

# Session 5: Projection of the Quality Expenditures and Budgeting Template

## Welcome

**Char:** Hello everyone, and welcome to today's session on understanding quality expenditures and budgeting. During this session, we want to demonstrate acceptable expenditures in each of the ten allowable quality activities. My name is Char Schank, and I am a Technical Assistance Specialist with the National Center on Tribal Early Childhood Development. I am joined by my colleague and a former Child Care and Development Fund (CCDF) Administrator, Chris Woodring, and I am going to pass it to Chris to introduce himself.

**Chris:** Hello everyone. My name is Chris Woodring, and I was a CCDF Administrator for a Tribe with a small allocation size in Michigan for 7.5 years. I had the blessing of my Tribal leadership to build our program from the inception of receiving CCDF funds and provided direct services through a certificate program. I am now a Technical Assistance Specialist for the National Center on Tribal Early Childhood Development along with Char. I am now going to turn it over to Char to get us started.

## Introduction

**Char:** Thanks, Chris. Today's session objectives include the following:

- ◆ Review the requirements of quality spending.
- ◆ Understand the flexibility of choosing quality activities.
- ◆ Explore the budget worksheet to budget for quality spending.

## Overview of Quality Spending Requirements

**Char:** Tribes of all allocation sizes, including those operating under P.L. 102-477, are subject to the increasing quality set aside. The requirement for the quality set aside for fiscal year (FY) 2019 is 7 percent. For the first 2 years in the FY 2020–2022 funding cycle, the requirement is 8 percent. For the final year (FY 2022) and ongoing, the quality set aside will be at 9 percent.

Please note, these percentages represent the minimum set aside; you can always spend more on quality if your budget allows.

The minimum spending requirements for quality activities apply to the total funds expended each year, which includes the mandatory and discretionary funds, minus the \$30,000 discretionary base amount, rather than total funds allocated. All Tribes receive the \$30,000 discretionary base, while Tribal consortia receive \$30,000 a year per member, or a prorated amount for a member Tribe with fewer than 50 children.

When creating a budget or a plan for quality initiatives, understanding just how much money could be set aside is important. For planning and projection purposes, you can look at your total funding award, subtract the \$30,000 base amount, and then multiply the remaining award by 8 percent for FY 2020 to get an estimate.

Tribes with medium and large allocation sizes are also subject to an additional 3 percent infant/toddler set aside spending requirement within this Plan period. You can project the infant/toddler set aside using the same calculation by simply substituting the 8 percent with 3 percent.

Ensure a strong fiscal management system through frequent and effective communication between the CCDF Administrator and the Tribe's finance department. Strategies of communication could include having monthly finance meetings where expense reports are reviewed, holding budget development meetings to ensure cost categories are identified before the beginning of the fiscal year, providing consultation in the development of the Tribal CCDF Plan, inviting fiscal staff to CCDF trainings, and coordinating in completing fiscal reports.

Let's transition now into discussing the 10 quality activities with a former CCDF Administrator.

## Interview

### Training and Professional Development

**Char:** The first activity I want to discuss is training and professional development. Chris, did you choose this activity in your CCDF Plan when you were an Administrator? If so, what type of initiatives did you spend quality dollars on?

**Chris:** Yes, Char. I have chosen this category in my past CCDF Plan. I used quality funds to train my providers by paying for online subscriptions and bringing providers together for face-to-face training and for Child Development Associate (CDA) coursework.

**Char:** Well Chris, did you know that you can also use quality funds under this activity to pay for your health and safety training during orientation or preservice?

**Chris:** I did not, but I wish I did. We were struggling with the cost of the annual fee for the website we used to ensure our providers are properly trained. Can I ask, what does training look like for Tribal Lead Agencies who operate a Tribally operated center?

**Char:** Well, it is very similar. Tribal Lead Agencies can use funds to pay for staff to receive training on child development, curriculum implementation, screening tools, and pay for them to get their CDA. This quality activity is one that is commonly chosen by Tribal Lead Agencies.

### Early Learning and Developmental Guidelines

**Char:** The second quality activity listed in the Plan is early learning and developmental guidelines. Chris, as a CCDF Administrator, did you explore this option?

**Chris:** To tell you the truth, Char, I didn't. I wasn't really sure how I could spend funds in this category. Could you tell me how this fits in with spending?

**Char:** Certainly, Chris. This activity is a type of initiative that Tribal Lead Agencies could choose to implement. Initiatives are usually chosen based on an assessment of the needs in the community or interest from Tribal leadership. Early learning and developmental guidelines define what children should be able to do and at which age they should be able to do it. Some Tribes choose to adopt early learning guidelines that have been developed by the state and then use quality dollars to print a copy for providers and conduct training on the guidelines. Meanwhile, other Tribes who work directly with Head Start or Early Head Start programs may adopt the Head Start Early Learning Outcomes Framework and use quality dollars for the printing and training as well.

Furthermore, some Tribes adapt early learning guidelines by infusing cultural criteria into current guidelines developed by the state, Head Start, or other organizations. Hours spent on adapting the guidelines, printing

copies, and training providers are all costs that can be billed to quality initiatives. Finally, some Tribes choose to develop their own early learning guidelines. Hours spent on development, printing copies, and training providers are allowable quality expenditures. Is this something your Tribal Lead Agency may have considered?

**Chris:** No, we really didn't, but CCDF Administrators should keep this in mind when talking with their Tribal leadership in the future. I know many Tribes want their CCDF programs to infuse culture into their services.

**Char:** Yes, it would be a good idea for them to keep in mind.

## Quality Rating and Improvement System

**Char:** The next approved activity in the Plan is to develop quality rating and improvement systems (QRISs). This activity involves creating a measurement of quality, something that would be used to assess the quality of child care services in each of your provider settings. Some Tribal Lead Agencies use state-licensed providers who may be a part of the state's QRIS. A Tribal Lead Agency could provide a rate add-on based on the provider's quality rating from the state QRIS. This rate add-on could be a use of quality funds under this activity.

**Chris:** Has any Tribe considered developing its own QRIS?

**Char:** Yes. There is a Tribe with a large allocation that is in the process of developing its own QRIS. They are using quality funds for the hours spent on developing the assessment criteria, determining how many levels of quality there will be, and deciding which quality indicators will be met to achieve each level. Once the development is complete, they plan on using quality funds to pay rate add-ons for the providers who have met the levels of quality outlined in their policies and procedures.

**Chris:** Wow, that is a great use of quality funds and a way to incentivize meeting quality milestones.

**Char:** It sure is, Chris. This activity is usually chosen by Tribes with large allocation sizes since they are working with many providers, unless a Tribe would choose to partner with other Tribes who are located in close proximity and create a shared QRIS. In this case, the cost of development would be shared with all participating Tribes.

## Quality and Supply of Infant/Toddler Services

**Chris:** Char, I worked for a Tribe with a small allocation and was not required to spend funds on infant/toddler activities. We focused primarily on preschool-age children. Can you share with me how spending for quality activities would differ for infants and toddlers?

**Char:** Sure, Chris. Thanks for mentioning that Tribes with small allocation sizes do not have the requirement to spend quality dollars on infant/toddler activities. However, they could if they choose to, and the spending would count toward their minimum quality expenditures. On the other hand, Tribes with medium or large allocation sizes are required to spend a minimum of 3 percent on infant/toddler activities each year.

Infant/toddler quality activities are similar to the other areas we've already discussed and ones we will continue to discuss. For example, you could choose to develop infant/toddler early learning and developmental guidelines; the spending options would be the same, only you would code them to the infant/toddler quality activity instead of the early learning and developmental guidelines quality activity we previously discussed.

Another example would be to provide training and professional development opportunities that are specific to infant/toddler care, and the training activities could be coded to the infant/toddler quality activity. Does this help you identify the difference, Chris?

**Chris:** Thanks, Char. So are you saying that any quality activities that are specific to the infant/toddler age group can be considered a part of the infant/toddler quality activity?

**Char:** Yes.

## Child Care Resource and Referral Services

**Chris:** Thanks for clarifying that. Another quality activity I was curious about was child care resource and referral services. As I said earlier, we were a Tribe with a small allocation size, so how would this quality activity pertain to us?

**Char:** Great question, Chris. First, let me explain what a child care resource and referral service is. Basically, a child care resource and referral service is a way to support parents in finding quality child care providers for their children. In most cases, the CCDF staff member who completes the application process with parents usually provides that service to the families by informing them of all the child care options available within the Tribal community. Other Tribal Lead Agencies who use state licensed providers may refer families to the state's child care resource and referral agencies to support them in finding care. Meanwhile, some Tribes with large allocation sizes, who offer all types of care, choose to implement their own child care resource and referral service system to assist families.

A Tribal Lead Agency could choose to develop such a system as a quality initiative and use quality dollars to pay for time spent developing it, maintaining a website or other system, and paying staff for updating the information as well as printing any promotional materials. Usually, Tribes with small or medium allocation sizes do not choose this activity.

**Chris:** Thanks, Char. That really helped me understand what a child care resource and referral service is.

## Licensing and Health and Safety Requirements

**Chris:** I see the next quality activity listed in the Plan is licensing and health and safety requirements. This is an activity that I always marked in my CCDF Plan. It was important to our Tribal leadership that we made sure that our children in care were safe. I usually spent quality dollars in this category on replacing or repairing broken equipment, including safety equipment, or replacing surfacing material under our playground equipment. What other activities would fit within this category?

**Char:** Thanks for your examples, Chris. Those are important health and safety expenditures. Besides purchasing items, some Tribal Lead Agencies use quality dollars within this activity for health and safety initiatives. Here are a few examples:

- ◆ Some Tribal Lead Agencies use quality dollars to create a licensing system, so they can license their own providers to ensure they follow the health and safety standards chosen within their CCDF Plan. So, time spent on developing the licensing requirements, developing the checklists used in monitoring, and conducting licensing visits could be expenses coded to this quality activity.
- ◆ Another Tribal example is to develop a monitoring system, which may not be as formal as a licensing system but is a process to ensure that all providers are meeting the health and safety requirements. Expenses would include the time spent developing the system, conducting monitoring visits, developing monitoring reports, and printing the health and safety standards for providers, monitoring checklists, and mileage to and from the monitoring visits.
- ◆ Also, one Tribe used quality dollars to carry out a fencing initiative for their family child care providers. They found that children were exposed to busy roadways, stray dogs, and other environmental hazards, so they felt it was necessary to install fencing to provide a safe space for children to play outside. This initiative was completed in stages over a few years. As you can see, Chris, Tribes have many options for using quality dollars under this activity.

**Chris:** Wow, I can see how a Tribal grantee could spend most of their funds within this one quality activity.

## Quality Evaluation

**Char:** Now let's talk about a couple of quality activities that are chosen less often. The first is quality evaluation. This activity involves evaluating a child care provider. For example, if the Tribal Lead Agency wants to find out what the quality of care is for each provider, and they do not have a QRIS, they could choose to use a research-based tool. Some examples of tools are the ECCERS, ITTERS and CLASS scoring systems. Tribes could hire a consultant who is trained in an evaluation tool to go to each provider or each classroom in the Tribally operated center to have the evaluation completed; they could send a staff member to get training in the tool, and they could pay the staff for time related to conducting the observations to spend dollars in this category.

## Accreditation

**Char:** The second quality activity that is chosen less often is accreditation. This activity is usually chosen if providers or the Tribally operated center have reached the highest level of quality based on a QRIS or through quality evaluation. Programs of the highest quality may reach out to a national organization such as the National Association for the Education of Young Children (NAEYC) and the National Association for Family Child Care (NAFCC).

There is an example of a Tribally operated center in Arizona that has reached the top level of the state's QRIS system. That Tribal Lead Agency may choose to use this quality activity and get the Tribally operated center accredited with one of the national organizations.

I have also heard that some states allow child care programs to bypass some of their QRIS steps if a program is currently accredited by a national organization.

**Chris:** Thanks, Char. This clears up some questions I have had.

## High-Quality Program Standards

**Chris:** Char, I see the next quality activity is listed as high-quality program standards. My program adopted the Minimum Health and Safety Standards as the standards we were going to require our providers to follow, knowing that we wanted to adapt them moving forward. We just didn't have time before the CCDF Plan needed to be completed. Could my Tribe use quality funds to move forward with that Plan?

**Char:** Yes, Chris. The Tribe could use quality dollars to pay for the time spent on researching possible additions to the health and safety standards, writing the standards, printing the standards, and training providers once the standards are completed. Standards may also reflect other best practices and the unique cultural practices and expectations that exist in the community.

As they consider the best approach for developing standards that meet the final rule requirements, we encourage them to seek input from the Tribal governing body, providers, parents, and community members. They can provide unique perspectives to help you ensure that the standards meet the specific needs of their providers, families, and children served.

**Chris:** Thanks, Char. I am going to do some research on other health and safety standards I've heard about, like *Caring for Our Children Basics*. Maybe they could use the information from that source to begin the process, or they could possibly reach out to a retired CCDF Administrator for consultation.

**Char:** That's definitely a great place to start, Chris.

## Other Activities Determined by the Tribal Lead Agency

**Char:** The last quality activity listed in the Plan is categorized as other activities determined by the Tribal Lead Agency. Activities chosen in this category must be measurable. So, measurement of outcomes relating to improvement of provider preparedness, child safety, child well-being, or entry to kindergarten is required for such activities. The Plan also lists three distinct “other” categories: culturally relevant activities, consumer education, and other.

Let’s talk about culturally relevant activities. Tribes may choose measurable activities to infuse culture and language into their child care programs. Chris, do you have any examples you would like to share?

**Chris:** Sure, I would love to. I have heard that some Tribes use this quality activity to pay for staff time to infuse culture into their curriculum, create language immersion programs, or create recipes to make cultural food within the nutrition program.

**Char:** Chris, do you have any more examples of “other” activities?

**Chris:** I do, Char. Since we were a Tribe with a small allocation, we used quality dollars to advertise our program: we would print flyers, do radio spots, and put articles in the Tribe’s newsletter. Does the cost of those activities fit under this quality activity?

**Char:** Yes, Chris. The cost of printing the flyers and time spent on the radio and writing the newsletter articles are allowable costs within this category. Another example used by some Tribes with medium and large allocations is maintaining a CCDF website to post all their information on. The cost of developing, hosting, and updating the website are other costs that could be charged within this activity.

**Chris:** The one thing I am a bit confused about is what makes an activity measurable?

**Char:** Good question, Chris. To be measurable, the activity needs to show that provider skills have increased, children’s learning has improved, or the child care environment is safer. For example, if you chose to infuse culture into the curriculum, you could measure the outcome by looking at child assessment scores to see if children’s learning has improved, or if you decided to create a language immersion program, you could assess the progress children are making in language fluency. Do these examples help you, Chris?

**Chris:** Yes, I understand now.

**Char:** Now that we have talked a bit about each of the quality activities, let’s open the budget template to see how CCDF programs can plan for their quality spending.

You may recognize this budget sheet from our on-demand session: “Demonstration of the Budgeting Template.” We are going to specifically focus on the sections that pertain to quality.

Best practice says to develop your budget before the start of the fiscal year, normally around August or September, for an October 1st start date.

Let’s move the layout on the screen now.

## Demonstration of the Budget Activity Template

**Char:** Starting at the top of the sheet, let’s look to the area highlighted in pink. This grantee’s total grant amount is \$285,000 for this fiscal year, which makes them a Tribe with a medium allocation. They then subtracted the discretionary base of \$30,000, highlighted in blue, which left \$255,000, highlighted in lighter pink, to base your predictions on.

Moving down to the orange section on the sheet, this grantee used the sample budget sheet to project the 8 percent quality spending, the minimum amount required in FY 2020 and 2021, to be \$20,400.

In the next row, the green section, they projected the 3 percent minimum for infant/toddler initiatives, which is a requirement for all Tribes with medium or large allocation sizes, to be \$7,650.

It is important to remember that the percentage of quality expenses required for each fiscal year is based on the amount of money grantees have spent out of that fiscal year's budget. For example, this grantee's award was \$285,000 per year; they subtracted the \$30,000 base amount, leaving \$255,000, which they multiplied by 8 percent and 3 percent, respectively, to project that they would spend \$20,400 on quality activities and \$7,650 on infant/toddler activities. However, if this grantee only spent \$235,000 and did not spend the \$30,000 base amount, their required quality expenses would be based on the \$235,000 that they spent rather than on the \$255,000 they were awarded. Their requirement would only be \$18,800 for quality activities and \$7,050 for infant/toddler activities this fiscal year.

Many times, grantees have funds from previous years left over. Creating a separate budget sheet for each year's remaining funds is important for ensuring that the grantee meets the required obligation and liquidation periods. Within those budgets, you may have quality funds that need to be obligated or liquidated. A good practice is to use the oldest funds before spending out of the new fiscal year.

In your Tribal CCDF Plan, you have determined which quality activities your Tribal Lead Agency is planning on implementing and have projected the amount of money you will need to spend. Let's talk more about how to break it down by each specific budget activity.

**Chris:** Char, you mentioned earlier that this budget is for 1 year. What if my Tribe chooses an initiative such as adapting the minimum health and safety standards and adding additional information from *Caring for Our Children Basics*? I don't think the project could be completed in 1 year, so how would I budget for that?

**Char:** Good question, Chris. Many times, Tribal Lead Agencies choose more of an initiative, instead of a 1 year activity. This was demonstrated earlier in the example of the fencing project for family child care providers. The Tribal Lead Agency did not have enough money in their budget to install fencing for all of the providers in 1 year, so they prioritized which providers had the highest safety risk and started there. They only added the costs of the first round into the current year's budget; the entire cost of the initiative was spread out over multiple budget years.

Another example of an initiative would be infusing cultural practices into the curriculum. This initiative may take more than 1 year. A Tribal Lead Agency will budget only for the time staff or consultants will spend on the project during the fiscal year. Do these examples help, Chris?

**Chris:** Yes, thank you.

**Char:** Ok, let's move down the budget sheet. You will see the quality section that has multiple highlights. We will talk about each row in a minute. In the left column, you will see the quality activities this Tribal Lead Agency has chosen in their Tribal CCDF Plan. Going down the list, they have chosen training and professional development, infant/toddler activities, health and safety, high quality standards, culturally relevant activities, and consumer education. Budgeting only for the quality activities listed within your Tribal CCDF Plan is important. Although the other activities are allowable, if the Tribal Lead Agency does not select them in their Tribal CCDF Plan, they become unallowable unless the Tribal Lead Agency completes a Plan amendment within 60 days of beginning to spend in the category.

Looking at the row highlighted in orange, training and professional development, you will see that this grantee has projected they will spend \$1,576 of their mandatory funds and \$3,500 out of their discretionary funds this fiscal year. This budget category will include any training and professional development costs, including travel for training, training hours, and materials.

Now let's look at the row highlighted in green, infants and toddlers. This grantee has projected to spend \$7,650 out of their discretionary funds, which matches the amount calculated in the green section above in the budget sheet.

Moving down, in the pink highlighted row, they have budgeted \$7,124 of their discretionary funds and \$10,000 of their discretionary base for health and safety activities.

**Chris:** The amount of money budgeted in the health and safety line seems like a lot of money. Why do you think they budgeted so much?

**Char:** That is a good question, Chris. I assume that this grantee has planned several health and safety projects for this year, possibly designing and developing their monitoring system or creating a fencing project like the example we spoke of earlier. Having a plan for each budget section as you fill in the dollar amounts in the budget sheet is important.

Ok, let's look at the turquoise row, high quality program standards. This grantee has budgeted \$2,700 from their discretionary funds and \$2,500 out of their discretionary base.

**Chris:** Why do they break down their budget by mandatory, discretionary, and the discretionary base? Wouldn't it be easier to just enter one amount?

**Char:** Yes, it would be easier to enter just one amount, but by breaking it down, this grantee can track each of the categories of funds that they will report in the annual ACF-696T report, making the reporting process easier.

Now let's look at the purple highlighted row, culturally relevant activities. This grantee budgeted \$4,409 from discretionary funds and \$7,500 from their discretionary base amount. All measurable cultural activities would be included within this line item.

Finally, in the blue highlighted row, consumer education, this grantee budgeted \$591 out of mandatory funds and \$500 out of discretionary funds for this fiscal year.

The row at the bottom of all of the quality activities subtotals the amounts for the mandatory, discretionary, and discretionary base funding categories, highlighted in purple. As you can see, the total amount budgeted for mandatory funds is \$1,897, for discretionary funds is \$25,883, and for the discretionary base is \$20,000. The total funds budgeted for quality activities is \$47,780, highlighted in orange, which is more than the total quality requirement of \$28,050. Remember, the quality funding requirement is a minimum, and Tribal grantees can choose to spend more on quality if they wish.

As you move through your fiscal year, your finance department can provide you with expense reports. These reports can be compared to the budget you developed to ensure your program is spending according to your planned activities. If you see that you are off track, you can adjust based on new priorities. A budget is really a "plan" and can be updated within the year if priorities change.

This sample budget sheet is available to Tribal Lead Agencies, including those operating under P.L. 102-477, by requesting technical assistance through your regional office. Your NCTECD technical assistance specialist can support you in developing a budget by adding your grant awards into the budget sheet, creating additional pages for more grant years or the CARES Act funds, and walking you through calculating your budget projections. We are always happy to provide feedback as you go through the budgeting process. Now I am going to pass it off to my colleague Chris to share a little bit about other on-demand sessions.

**Chris:** This concludes our on-demand session 5 on Projection of the Quality Expenditures and Budgeting Template. This session is 1 of a 5-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 4: Demonstration of the Projecting CCDF Spending for Direct Services Tools

## Additional Resources

Additional resources have been provided to support you with fiscal management. From the landing page, please download a copy of the following:

- ◆ Appendix C of the New Administrators' Guide (available upon request)
- ◆ "Management Systems Action Planning Template":  
[https://childcareta.acf.hhs.gov/sites/default/files/public/Tribal\\_management\\_institute\\_action\\_planning\\_template.pdf](https://childcareta.acf.hhs.gov/sites/default/files/public/Tribal_management_institute_action_planning_template.pdf)

We hope that you have found this information helpful as you work to develop or revise your Tribal CCDF Plan budget. If you would to request technical assistance, please reach out to your Office of Child Care Regional Office, and your Program Specialist will be happy to assist you. If you are a P.L. 102-477 grantee and would like to request technical assistance, please reach to your Office of Child Care Regional Office and copy your BIA representative. Feel free to reach out to us or your regional office with any questions. We look forward to hearing from you in the future! *Migwetch* (thank you).