

Understanding the CARES Act: Supplemental Guidance for CCDF Lead Agencies on Spending, Maximizing, and Tracking Funds

Overview of CARES Act Funds

On March 27, 2020, Congress approved \$3.5 billion in funding for state, territory, and tribal Child Care and Development Fund (CCDF) Lead Agencies through the Coronavirus Aid, Relief and Economic Security Act (CARES Act).¹ This funding can be used to prevent, prepare for, and respond to COVID-19.

This brief is a supplement to the CCDF Information Memorandum (CCDF-ACF-IM-2020-01) released by the U.S. Department of Health and Human Services on April 29, 2020, and it:

- Outlines the differences between CARES Act funds and existing CCDF funds, including obligation (i.e. commitment) and liquidation (i.e. payment) periods.
- Provides tips on how Lead Agencies can maximize their available funding for coronavirus relief.
- Provides best practices on how to ensure fiscal accountability over these funds.

Differences Between CARES Act Funding and CCDF

CARES Act funds can be used differently from existing CCDF funds. The information included in this brief is meant to help Lead Agencies think about how CARES Act funds can be spent in a complementary manner to CCDF funds. In addition, this brief provides tips on how to track CARES Act funding separately from other funding when possible, to ensure proper oversight.

CARES Act funds are exempt from the following requirements for existing CCDF funds. There are no minimum requirements for:

- Spending on families with low incomes or who are TANF-eligible.
- Spending on direct services.
- Spending on quality improvements, or infants and toddler quality care.
- Additionally, two different providers can be paid for the same subsidy-eligible child for the same time of service. Appendix A provides a detailed outline of the differences in allowable uses for the

¹ Public Law 116-136

two funding sources.

CARES Act & CCDF Spending Timelines

This table compares the current obligation and liquidation periods for states, territories, and tribes related to CCDF funds and CARES Act funds.

Obligation and Liquidation Periods	Mandatory (States)	Matching (States)	Discretionary (States and Territories)	Tribal Mandatory and Discretionary Funds	CARES Act Funds
When must funds be obligated (i.e., committed)?	One Year (FFY 1 if a state requests matching funds) If a state does not request matching funds, however, the mandatory funds are available until expended.	One Year (FFY 1) Both the federal and non-federal share of the matching funds must be obligated by the end of the federal fiscal year in which the matching funds are awarded.	Two Years (FFY 1 & FFY 2) Discretionary funds must be obligated in the federal fiscal year in which they are awarded, or in the following federal fiscal year.	Two Years (FFY 1&2) Tribal funds must be obligated in the federal fiscal year in which they are awarded, or in the following federal fiscal year.	Until FFY 2022 CARES Act funds can be obligated until Sept. 30, 2022.
When must funds be liquidated (i.e., paid)?	No time limit	One Year (FFY 2) Funds must be liquidated by the end of the succeeding (second) federal fiscal year.	One Year (FFY 3) Any discretionary funds unliquidated by the end of the first two fiscal years, must be liquidated by the end of the succeeding federal fiscal year (the third federal fiscal year).	One Year (FFY 3) Obligations that remain unliquidated at the end of the succeeding fiscal year shall be liquidated within the next federal fiscal year.	Through FFY 2023 CARES Act funds must be liquidated by the succeeding federal fiscal year on Sept. 30, 2023.

Maximizing Available Federal Funding

Given the impact of COVID-19 to child care systems across the country, Lead Agencies can consider ways in which they can make the most of available funding. Coordinating other federal funding streams and programs with CARES Act and existing CCDF dollars is a good way to stretch available funding. The following outlines funding streams that can support child care in addition to CARES Act funds:

- **Child Care and Development Funds:** As outlined above, Lead Agencies have different liquidation and obligation periods for their available CCDF funding. Given that some funding streams may have liquidation and obligation periods that are approaching sooner than those for CARES Act funding, Lead Agencies may want to consider spending the funds with the earliest deadline first. For example, a Lead Agency may have existing quality funds to provide sustainability or hazard

grants to providers, that must be liquidated by 2020, and CARES Act funds that can be liquidated by 2023. A Lead Agency may want to consider spending the existing quality funds first. This will free up the CARES Act funds to be used for other purposes.

- **Temporary Assistance for Needy Families (TANF):** TANF funds can be spent directly on child care and up to 30% of a TANF grant award can be transferred to the CCDF program. Lead Agencies could consider working with their TANF Lead Agencies to identify available funds that could be used to support child care services.
- **Small Business Administration:** The U.S. Small Business Administration provides several coronavirus relief options for small businesses. These options can be accessed by child care providers and help to maximize available coronavirus relief funds for Lead Agencies. Lead Agencies may want to consider educating providers on these other available sources of funding, such as the Paycheck Protection Program, which provides funding for small businesses to keep their workers on the payroll. There are also Express Bridge Loans and debt relief programs for providers who currently have a business relationship with the Small Business Administration.
- **Head Start/Early Head Start:** Child Care and Development Funds can be coordinated and layered with Head Start and Early Head Start dollars to support low-income families. Families must be eligible for both funding streams to receive both services. Lead Agencies can consider ways in which to align their Head Start/Early Head Start and CCDF eligibility levels.
- **Workforce Programs:** Coordination of CCDF, TANF, and workforce services can offer powerful supports for families with low incomes that are re-entering the workforce. Lead Agencies could explore creating and/or strengthening relationships with their state/local workforce lead agencies and centers to offer child care to families looking to return to work.

Accountability of Funds

CCDF and CARES Act Accounting and Expending Guidance

According to CCDF rules, Lead Agencies shall expend and account for CCDF funds in accordance with their own laws and procedures for expending and accounting for their own funds. Contracts that entail the expenditure of CCDF funds shall comply with the laws and procedures generally applicable to expenditures by the contracting agency of its own funds. Additionally, fiscal control and accounting procedures shall be sufficient to permit preparation of reports required by the Secretary of the U.S. Department of Health and Human Services. The tracing of funds must be at a level of expenditure adequate to establish that such funds have not been used in violation of CCDF rule.

Fiscal Management Best Practices

While Lead Agencies follow their own laws for expending and accounting for funds, there are general practices that Lead Agencies are encouraged to follow. For example, when expending funds, Lead Agencies are encouraged to:

- Gather information on all available funding sources for coronavirus relief. This practice will help

Lead Agencies determine available funding and properly budget for and track dollars spent on coronavirus relief activities.

- Set goals and objectives for CARES Act and other coronavirus relief funding. This practice will help Lead Agencies target funding to the most critical needs and create a framework for measuring progress towards goals for coronavirus relief activities.
- Prioritize and rank the most critical needs and allocate funds accordingly. This practice will help Lead Agencies target critical and often limited resources to the highest priorities and needs.
- Track **budgeted** funds compared to **actual** spending and address any variance in spending. This practice will help ensure that the CARES Act funds are spent on intended purposes and will highlight any instances in which funds are not being spent as planned.
- Maintain CARES Act funds in a separate account with appropriate accounting codes for specific uses. This practice will help track the use of CARES Act funds and can differentiate between CARES Act and existing CCDF expenditures.

Some Lead Agencies have had success with tracking CARES Act funds and their associated activities by:

- Creating a centralized authority that approves CCDF-related CARES Act activities, such as the governor's office or a Lead Agency.
 - Some states have created a central authority to certify and prioritize services for essential workers.
 - Other states have centralized approval for their grant programs to better track CARES Act fund expenditures.
- Setting up accounting systems with different codes or ledgers to differentiate the CARES Act funds and related activities from existing funding.
- Setting up attendance and provider payment systems with different codes for CARES Act funded payments.

Summary

As CCDF Lead Agencies continue to take action to prevent, prepare for, and respond to COVID-19, it's also important to focus on how the state, territory, or tribal child care programs will maintain integrity and financial accountability. To ensure that program dollars are used for allowable and intended purposes, it is important to understand the differences between CARES Act and CCDF funds and how to maximize these dollars. Also, implementing sound practices to track the spending of individual funding sources is important.

Resources

1. **CCDF Information Memorandum (CCDF-ACF-IM-2020-01)**
https://www.acf.hhs.gov/sites/default/files/occ/ccdf_acf_im_2020_01.pdf
2. **Office of Child Care COVID-19 Resources**
<https://www.acf.hhs.gov/occ/resource/occ-covid-19-resources>
3. **ACF COVID-19 Response & Resources**
<https://www.acf.hhs.gov/coronavirus>
4. **NCSIA Program Integrity Resources**, including information on ensuring accurate payments
<https://childcareta.acf.hhs.gov/resource/ncsia-program-integrity-resources>
5. **U.S. Small Business Administration Coronavirus Relief Options**
<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
6. **Top Ten Ways CCDF Can Support Early Head Start-Child Care Partnerships**
<https://eclkc.ohs.acf.hhs.gov/publication/top-ten-ways-ccdf-can-support-early-head-start-child-care-partnerships>
7. **Office of Child Care Tip Sheet for States and Territories on Amendments and Waivers**
https://www.acf.hhs.gov/sites/default/files/occ/tipsheet_statesterritories4_24_2020.pdf

The National Center on Subsidy Innovation and Accountability helps states, territories, and tribes streamline the delivery of their child care subsidy services and is funded by the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care.

National Center on Subsidy Innovation and Accountability, A Service of the Office of Child Care

12300 Twinbrook Parkway, Ste. 310
Rockville, MD 20852

Phone: 301.881.2590 x273
Email: ncsia@ecetta.info

ADMINISTRATION FOR
CHILDREN & FAMILIES

Appendix A: CCDF Final Rule & CARES Act Comparison

Allowable Activities and Uses of CARES Act and CCDF Funds²

Use of Direct Service Funds through Certificates, Vouchers, or Grants	CCDF	CARES
Expand the CCDF definition of children receiving or at risk of needing protective services to include children of health care workers, emergency responders, law enforcement, child care workers, food, agriculture, manufacturing workers, or other essential workers	√	√
Provide child care assistance to essential workers without regard to the CCDF income eligibility limits		√
Increase CCDF income limits for applicants and/or recipients to up to the federal maximum (85% of the state median income level)	√	√
Waive the CCDF income and/or asset limits for families of children receiving or needing to receive protective services (as identified by the Lead Agency, may include children of health care and emergency workers)	√	√
Change CCDF minimum 12-month eligibility rules to continue assistance prior to redetermination due to a non-temporary loss of work or cessation of job training or education	√	√
Extend the CCDF minimum 12-month eligibility period to allow assistance to continue for the duration of the emergency	√	√
Waive family co-payments for families affected by the emergency that meet criteria established by the Lead Agency	√	√
Change the CCDF definition of “working” to include families seeking employment, participating in community service, or a similar activity	√	√
Use regular CCDF direct service funds and CARES Act funds to maintain a child’s slot with child care providers who close or experience decreased enrollment by expanding or delinking attendance policies during the emergency	√	√
Use CARES Act funds to continue paying subsidies for children who are unable to attend care with their regular provider because of closure and/or health and safety concerns, and simultaneously pay when those children attend care with an emergency provider (CARES Act funding can be used to pay subsidies to two different providers for the same time of service)		√

² Please note that an amendment or waiver may be required to implement the activities in Appendix A. Tips on when waivers and amendments are required can be found here: https://www.acf.hhs.gov/sites/default/files/occ/tipsheet_stateterritories4_24_2020.pdf

Use of Direct Service Funds through Certificates, Vouchers, or Grants	CCDF	CARES
Provide sustainability grants to providers who were mandated or opted to close or those needing to remain open, including providers who did not previously receive CCDF assistance	√	√
Use funds for cleaning, sanitation, obtaining personal protective equipment, and other activities necessary for providers to maintain or resume operation, including providers who did not previously receive CCDF assistance	√	√
Support CCR&R or other community agencies to disseminate information and assist providers in applying for state and federal assistance grants or loans	√	√
Provide continued payments to child care providers who experience decreased enrollment or who close temporarily so they can reopen as quickly as possible	√	√
Provide supply-building grants or contracts to providers for equipment, supplies professional development, staffing, “minor repair and remodeling,” and other administrative costs	√	√