



MONITORING LICENSE-EXEMPT CCDF HOMES

The purpose of this issue brief is to assist Child Care and Development Fund (CCDF) Administrators in exploring approaches to meeting new federal regulations regarding the monitoring of license-exempt homes receiving CCDF funding. It is one of a series of three issue briefs that offer insights into how States and Territories have improved their systems with new requirements, monitoring policies, and support systems for exempt providers.¹ These issue briefs were developed based on several regional webinars and meetings that focused on monitoring license-exempt providers.

States have exemptions in law or regulation that define the types of center-based facilities and home-based providers that are not required to obtain a state license to operate legally. Exemptions are commonly given for providers caring for a small number of children or children from the same family. In 2014, 41 States had exemptions from licensing for family child care (FCC) providers (National Center on Quality Child Care Improvement [NCCCQI], 2015a). The remaining States set a licensing threshold of one child in care. In these States, all providers that care for unrelated children must be licensed.

This review does not address the monitoring of license-exempt child care centers (such as school-age programs and faith-based centers), but the approaches may be relevant to those programs as well.

The following terms are used throughout this document.

- **Certification:** States and Territories use a variety of terms for their oversight of license-exempt FCC, including registration, certification, and listing. In this brief, we consistently use the term “certification.”
- **Exempt CCDF Homes:** This refers to family home child care providers who are legally exempt from licensing and receive CCDF funding. It includes “certified” FCC providers.
- **Violation:** This term refers to a violation of the requirements governing exempt CCDF homes. States and Territories may also use the terms noncompliance, citation, or deficiency.

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¹ These issue briefs were originally produced by the National Center on Child Care Quality Improvement, a previous contract of the Office of Child Care. The National Center on Early Childhood Quality Assurance is disseminating the issue briefs. These briefs and additional materials about monitoring providers can be found on the Child Care Technical Assistance Network Web site at <https://childcareta.acf.hhs.gov/>.

Federal Regulations

Most States allow license-exempt providers to receive CCDF funding. And while license-exempt providers are not subject to the regulatory requirements set forth by the licensing agency, the *Child Care and Development Block Grant Act of 2014* (CCDBG Act of 2014) requires States and Territories to have health and safety requirements in 10 different topic areas for all providers participating in the CCDF subsidy program, as well as preservice and ongoing training on those topics. The CCDBG Act of 2014 also requires States and Territories to have monitoring policies and practices to ensure that child care providers are in compliance with the health and safety requirements.

States and Territories that do not currently monitor license-exempt CCDF providers will need to establish monitoring policies and procedures, secure staff resources, and communicate the requirements to providers no later than November 19, 2016. The next section provides some considerations for States and Territories that need to establish or expand monitoring systems.

Decision Points in Developing a Monitoring System for License-Exempt CCDF Homes

There are several decisions States and Territories will make in developing or expanding a monitoring system for license-exempt CCDF homes. This section includes a basic description of each component of a monitoring system and decision points within each component.

Requirements

Requirements for license-exempt home-based CCDF providers may range in breadth and complexity but, at a minimum, should include the health and safety requirements that are mandated by the CCDBG Act of 2014.

■ **How rigorous should the standards for exempt homes be?**

- ◆ Standards for license-exempt homes range from a minimum list of health and safety requirements to a comprehensive set of standards similar to those required for licensed homes. If the standards for license-exempt care are a subset of licensing requirements, similar resources and training can be used for both types of settings, and the path to licensure is clearer for license-exempt providers.
- ◆ It is possible that, as requirements become more rigorous, providers may choose to opt out of the CCDF system but continue caring for children. Families often choose exempt CCDF homes because they care for children during nontraditional hours. States and Territories should consider if licensed programs can meet this need. If they cannot, the level of support that exempt CCDF homes will need to continue providing CCDF care must be evaluated.
- ◆ It is beneficial to consider how each new requirement may impact exempt providers. Arizona's Lead CCDF Agency asked certified FCC home providers receiving CCDF funding why they discontinued certification when new requirements were enforced. Several providers responded that they had test anxiety related to the required CPR certification process. In this example, a State might work with the CPR certification entity to identify ways to reduce the stress of testing.
- ◆ States and Territories must consider the allocation of limited resources among different types of care settings while seeking to protect the safety and well-being of all children in out-of-home care. The State's provider demographics, priorities, and available resources must be considered in determining the rigor of the standards and the monitoring process.

Inspections

Staff assigned to monitor exempt homes may focus exclusively on monitoring license-exempt CCDF homes, or they may have additional responsibilities (for example, monitoring licensed facilities, training, or providing technical assistance [TA]). Exempt CCDF home providers have unique needs and serve families with unique needs. For example, they often provide care during nontraditional hours and on weekends and tend to have higher turnover than licensed care. These qualities should be considered as States design monitoring systems.

■ ***Who will monitor license-exempt homes?***

- ◆ In determining who will monitor license-exempt CCDF homes, a State might take into consideration which entity:
 - Can support the unique needs of exempt providers;
 - Can create an infrastructure to support regulatory administration; and
 - Has staff located across the State.
- ◆ As outlined in the monitoring models below, States have chosen various approaches to monitoring depending on several factors—including their structure, staffing limitations, and the number of exempt CCDF providers. It may cost less to contract with an outside agency, such as child care resource and referral (CCR&R). However, States might consider efficiencies gained by capitalizing on existing knowledge and systems, such as child care licensing.
- ◆ States may also consider supplementing their existing staff with contracted staff. This approach allows for additional staff without needing to create new state positions.
- ◆ If an agency other than the Lead Agency (whether within or outside of state government) is responsible for monitoring license-exempt CCDF homes, it must be determined who has the authority to suspend or withdraw the provider's certification. If it is the Lead Agency's responsibility to suspend the certification due to a violation, the agreement should include details regarding how, and within what timeframes, communication between the two agencies will take place.

■ ***How many additional staff will be needed?***

- ◆ The number of additional monitoring staff is tied directly to staff caseload. Factors that influence caseload are outlined in the next section of this brief. States and Territories might consider how to make the monitoring process more efficient, so that existing staff time can be used more effectively. Efficiencies fall generally into the following three categories:
 - Automation: This might include shared data systems, using electronic monitoring tools, making provider tools and resources accessible online, allowing providers to submit information electronically, automated online posting of inspection reports, and the use of video technology for meetings. Please refer to *Use of Technology to Enhance Licensing Administration* (NCCCQI, 2014a) for more information.
 - Abbreviated inspections: Conduct abbreviated inspections with a subset of rules for providers who are in substantial compliance. This allows licensing staff to spend more time on providers with more or serious deficiencies, and less time on substantially compliant providers. The Office of Child Care's (OCC) *CCDF Reauthorization Frequently Asked Questions* (2015) specifies that "a State has the option of using differential monitoring strategies, provided that the monitoring visit is still representative of the full complement of licensing and CCDF health and safety standards." Note that monitoring strategies that rely on sampling of providers or allow for a frequency of less than once per year for providers that meet certain criteria are not allowable. Also keep in mind that States must annually inspect for compliance with health, safety, and fire standards included in the CCDBG Act of 2014. If a State or Territory includes no requirements in addition to the CCDBG health and safety requirements, abbreviated inspections are not acceptable.
 - Workload analysis: After reviewing this analysis of staff time, States have, for example, re-distributed caseloads or assignments, streamlined communication, or allowed telecommuting.

An analysis might also shed light on which processes to make more efficient (for example, follow-up visits or deskwork).

Process for Responding to Violations, Complaints, and Referrals

When providers are not in compliance with the requirements, a range of responses is available, depending on the severity, frequency, and number of violations. Responses may include training or targeted assistance; a plan of correction, suspension, or withdrawal of the certification; or termination of subsidy payments. It is also possible that the agency will receive complaints about license-exempt CCDF homes and notifications of suspected or substantiated child abuse from the State's child welfare agency. *Contemporary Issues in Licensing: Enforcement Strategies with Licensed Child Care Providers* (NCCCQI, 2014b) focuses on effective practices for ensuring licensing regulations are enforced.

- ***Does the monitoring agency have a consistent process for determining appropriate responses to violations?***
 - ◆ The monitoring agency should have a defined approach and written policy for responding to rule violations. The approach may be adapted from existing licensing processes.
 - ◆ The agency also needs to define the balance between disciplinary action and TA as a response.

- ***Does the monitoring agency have the resources to make follow-up visits to license-exempt CCDF homes?***
 - ◆ The agency overseeing the monitoring should assess whether it can support repeated follow-up visits to the provider to ensure that violations have been corrected. Licensing agencies often allow providers to email, mail, or fax documentation showing that they have come into compliance with a requirement.
 - ◆ As outlined under the following section, "Projecting the Cost of a Monitoring System," the number of follow-up visits to a program affects staff caseloads and the cost of a monitoring system.

- ***What kind of communication system is in place between the monitoring entity, the provider, the subsidy program, and other applicable programs?***
 - ◆ Policies should be developed regarding the suspension or withdrawal of a provider's certification, including how this is communicated to the provider, the subsidy agency and, if applicable, the Child and Adult Care Food Program (CACFP).
 - ◆ Policies should specify how complaints of abuse or neglect or referrals from the child welfare agency will be addressed and communicated with the provider and between the agencies involved.
 - ◆ It is crucial that the monitoring entity and the subsidy program communicate frequently regarding the status of exempt providers' certification so that subsidy payments can be suspended or terminated, if warranted.

Appeals Process

When the monitoring agency takes an action against the provider that affects his or her subsidy or certification, most States permit the provider to appeal the action. The appeals process is often detailed in the subsidy regulations or the health and safety requirements for exempt CCDF homes.

- What are some elements of an appeal process?

- ◆ The policy should address the timeframe within which the provider must request an appeal and the responsible agency to respond. A determination must be made if a provider can continue to receive CCDF funding pending the appeal process. The process may involve an administrative appeal or a hearing. Considerations include which staff should be involved in the hearing (such as monitoring staff, mid-level supervisors, or higher-level management), and how the location will impact travel time for staff and providers. The responsible agency will benefit from access to legal staff in order to appropriately respond to the appeal.

Building Support for Increased Requirements and Monitoring

As they make significant changes to their systems and request sustainable funding for improvements, States have found that it is essential to increase support from providers, parents, advocates, and policymakers.

■ *How do States and Territories generate support for increased requirements and monitoring?*

- ◆ In *Building Support for Licensing* (NCCCQI, 2014c), strategies such as maintaining outreach, promoting licensing, utilizing Web sites, strengthening relationships with supportive groups, and building on the work of national organizations are explored.
- ◆ **Indiana** worked with providers' trusted resources to deliver the message and build support for changes. It was important that providers didn't hear from the usual messengers, so they enlisted the support of business leaders, invited legislators to accompany staff on visits with providers, and asked providers to serve on the early childhood advisory committee. They communicated with stakeholders early and often, through mailings, emails and Webinars, and they made valuable partnerships with advocates and provider networks.

Supporting Providers as Requirements and Monitoring Increase

States that have seen a substantial decrease in the number of exempt providers in response to increased monitoring and regulations have worked to keep license-exempt providers in the system.

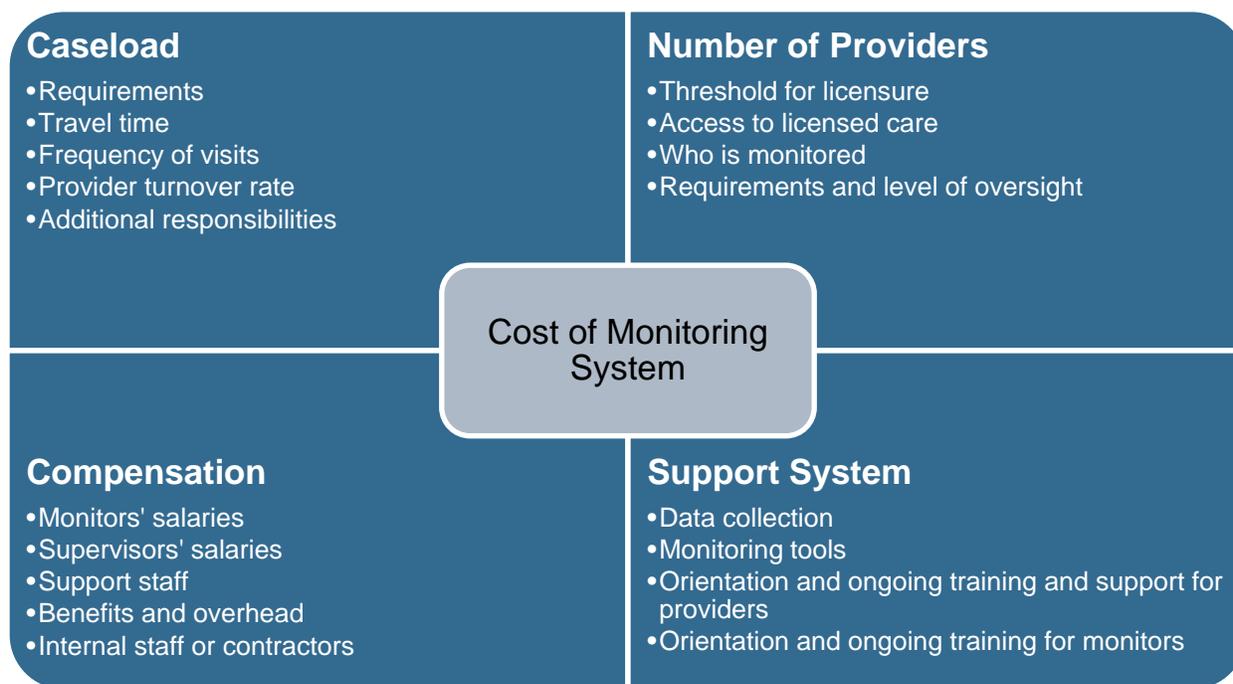
■ *How do States and Territories increase support and incentives so that parents can continue to have access to a variety of care settings?*

- ◆ States have supported exempt providers by offering material kits, onsite and remote TA, online training, play and learn groups, home visiting, free community-based workshops, and other opportunities for social support.
- ◆ A support system for exempt providers should take into account long, nontraditional, and weekend hours of care as well as transportation, technology, financial, and language barriers.
- ◆ Incentives for becoming a licensed provider, such as increased reimbursement rates and training resources, should be shared.
- ◆ States also use media campaigns to encourage the use of regulated care.

Projecting the Cost of a Monitoring System

The cost of implementing a monitoring system depends on three primary factors: caseload, number of providers, and compensation for monitors and supervisors. This section focuses on variations within each of these cost drivers.

Factors Influencing the Cost of a Monitoring System



Caseload

Several elements influence a monitor's caseload of license-exempt FCC providers, including provider requirements, travel time, frequency of visits, the length of time exempt CCDF homes remain certified (referred to as provider turnover rate), and additional responsibilities of monitors.

Requirements: According to information reported from state licensing agencies, the average caseload for licensing line staff is 97 centers and homes (NCCCQI, 2015b). The caseload for license-exempt FCC providers, however, may be significantly higher than that of licensed FCC providers; fewer and less rigorous requirements would necessitate less time onsite. However, more rigorous requirements may also result in more violations, requiring follow-up visits.

Travel Time: Travel time depends on the density with which exempt FCC providers are clustered. A State in which exempt homes are scattered throughout large rural areas would see increased travel times, requiring lower caseloads and more staff. Travel costs should also be considered.

Provider Turnover Rate: The turnover rate of exempt FCC providers may be higher than that of licensed FCC, resulting in more initial monitoring visits. In estimating monitoring costs, it would be beneficial to know both the current number of providers at a point in time as well as the number over a year's time.

Frequency of Visits: The frequency with which homes are monitored is reliant on state policies on the minimum number of routine monitoring visits (such as once or twice annually), how often monitors make onsite visits in response to complaints, and how many follow-up visits are necessary. Follow-up visits are required when the provider isn't home or when the monitor must return to the home to verify compliance with a violation that was cited during a previous visit. A higher frequency of visits would result in lower caseloads, necessitating more staff.

Additional Responsibilities of Monitors: The number of visits a monitor can make in a year is impacted by other responsibilities such as administrative tasks (that is, deskwork), mandatory trainings and meetings, and holidays and paid time off. Caseloads would also decrease if monitors spent additional

time onsite providing consultation on meeting the requirements or improving the quality of care. There may also be situations or geographic areas when more than one monitor should be present for safety reasons. The National Association for Regulatory Administration's (NARA) *Licensing Workload Assessment* includes information about conducting workload analyses and is available upon request from NARA.²

Number of Providers

Threshold for Licensure: The number of exempt providers in a State will vary depending on the threshold for licensure (the lower the threshold, the fewer exempt providers).

Access to Licensed Care: Additionally, the availability of licensed care and parental preferences influence the number of providers: States and Territories may have a higher percentage of subsidized children served in exempt care when licensed care is not accessible or when families prefer exempt care.

Who is Monitored? Exempt FCC includes care by relatives and nonrelatives in the provider's home and in-home care. States and Territories may opt to monitor all categories of exempt FCC or only nonrelative care in the provider's home.

Requirements and Level of Oversight: Fewer providers may opt to become, or remain, registered or certified when requirements and oversight are more rigorous. As New Mexico began using internal staff to monitor exempt FCC providers in October 2013, they saw a significant decrease in the number of providers (in a year and a half, the number of registered providers decreased from approximately 3,800 to approximately 2,600).

Compensation

Monitors' Salaries: Monitors' salaries will vary significantly among States and Territories and may depend on whether licensing staff, subsidy staff, or outside agency staff serve as monitors.

Supervisors' Salaries: The number of supervisors needed, and their salaries, also influence the cost of labor.

Support Staff: Depending on the extent to which existing resources are used, support staff—including administrative, policy, data, and legal staff—may be necessary.

Benefits and Overhead: Government and businesses commonly calculate benefits at 35 percent of salary. Overhead includes operating expenses such as travel and supplies. This can also be affected by the use of remote workers who share desk space at the agency but are home-based.

Internal Staff or Contractors: A State or Territory's determination to use a contracted agency, supplemental contracted staff, or internal staff to monitor exempt FCC providers will influence salaries, benefits, and other labor-related costs.

² NARA's *Licensing Workload Assessment* is available upon request by contacting admin@naralicensing.org.

Support Systems

Data Collection: The cost of a new data system or upgrades to an existing system should also be considered, so that States and Territories can collect and share data about exempt CCDF home providers. The cost of a data system will depend on several factors; primarily, whether and how easily a current system can be enhanced. It is critical that the system be part of or communicates with both the existing licensing and subsidy systems.

Monitoring Tools: Monitoring staff may benefit from the use of cell phones which can support communication with supervisory staff as questions arise, improve safety, and allow photos to be taken of violations. Laptop computers or tablets should be considered if there is an automated monitoring system.

Orientation and Ongoing Training for Monitors: Orientation and ongoing training for monitoring staff will help to ensure that staff remain knowledgeable, consistent in their inspections, and safe. The depth of the training will need to reflect the monitor's responsibilities, some of which may be providing TA and investigating complaints. Training may be online or in-person and may involve shadowing more experienced monitors in the field. The licensing report entitled *Contemporary Issues in Licensing: Quality Assurance in Child Care Licensing* (NCCCQI, 2014d) provides strategies for supporting licensing staff.

Orientation and Ongoing Training and Support for Providers: The cost of a training system for exempt CCDF homes will vary, depending on whether trainings are online or in-person, on the number of providers accessing the trainings, and whether an existing training system for licensed providers can be expanded to include exempt CCDF homes. The cost of additional supports should also be considered such as resources and consultation through the CCR&R.

Models of Monitoring

State Examples: Models of Monitoring

Model	Description	State Example
Licensing Staff Monitor License-Exempt Homes	In having licensing staff monitor exempt CCDF homes, the Lead Agency would be taking advantage of an existing—and comprehensive—monitoring and enforcement system. In this model, the requirements for exempt CCDF homes may or may not differ from the requirements for licensed homes. This model necessitates clear communication with the CCDF agency, and States and Territories should consider the training and support that licensing staff will need as they monitor this unique provider population. Exempt providers will likely require additional TA and resources to meet new requirements.	Arkansas' requirements for license-exempt CCDF homes were recently upgraded to become more similar to requirements for licensed homes. The licensing unit monitors the homes three times annually. Home providers must be licensed to care for six or more children. <i>Minimum Licensing Requirements for Registered Family Child Care Homes</i> (effective January 1, 2015 with implementation date of May 1, 2015) is available at http://www.arkansas.gov/childcare/licensing/index.html .

Model	Description	State Example
All Home-Based Providers Receiving CCDF are Required to be Licensed	Similar to the model of using licensing staff to monitor exempt providers, this model requires exempt CCDF homes to obtain a license and meet the same requirements as all other licensed homes. States and Territories should consider the implications of this significant increase in requirements. Several States have seen the number of exempt providers participating in the subsidy system decrease significantly after increasing requirements which may reduce parental choice.	<p>In Ohio, all small FCC homes (serving up to six children) are licensed by the State if they receive subsidy. However, they are exempt from licensing if they do not receive CCDF. If a relative cares for the child in the child's home, the relative must be certified as an in-home aide. Ohio has a state-supervised, county-administered system. The county agencies are responsible for monitoring these providers.</p> <p>Type B Licensing Requirements (1-6 children) are available at http://emanuals.odjfs.state.oh.us/emanuals/GetTocDescendants.do?maxChildrenLevel=100&nodeId=%23node-id%28237%29.</p>
Unit within Subsidy Agency Monitors Exempt Homes	In this model, subsidy staff—or a separate unit within the subsidy program—monitor exempt CCDF homes. The benefit to this model is that the monitoring is done within the same agency that issues the payments, easing the creation of a communication system between the monitoring entity and the subsidy agency. Additionally, it takes advantage of already established regions throughout the State or Territory. However, employment of this model would require the creation of a regulatory infrastructure, including extensive staff training on requirements, inspections, enforcement, and support. If subsidy staff monitor exempt providers, States and Territories should consider their competing priorities.	<p>Arizona has four categories of license-exempt homes: certified FCC homes, certified in-home care, noncertified relative providers, and noncertified in-home care. The latter three categories do not receive onsite monitoring, but providers are fingerprinted and cleared through the Arizona child welfare system. Certified providers are visited twice annually. One visit is unannounced, and they receive three visits during the first year of certification. Specialized staff in the CCDF Lead Agency (Arizona Department of Economic Security [DES]) monitor certified providers. Licensing is located within a separate agency.</p> <p>Regulations for DES certified homes are accessible at http://apps.azsos.gov/public_services/Title_06/6-05.pdf.</p>

Model	Description	State Example
State Contracts with Another Entity to Monitor Exempt Homes	<p>There are benefits to contracting the monitoring function to an outside entity, especially one such as the CCR&R that is familiar with the child care landscape and connected to the community. A contracting entity may be better equipped to support exempt providers and well positioned to recruit new providers. States or Territories might take advantage of this option if there are state limits on hiring. Further, the costs are sometimes less to contract with an entity outside of state government because the overhead is lower.</p> <p>The agreement between the State or Territory and contractor should include clear language regarding the role of the State or Territory and the role of the contractor, as it applies to inspections, support, and enforcement.</p>	<p>In Indiana, legally licensed exempt providers (LLEPs) caring for fewer than six unrelated children that receive CCDF payment are certified by the Indiana Family and Social Services Administration (FSSA). Verification of meeting health and safety standards includes the submission of written documentation and a home or facility inspection. These requirements also apply to care provided by relatives and in-home care.</p> <p>FSSA is required to conduct at least one annual inspection for any provider applying for participation in the CCDF voucher program. FSSA contracted with The Consultants Consortium (TCC) to certify LLEPs in the CCDF Provider Eligibility Standards.</p> <p>New child care laws recently enacted by the Indiana General Assembly (HEA 1036) went into effect on July 1, 2015. Additional information about the new provider requirements is available at http://www.in.gov/fssa/carefinder/4935.htm.</p>

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