs of parents, schedule reassessment meeting with parent, prepare reminder notices for families);
- Send families reminder notices 45 days prior to their scheduled reassessments;
- Collect required eligibility documentation for each reassessment;
- Conduct reassessments whenever a family experiences a change to household size, income or service need that may affect their eligibility and/or parent fee;
- Maintain the confidentiality of each eligibility file; and
- Periodically submit via paper copies eligibility records to EEC’s Central Office for monitoring purposes.

Since Family Child Care Systems already receive an administrative rate (e.g., $10 per day per child) for administrative services such as contract assessments, instead of increasing their administrative rates, EEC will consider providing a reduced fee or stipend for the additional reassessments.

CCR&R Services to Support Streamlined Voucher Management System
The Department also proposes using up to $1 million in ARRA funds for CCR&Rs to provide transitional support and technical assistance to contracted providers and/or families, and to provide initial, base funding for a new business model of voucher management. With regard to transitional support, the services provided by CCR&Rs would include the following:

- Copying and compiling eligibility files for each voucher family whose eligibility reassessments will be done by contracted providers going forward;
- Mailing and/or delivering the copied files to the contracted providers;
- Answering telephone calls and e-mails from families affected by the transition; and
- Assisting in the training of contracted providers regarding internal controls, reassessments and recoupment.

The ARRA funds would be paid to the CCR&Rs through the “support services” line of their cost reimbursement contracts. The actual sum paid to each could be based in part on the number of files they will need to transition over to contracted providers and some reasonable amount reflecting the administrative time and materials (paper, ink, postage, etc.) to compile and deliver the files. The administrative time associated with the other tasks (telephone calls/training) would also need to be quantified.

We would expect each CCR&R to provide a plan for creating efficiencies in the Voucher management system including responding to the interests of families and providers for “one stop shopping.”

IT Development
The Department proposes using up to $150,000 in ARRA funding for IT development to help streamline the system by making short term enhancements to eCCIMS to allow for this process, as well as some longer term enhancements that would increase eCCIMS and CCIMS compatibility. Short term enhancements will consist of transferring wait list management from the CCR&Rs to EEC’s Regional Offices, developing an on-line report to notify providers of upcoming assessments, developing the voucher eligibility component within eCCIMS, as well as providing for the email exchange of eligibility documentation between providers and CCR&Rs. Long term enhancements would include development of an attendance collection module and billing module for voucher management within eCCIMS, allowing contracted providers to maintain and manage these functions directly with EEC. In addition, we would seek to use a portion of this ARRA IT funding to develop audit software to conduct risk assessments and increase targeted monitoring efforts to contracted providers to ensure that they are billing correctly and conducting eligibility assessments in accordance with EEC’s requirements.