

Session 4: Demonstration of the *Projecting CCDF Spending for Direct Services Tool*

Jessica: Welcome everyone to our session on projecting Child Care and Development Fund (CCDF) spending for direct services. The majority of CCDF funding is spent on direct services—child care services provided directly to eligible children by eligible child care providers. Tribal Lead Agencies may use one or more of three different possible approaches to provide eligible families with direct child care assistance. Families may obtain a subsidy (in the form of a certificate or a voucher) that they can use to purchase child care from the eligible provider of their choice; the Tribal Lead Agency may operate a child care facility; or the Tribal Lead Agency may contract with eligible providers to have child care slots available to families who participate in the Tribal Lead Agency's child care assistance program.

I'm Jessica Farley and I'm a Technical Assistance Specialist with the National Center on Tribal Early Childhood Development. I'm here today with my colleague Char, and I'll let her introduce herself.

Char: Hello everyone and welcome, I am so glad to be with you today. I am also a Technical Assistance Specialist for the National Center on Tribal Early Childhood Development and so excited to talk to you today about project spending for direct services.

Jessica: There are two main objectives for this on-demand session. The first is to assist you in projecting your direct services costs. The second is to be able to predict the number of children that your Tribal Lead Agency can serve through direct services.

Tribal Lead Agencies can use a cost projection tool for direct services to inform their budget development processes and share projected costs with their finance departments. A strong fiscal management system depends on frequent and effective communication between the CCDF Administrator and the Tribe's finance department. Strategies of communication can include monthly finance meetings during which expense reports are reviewed, budget development meetings to ensure cost categories are identified prior to the beginning of the fiscal year, consultation in the development of the Tribal CCDF Plan, inclusion of fiscal staff in CCDF trainings, and coordination in completing fiscal reports.

There are many decisions Tribal Lead Agencies need to make in order to ensure equal access to direct services, which is a core purpose of CCDF. This tool is helpful for Tribes working under Public Law 102-477.

Jessica: As we go through the demonstration of the Projecting CCDF Spending for Direct Services Tool, we will look at some of the equal access decisions you can make and the cause and effect of each decision in terms of your budget. Some of the decisions we will look at are payment rates, copayments, and differential rates.

To ensure equal access, there are eight components that must be met:

1. Parents have the option to choose from center-based care, family child care, or care provided in the child's own home. While this is a requirement for Tribal Lead Agencies with large allocations, Tribal Lead Agencies with medium and small allocations could look for ways to provide all types of care.
2. Tribal Lead Agencies must ensure adequate payment rates are based on an assessment of the cost of care.

3. Base payment rates need to be high enough that they support health and safety requirements, quality initiatives, and staffing for the provider. Tribal Lead Agencies need to ensure rates aren't too low, which would mean they can't recruit providers.
4. Any additional costs for higher quality care need to be addressed through the Tribal Lead Agency's payment rates.
5. Copayments need to be affordable—the preamble of the final rule suggests that they be no more than 7 percent of a family's income at its highest level. It is also important to take into consideration that within the copayment structure you don't create a cliff affect—meaning families are no longer eligible for CCDF services. The cliff effect is what happens when a family has a very low copayment, but then abruptly moves to paying the full cost of care.
6. A Tribal Lead Agency should ensure that providers are paid within 21 days of receipt of an invoice or before the care is provided, in line with the generally accepted payment practices.
7. Differential payment rates may be considered to support the cost of quality or growing supply for hard to find child care options—like providers offering care during evenings or weekends or for providers who are incorporating Indigenous language and culture into the curriculum.
8. On top of all of the things I just mentioned, there may be additional criteria that a Tribal Lead Agency may want to take into account when ensuring equal access. Be sure to discuss it with your Regional Program Specialist before implementation to ensure that it's allowable.

All these components together ensure equal access to quality child care for low-income families.

Jessica: Let's move on to discussing the direct service requirements.

Jessica: For Tribal Lead Agencies with medium and large allocation sizes, no less than 70 percent of CCDF funds should be spent on direct services. Tribal Lead Agencies with small allocations are not required to provide direct services but have the flexibility to choose to do so. A Tribal Lead Agency with a small allocation is one that received less than \$250,000 in 2016. Tribal Lead Agencies with medium allocations received \$250,001 to \$999,999 in 2016. Tribal Lead Agencies with large allocations received more than \$1,000,000 in 2016.

Direct services are defined as child care services provided directly to eligible children by eligible providers. When thinking of how to operate their CCDF programs, Tribal Lead Agencies have options for how they can provide direct services.

A grantee can choose to operate a certificate program, a Tribally operated child care center, or contracts and grants. Tribal Lead Agencies with large allocation sizes are required to operate a certificate program, and Tribal Lead Agencies with medium and small allocations sizes have the flexibility to do so.

Regardless of the way that the Tribal Lead Agency chooses to provide direct services, grantees are responsible for ensuring that all direct service providers (even Tribally operated centers) meet the provider eligibility requirements, follow applicable health and safety standards, and adhere to the Tribal Lead Agency's policies and procedures.

Tribal Lead Agencies with medium and large allocation sizes are required to spend a substantial portion of their CCDF funds on direct services. For Tribal Lead Agencies with small allocation sizes, direct services is not required but it is something they can choose.

Jessica: There are two types of payments that you'll hear us talk about related to certificates—the Tribal subsidy payment that is paid out for the provider and the parent's contribution to care, often called the copayment. These payments together should equal the total payment to provider.

Jessica: Now we're going to move on to program budgeting related to implementing direct services, which is sometimes referred to as subsidy administration. To learn more about subsidy administration, we've included a link to the subsidy guide for your reference.

Jessica: On the screen you will see an example of a notice of award. Each year, you'll receive a notice of award from the Office of Grants Management related to your Tribal Lead Agency's CCDF funding award letter soon after October 1st. This notice of award includes the annual allocation for discretionary and mandatory funds and is sent to the Tribal chairperson or president by the Administration for Children and Families' Office of Grants Management. Sometimes CCDF funds are awarded under a continuing resolution by the U.S. Congress. In that case, grantees will be funded a portion of their mandatory funds until a federal budget is approved. When available, the allotment will be posted on the Office of Child Care website. It is important that you keep a copy of each award to ensure you meet the direct services spending requirements. If you feel you have not received all your funding award letters, please reach out to your regional office for assistance.

Jessica: Moving on to the next slide, you will see a pie chart of the budgeting categories and the amount required for Tribal Lead Agencies with medium and large allocation sizes. Remember Tribal Lead Agencies with small allocations are not required to offer direct services, but they must follow the administrative cap and quality spending requirements.

In the pie chart, you will see that there is a 15 percent administrative cap, 8 percent minimum for quality spending, 3 percent minimum for infant and toddler quality spending, and 70 percent minimum for direct service spending. The remaining funds are to be spent on nondirect services. Today we will only be focusing on the direct services piece. For more information on administration and quality expenditures, please see our "Demonstration of the Budgeting Template" and "Projection of the Quality Expenditures and Budgeting Demonstration" on-demand sessions.

During this session, we will demonstrate two separate budget activities to project CCDF spending for direct services.

Jessica: To complete this activity for your CCDF program, you will first want to gather some information. You can press pause while you gather the following information if you wish:

- ◆ Your approved FY 2020–2022 Tribal CCDF Plan or most recent Public Law 102-477 service delivery plan.
- ◆ Your most current year's funding level. This can be found in your notice of award documents or on the Office of Child Care's website by searching "CCDF Tribal Funding Allocations."
- ◆ Your past Administration for Children and Families (ACF) 700 report or a report from your *Data Tracker* or spreadsheet. We've put an example on the screen for your reference. You'll want to focus on the areas circled in red—column A3 and A6. If your Tribal Lead Agency is operating under Public Law 102-477, you can find this information in your most recent Bureau of Indian Affairs statistical report.

Within these documents you will find the information to insert in the cells of this tool, which will project your direct services spending. Now I will pass this over to Char, who will demonstrate the tool and show you how it works.

Budget Activity Sheet

Char: [Char shares her screen as she moves through the tool.] We will move to sharing the screen—soon you will see the first budget activity sheet. This activity will help Tribal Lead Agencies with medium and large allocation sizes identify the projected 70 percent direct requirements for a fiscal year. Remember, the 70 percent requirement is based on funds expended and not on funds awarded. For a deeper dive on this topic, please refer to the "Demonstration of the Budgeting Template" on-demand session. Let's quickly walk through this activity.

As we go through this activity, you will see my cursor move on the screen, and I will highlight each box as I speak. The first section is where you enter your funding award amounts from your notice of award letters or the information gathered from the Office of Child Care website. In this example, this grantee received \$243,393 in mandatory funds, \$30,000 for the discretionary base, and \$1,332,313 in discretionary funds for a total of \$1,605,706.

The next section, highlighted in green, is where the discretionary base is subtracted. Remember, the discretionary base is not subject to the spending requirements. In this example, once the discretionary base is subtracted, this large allocation sized grantee will use \$1,575,706 to project administrative costs, quality costs, and the 70 percent requirement.

Moving through this sheet, you can see that it automatically calculates the amounts for the administrative cap and the minimum quality expenditures for both the regular quality activities and the infant and toddler activities. If you look to the last white section, here, it calculates the 70 percent requirement for direct services. In this example, it totals \$937,545.

We are going to take that amount and move it to the *Projecting CCDF Spending for Direct Services Tool*. You will see the screen change again when we will open the tool. In looking at this example, please follow my cursor to the cell J28. Here you will see the \$937,545 from the previous budgeting exercise. I'm going to give it back to Jessica to talk about the *Projecting CCDF Spending for Direct Services Tool*.

Jessica: On your screen, you're now seeing the template for the *Projecting CCDF Spending for Direct Services Tool*. When looking at the overall tool, you will see in column A that this grantee listed the age groups of children they are serving. They listed infants, toddlers, preschool, and school-age children. You will want to refer to your FY 2020–2022 Tribal CCDF Plan to find the age groups you have selected to serve and use the related cells to calculate your projections.

In column B, you will see the provider types listed alongside each age group. Again refer to your Tribal CCDF Plan to determine which provider types you have chosen. Then use only those types when completing this projection tool.

In column C, highlighted in green, you will find cells where you can enter the number of children you are projecting to serve in each age group. You can use information in your ACF 700 report or the *Data Tracker* to find the previous number of children you have served to begin the process. This will give you a baseline of what was previously spent on direct services.

Perhaps your Tribal Lead Agency is considering serving more children in the upcoming year. By changing the numbers of children, this tool will calculate the cost of those additional children in the cell highlighted in dark green here. Watch this cell as I demonstrate.

In column D, you will enter your current monthly rates for each age group and provider type. If you are currently paying weekly, you can multiply your weekly amount by four and enter that amount. If you are paying daily, you can multiply your daily rate by an average of 20 days and enter that amount to assist you with this calculation.

As you start entering this information, you will begin to see the numbers changing down at the right of the sheet in the section highlighted in dark green. It is important to keep an eye on this section as it changes in relation to the required amount you entered at the beginning of this demonstration in cell J28.

Now I would like to call your attention to column J, highlighted in green. This grantee has entered into this cell \$150.00, which is the average copayment of their current clients. You can find your average copayment by looking at your last ACF 700 report or by running a report in your *Data Tracker*. Column H projects how much families will pay in copayments toward the total cost of care. You will notice that when I change the amount in this cell, the numbers in column H, highlighted in blue, also change—which will ultimately change the amount the Tribal Lead Agency will fund for direct services.

There are times that the Tribal Lead Agency may want to change their payment rates. This tool allows you to project those additional costs. By entering your proposed rates into column E, you can calculate the new total expenses as well as identify the monthly and annual difference in costs in column F and G, respectively. Any cells that are highlighted in light green in the top portion of this sheet can be changed by the grantee. All the other cells are locked to ensure correct calculations.

Once you have entered all your information into the light green highlighted cells, the total projected expenses will calculate in cell I23, which is highlighted in dark green.

Now I'm going to turn it back to Char to talk about quality spending and its relation to direct services.

Char: Now let's move to the bottom of the worksheet to the section highlighted in dark orange. This is where Tribal Lead Agencies have the flexibility to pay providers higher rates—either by percentage or a flat amount, based on their quality goals. These additional amounts can be referred to as rate multiplier or rate add-ons.

In this example, this grantee has chosen rate add-ons for nontraditional hours of care, children with special needs, and for providers who are Native language speakers.

Highlighted in the blue section in cell J27, this grantee has determined they will spend \$100,000 for rate add-ons using quality funds.

They also determined that the rate add-on will be 1.2 percent, which is a 20 percent increase in the normal monthly rate as listed in the chart above. This is just an example. Tribal Lead Agencies have the flexibility to choose any amount that fits the needs of the Tribal community. You can see this amount in cell E25.

Below this cell, you will see percentages listed in the three cells: 7 percent, 7 percent, and 5 percent. These percentages represent the amount of the total children who are in nontraditional care, have special needs, or are being served by providers who are Native language speakers. These percentages will be unique to each Tribal Lead Agency and can be changed within this projection tool.

Let's look at the amounts in the orange section as I change one of the percentages. As you can see, this projection tool updates the amounts for you.

Finally, let's move to the blue highlighted section of this document. Cell J26 shows the total projected amount with the quality spending included. In this example, the amount is \$495,547. Below that, highlighted in green, is the 70 percent funding requirement of \$937,545 that we entered when we began this process. And then, highlighted in blue, is \$100,000, which is the amount budgeted for the use of quality funds for rate add-ons.

To see the amount left to spend, move down to the next cell. According to the calculations, this grantee must spend an additional \$534,005 on direct services to meet the requirement. They must spend another \$7,993 for quality rate add-ons to meet their quality spending plan.

Now that this grantee has determined they need to spend additional dollars to meet the 70 percent direct service requirement for Tribal Lead Agencies with medium and large allocation sizes, they could use this projection tool and make some changes to increase spending. They could choose to serve more children, increase provider rates, lower copayments, or choose additional rate add-ons. Remember, you can adjust any of the cells that are highlighted in light green to change your projections.

One of the great things about this tool is that it can help you determine the number of children you can serve. Then you know when you should start a waiting list or enrollment freeze to ensure that you don't overspend from your direct services fund. Thank you for taking the time to learn about this tool. I'm going to hand it over to Jessica to discuss some of the resources available to you.

Jessica: [Jessica transitions back to the PowerPoint.] Thank you for joining us. This *Projecting CCDF Spending for Direct Services Tool* is available to grantees by requesting technical assistance through your regional office. Your National Center on Tribal Early Childhood Development Technical Assistance Specialist can assist you with projecting spending for direct services. We are always happy to provide feedback as you go through the budgeting process.

This concludes our on-demand session four. This session is one of a five-part fiscal series. Our other sessions include the following:

- ◆ Session 1: Introduction to CCDF Fiscal Management
- ◆ Session 2: Using Your CCDF Plan and other Tools for Justification Purposes

- ◆ Session 3: Demonstration of the Budgeting Template
- ◆ Session 5: Projection of the Quality Expenditures and Budgeting Demonstration

Additional Resources

Jessica: Additional resources have been provided to support you with fiscal management. Please download from the landing page a copy of the following:

- ◆ *American Indian and Alaska Native Child Care and Development Fund: Guide to Subsidy Administration for Medium- and Large-Allocation Grantees:* <https://prod2.ecttas.icfcloud.com/resource/american-indian-and-alaska-native-child-care-and-development-fund-guide-subsidy>
- ◆ *American Indian and Alaska Native Child Care and Development Fund: Guide to Financial Management, Grants Administration, and Program Accountability:* <https://childcareta.acf.hhs.gov/resource/american-indian-and-alaska-native-child-care-and-development-fund-guide-financial>
- ◆ *Sample Rate Setting Template:*
https://childcareta.acf.hhs.gov/sites/default/files/public/sample_rate_setting_template_508final.pdf

We hope you find this information helpful as you work to develop or revise your Tribal CCDF budget. Feel free to reach out to us or your regional office with any questions. We look forward to hearing from you in the future! Thank you!

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