



DELBERT HOSEMANN
Secretary of State

ECONOMIC IMPACT STATEMENT

An Economic Impact Statement is required for this proposed rule by Section 25-43-3.105 of the Administrative Procedures Act. An Economic Impact Statement must be attached to this Form and address the factors below. A PDF document containing this executed Form and the Economic Impact Statement must be filed with any proposed rule, if required by the aforementioned statute.

AGENCY NAME MS Department of Human Services	CONTACT PERSON Earl Scales, Esq.	TELEPHONE NUMBER 601-359-4237
ADDRESS 750 N. State Street	CITY Jackson	STATE MS
EMAIL escal@ago.state.ms.us	DESCRIPTIVE TITLE OF PROPOSED RULE CCDF Policy Manual FFY 2013	
Specific Legal Authority Authorizing the promulgation of Rule: Sec 43-1-2 et.sec.	Reference to Rules repealed, amended or suspended by the Proposed Rule: CCDF Policy Manual FFY 2013	

SIGNATURE 	TITLE Asst. Attorney General
DATE 1/07/2014	PROPOSED EFFECTIVE DATE OF RULE 03/07/2014

1. Describe the need for the proposed action:

The mission of the Division of Early Childhood Care and Development (DECCD) is to provide subsidized child care assistance to eligible, low-income parent(s) that will enable them to become and remain employed, and to empower parent(s) to select quality child care that meets the needs of their family.

DECCD administers the federal Child Care and Development Fund (CCDF), which provides subsidized child care to income-eligible Mississippi parent(s) who seek out this assistance. This service is primarily accomplished through the issuance of child care certificates for parent(s) to take to their provider of choice.

DECCD previously administered the Child Care Payment Program (CCPP) using contracted resources, with a large percentage of those resources being needed to manage the attendance tracking and payment distribution processes. These processes were manually driven and paper-based, which were labor intensive and included a high risk of improper payment due to human error or false attendance claims (fraud). The payment distribution process was also largely paper-based

via a monthly check generated to a provider for the prior months' attendance claim(s). These administrative processes were extremely expensive to administer and manage.

DECCD has identified Mississippi eChildcare as a process that captures the child's time and attendance electronically at the location of care.

Parent(s) and their designees (i.e. Household Designees) will use their finger image registered in the Mississippi eChildcare system to record their child(ren)'s attendance at licensed providers each care day at drop off and pick up. The Mississippi eChildcare biometric Point of Service (POS) machine has two pieces. One piece is a key pad with a display screen for information and the other piece connected is a biometric finger image scanner. Parent(s) and their designees will record child attendance at unlicensed centers using an Interactive Voice Response (IVR) system. They will access the IVR with a land line phone. The Mississippi eChildcare system is not connected to any other system. It is a stand-alone system used only for capturing child care attendance records.

2. Describe the benefits which will likely accrue as the result of the proposed action:

DECCD intends to use the Mississippi eChildcare system, provided by The Vendor (the Vendor) to improve its ability to provide service to families. The possibility of adding more children to the Child Care Payment Program from the waiting list is a large benefit for parents, providers, DECCD, and state and local economies. More accurate reporting of attendance allows for increased fiscal oversight and management of funds through the reduction of improper payments. This reduction in improper payments will support DECCD in expanding the number of individuals that can be served. Providers will receive payments being made electronically via direct deposit twice a month. Because providers volunteer to participate in this program, DECCD wants to support them in receiving payment for their services quickly and efficiently. Another benefit identified by DECCD is increased parental involvement with the attendance and payment process. Parents and providers will receive instant information regarding the availability of their certificates/funds. This real time information sharing allows them an opportunity to resolve problems faster, and with increased knowledge regarding the problem. When parents check the children in and out it will encourage interaction with their child's teacher to understand the developmental milestones their child is achieving through regular opportunities for conversation. This allows for parents to play a greater role in the service they are receiving. See Results of statewide implementation of the in home child care outcomes for June 1, 2013-August 15, 2013 on page 3 for additional outcomes information.

Below is a list of benefits for DECCD, Parents and Providers:

DECCD:

- Clear, accurate audit trails;
- Attendance verification – both real-time and historical;
- Audit record of who picked up and dropped off child and when;
- Ability to send messages to providers or parents through the POS machine using its messaging capability (licensed providers only);
- Increased number of providers accepting subsidized child care certificates;
- Real-time check of eligibility assures accuracy of payment;
- Provider portal decreases administrative time taking provider calls;

- Customer service support from the Vendor for providers (i.e., equipment; payment/attendance; etc.) and state staff;
- Reducing overpayments through improved monitoring and verification of attendance;
- Reducing paperwork and administrative costs required of check issuance and banking processes (i.e., cancelling of checks and reissuing checks);
- Elimination of postage costs for mailing checks, an average monthly cost of \$1,400;
- Improves the Agency's ability to monitor certificate utilization;
- Insuring staff, providers, and parents are accountable for the services provided, including accurate attendance reporting; and
- Getting parents involved in their children's child care needs and environment.

Parents:

- Regular access to providers to discuss child progress and behavior;
- Increased participation in their child's care setting;
- Faster service with placement of care; and
- Reduction in service gaps through the elimination of paper-based processes.

Providers:

- Increased cash flow with fast, accurate and timely payments (semi-monthly);
- Real-time notification of child eligibility and provider status;
- Increased time to spend with children;
- Regular access to parents to discuss child progress and behavior;
- Real-time notifications from DECCD via the POS machine (licensed providers only);
- Customer service support from the Vendor The Vendor(i.e., equipment; payment/attendance; etc.); and
- Access to attendance, approved certificates, and payment information via provider portal.

Results of Statewide Implementation of Mississippi In-home Provider Childcare Outcomes for June 1, 2013-August 15, 2013

As a result of this implementation, 2,144 in-home providers chose not to participate and were closed in the system. DECCD notified parents that a change in provider would be necessary on five separate occasions to ensure that child care services could be continued without interruption. 1,756 children never returned to utilization of the certificate. To date, the Agency has not heard from the parents or providers concerning the child care needs of these children. These are the outcomes that the Agency anticipated due to the implementation of the Mississippi eChildcare System.

Pre implementation number of in-home providers:	2,300
Post implementation number of in-home providers:	671
Pre implementation number of children:	3,106
Post implementation number of children:	1,277
In-home providers closed:	2,144
Un-duplicated child care certificates terminated:	1,756

Actual numbers from the Child Care Payment System (CCPS) on September 12, 2013.

Based on these results, DECCD identified child care certificates that were not being utilized. This identification will result in additional children served.

3. Describe the effect the proposed action will have on the public health, safety, and welfare:

This program does not have a direct impact on safety, but will assist in overall economic welfare as described in response number four of this document.

In regards to public welfare, it is expected that more children will be served in more consistent care arrangements with the implementation of this program.

4. Estimate the cost to the agency and to any other state or local government entities, of implementing and enforcing the proposed action, including the estimated amount of paperwork, and any anticipated effect on state or local revenues:

Projected Cost to MDHS:

The projected cost to the MDHS for the Mississippi eChildcare program is based on the number of active child certificates/authorizations with actual attendance recorded successfully for a given month. Table A contains the rates designated as a Cost Per Child Per Month (CPCPM). For example, if there are 20,000 children with actual attendance recorded successfully for a given month, the CPCPM rate used would be \$7.32 for a monthly cost of \$146,400.00.

Table A: Monthly Cost Per Child Per Month (CPCPM) Schedule

Number of Children	CPCPM
1-11,999	\$13.06
12,000-13,999	\$11.14
14,000-15,999	\$9.78
16,000-17,999	\$8.75
18,999-19,999	\$7.95
20,000-21,999	\$7.32
22,000-23,999	\$6.79
24,000-25,999	\$6.35

MDHS purchased the equipment, used to record a child's attendance, for licensed centers who have requested to be an approved child care provider. Funds for this initial purchase (\$1.7M) were supplied to MDHS by the Office of the Governor with the express purpose of purchasing biometric equipment.

Projected Costs to Other State Agencies:

MDHS is charged with implementation of the Child Care Development Funds solely and no other agency is involved in the implementation of this program and therefore would not incur any costs.

Projected Effect on State and Local Revenues:

Due to the anticipated cost savings from the implementation of this program, more certificates (subsidy funds) will be available to families. Research has demonstrated that child care subsidy supports a parent’s ability to gain and maintain employment (Berger & Black, 1992; Ertas & Shields, 2012). Therefore, an outcome of increased certificate availability is a stronger workforce that is contributing to state and local revenues.

Per the Mississippi Workforce Investment Board, the state tax portion is calculated as annual state income tax. The taxable wage tends to be very low after deductions (\$6,000 exemption and \$2,300 deduction). The state tax rate is calculated at 3%. The local tax is calculated as annual sales tax assuming all the dollars available are spent in a way that would generate 7% sales tax. The sales tax amount is calculated after state tax is taken into consideration.

Table B represents the estimated tax revenue from working parents to state and local governments. The number of employment hours required for the subsidy program based on minimum wages resulted in the estimated state tax revenue and estimated local tax revenue that would contribute to the economy of the community and state.

Table B: Estimated Tax Revenue from Working Parents to State and Local Governments

No. of families	No. of hours working	Average income	Estimated state tax revenue	Estimated local tax revenue
1,350	25	\$7.25	\$ 45,562.50	\$890,662.50
2,000	25	\$7.25	\$ 67,500.00	\$1,319,500.00
3,000	25	\$7.25	\$101,250.00	\$1,979,250.00
4,000	25	\$7.25	\$135,000.00	\$2,639,000.00
5,000	25	\$7.25	\$168,750.00	\$3,298,750.00
6,000	25	\$7.25	\$202,500.00	\$3,958,500.00
7,000	25	\$7.25	\$236,250.00	\$4,618,250.00

5. Estimate the cost or economic benefit to all persons directly affected by the proposed action:

Estimated Benefits:

DECCD has described the economic benefit to parents and child care providers in previous responses to items numbered 2 and 4 of this document. DECCD believes strongly that this service will allow for better fiscal oversight resulting in a more appropriate obligation of funds. This allows for expanded service to clients who are able to purchase child care services and remain in the workforce (or educational programming), thereby stimulating state and local economies. Below is a list of goals and economic benefits of the Mississippi eChildcare program.

Goals of Mississippi eChildcare are:

- a) Reduce fraud with improved program integrity by electronically tracking child care attendance;
- b) Provide improved cash flow for child care providers by issuing payments twice a month rather than once a month via direct deposit rather than by paper check;

- c) Reduce the overall administrative expense of the program by eliminating the mailing of checks and the management of lost or stolen check replacement requests,(process estimated to be \$3,500 each month);
- d) Provide services to more children that are in need of program services; and
- e) Account for the child's time and attendance at the provider to ensure appropriate obligation of funds.

DECCD:

- Reducing overpayments through improved monitoring and verification of attendance;
- Reducing paperwork and administrative costs required of check issuance and banking processes (i.e., cancelling of checks and reissuing checks);
- Elimination of postage costs for mailing checks, an average monthly cost of \$1,400; and
- Improves the Agency's ability to monitor certificate utilization.

Parents:

- More consistent service helps parents maintain employment and self-sufficiency.

Providers:

- Increased cash flow with fast, accurate and timely payments (semi-monthly).

Estimated Costs:

Participation in the child care certificate program is voluntary for both parents and providers. It should be noted that any costs described below will be incurred at the provider's choice. Providers apply with DECCD to participate in this program and are able to withdraw at any time. DECCD enjoys a positive working relationship with child care providers across the state and is dedicated to streamlining administrative processes to ease the burden of those providers that elect to participate in the CCPP.

Cost to Parents and Families:

Implementation of the Mississippi eChildcare program results in no cost for parents or families. In addition, the use of the Mississippi eChildcare system to record childcare attendance results in no cost for parents or families.

Cost to Licensed Providers:

When licensed providers apply to be an approved provider for the CCPP, they must provide proof that they are already a licensed facility, and in compliance with all regulations required for licensure. Licensure of these facilities is the responsibility of the Mississippi Department of Health, Division of Licensure. This agency establishes the rules and regulations required to obtain and maintain a license to operate. The Mississippi Department of Health Rules and Regulations Governing Child Care Facilities, § 1.11.1 (14) states:

14. A child care facility shall have a working phone available to all staff at all times. Telephones shall also be available for incoming calls and shall not be unplugged or disconnected during business hours.

Having and maintaining a working telephone is a required cost of businesses that is incurred by the provider prior to volunteering to become approved by DECCD and should not be attributed the Mississippi eChildcare system.

According to national telephone service carrier and Internet service provider AT&T, the average phone cost per month for a small business is \$52.00; while the average cost for Internet service per month is \$35.00. The Vendor reports that the average time used by POS machines per transaction is nine seconds. The estimated cost of time of transactions for check ins and outs for licensed providers is located in Table C below. As previously stated, licensed providers are required to have a working telephone in order to achieve and maintain a license to operate their childcare facility. The cost of the telephone line is a pre-existing cost to providers and not to the Mississippi eChildcare system.

Because providers are required to have a telephone in order to be licensed by the Mississippi Department of Health, the full cost of phone service is incurred by the provider whether or not the Mississippi eChildcare program is implemented. The cost of the telephone line is a pre-existing cost to providers and not to the Mississippi eChildcare system; however, Table C reflects the portion of that service devoted to processing attendance transactions. This Table indicates costs associated with this service for providers serving a range of children from 10 to 100.

Table C: Estimated Cost of Time of Transactions for Check Ins and Outs for Licensed Centers

Number of Children	Cost of Phone Line per Month	Cost of Phone Line per Day	Cost of Phone Line per Second	Number of Transactions in a Day	Cost of Seconds Used by System Per Day Per Child	Actual Cost of Line for System per Day	Actual Cost of Line for System per Month
10	\$52.00	\$1.73	\$0.00002	2	\$0.00036	\$0.000000070	\$0.07
20	\$52.00	\$1.73	\$0.00002	2	\$0.00036	\$0.000000070	\$0.15
30	\$52.00	\$1.73	\$0.00002	2	\$0.00036	\$0.000000070	\$0.22
40	\$52.00	\$1.73	\$0.00002	2	\$0.00036	\$0.000000070	\$0.30
50	\$52.00	\$1.73	\$0.00002	2	\$0.00036	\$0.000000070	\$0.37
75	\$52.00	\$1.73	\$0.00002	2	\$0.00036	\$0.000000070	\$0.56
100	\$52.00	\$1.73	\$0.00002	2	\$0.00036	\$0.000000070	\$0.75

Number of Children	Cost of Internet Line per Month	Cost of Internet Line per Day	Cost of Internet Line per Second	Number of Transactions in a Day	Cost of Seconds Used by System Per Day Per Child	Actual Cost of Line for System per Day	Actual Cost of Line for System per Month
10	\$35.00	\$1.17	\$0.00001	2	\$0.00024	\$0.000000032	\$0.05
20	\$35.00	\$1.17	\$0.00001	2	\$0.00024	\$0.000000032	\$0.10
30	\$35.00	\$1.17	\$0.00001	2	\$0.00024	\$0.000000032	\$0.15

40	\$35.00	\$1.17	\$0.00001	2	\$0.00024	\$0.0000000032	\$0.20
50	\$35.00	\$1.17	\$0.00001	2	\$0.00024	\$0.0000000032	\$0.25
75	\$35.00	\$1.17	\$0.00001	2	\$0.00024	\$0.0000000032	\$0.38
100	\$35.00	\$1.17	\$0.00001	2	\$0.00024	\$0.0000000032	\$0.50

The following information was used in the creation of Table C:

- In a calendar year, there is one month with 28 days, or 40,320 minutes; 4 months with 30 days, or 172,800 minutes; and 7 months with 31 days, or 312,480 minutes. The average number of minutes in a month is 43,800. There are 87,600 seconds in a day.
- The average number of seconds used by POS machines is 18 seconds per day per child.

POS machines are installed with all equipment needed at no cost to licensed providers within six feet of a phone or internet connection. If a provider chooses to locate the device more than six feet away from the connection, they are electing to incur the additional cost of a longer phone/network/Internet cable. Walmart.com indicates that the average cost of this cable is .38 cents per foot. DECCD elected to base its estimations on this website due to the wide availability of Wal-Mart stores throughout the state.

Providers may elect to choose utilizing the Internet for connectivity. If Internet method is chosen, the provider may need a switch to provide additional ports if they wish to share internet connections with more than one device at a time. The average cost of an Internet switch is \$12.29; prices range from \$5 to \$17 (prices also obtained from Walmart.com).

It would be beneficial to a licensed provider, but not required, for a staff member to assist parents for the first two weeks of implementation with check in and check out procedures. If a provider chose to provide this assistance, it would cost approximately \$435.00 (\$7.25 x 6 hours a day x 10 days). Based on the pilot experience, two weeks is an adequate time for parents to become accustomed to the machine usage.

Normal wear and tear of the usage of the POS machine will be covered by the state. The state will make arrangements, through an agreed upon payment plan, with the provider to collect reimbursement for stolen, lost, or maliciously damaged equipment. Through ten years of experience in the Electronic Benefits Transfer (EBT) program, usage of POS devices in grocery and convenience stores, the Mississippi Department of Human Services reports one occurrence of loss due to fire, and the business liability insurance covered the loss.

Business property insurance may be purchased to cover POS machine loss at the provider's choice, but is not required. The provider will still be responsible for the loss of the equipment should any unfortunate event occur. It is up to the provider to decide if they wish to have business insurance. The cost to replace the equipment is \$942.95. There are too many variables to try and project an estimate of insurance costs of a child care business whether the business is in a licensed facility or in a home.

The Vendor will provide the initial supply of POS machine receipt paper. After the initial two (2) rolls per device are supplied, providers will be responsible for purchasing paper for the equipment. The Vendor recommends purchasing paper from a reputable office supply store. A reimbursement allowance will be calculated based on the number of successful transactions and deposited to a providers bank settlement account on a quarterly basis as long as the reimbursement amount is

\$1.00 or more. The use of the paper in the POS device is not required to implement Mississippi eChildcare, and is offered by the Vendor as a courtesy service that some providers may wish to use. The use of receipt paper is optional. Providers have access to the Mississippi eChildcare Provider Portal that can display all information printed on the receipt. The upfront cost of a roll of receipt paper is \$1.34 (cost located from www.officedepot.com).

If providers offer transportation to their families as a service, parents or household designees can check their children in and out to report attendance for the week at one time. Parents have seven days to enter attendance after the initial day. During the pilot the Agency has considered if each and every impact reasonably contemplated.

Unlicensed Provider Costs:

Unlicensed providers who do not have landline phones but wish to become or remain an approved provider will pay an average monthly cost of \$30.00 (per AT&T), which provides statewide coverage and home phone services. The Vendor reports that the average time used by the IVR system per month is 49 minutes per provider. The average cost for land line telephone equipment suitable for this program is \$15.00. These prices were averaged from phone units available at Walmart.com. The Agency has considered and found there to be no unreasonable anticipated costs to unlicensed providers.

6. Provide an analysis of the impact of the proposed rule on small business:

DECCD anticipates the proposed impact on small business will be positive. With more frequent payments deposited directly into a provider's account, providers have access to funds faster than current processes allow. Small businesses rely on these funds to operate and the ability to access payments faster can support business stability. In addition, DECCD has previously identified that Mississippi eChildcare will allow for a reduction of improper payments making more funding available for service. This gives small business the opportunity for an increase in customers with a more efficient system for payment for services provided. It is not economically feasible to anticipate the precise amount in dollars of the positive impact.

Reference the additional information in the previous response.

a. Identify and estimate the number of small businesses subject to the proposed regulation:

Providers apply to DECCD to participate in the CCPP. They elect to be an approved provider and are not locked into any contracts that force or otherwise require them to participate or remain in the program. It is the position of DECCD that providers who wish to remain an approved provider once Mississippi eChildcare is implemented are volunteering to be subject to the Mississippi eChildcare requirements. The numbers of providers that volunteered to participate in Mississippi eChildcare as of October 2, 2013 are:

- 1,240 licensed providers; and
- 671 unlicensed providers.

b. Provide the projected reporting, recordkeeping, and other administrative costs required for compliance with the proposed regulation, including the type of professional skills necessary for preparation of the report or record.

Administrative Costs to Providers for Record Keeping:

The process to monitor attendance is no more labor intensive than what providers currently perform using the eLedger method of recording attendance. No provider administrative record keeping cost increases are associated with Mississippi eChildcare.

Professional Skills for using Provider Portal:

Professional skills that staff would need are basic computer skills and a high school diploma or General Educational Development (GED) credential. These skills are required of all staff per Mississippi State Health Department Regulations Governing Licensure of Child Care Facilities § 1.5.4, and are available to the provider prior to approval to participate in the Mississippi CCPP.

- c. State the probable effect on impacted small businesses:

See the related costs and benefits as related in response number five.

- d. Describe any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation including the following regulatory flexibility analysis:

- i. The establishment of less stringent compliance or reporting requirements for small businesses;

None. If the state had chosen to use the EBT card solution, the establishment of less stringent compliance or reporting requirements would have been the same as the proposed rule of Mississippi eChildcare using IVR and biometric attendance capture methods. The biometric attendance capture method simplifies the attendance capture process because the parent or household designees have their finger images with them, (i.e., no impact due to cards left at home or when lost).

- ii. The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;

DECCD was unable to identify any alternate programs that would provide less stringent schedules or deadlines for compliance or reporting requirements for small businesses.

- iii. The consolidation or simplification of compliance or reporting requirements for small businesses;

None. If the state had chosen to use the EBT card solution, the consolidation or simplification of compliance or reporting requirements would have been the same as the proposed rule of Mississippi eChildcare using IVR and biometric attendance capture methods. The biometric attendance capture method simplifies the attendance capture process because the parent or household designees have their finger images with them, (i.e., no impact due to cards left at home or when lost).

- iv. The establishment of performance standards for small businesses to replace design or operational standards required in the proposed regulation;

Policies in the Mississippi Child Care Payment Program (CCPP) Policy Manual describe provider responsibilities (i.e., performance standards) surrounding Mississippi eChildcare as:

- (1.) Providers shall never be in possession of the child's PIN number, or use the client's PIN number to record attendance.
 - (2.) Providers shall never move the POS machine to another location without receiving prior written approval from DECCD.
 - (3.) Providers shall require clients to enter attendance as care is used.
 - (4.) Providers shall never ask or require a client to enter attendance for a day the child does not attend.
 - (5.) Providers shall maintain all sign in/out sheets required for monitoring as described in Chapter 2, Section 105.01 of the current Mississippi Child Care Payment Program Policy Manual.
 - (6.) Providers shall ensure that all attendance submitted is correct and void any incorrect transactions within the seven day limit-the current day and six previous days.
- v. The exemption of some or all small businesses from all or any part of the requirements contained in the proposed regulations:

The policies pertaining to the Mississippi eChildcare program have been crafted in a way that all providers that voluntarily participate in the Mississippi CCPP should be able to comply. Therefore, the Agency does not plan to grant exemptions to any small businesses for any part of the proposed regulation. Further, this helps DECCD streamline the administrative function and reduce administrative costs.

When providers do not participate in the electronic processes, significant administrative hours are needed to process payment and reduce the instance of fraud. In order for the state to obtain attendance information from providers, the Agency would have to visit 3,500 providers and collect their sign in and out pages where parents manually sign. The estimated statewide travel is expected to cost the state approximately \$180,000 each year. DECCD would have to assign four staff members to visit 72 providers each per week at an estimated cost of \$1,000 per week per employee. This would only consist of one visit per provider per year. DECCD does not have these positions currently and would require the hiring of four staff members, as all current staff workloads are full. This is expected to result in a cost of approximately \$400,000 per year.

7. Compare the costs and benefits of the proposed rule to the probable costs and benefits of not adopting the proposed rule or significantly amending an existing rule:

Table D presents the economic benefits and costs of each program.

Table D: Economic Benefits and Costs of the Mississippi eChildcare and Mississippi eLedger programs

Adopting Proposed Rule:	Mississippi eChildcare:
Economic Benefit for DECCD	<p><u>DECCD:</u></p> <ul style="list-style-type: none"> • Reducing overpayments through improved monitoring and verification of attendance; • Reducing paperwork and administrative costs required of check issuance and banking processes ie: cancelling of checks and reissuing checks; • Elimination of postage costs for mailing checks (an average monthly cost of \$1,400); and • Improves the agency’s ability to monitor certificate utilization.
Economic Benefit for Parents	<ul style="list-style-type: none"> • More consistent service helps parents maintain employment and self-sufficiency.
Economic Benefit for Providers	<ul style="list-style-type: none"> • Increased cash flow with fast, accurate and timely payments (semi-monthly).
Costs of Program to DECCD	<ul style="list-style-type: none"> • \$7.32 CPCPM based on 20,000 active children in the program (see Table A); and • Payment for POS machines (\$1.7M) that was received from the Governor’s discretionary funding specifically allocated for this purpose.
Costs of Program to Parents	<ul style="list-style-type: none"> • None
Costs of Program to Providers	<p><u>Unlicensed Providers:</u></p> <ul style="list-style-type: none"> • Unlicensed providers who do not have landline phones but wish to become or remain an approved provider will pay an average monthly cost of \$30.00 (per AT&T), which provides statewide coverage and home phone services. • The average cost for land line telephone equipment suitable for this program is \$15. <p><u>Licensed Providers:</u></p> <ul style="list-style-type: none"> • \$15 average cost for internet switch, if desired. • \$943 for POS machine, if stolen, lost, or maliciously damaged.

Not Adopting Proposed Rule:	Mississippi eLedger:
Benefits	Providers are accustomed to this system.
Costs of Program to DECCD	If the Mississippi eChildcare program does not go forward, the state will experience a significant financial hardship when it's forced to forfeit its investment of payment for the POS machines (\$1.7M) and development costs of the system. Development costs could result in a financial hardship in addition of a multi-year, multi-million dollar investment.
Costs of Program to Parents	None
Costs of Program to Providers	None

There are several negative effects if the Mississippi eChildcare program does not go forward. Those effects are:

- If the Mississippi eChildcare program does not go forward, the state will experience a significant financial hardship when it's forced to forfeit its investment of payment for the POS machines (\$1.7M) and development costs of the system. Development costs could result in a financial hardship in addition of a multi-year, multi-million dollar investment.
- If the Mississippi eChildcare program does not go forward, there will continue to be instances of fraud as the in home provider Mississippi eChildcare implementation results have led the Agency to believe. MDHS Division of Program Integrity identified fraudulent payments to providers in the amount of \$43,789.
- Providers will receive payments later and via paper check by mail.
- Increased staff needed to monitor attendance at an annual estimated cost of \$400,000.

The Mississippi eChildcare time and attendance system will improve integrity of the program. This will be accomplished through the increased identification of fraud. The drawbacks of not adopting the rule would be that additional families would not be served with the funds saved by automating program administration; providers and DECCD staff would continue to devote their limited time and resources to attendance reporting and corrections, resulting in payments delayed by paper processing.

8. Determine whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rule where reasonable alternative methods exist which are not precluded by law:

In the planning period, MDHS did not discover an alternate method for a more cost effective and fiscally responsible way of operating this program that benefits the parents and child care providers.

The Kiplinger Report published on October 5, 2012 stated, "it is noted that there is a nationwide trend toward biometric technology to improve security, prevent fraud, reduce payroll errors and lower liability. Options for biometrics include fingerprinting, palm vein and iris scans, gait and

hand-wave recognition.” MDHS selected biometric finger imaging because this process provides a reliable and affordable method for tracking time and attendance payments.

A card scanning method is an alternative that requires parents to slide a card through a machine to record child attendance. DECCD did consider this method in its information gathering phase. Ultimately DECCD decided against this process because some states where the system was previously implemented reported a common source of fraud was identified when parents left the cards at the centers and providers were free to enter child attendance themselves. In some instances, providers continued to check the children in and out even if the children were not in attendance. Investing in the card system would have been a waste of funding due to its inability to prevent this type of fraud. The card system did not support the goal of more efficient fiscal management of the Mississippi CCPP.

9. Describe reasonable alternative methods, where applicable, for achieving the purpose of the proposed action which were considered by the agency:

Reasonable alternative methods, where applicable, for achieving the purpose of the proposed action which were considered by the Agency are indicated in response numbers 8 and 11 in this document.

10. State reasons for rejecting alternative methods that were described in #9 above:

Reasons for rejecting alternative methods that were described in #9 above are found in response numbers 8 and 11 in this document.

11. Provide a detailed statement of the data and methodology used in making estimates required by this subsection:

In March 2007, then State Auditor Phil Bryant conducted an audit of the Child Care Development Fund Certificate Program. Through the audit, one of the findings was reported as follows: “OCY has been making many fiscal and management changes in the last two years to increase the numbers of certificates provided to eligible children and to improve consistency in the program. However, OSA noted problems related to data collection and maintenance. Recommendation: OSA recommends that MDHS continue considering the use of an electronic payment card system as an option to enhance the operating efficiency and effectiveness of the different programs administered by the agency. Furthermore, using such a system will allow MDHS to implement a contingency backup payment delivery system in the event of a disaster. This would move the State a step closer to its initiative to become an e-government State. Overall, this program would offer to the State: Efficient and effective data reporting; reduction of fraud; comprehensive accountability of data reporting and fund expenditures in the program; and perhaps most importantly, if it works as well as it has worked for other programs in the State, it could offer millions of dollars in cost-savings each year through efficiency gains. Using an electronic payment card system would also provide payments that are faster and more consistent to the child care providers, as well as free up OCY Designated Agents to do more assistance work for providers and parents and less financial reporting and check writing.” It is important to note that in 2007, the EBT card was the only electronic payment option that was offered to the public for electronic attendance and payment systems for child care services.

Beginning in 2010 the division was tasked by the Agency Executive Director to establish cost saving methods for the Mississippi CCPP. This was critical due to the impending expiration of the American Recovery and Reinvestment Act (ARRA) funding creating a significant loss of dollars

available for the program. In addition, the federal government notified the agency that funding allocations would be drastically reduced for the Federal Fiscal Year 2011. With this in mind, Agency administration developed an evaluation team to explore cost saving options.

Decision Making Methodology:

- 1) Gathering information and e-attendance options;
- 2) Meet with states that are implementing options for additional information;
- 3) Assessment of information from other states to determine feasibility for Mississippi;
- 4) Develop cost benefit analysis for implementation ;
- 5) Present information to MDHS Executive Director for approval; and
- 6) Identification of vendors.

1. Gathering Information and e-Attendance Options:

The evaluation team began researching information about how best to achieve the cost savings and determine how an electronic system would benefit the Mississippi CCPP and its participants (i.e., families; children; providers; etc.). In 2010, there was national attention related to electronic time and attendance tracking for child care services; and DECCD began to engage in national discussions with other states to explore all available options. In April 2010, Child Care Administrators List Serve (Administration of Children and Families, Office of Child Care (OCC)) initiated conversations between state administrators regarding the utilization of automated systems for time and attendance. Through research, the team discovered there were two electronic options, card swiping and biometrics. In March 2011, the team began meeting regularly to further evaluate these electronic time and attendance options.

Information from the Administration of Children and Families, Office of Child Care

The Administration of Children and Families, Office of Child Care (OCC) held a webinar in March 2011, describing ways to combat fraud and address CCDF improper payments. Information regarding the benefits of child care system automation information was presented to State CCDF Administrators:

- Automation improves accessibility;
- Expands access for families to needed childcare resources (providers);
- Ensures eligible parents find, obtain, and maintain needed services;
- Improves staff efficiency, timeliness, consistency, and responsiveness to family needs and changes in circumstance;
- Prevents and identifies errors and fraud;
- Minimizes errors in data entry, calculation, and documentation;
- Ensures decisions are based on State rules and standards;
- Ensures accurate authorizations; and
- Provides aids for error and fraud identification.

2. Meet with States that are Implementing Options for Additional Information:

Louisiana Data

MDHS contacted the State of Louisiana to discuss their experience surrounding the implementation and operation of their biometric system (LA TOTS). In April 2011, the team traveled to Louisiana to learn about the state's lessons learned from the biometrics implementation. Topics that were discussed were:

- The Louisiana process before automated attendance tracking (i.e., eligibility; attendance tracking, provider payment process, monitoring, federal reporting; etc.);
- The Louisiana child care policy changes implemented with automated attendance tracking and the reason for changes (i.e., any new policies or revisions to existing policies.);
- The Louisiana child care process with automated attendance tracking (i.e., eligibility; attendance tracking, provider payment process, monitoring, federal reporting; etc.);
- The Louisiana payment process, including validation and reconciliation;
- The Louisiana child care system environment, including software platform utilized, connectivity to the ACS system and how the ACS system is used by state staff (parish and state office staff.);and
- Any challenges or lessons learned during your project (i.e., clients; providers; state staff; technology; etc.).

The data and methodology used to decide on this system was a case study of Louisiana's experiences with the program. The following information was quoted from www.exoduspaymentsystems.com.

Louisiana Cost Savings:

7/1/09 - 1/31/10	\$65,385,356 (Cost before eChildcare)
7/1/10 - 1/31/11	\$48,776,798 (Cost after eChildcare)
DIFFERENCE:	\$16,608,558

Note: Savings are in part due to these policy changes:

Job Search was eliminated effective Jan 10 representing \$7,430,301 savings

Other policy changes effective on July 1 included:

- Method of calculation for part-time payment,
- No payment for part-time absences,
- Half the daily rate is paid if a full-time child attends fewer than four hours, and Parent/Provider must use approved method for capturing the time and attendance of child in care in order for care to be paid.

The summer of 2010 marked the beginning of a biometric program in Louisiana aimed at preventing phantom-billing fraud in the state child-care system. The Louisiana TOTS program is estimated to cost \$13 million over five years, but the program has already saved \$16.6 million in 7 months primarily by preventing phantom billing. Kim Matherne, the pilot project director in Louisiana for the roll out of the TOTS biometric program stated, "at least half of those savings could be

contributed solely to the use of biometrics and the additional savings came from changes in the program rules.”

Therefore, the state is seeing an ongoing savings of at least \$2 million per month, but may equal up to \$3 million. This is a savings of 25% of their budget from the previous year.

The number of CCAP children pre-TOTS (June 2010):

Total = 36,723

The number of CCAP children immediately following TOTS implementation (September 2010):

Total = 33,874

The reduction after three months of implementation is 2,849 children.

The number of CCAP providers pre-TOTS (June 2010):

Total = 3,272

The number of CCAP providers immediately following TOTS implementation (September 2010):

Total = 2,806

The reduction after three months of implementation is 466 providers.

In consideration of the information from Louisiana, the evaluation team decided that it would not adopt the attendance policy changes that Louisiana adopted at implementation of the biometrics program. The team decided that the payment policies could negatively affect families and children in the state.

Oklahoma Data

In addition, MDHS participated in web-based meetings with the State Administrator and Policy Director in Oklahoma to glean information about lessons learned from implementing the card swipe system technology in their state. Oklahoma’s providers have reported an 89% satisfaction rate with using the electronic child attendance system. As of 2013, Oklahoma is currently considering upgrading to the biometrics option for attendance tracking. Oklahoma was able to implement an electronic system with little adjustment to policy. Mississippi has elected to adopt a similar policy process.

Oklahoma was also consulted regarding their experiences and savings with this technology. MDHS used estimates of the system development costs to derive the cost benefit analysis.

Goals and Accomplishments for Automated Attendance System in Oklahoma:

- Reduced overpayments by 10%;
- Improving quality of child care received by eliminating/reducing paperwork required by providers;
- Ensuring OK DHS staff, providers, and clients were accountable for services provided;
- Improving cash flow for providers;
- Getting parents involved in their children’s child care needs and environment; and
- Reducing administrative costs.

Pre Implementation 2000

- 4,600 providers
- \$11.6M in payments
- 47,000 children
- 27,570 families
- Cost per child \$249.06

Post Implementation 2012

- 2,700 providers
- \$10.3M in payments
- 33,000 children
- 27,300 families
- Cost per child \$317.00

This data was derived from the hearing on the *Use of Technology to Improve Public Benefit Programs* before the Subcommittee on Human Resources on the Committee on Ways and Means in the U.S. House of Representatives of the One Hundred Ninth Congress, second session, on April 5, 2006.

3. Assessment of Information from other States to Determine Feasibility for Mississippi:

In the research compiled from the state studies it was determined that the biometrics system was the best solution for the state to achieve its goals. MDHS learned from Louisiana that while the biometric system would meet the state's needs, the policy changes that Louisiana adopted would not work for Mississippi. MDHS learned from Oklahoma that the card system was a cheaper method but would not reach the goal to reduce fraud and would duplicate a self-reporting system already in place.

Table E provides an initial comparison of costs between the biometric and card system methods.

Table E: Initial Comparison of Costs for Biometric and Card Methods:

	Biometric Method	Card Method
Machine Costs	\$1,612,000 (licensed providers)	\$712,000 (licensed providers)
CPCPM	\$5.90	\$5.14

DECCD considered the following options of purchasing POS machines:

- A one-time expense; or
- Amortizing the equipment cost over the contract period.

The decision was made to purchase equipment upfront due to transferred funding from the Governor's discretionary funds and to reduce the long term expense being included in CPCPM.

MDHS discounted using the EBT cards for the electronic attendance system because other states that were utilizing the cards discovered fraudulent activity at the provider location. Oklahoma is

now seriously considering converting to using the biometric systems. Although this option was investigated and considered, it would not give the State the same level of fraud prevention because parents could give the cards to the providers to keep at the center.

4. Develop Cost Benefit Analysis for Implementation:

The evaluation team developed a methodical plan to move to an electronic system for child care payments. Implementation was set up to occur in stages. The first stage of the plan required moving from paper ledgers to electronic ledgers and getting providers accustomed to reporting attendance electronically. The second stage was to pilot biometrics, evaluate biometric functionality and performance, and review client/provider feedback. Identified sources of provider feedback were the DECCD Provider Advisory Committee and regular meetings of the pilot providers enrolled in the Allies for Quality Care Program. Once feedback was reviewed and incorporated the team intended to implement improvements to the biometric system. The last stage was to implement biometrics statewide. Through these stages, the evaluation team engaged an intentional systematic approach to reaching utilization of biometrics statewide.

Table F provides the initial cost benefit analysis in phase I and phase II of implementation.

Table F: Phase I- Conducted in 2010 Preliminary Cost Estimate for Child Care – FFY 2012 (October 2011 - September 2012)

Category	PDD Cost	MDHS Cost	Estimated Administrative Savings (PDD Cost – MDHS Cost)
SALARIES	\$ 2,612,899	\$ 201,269	\$ 2,411,630
FRINGE BENEFITS	\$ 889,449	\$ 70,444	\$ 819,005
INDIRECT COSTS	\$ 950,860	\$ -	\$ 950,860
TRAVEL	\$ 58,821	\$ 25,000	\$ 33,821
COMMODITIES	\$ 60,395	\$ 195,200	\$ (134,805)
CONTRACTUAL SERVICES	\$ 238,826	\$ 1,000,000	\$ (761,174)
EQUIPMENT	\$ 14,500	\$ 1,800,000**	\$ (1,785,500)
TOTAL:	\$ 4,825,750	\$ 3,291,913	\$ 1,533,837

Assumptions:

PDD Cost is based on the FFY 2010 (October 2009 - September 2010).

MDHS Cost - Commodities includes certificates, checks and postage.

MDHS Cost - Contractual Services includes ITS CCIS Support and automation; MIS automation.

**MDHS Cost - Equipment includes new Server Environment and associated software; Biometric Equipment (one time cost).

Estimated Administrative Savings can be used to serve more children (approximately 639).

*Outcome: Consolidated Child Care Program that serves more children, positions the Agency for Biometric Automation and saves approximately \$1.53M for the FFY (approximately 32% Savings in Administrative Costs).

**Phase II: Conducted in 2010 Preliminary Cost Estimate for Child Care
FFY 2013 (October 2012 - September 2013)**

Category	PDD Cost	MDHS Cost	Estimated Administrative Savings (PDD Cost – MDHS Cost)
SALARIES	\$2,612,899	\$201,269	\$2,411,630
FRINGE BENEFITS	\$889,449	\$70,444	\$819,005
INDIRECT COSTS	\$950,860	\$0.00	\$950,860
TRAVEL	\$58,821	\$25,000	\$33,821
COMMODITIES	\$60,395	\$85,000	\$(24,605)
CONTRACTUAL SERVICES	\$238,826	\$2,199,140	\$(1,960,314)
EQUIPMENT	\$14,500	\$0.00	\$14,500
TOTAL:	\$4,825,750	\$2,580,853	\$2,244,897

Assumptions:

PDD Cost is based on the FFY 2010 (October 2009 - September 2010).

MDHS Cost - Commodities includes certificates and postage.

MDHS Cost - Contractual Services includes ITS CCIS Support and ACS cost for Biometric Automation.

Biometric Automation is projected to reduce overall Child Care costs by 25-30% by reducing fraud which can be used to serve more children (approximately 6,250 – 7,500), reducing the waiting list.

Estimated Administrative Savings can be used to serve more children (approximately 935).

*Outcome: Very efficient program that reduces fraud, serves more children and saves approximately \$2.24M/FFY (approximately 47% Savings in Administrative Costs).

The Agency estimated a 25-30% savings due to reducing erroneous and fraudulent payments as a conservative estimate. This estimated savings is based on Louisiana's **actual** savings of at least 50% due to the implementation of biometrics. Louisiana reported \$33.2 million dollars of saving in the first year of implementation. Mississippi estimated a conservative savings of 25-30% due to the fact that **no** attendance-based payment policy changes would take place.

The Electronic Child Care (ECC) automation, known as the Mississippi eChildcare System, will allow the DECCD to consolidate the Mississippi CCPP, reduce improper payments, reduce fraud, improve overall efficiency and increase the number of children being served. As an expected outcome, DECCD is estimating a 40-45% savings in overall administrative cost due to automation efficiencies (approximately \$1.6M - \$2.2M annually) along with a 25-30% savings in overall child care cost due to the elimination of false attendance claims by child care providers (approximately \$15M - \$18M annually). The DECCD plans to use the savings to serve more

children (estimated to be an additional 7,000 to 9,000 children), by reducing the current waiting list of children in need of assistance.

5. Present Information to MDHS Executive Director for Approval:

All information was presented to the MDHS Executive Director for approval to move forward with the project. Great consideration was made for the impact that all aspects would have on MDHS, parents and providers. The Executive Director endorsed the phased approach to automate the Child Care Payment Program. Another consideration was how much this change would benefit families and children through program efficiency. The Agency's goals were to reduce fraud and improve program integrity, account for the child's attendance at the provider, reduce the overall administrative expense of the program, provide services to more children, and provide improved cash flow for child care providers.

6. Identification of Vendors:

The State of Mississippi had an existing contract with the Vendor to perform services for SNAP, foster care payments, child support, adoption subsidy, and TANF benefits. The existing contract contained a provision to add additional services including eChildcare. DECCD contacted the Vendor to gain more information about how states were utilizing this technology. At the time the evaluation team was referred to Oklahoma, who was using the card swipe system, and Louisiana, who was using biometrics. DECCD decided to leverage the existing the Vendor contract. This decision allowed the agency to take advantage of the latest child care technology while not incurring any additional procurement related expenses (\$40,000-\$50,000).

References:

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