



## Implementation Guide

### Innovative Strategies to Support Use of Contracts in Child Care Systems

## Introduction

The [American Rescue Plan Act of 2021](#) (ARP Act) includes \$14.99 billion in supplemental Child Care and Development Fund (CCDF) Discretionary funds to help states, territories, and Tribes recover from the COVID-19 pandemic and rebuild a better child care system. [Guidance from the Office of Child Care](#) strongly recommends CCDF Lead Agencies use funds to expand access to high-quality child care by increasing the use of contracts, [among other strategies](#).

Contracts may be used for a variety of purposes. One is to contract with eligible providers to purchase child care slots for eligible families. Visit [Implementation Guide: Strategies to Support Use of Contracts for Child Care Slots](#) for a resource on using contracts for child care slots. This implementation guide focuses on the use of contracts to stabilize child care and support overall improvements to the child care system. Potential challenges to using contracts are identified and strategies and resources are offered to overcome concerns.

## Defining the Use of Contracts

In CCDF regulations, the terms “contracts” and “grants” are used interchangeably. The term “contracts” is used in this guide to cover both. A contract is a legal term that defines the agreed upon services in exchange for money. A more precise definition is an agreement between a funding entity and an individual or organization that involves a commitment of funds or resources, for a specified time period, and outlines conditions the recipient must meet to receive those funds and be in compliance.<sup>1</sup> Although Lead Agencies retain overall responsibility for the administration of the CCDF program and remain the single point of contact, they have broad authority to use contracts with other public and private entities to implement the CCDF program.<sup>2</sup>

Contracts may be further defined by regulations and policies within the state, territory, or Tribe. Lead Agencies are encouraged to work with their procurement and budget partners to understand all the requirements tied to the use of contracts. Once Lead Agencies understand their jurisdiction requirements and priorities, they can use contracts for a variety of initiatives, including to build child care supply, stabilize provider funding, target child care services in high-need areas or use with high-priority populations, support quality improvements, create workforce enhancements, improve provider business practices, or extend comprehensive services to providers or families.

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<sup>1</sup> Adams, G., Ewen, D., & Luetner, G. (2021). Using contracts to support the child care workforce. Urban Institute [Available at: [Using Contracts to Support the Child Care Workforce](#)].

<sup>2</sup> CCDF Regulations. 45 CFR 98.11, Sec. (a) (1) & (2).

## Overcoming Hurdles to Implementing Contracts

### Procurement and Budgetary Processes

While contracts are an effective method of supporting child care systems, they may come with challenges. If there are procurement and budget concerns, consider the following:

- Most Lead Agencies have experience using contracts for a variety of different services and are well-versed with their jurisdiction's procurement policies. If there is new leadership and staffing, it is best to start by meeting with your agency's procurement staff to understand the policies and procedures. Gaining a good understanding of the requirements, processes and timelines, and developing strong relationships and partnerships with procurement staff will be helpful throughout the contracting process.
- Contracts incorporating CCDF program elements (e.g., eligibility and determination) are typically considered subrecipient contracts and pass along the accompanying CCDF accountability requirements. Lead Agencies must comply with monitoring and management of subrecipient requirements including government-wide contract requirements issued by the Office of Management and Budget. For more on determining subrecipient vs contractor relationships, see [eCFR :: 2 CFR 200.331 -- Subrecipient and contractor determinations](#). Contracts not passing along Lead Agency responsibilities (e.g., contracts with providers for direct service slots) are not considered subrecipient contracts. Procurement staff will help determine the nature of the contract and ensure proper reporting, monitoring, and auditing conditions are incorporated into the contract.
- CCDF budget changes require long-term planning, and Lead Agencies must work with their budget staff to navigate the budget process and timeline. Data on needs and clearly identified priorities are important to developing a plan for the use of contracts and making the case for budget changes. As with procurement staff, strong relationships with budget staff are key to successful budget changes and use of contracts.

### Sustainability

Lead Agencies may be concerned about sustaining contracts beyond the supplemental discretionary funding period. Concerns could be addressed if contracts are aligned with funding obligation and liquidation timelines and used to target one-time system improvements. One-time system improvements such as data collection updates, setting up or improving professional development systems, or data system integration across agencies may be supported through contracts.

Another option is to develop long-term contracts and use other funding to cover contract costs when the initial funding has expired. Funding to comply with CCDF requirements was approved by Congress with its historic increase of \$2.4 billion in CCDF Discretionary funds in fiscal year 2018. Additional increases were made of \$50 million in FY 19 and \$550 million in FY 20 (separate from supplemental COVID-19 relief funding). These funds continue to be appropriated by Congress annually and may be targeted for system improvements in conjunction with new ARP Act funds.

## Data

Lead Agencies may have limited data or are concerned about their data quality that may cause hesitation in planning and implementing contracts for specific purposes. This can be remedied by using existing data from other agencies, partners, and organizations to identify gaps in services, needs of special populations, or geographic areas with low concentrations of child care. Contracts can also be used with a vendor to improve information technology, data systems, and data collection and warehousing.

## Strategies for Using Contracts

Contracts can be used by Lead Agencies to address several needs, as outlined below. The first two strategies, building supply and increasing workforce supports, align with the immediate priorities identified in the ARP Act to rebuild a stronger child care system and support economic recovery.

### Build the Supply of Care

Contracts can be used to build the overall supply of child care and to target care for:

- Various age groups (e.g., infants and toddlers)
- Special populations (e.g., children who are medically fragile, children and families who are experiencing homelessness)
- High-need geographic areas (e.g., low-income neighborhoods, communities or areas with limited or no access to child care — often called child care deserts)
- Wrap-around services (e.g., Head Start, Early Head Start, out-of-school time partners)

Michigan's governor and lawmakers agreed to invest \$100 million in startup grants for providers with a focus on facility improvement and increasing access to infant and toddler care. Visit: [Column: Michigan has had a sea change in childcare \\* Michigan Advance](#).

This approach may be particularly helpful in replacing child care providers who closed due to the COVID-19 pandemic or to build the supply of child care in underserved areas.

### Increase Workforce Recruitment and Retention

As child care programs across the country face shortages in child care center staff and home-based providers, exacerbated by the pandemic, efforts to stabilize the workforce are essential. Workforce recruitment and retention supports for the child care field help ensure parents can work or pursue training or education while their child is in a safe and educationally enriching environment. Contracts can be used to support the child care workforce

through salary stipends, increased wages, benefits, substitute pools, apprenticeships, scholarships, and classroom coaching, and business coaching. Contracts with provider organizations, infant toddler networks, family child care networks, and state afterschool networks for peer mentoring and other workforce supports,

Arkansas's ARP Act Plan Proposal includes \$40 million in scholarships for early childhood teachers to obtain a degree or credential to be disseminated through a contract with the Arkansas Early Childhood Association using the national TEACH model. Visit: [DCCECE American Rescue Plan](#)

which may increase workforce recruitment and retention. The [Strategy Resources to Address the Early Care and Education \(ECE\) Workforce Shortage | The Administration for Children and Families](#) webpage provides curated workforce support resources.

## Stabilize Funding

STAMII 2021 highlighted the use of contracts to fund school age child care in Nevada through an intermediary organization, Boys and Girls Club of Truckee Meadows.

Lead Agencies can contract with an intermediary organization to develop direct service contracts with providers. Providers may be more comfortable working with local entities they know and trust. With direct service contracts, child care staff can be assured of more consistent enrollment and funding levels over prolonged periods. With stable funding, program improvement is supported.

## Support Improved Business Practices

Contracts can support improvements to child care business practices. Shared services contractors or staffed family child care networks (defined as groups of child care providers supported by service navigator organizations to achieve and improve business operations), can provide training, resources, mentoring, and other supports focused on building strong business policies and practices to stabilize child care providers.

Iowa Governor's Child Care Task Force has recommended development of a child care planning pilot program establishing a single point of contact to seek technical assistance regarding business development and a shared services network to support various business operations. Visit: [Governor's Child Care Task Force Report](#)

## Build Higher Quality Care

Georgia announced the use of ARP Act funds to serve an additional 10,000 children by increasing child care eligibility limits and supporting providers to make quality improvements. Visit: [Georgia Expanding CAPS Program](#)

Quality improvement systems often have many different components. Contracts can be used for identifying one or more entities to oversee and operate the Lead Agency's quality rating improvement system. Contracts can be used to build higher quality care through professional development systems, certification attainments, and monitoring.

## Extend Comprehensive Services

Colorado's ARP Act Plan includes funding for mental health supports for children, families, and providers as well as use of innovation grants to help communities address affordability and availability of child care. Visit: [Governor Polis, CDHS Announce \\$275 Million Investment in Colorado's Early Childhood Sector to Help Build Back Better | Colorado Governor Jared Polis](#).

Comprehensive services for children and families such as developmental screening and referral networks, child assessment supports, health and mental health consultation systems, consumer education, or family engagement supports can all be purchased through contracts. Lead Agencies may also be interested in contracting with shared service networks for providing comprehensive services (e.g., human resources, supplies, business forms, equipment, and billing) to providers or to target specific populations of providers (e.g., family child care, infant and toddler caregivers).

## Incorporate Accountability Processes

To ensure that contracts are meeting the mark, Lead Agencies need to establish program and contract performance measures tied to tracking, reporting, and monitoring requirements and processes. Such efforts ensure funding is used for intended purposes and informs system adjustments and improvements. These evaluation components can be contracted to outside organizations.

## Communicating the Need for Using Contracts for Child Care Systems

As your CCDF Lead Agency makes decisions on using the ARP Act Supplemental CCDF Discretionary funds, communicate your strategy to key partners so they can be your best advocates. The [Building Messages for Key Audience](#) tool gives you foundational language that you can use to effectively communicate your strategy. Two messages in this tool may be particularly helpful: *What Is American Rescue Plan (ARP) Act Supplemental Discretionary Child Care Funding, and Why Does It Matter?* reinforces the need for this funding to help strengthen the child care system; the message titled *How Can You Respond to Concerns About Time-Limited Funding* can help you think about how to communicate the need to contract for child care system building if you encounter an audience who is skeptical of using time-limited funding for this strategy.

## Resources

- The ARP Act Supplemental CCDF Discretionary funds technical assistance webpage includes resources for CCDF Lead Agencies to use when investing ARP Act supplemental funds. This site includes implementation guides, which focus on increasing payment rates, increasing use of contracts, increasing wages and benefits, and more. Visit: [Strategic Planning for American Rescue Plan Act CCDF Discretionary Supplemental Funds](#).
- For contract information specific to Tribal communities, visit: [American Indian and Alaska Native Child Care and Development Fund: Guide to Subsidy Administration for Medium- and Large-Allocation Grantees](#).
- For information on key steps supporting equity in contracting, visit: [Contracting in the Child Care System](#).

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- For examples of state and local workforce recruitment and retention strategies, visit: [APPENDIX | The Administration for Children and Families](#).
- For resources on shared services, visit: [Early Childhood Systems Building Resource Guide](#).
- For ideas for immediate relief for the child care workforce, visit: [Increasing Workforce Compensation Implementation Guide: Immediate Relief for the Workforce](#).
- For a resource on using grants and contracts to stabilize supply, visit: [Using Grants and Contracts to Build and Stabilize Supply](#).
- For assistance with evaluating internal controls and reducing payment errors related to use of contracts and grants, review the “Audits and Monitoring” section in [Grantee Internal Controls Self-Assessment Instrument | Child Care Technical Assistance Network](#).
- For assistance in developing a data sharing memorandum of understanding with contractors and subrecipients, visit: [Program Integrity: Sample Data Sharing MOU](#).

## Access Technical Assistance

CCDF administrators from states, territories, and Tribes can request additional technical assistance on any topic related to ARP Act funding. Administrators may contact their regional office or state systems specialist who will coordinate with the Office of Child Care national technical assistance centers to provide the support they need. Technical assistance services are funded by the Office of Child Care, and there is no fee to Lead Agencies.