Arkansas CCDF State Plan Analysis for FY 2019-2021 and FY 2022-2024

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Introduction

The Child Care and Development Block Grant (CCDBG) Reauthorization Act of 2014 requires state-led child care agencies to submit a plan every three years that outlines their state child care policies and plans for using their Child Care and Development Fund (CCDF) resources.[1] These state plans, which serve as the state application to the Administration for Children and Families (ACF) for appropriated federal CCDF dollars, also provide data on the variations in child care policies across states and offer a way for sharing information about effective policies across states.[2]

While state CCDF plans can be amended over the three-year period, community stakeholders can use the plans' development as an opportunity to advocate for key policy changes in areas including parent eligibility, access, and provider payment policies that can promote equitable access to quality child care.

The final FY 2022-2024 state plan does include improvements for child care in our state. For example, there is an increase in voucher reimbursement rates that more closely align with costs of providing quality child care.[3] This is crucial for compensation for child care providers and for building equal access for families. There is also funding for expansion of the very successful Teacher Education and Compensation Helps (TEACH) Scholarship program, as well as new funding for quality improvement.

However, there are also parts of the plan that do not fully address the inequities and challenges that families across the state face when accessing child care. For example, the co-payments families must make were increased and are still set at a flat rate.[4] This flat rate is set regardless of income or family size, and it ultimately limits access to high-quality and affordable early child care. According to the U.S. Department of Health and Human Services (HHS), child care is considered affordable when it costs families no more than 7 percent of their household income.[5] The flat rate does not take that recommendation in to consideration.

We also know that the negative effects of the COVID-19 pandemic are being felt by our early childhood education (ECE) workforce and is showing up in our classrooms; and unfortunately, the plan lacks sufficient funding for the social-emotional needs of children, staff, and their families. According to a 2021 UAMS report that surveyed the ECE workforce, nearly half of participants screened were at risk for depression.[6] This is up from the 35 percent reported in the 2017 Workforce Study of Instructional Staff.[7]

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Such high depression risk could have a devastating impact on the quality of care provided to children. All children deserve a quality educational foundation that will prepare them to grow, learn, and succeed, and we know that the key to a properly wired brain is the consistent presence of responsive adults. Ensuring our children have that strong foundation will require additional support to the ECE workforce.

This report also includes a discussion of the proposal submitted to the Arkansas State Legislature by the Division of Child Care and Early Childhood Education (DCCECE) for the use of new federal funding from the American Rescue Plan (ARP).[8] This historic, one-time funding offers our state the opportunity to expand existing programs and address inequities that our children and families are facing in Arkansas.

Contents of the final FY 2021-2024 state plan

One important update to the FY 2022-2024 state plan is the increase in eligibility limits set by the state, detailed in Figure 1. The eligibility limits increased roughly 11.6 percent from the FY 2019-2021 state plan.[9]

Eligibility Limits for FY 2021-2024		
Family Size	100% of State Median Income ($/Month)	85% of State Median Income ($/Month) [Multiply (a) by 0.85]
1	$3,007.94	$2,556.75
2	$3,933.46	$3,343.44
3	$4,858.98	$4,130.13
4	$5,784.50	$4,916.83
5	$6,710.02	$5,703.52

The co-payments made by families based on income level were also adjusted. Income level increased by 11.6 percent, and co-payments were increased as well, from $29.61 to $37.80, regardless of income.[10]

Co-payments and income levels for FY 2021-2024			
Family size	Monthly income level where family is first charged a co-pay	Co-payment for a family of this size based on income	Monthly income before a family is no longer eligible
1	$1,203.19	$37.80	$2,556.75
2	$1,573.39	$37.80	$3,343.44
3	$1,943.60	$37.80	$4,130.13
4	$2,313.81	$37.80	$4,196.83
5	$2,684.02	$37.80	$5,703.52

The state discussed several important partnerships in the FY 2022-2024 state plan. Regarding services for families experiencing homelessness, DCCECE coordinates with child care providers and local agencies.[11] DCCECE partners with the Arkansas Out of School Network (AOSN) to ensure that school days are optimized for successful transition and alignment across mixed delivery systems.[12] Additionally, DCCECE collaborates with the Temporary Assistance for Needy Families (TANF)-funded initiative, "100 Families."[13] This program assists families experiencing homelessness and other significant risk factors to ensure a successful transition into employment and/or educational programs. DCCECE also discussed their public-private contract established with Save the Children, which provides programming for at-risk families with a focus on language and literacy development in the home and in preschool classrooms.[14]

Comparison of the FY 2019-2021 and FY 2022-2024 state plans

Overall, the preprint draft and the final FY 2021-2024 state plan saw minor updates from the FY 2019-2021 version. As previously mentioned, increases were made in eligibility limits and co-payment costs for families. Additionally, several important definitions were updated and strengthened. This cycle also saw the expansion of Section four: Equal Access by ACF, therefore new details related to equity are available in the final plan.

The state expanded on their previous strategies utilized to provide outreach and services to eligible families for whom English is not their first language.[15] The final FY 2021-2024 state plan includes new services like application and informational materials in non-English languages, website in non-English languages, accepting applications at local community-based locations, bilingual caseworkers or translators and outreach workers available, and partnerships with community-based organizations.[16]

The state also expanded on their previous strategies to provide outreach and services to eligible families with a person(s) with a disability. The final FY 2021-2024 state plan includes new services like:[17]

- Ensuring accessibility of environments and activities for all children
- Partnerships with state and local programs and associations focused on disability related topics and issues
- Partnerships with parent associations, support groups, and parent-to-parent support groups, including the Individuals with Disabilities Education Act (IDEA) federally funded Parent Training and Information Centers
- Partnerships with state and local IDEA Part B, Section 619 and Part C providers and agencies
- Availability and/or access to specialized services (e.g., mental health, behavioral specialists, therapists) to address the needs of all children

The FY 2021-2024 state plan changed how the state defines children with special needs, significantly expanding its definition from the FY 2019-2021 state plan.[18]

> "A child whose physical condition has lasted or is expected to last at least two (2) years as diagnosed by a licensed medical or psychological practitioner, a child determined eligible for special services under the Individuals with Disabilities Act (IDEA) for whom a current IFSP or IEP exists, and/or a child with an emotional and/or behavioral disturbance defined by IDEA and reviewed by a team of Behavior Specialists certified in Early Childhood Mental Health Consultation (designated by the DCCECE) as experiencing one or more of the following: an inability to learn that cannot be explained by intellectual, sensory, or health factors, an inability to build or maintain satisfactory interpersonal relationships with peers and teachers, inappropriate types of behavior or feelings under normal circumstances, a general pervasive mood of unhappiness or depression, and/or a tendency to develop physical symptoms or fears associated with personal or school problems." A child whose physical condition has lasted or is expected to last at least two (2) years as diagnosed by a licensed medical or psychological practitioner, a child determined eligible for special services under the Individuals with Disabilities Act (IDEA) for whom a current IFSP or IEP exists, and/or a child with an emotional and/or behavioral disturbance defined by IDEA and reviewed by a team of Behavior Specialists certified in Early Childhood Mental Health Consultation (designated by the DCCECE) as experiencing one or more of the following: an inability to learn that cannot be explained by intellectual, sensory, or health factors, an inability to build or maintain satisfactory interpersonal relationships with peers and teachers, inappropriate types of behavior or feelings under normal circumstances, a general pervasive mood of unhappiness or depression, and/or a tendency to develop physical symptoms or fears associated with personal or school problems."

In the section on equal access, the state discussed how they will increase the supply and quality of child care programs. Figure 2, outlines which groups will see those changes.[19]

Child Care Programs that Serve	**Increase the supply of care**	**Increase the quality of care**
Children with disabilities		x
Infants and toddlers	x	x
School-age children	x	x
Children needing non-traditional hour care	x	x
Children experiencing homelessness		x
Children with diverse linguistic or cultural backgrounds		x
Children in underserved areas	x	x
Children in urban areas		x
Children in rural areas	x	x

The state went on to say that pending state and federal approval, [DCCECE plans to utilize ARP stabilization funds] to 1) support the expansion of existing programs, with an emphasis on rural areas for infant/toddler and school-age care; and 2) assist existing providers in reaching higher quality levels.[20]

Policy Recommendations:

The FY 2022-2024 state plan increases the base payments rates and percentiles over the FY 2019-2021 state plan.[21] Arkansas already differentiates payment rates based on certain factors, such as the provider's location, the child's age, or the quality of care. For example, states often have higher rates for care for providers in high-cost areas; serving younger children; offering higher-quality care; and offering care during evenings, overnight, and weekends.

While these differentiating rates can serve important purposes, it is essential to set adequate base rates. If base rates are low, even a small, unexpected expense could leave providers without the resources they need to offer high-quality early learning experiences for the children in their care and without an incentive to serve families receiving assistance.[22]

Now is a critically important moment to decide on a path forward for the ECE sector, and that includes paying all subsidy providers by enrollment and not attendance. This change would stabilize budgets for providers and contribute to continuous quality improvement. It will also encourage those currently not participating in the voucher program to begin. This is both a compensation strategy and a supply-building strategy, where we can encourage more child care providers to either join or stay a part of the subsidy program. This policy change would need to apply to centers and as well as family child care homes.

Under the new rates and policy, the definitions of part-time and full-time were amended. Under the new state plan, full-time is defined as a minimum of eight hours per day.[23] Part-time is anything less than eight hours and is calculated at 50 percent of the full-time rate.[24] This is a change from the previous state plan, which stated that full-time was at least five hours and up to 10 hours.[25]

This shift is problematic for a few reasons: 1) We know that fee-based families are not receiving a discounted rate because the cost of care remains consistent regardless of the number of hours a child may attend in the day. It is not a sound business practice for the state to have a separate, and substantially lower rate, for subsidy-based families. 2) Most programs will not be able to accommodate families needing part-time care because the costs remain while the reimbursement is reduced by 50 percent. We expect that this policy shift will greatly reduce access to care for families who do not require eight hours. 3) Due to this limited access for part-time child care, we fear this policy will inadvertently encourage families to use care more often than they may need to. We do not believe this was the state's intention, however, it does disincentivize families from maximizing time with their young children.

Discussion of the AR Department of Human Services American Rescue Plan child care spending recommendations

DCCECE recently released their proposal for the use of ARP funds, and this proposal was approved by the Arkansas Legislative Counsel on September 17, 2021.[26] The topline funding levels included in the proposal are listed below along with an analysis.

1. Stabilization Funds
    a. Subgrant Payments: $258 million
        i. Operational
        ii. Quality Improvement
        iii. Child Care Expansion
    b. Supply Building: $25 million
2. Supplemental Discretionary Funds
    a. Essential Worker Child Care: $130 million
    b. TEACH Scholarship Program: $40 million
3. Administrative
    a. Stabilization: $3 million
    b. Supplemental Discretionary: $8 million

Total Funding: $464 million

Stabilization Funds

Citing three Arkansas-specific COVID-19 child care studies, the state notes that early care and education program staff are experiencing high levels of stress, staff onboarding and retention issues, lost revenue, and difficulty maintaining health and safety standards.[27] Therefore, the state claims operational payments for programs are necessary to stabilize the sector and minimize the number of permanent closures.[28]

Regarding quality improvement, the state discussed the movement toward creating a tiered quality rating improvement system. The state proposes to use stabilization subgrant funding to support existing early childhood education programs in obtaining a higher level of Arkansas Better Beginnings by funding the operations and resources necessary to do so.[29] Arkansas set a previously established goal of July 2020 for all programs receiving CCDF voucher funding to become level two or higher; however, due to the COVID-19 pandemic, this goal was ultimately pushed back to July 2022.[30] The state acknowledged that facilities did not have the time, funding, or resources necessary to move forward in achieving quality as a direct result of COVID-19. Therefore, DCCECE proposes to remove the funding and resource barriers by allowing programs to submit subgrant applications for the amount necessary to obtain a higher level of Better Beginnings.[31]

Lastly, to address “child care deserts” that exist across Arkansas, DCCECE proposes providing subgrants to support the expansion of currently licensed programs with an emphasis on rural areas to build and expand capacity for high-quality infant/toddler and school-aged care.[32]

Supplemental Discretionary Funds

DCCECE plans increase the supply of child care services available to the essential workforce and low-income families, noting that these families are integral to Arkansas’s recovery from the pandemic and that they often need child care outside of regular business hours.[33] The state also proposes extending the Essential Worker Child Care program (including new applications) through September 30, 2024, or until funding has been exhausted.[34]

The proposal also includes plans to expand the previously established TEACH Arkansas Scholarship Program and allow up to 4,000 full-time early childhood teachers the opportunity to obtain a credential, degree, or certificate.[35] The state acknowledged that due to the COVID-19 pandemic, many educators had to suspend their efforts to obtain college credits in early childhood education due to financial hardships, safety, or other burdens. DCCECE proposes to assist the early childhood education workforce to move forward in pursuing higher education following the pandemic.[36]

Administrative

DCCECE also allotted funds to cover the costs associated with implementing these funding proposals. These funds can cover usual administrative costs like, salaries, personnel, equipment, facilities, and travel.[37]

Discussion of the Public Comments

Of the comments made during the public comment period for the FY 2022-2024 CCDF state plan, the comments with specific language changes were most likely to be accepted. On at least three occasions, very specific language changes were made to the final FY 2022-2024 state plan. It is hard to determine if comments that were more general in nature, or anecdotal, were factored into any of the changes made, but that does not seem to be the case.

Many of the comments that were not included in the final FY 2021-2024 state plan have been addressed in the state's proposal for the use of ARP funds. Here are some of the suggestions made in the public comment period that were addressed in either the final FY 2022-2024 CCDF state plan or the ARP spending proposal:

- Expansion of the Essential Worker Child Care voucher program
- Expansion of the TEACH Scholarship program
- Additional funding for quality improvement
- Additional funding for operational costs

A set of recommendations were submitted by the Arkansas Early Childhood Association (AECA) during the public comment period.[38] Two notable omissions in both the final FY 2022-2024 CCDF state plan and the ARP spending proposal include setting the subsidy payment rates based on attendance rather than enrollment which is problematic for the reasons discussed above; as well as a recommendation about the social-emotional learning support for children, staff, and families.

The ARP allows for a program to use their "operational subgrant" for mental health services; however, both AACF and AECA would have preferred a more coordinated approach to the issue. We are concerned that in some locations that even if a program chooses to spend these funds on mental health, they are likely to have difficulty accessing these services. Ultimately, when programs are forced to choose between using the funds for mental health services or for air purifiers, personal protective equipment, or covering past losses associated with the pandemic, the immediate physical health and financial needs are more likely to be placed ahead of mental health needs.

Endnotes

1 https://www.acf.hhs.gov/occ/fact-sheet
2 https://www.clasp.org/sites/default/files/publications/2021/01/2021_State%20CCDF%20Planning%20Process%20brief.pdf
3 2022 state plan details
4 2022 state plan details
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