Layering of Funds Office Hour

Moderator: Welcome to this Early Head Start-Child Care Partnership Office Hour. Be sure to download all handouts, videos, and slides prior to viewing the Office Hour. During the presentation, you may be asked to pause the Office Hour and complete an activity, such as viewing a video, reviewing a handout, or reading a resource. Once you complete the action, return to the Office Hour and continue viewing. Now, let's started with this Office Hour.

Eileen Caruso: Hello, and welcome to the "Early Head Start Child Care Partnership Post-Orientation Office Hour on Layering of Funds and Avoiding Supplantation of Federal Federal Funds." My name is Eileen Caruso, and I'm the Fiscal Coordinator with the National Center on Program Management and Fiscal Operations, known to many as PMFO. During this session, we'll review some key concepts introduced during two Early Head Start Child Care Partnership orientation sessions: maximizing and managing fiscal resources, as well as the deeper fiscal dive. We'll review the concept of layering funds, we'll clarify the services provided within each funding layer, and we'll examine the importance of not supplanting federal funds in Layer 1. Let's go ahead and get started.

Before we dive into the details, let's remember the bigger picture. The Early Head Start Child Care Partnerships provide a great opportunity to act as multiple funding sources to enhance existing services and allow for increased comprehensive services for all enrolled children. These partnerships are unique. They will require Early Head Start-Child Care Partnership grantees to layer funds to expand the current capacity of their partner's existing programs, and to provide the holistic services that are inherent to Early Head Start. Now, let's get into the details.

To begin our discussion, let's quickly review some basic concepts of eligibility. This visual depicts four types of child eligibility and funding. You may find that all four are enrolled in the child care program. All of the children in the top tier, which is the one outlined by the dotted line, are Early Head Start Child Care Partnership children. And therefore, they must be enrolled in Early Head Start. Notice that they may or may not be CCDF subsidy-eligible. This will have financial impacts to the Early Head Start-Child Care Partnership grant. Remember that one of the requirements of the partnership grant is to ensure that at a minimum 25 percent of the enrolled children are receiving child care subsidies at the time that they're enrolled. We'll review this again later in this presentation.

The lower tiers are children that are in child care, but are not enrolled in Early Head Start, and therefore are not in the partnership. You'll notice that in each quadrant of this graphic, the funding source is underlined. So remember that the child care provider may support all four types of child eligibility in different proportions. They may also not have the bottom tier at all. Each provider will be different.

So, how does the eligibility we just reviewed tie into layering? Well, let's start by looking at the concept of layering funds. For the Early Head Start-Child Care Partnerships, we describe the source of funds and the services covered in administering the Early Head Start-Child Care Partnership grants with three layers.

Layer 1 represents the core child care services that already exist in the partners program. The costs associated with this layer should be covered with child care subsidy funds. The only exception to this funding source is when an Early Head Start enrolled child loses all or a portion of their subsidy. Only then can Early Head Start partnership funds be used to pay for core child care services in order to provide continuity of services for the child.

Layer 2 costs are those that are for program level enhancements and are paid for by using Early Head Start-Child Care Partnership funds. Because these program level enhancements support the entire classroom and the curriculum, even non-Early Head Start enrolled children will benefit from the services provided in Layer 2.

Layer 3 costs are those that provide individualized child services and benefit only the Early Head Start enrolled children. In order to provide these same individualized services to the non-Early Head Start children, a different source of funds other than the Early Head Start-Child Care Partnership funds would need to be used. In this case, it's very important to clearly identify those other funds and ensure that costs are allocated appropriately.

Now that we've reviewed the general concept of the three layers, let's talk a bit more about what services are included in each of the layers. So as we look here, we see in each of the layers some of the services that would be covered by each. Be aware that this list is not exhaustive. So, starting at the left, Layer 1, the core child care services, those must be paid for with the child care subsidy funds. Those could be subsidies, vouchers, contracts. The only time the Early Head Start Child Care Partnership funds can be used to pay for these core child care services is when the Early Head Start-eligible child loses their subsidy.

Again, it's important to mention that a requirement of the grant is to have at least 25 percent of enrolled children receiving a child care subsidy when they're enrolled. Now, your budget may necessitate that you're receiving even more than that from your CCDF funding source. In your grant application, if you proposed a percentage of children with subsidies that was more than the 25 percent minimum, you'll need to meet that expectation that you set forth.

Early Head Start Child Care Partnership grantees may choose to enroll a greater percentage of children receiving subsidies than the 25 percent minimum requirement. These additional child care subsidies can allow grantees to utilize Early Head Start-Child Care Partnership funds for Layers 2 and 3 services. Layer 2 of the program level enhancements; these can be used for a variety of activities and should focus on improving the quality of the overall program. Program level enhancements can be covered entirely with the Early Head Start Child Care Partnership funds. Some examples would include staff training, expanded hours, increased staffing levels, equipment and supplies, minor facility renovations, health, mental health, nutritional services, and screenings and assessments that benefit the curriculum implementation.

This last one we're going to dive into a bit more in our next slide. Be aware that child care providers may already be providing some of these program level enhancements as part of their core child care services. In this situation, identify where gaps exist in the comprehensive services already being provided, and then use your Early Head Start-Child Care Partnership funds for those activities. These enhancements will benefit all children including those not enrolled in Early Head Start.

And finally, Layer 3 funds are intended for the individualized services for the Early Head Start enrolled child. Early Head Start-Child Care Partnership funds cannot be used to provide these services to non-Early Head Start children. Some examples of these individualized services that we're talking about would include individual screenings and assessments, those that are not necessary for curriculum implementation, and this is an important distinction with those that are provided and eligible for Layer 2 funding. Also, referrals to outside agencies, family service worker home visits, teacher home visits, and infant formula and diapers.

Now that we've articulated all of these parameters, let's consider how to maximize the impact of the Early Head Start-Child Care Partnership funds to support all children. Let's call it the spillover effect of the partnership funding. So, for example, you may consider training your staff to be able to conduct individualized screenings for children. The cost of training the staff can be paid for as a Level 2 service, but the benefits of having staff trained to provide these services increases the program's capacity to serve all children, even those who are not enrolled in Early Head Start. So, think about it, now the trained staff can provide screenings and assessments to all children, regardless of Early Head Start enrollment.

If the program had to contract with and pay an outside provider to conduct those screenings, the Early Head Start-Child Care Partnership funds could only be used to cover the costs associated with the Early Head Start enrolled children. Another source of funds would need to be used in order to pay the outside providers to deliver these services to non-Early Head Start enrolled children. This is an increased benefit of thinking strategically about how to utilize the funds.

As we mentioned, let's dive a bit deeper into the specifics of the screenings and assessments that are allowable in Layer 2 funding. We articulated them as the screenings and assessments which benefit curriculum implementation. Some examples would include those screenings and assessments that are required for curriculum implementation, and therefore must be provided to Early Head Start-Child Care Partnership enrolled children. These screenings and assessments are beneficial to curriculum implementation for all children in a classroom in which Early Head Start- Child Care Partnership children are enrolled, and they are allowable Layer 2 services.

So, for example, developmental information about all children in a classroom in which Early Head Start-Child Care Partnership children are enrolled may be beneficial to support measurement of progress towards Early Head Start-Child Care Partnership school readiness goals and objectives. In this example, subject to parent consent of course, gathering developmental information about all children in a classroom in which the Early Head Start-Child Care Partnership children are enrolled is encouraged, not required though.

Looking ahead, the Office of Head Start and the Office of Child Care will be providing additional information to guide grantees as they move forward with curriculum implementation. So, let's tie everything together: the eligibility, the layers, and the funding source. Down in the left column, you see the eligibility of the child, whether it's Early Head Start enrolled with a child care subsidy, without a subsidy, and a non-enrolled Early Head Start child. Across the top are the layers we've been reviewing. And the intersection of these is the funding source that can be utilized.

So, for instance, Early Head Start-Child Care Partnership funds can be used to pay Layer 2 and Layer 3 services for enrolled Early Head Start child with a child care subsidy. In contrast, the Early Head Start-Child Care Partnership funds cannot be used to pay for those same services for a non-enrolled Early Head Start child. Other funding sources would need to be identified for those children.

Further, we should consider what partners are available in the community who might be able to contribute funds to support those services for non-enrolled Early Head Start children. These multiple layers of funding have rules surrounding their management. Layer 1 services cannot be used to supplant or replace child care funds. Remember, the only time it is acceptable to use Early Head Start-Child Care Partnership funds in Layer 1 is when an Early Head Start enrolled child loses their child care subsidy. Only then can Early Head Start-Child Care Partnership funds be used in order to provide continuity of service to that child.

Layer 2 services can be used to provide comprehensive program services that, in most cases, benefit all children regardless of enrollment. With Layer 2 services, cost allocation is not required if Early Head Start enrolled children are present. That said, if the ratio of Early Head Start-Child Care Partnership to non-Early Head Start enrolled children is low, the cost per child may be unreasonably high. Then program leaders must determine that break even point where the per child cost could be unreasonably high. When we get to Layer 3, cost allocation is required.

Unless all children in the program are Early Head Start enrolled, allocating costs must be done to determine the fair share of the activity. Regardless of the layers, remember that all costs must meet the basic cost principles. The uniform guidance at 2 CFR Part 200, and the Health and Human Services implementing regulations at 45 CFR Part 75, outline the basic cost principles. Here we illustrate the basic principles regarding what makes a cost allowable.

We hope this is a quick reminder about each of these three requirements and what they mean. Some specific opportunities for collaboration encouraging Early Head Start and CCDF funding through partnership might be considered. So for instance, aligning Early Head Start and CCDF policies to encourage stability and continuity of care, continuous eligibility while in Head Start, continuous eligibility for 12 months, aligning eligibility periods with Early Head Start, perhaps even easing reporting requirements for changes in family circumstances.

The federal law authorizing CCDF was revised in 2014. The notable change for this conversation is that families who meet the eligibility requirements for child care assistance will receive subsidies for not less than 12 months before the state or local entity re-determines eligibility. This change will have significant implications for the need for Early Head Start-Child Care grantees to budget for the potential loss of child care subsidies. The funds would need to pick up in order to provide continuity of service to children.

The Office of Child Care has allowed state grantees until September 2016 to implement the new changes. Other opportunities for collaboration could be ensuring authorization of payment policies; facilitating layering of the Early Head Start and CCDF funds; identifying infant and toddler populations to target and refer subsidy eligible children for; developing joint or streamlined processes; using contracting between the state, territory and the partnership to develop a memorandum of understanding; or accessing other financial and other support.

Some other possible sources of revenue to support the program could include child and adult care food programs. Where Early Head Start programs are required to participate, arrangements for child care providers to participate could also be arranged. CCDF quality funds can pick up services to non-partnership children and program services. Quality rating and improvement systems where opportunities exist for incentives, grants, loans, and tiered reimbursement mechanisms; state pre-K or infant-toddler funds; state Head Start supplemental funds, and other revenue sources can include local sources of funding, birth to three protective services, and free and low-cost assistance for professional development or developmental screenings.

Recently, the Office of Head Start released some information memorandums that, as stated directly in the information memorandum, reinforces the purpose and vision of the Early Head Start Child Care Partnership and provides policy and program guidance for grantees and their partners. In addition to the IM is an attachment that provides policy and program guidance on many different aspects of managing the Early Head Start Child Care Partnership grant. The sections on layering funds and child care subsidies is very informative and a useful tool to review as you think about your own partnership grant and managing those funds. Thank you for listening.

Moderator: Thank you for participating in this Office Hour. Be sure to post your questions and comments in the chat room to the right to connect with your colleagues, as well as the content area experts.