



Designation Renewal System Revisions 2020 Final Rule



Designation Renewal System Required by Congress

The 2007 Reauthorization of Head Start required HHS to establish a “Designation Renewal System” to identify Head Start grantees delivering a high-quality and comprehensive Head Start program that could receive a non-competitive 5-year grant, while other grantees are required to compete.

The Designation Renewal System must be based on:

- Annual budget and fiscal management data
- Head Start monitoring reviews
- Annual financial audits
- Classroom quality data
- Program Information Reports

The Act also requires HHS to periodically review the DRS.



Purpose of the DRS Final Rule

- ❑ Focus grantees on improving performance in areas that will impact outcomes
 - Set high expectations for classroom quality and increase focus on quality improvement
 - Identify patterns of poor performance as opposed to single incidents
 - Added focus on fiscal risk
- ❑ Better identify grantees for competition or Tribal consultation
- ❑ Reduce bureaucracy and inefficient use of resources by grantees and federal government

Tribal DRS Process

The *Improving Head Start for School Readiness Act of 2007* set up a separate process for DRS for tribal Head Start programs. This is not changed by the final rule.

When a tribal grantee meets a DRS condition:

- HHS engages in government-to-government consultation with the appropriate Tribal Government (**Tribal Government Consultation**) to establish and implement a plan to improve quality.
- If the grant is still not delivering high-quality services based on a reevaluation, then the service area would be open for competition.

DRS Conditions Requiring Competition

The final rule makes changes to **3** of the 7 DRS conditions:

1. **Deficiency condition**
2. **CLASS condition**
3. Failed to establish and achieve School Readiness Goals
4. Revocation of License
5. Suspension by OHS
6. Debarment by another Federal or State agency or disqualification from CACFP
7. **Fiscal/audit condition**

Deficiency Condition

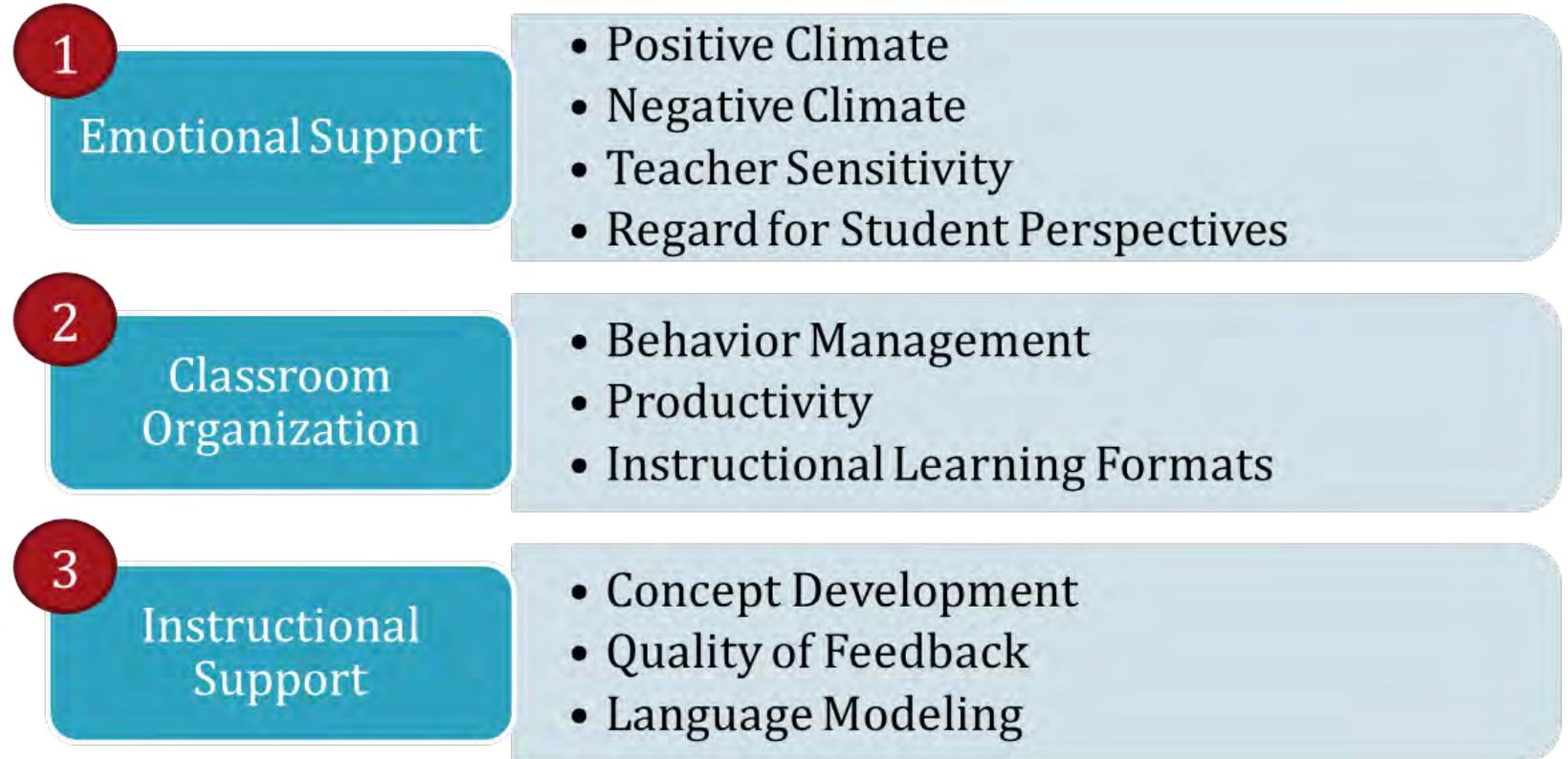
- ❑ Original deficiency condition required competition if a grantee had one deficiency in any monitoring review over the 5-year grant period
 - Has resulted in a hyper-compliance culture, overly punitive HR systems and a one-strike system
- ❑ Revised deficiency condition will require competition if a grantee has two or more deficiencies in any monitoring reviews over the 5-year grant period
 - Would focus on systems of preventing problems, use competition for a pattern of compliance issues, and allow for correction of single incidents

CLASS Measures Quality of Teacher-Child Interactions



CLASS assesses the quality of teacher-child interactions that support children's learning and development in center-based preschool programs.

CLASS includes **3** domains and within each domain are dimensions:



Original CLASS Condition

1. Grantee with a score in the lowest 10% of all scores in any of the three domains (ES, CO, or IS) in a monitoring year is designated for competition
 - Concerns with transparency, moving target
 - Concerns with timing – have to wait for full year of data to determine lowest 10%
2. Grantee with a score below any of the following absolute thresholds is designated for competition: ES = 4; CO = 3; IS = 2
 - Almost all grantees score above these absolute thresholds, so not pushing up quality

Revised CLASS Condition

Focuses on use of CLASS for quality improvement; enhances transparency; better identifies lower-performing grantees for competition.

1. Removes lowest 10% criterion
2. Adds quality thresholds as follows:
 - ES = 6; CO = 6; IS = 3
 - Grantee with score below a quality threshold is designated for quality improvement
 - OHS will support these grantees as they promote improvement in teacher-child interactions
3. Increases competitive thresholds as follows:
 - ES = 5; CO = 5; IS = 2.3 for CLASS reviews through July 31, 2025, and then raises to 2.5
 - Grantee with score below a competitive threshold is designated for competition

Fiscal Condition

Original fiscal condition required competition if a grantee had an audit finding of “at risk of failing to be a going concern” within a year of DRS determination.

Revised fiscal condition will require competition for:

1. Audit finding of going concern during 5-year grant period.
2. A total of two or more audit findings of material weakness or questioned costs associated with its Head Start funds in audit reports for a financial period within the current project period

Rationale for Revised Fiscal Condition

- Adjusts timeframe for going concern, which is so serious that if it occurs anytime during the project period it warrants competition.
- Adds a new criterion (2 findings of material weakness and/or questioned costs related to Head Start funds):
 - Uses earlier, consistent, and more comprehensive indicators of fiscal management and oversight risks in designation renewal determinations.
 - These specific findings indicate challenges in the grantees' internal controls, appropriate use of funds, financial management, and reporting related to Head Start funds.

Questions on the Final Rule



Does changing the DRS mean the system didn't work?

- ❑ No, the DRS focused grantees' attention in important areas where improvements were needed.
 - Our own monitoring data as well as ACF's independent evaluation of the DRS provide evidence that this is true.

- ❑ However, there was room for improvement in the DRS, to better promote transparency, more efficient use of federal resources, and better identification of grantees for competition.

Does scoring below a CLASS quality threshold mean my agency will need to compete?

- No, the quality thresholds have nothing to do with competition.
- Set the expectation for the quality of classroom learning environments for all programs – the targets we would like to see everyone aiming for and surpassing.
- Provide opportunities to make intentional improvements in training and professional development with support from OHS.

How will OHS support grantees with TTA?

Our training and technical assistance (TTA) system, including:

- Staff in Central Office
- Network of National TTA Centers
- Regional TTA Supports

Will work together to more intentionally connect grantees with available TTA resources that target improvements in classroom learning environments and teacher-child interactions.

Are audit findings unrelated to Head Start funds considered in DRS determinations?

- ❑ A going concern is a very serious finding about the entire agency, so it is not limited to Head Start funds for the DRS condition.
- ❑ Material weaknesses and questioned costs findings are only considered in the DRS if related to Head Start funds.
 - These findings will only be considered for fiscal years beginning after the effective date of the final rule.

Effective Date of the Rule

60 days after publication of the final rule

- In general, performance before the effective date of the rule is subject to the prior conditions and performance after the effective date is subject to new conditions.
- We are choosing to implement in a more lenient manner.

Transitioning to New Conditions

- ❑ Grantees whose performance prior to the effective date would have required competition or Tribal consultation under the prior DRS conditions:
 - will have a second look to determine if they also meet the revised DRS conditions, and
 - will only be required to compete/complete Tribal consultation if they meet *both* old and new DRS conditions.

- ❑ Prior non-competitive determinations will not be revisited.

DRS Redeterminations

Current Status	Deficiencies	CLASS	Fiscal
Non-competitive letter	<i>Remain non-competitive</i> (unless meet 2 deficiencies, suspension, license revocation, CACFP disqualification, debarment, or going concern before end of 5-year grant)		
Competitive (or Tribal consultation) letter issued but no FOA posted yet	<p>1 deficiency → <i>become non-competitive</i></p> <p>2 deficiencies → <i>remain competitive</i></p>	<p>Lowest 10% but IS: 2.3+, CO: 5+, ES: 5+ → <i>become non-competitive</i></p> <p>Lowest 10% and <IS: 2.3, CO: 5, ES: 5 → <i>remain competitive</i></p>	<p>Going concern → <i>remain competitive</i></p>

Effect on Amount of Competition

- ❑ Roughly one-third of grants were required to compete under the prior rule. We estimate this will decrease to about one-fifth of grants.
 - Fewer grants will meet deficiency and CLASS conditions.
 - More grants will meet fiscal condition.
- ❑ There may be less competition in the first few years compared to when the conditions are fully implemented.
- ❑ Goal is not to ensure a certain level of competition, but for all grantees to understand the markers of quality they should be aiming for so that quality is improved across all Head Start programs.

Next Steps

Soon after publication, OHS will:

- Send DRS redetermination letters in HSES to FY20 DRS competitive/Tribal government consultation cohort
 - preliminarily non-competitive status
 - confirm competitive/Tribal government consultation status
- Remove HHS Grants Forecasts for newly non-competitive grants
- Post funding opportunity announcements (FOAs) for confirmed competitive

Questions on Final Rule Implementation



Does my preliminarily non-competitive status change based on the revised conditions in the final rule?

- No. Previous non-competitive determinations based on the prior DRS conditions are not being revisited.
 - If you were already notified you do not have to compete, you do not have to compete due to the revised DRS conditions.
- Only in the rare case that a grantee meets a DRS condition before their non-competitive 5-year grant award would they be required to compete (same as under prior rule).

Does my competitive status change based on the revised conditions in the final rule?

- ❑ Maybe. In the days after the final rule is published, OHS will send redetermination letters to grantees to confirm competitive status or notify of preliminary non-competitive status.
- Grantees that met both the prior DRS conditions and the revised DRS conditions will still be required to compete.
- Grantees that met a prior DRS condition but do not also meet the revised DRS conditions will not be required to compete.

If a grantee had a CLASS score in the lowest 10 percent, do they still have to compete?

❑ It depends.

- If a grantee met the prior CLASS condition due to scoring in the lowest 10 percent for a given year in any CLASS domain, they would only be required to compete if their score is also below the new competitive CLASS thresholds of 5 in ES, 5 in CO, and 2.3 in IS.
- A score in the lowest 10 percent that is above the new competitive CLASS thresholds will no longer require competition.

Will the DRS conditions change again in another year or two?

- The original DRS regulation was in place for about 9 years – nearly a decade.
- Any change to the DRS conditions must go through the full notice and comment rulemaking process.

Upcoming Events for Grantees

- ❑ OHS Director's vlog – early September
- ❑ Webinar on CLASS for Quality Improvement under the DRS: Supports for Head Start Programs – September 16, 2:00 pm ET

Upcoming Events for Grantees

- ❑ DRS Final Rule Changes: Answering Your Questions - Thursday, Sept. 3, 2020, 2-3 pm ET

Please submit your questions on the DRS final rule changes in the chat box. This webinar will stay open for an additional 20 minutes to receive your questions.