

## 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 \(OCC\)](#) strongly recommends CCDF Lead Agencies use funds to expand access to high-quality child care by increasing the use of contracts or grants, [among other strategies](#).

CCDF regulations give Lead Agencies the authority to provide access to child care for eligible families through certificates and vouchers (we use the term “certificate” hereafter) or contracts. Contracts are legal instruments defining the terms of service in exchange for money. The terms “contracts” and “grants” are often used interchangeably, and the use of one over the other may be influenced by budgetary or procurement requirements within the Lead Agency.

Although families must be provided the option of a certificate, contracts are encouraged as a mechanism for increasing the supply of quality child care for underserved and vulnerable populations. Using contracts provides additional options to meet family needs. People often make the argument that certificates give parents more flexibility to choose child care that fits their needs—however, contracts can give parents the same flexibility if there are enough contract options available. In addition, contracts can be a successful tool to stabilize income for child care providers and support improved business practices. Only 15 Lead Agencies reported the use of contracts in their fiscal year (FY) 2019–2021 CCDF Plans.

This implementation guide focuses on commonly reported concerns regarding the use of contracts for child care slots (the term contract will be used in this document to refer to grants or contracts for slots), strategies to overcome those concerns, and additional considerations for designing and implementing contracts.

## Benefits of Using Contracts for Child Care Slots

Lead Agencies can use contracts as a strategy to do the following:

- ❑ **Build the supply of care.** Contracts can be used to build the supply of child care overall and among various age groups, for special populations, or in high-need geographic areas. This approach may be particularly helpful in addressing the impact of the COVID-19 pandemic on child care, building the supply for underserved populations, and increasing child care options that meet families’ needs.
- ❑ **Support improved business practices.** When contracted, child care programs can anticipate consistent enrollment and funding levels over prolonged periods, and they are able to attend to planning and implementing policies and practices to stabilize their businesses.

In the child care financing context, a **contract** 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 lays out conditions that the recipient must meet to access those funds and be in compliance (Adams et al., 2021).

Contracts are a way to support more stable funding for providers and align the funding with components of quality. Contracts can include requirements for minimum compensation, levels of teacher education, or be aligned to a prioritization of specific populations such as infants and toddlers, children experiencing homelessness, and so on.

## Implementation Guide

### Strategies to Support Use of Contracts for Child Care Slots

- ❑ **Build higher quality care.** Lead Agencies can establish higher quality and performance standards for contracted facilities by incorporating quality requirements and supports into the contract agreement, such as wage expectations and supports, workforce retention bonuses, and professional development scholarships and bonuses.
- ❑ **Increase workforce retention.** Contracts can be used to ensure child care workers are compensated at certain minimum levels and that they have certain benefits.
- ❑ **Extend comprehensive services.** Lead Agencies can build comprehensive service requirements and supports into contracts, such as developmental screening and assessment, health and mental health screening and referral, and family supports.

## Resources

Morrissey, T., & Workman, S. (2020). *Grants and contracts: A strategy for building the supply of subsidized infant and toddler child care*. Center for American Progress.

<https://cdn.americanprogress.org/content/uploads/2020/08/03112628/Grants-and-Contracts.pdf>

National Center on Child Care Subsidy Innovation and Accountability. (n.d.). *Using grants and contracts to build and stabilize supply*. U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care.

[https://childcareta.acf.hhs.gov/sites/default/files/public/using\\_grants\\_and\\_contracts\\_1.pdf](https://childcareta.acf.hhs.gov/sites/default/files/public/using_grants_and_contracts_1.pdf)

## Addressing Hurdles in the Use of Contracts for Slots

### Fear That Slots Will Sit Empty

Everyone wants to ensure funding is well utilized, and an empty slot means that an eligible child may not be served. The following strategies can help address ways in which CCDF Lead Agencies can ensure that contracted slots are filled.

- ❑ Use data to identify areas where supply building is needed to lessen the likelihood of slots sitting empty.
- ❑ Involve providers and stakeholders in developing a plan for use of contracted slots to build support and the likelihood of success. Convene a group of providers to share input and test out the contract application.
- ❑ Establish reasonable time periods in the contract for filling empty slots; after the specified time period, move the slot funding to another contracted provider or target the funding for certificates.
- ❑ Develop a plan and process for shared responsibility between the Lead Agency and providers for filling empty slots. For example, providers may have a responsibility to notify the Lead Agency of an empty slot within a specified time period, and Lead Agencies have a responsibility to involve eligibility staff in filling the contracted slot. The Lead Agency can provide additional resources to support providers in filling slots.
- ❑ Seamlessly incorporate contracted providers into your consumer education website and provide easy access for parents to ensure their choice of providers.

### Difficult Procurement Processes for Contracts

Implementing a new procurement process can be difficult depending on the structures and processes within which Lead Agencies operate. For some Lead Agencies, direct service contracts with providers require developing new business practices, data systems, and contract terms. Some may have budget and

procurement authority and staffing within their offices, while others have to work across entities and agencies for approval and implementation. Consider the following strategies:

- Meet with budget and procurement department leadership about the purpose of the contracts—to guarantee program slots for families who are eligible for CCDF through a direct provider contract, rather than individual certificates or vouchers. The contracts are for direct child care services, and the funding can be treated the same as certificates. Providers may need specific qualifications to be eligible for a contract, but a lengthy procurement process may be avoided.
- Consider partners (for example, child care resource and referral agencies, licensing, and quality rating and improvement systems) who have existing contracts, processes, and procedures in place with child care programs to implement contracts for child care slots.
- Ensure the procurement process is manageable for providers and offer supports, as needed, such as training videos, access to one-on-one technical assistance, or ongoing help-desk opportunities.

### Difficulty of Managing Demand and Supply for Contracted Slots

Making decisions about how many contracted child care slots to establish and how to distribute them across providers is complicated. Lead Agencies must carefully consider their goals, demand and supply data, funding, and desired outcomes for providers and families and set realistic expectations and plans for establishing or increasing use of contracts for slots. These strategies may be helpful:

- Examine demand and supply data to identify areas of need.
- Use the [Provider Cost of Quality Calculator](#) to help you determine appropriate funding levels for contracts.
- Work with budget staff to help develop different scenarios for the number and scope of contracts for slots (see the National Center on Subsidy Innovation and Accountability's [CCDF Budget Calculator Instructions](#)).
- Engage community partners and families in helping make decisions about establishing contract requirements and expectations.
- Develop communication protocols to ensure provider access to contracting applications and supports.

### Lack of Support for Contracted Slots

Lead Agencies should develop a plan and subsequent opportunities to gather support for contracted slots. Identifying key partners that include families and providers, planning the communication approach with each type of partner, and executing the plan are three critical steps toward success. These additional strategies may be helpful:

- Help leadership understand the impact of dependable enrollment and funding available through contracts for slots on building the supply of child care, improving child care business operations, and improving the quality of care.
- Begin with a pilot program for contracts to assess internal processes, provider use and implementation, and family interest.
- Identify existing networks such as family child care networks, infant/toddler specialist networks, state afterschool networks, or others that can support the provider community in accessing and meeting requirements of the contracts.
- Engage community partners and families in developing contract requirements and helping identify supply building needs, such as increasing infant/toddler child care slots, slots in specific high-need areas, or supports for family child care.

## Reluctance to Establish Contracted Slots Due to Sustainability Concerns

Establishing a new program with time-limited funding raises concerns about sustainability. Strategies to consider include the following:

- Establish a contract period that aligns with ARP Act funding parameters.
- Highlight the natural attrition that occurs in slot management and develop a plan for phasing out contracts if funding changes. The plan for contracting can incorporate natural family turnover and children aging out of eligibility.
- Consider using a mix of supplemental and CCDF ongoing discretionary funds for use with contracts; if policy changes require reducing the number of children served (e.g., reimposing wait lists) contract amounts can be reduced if needed through natural attrition points as children exit the system.
- Document the quality improvements achieved by providers due to more business stability with consistent enrollment and funding, and use the findings to overcome concerns about sustainability and build support for contracted child care slots with future funding opportunities.
- Use data and research on the long-term benefits that children receive from more stable, high-quality child care to build support for contracts.

### Resource

Bipartisan Policy Center. (2021). *Payment practices to stabilize child care*. [https://bipartisanpolicy.org/wp-content/uploads/2021/01/BPC-ECH\\_Payment-practices\\_RV5.pdf](https://bipartisanpolicy.org/wp-content/uploads/2021/01/BPC-ECH_Payment-practices_RV5.pdf)

## Considerations for Implementing Contracts for Child Care Slots

### Purposeful Planning

- Complete an equity assessment to determine practices (for example, rules, contracts, or other arrangements and regulations, culture, and practices) that disproportionately disadvantage and underserve specific populations.
- Consult with stakeholders (for example, state early childhood advisory council, children's cabinet) to gather input and support for using contracts for child care slots.
- Use population-level data that have been disaggregated by race, age, ethnicity, language, and geography in the eligible population to determine who is enrolled, retained, and benefiting (or not) from the use of contracts. This will assist in ensuring equitable distribution of contracts.
- Use data to identify and assess the supply of underserved, marginalized, or adversely impacted providers who should receive prioritized access to contracted child care slots to promote equitable use of contracts.
- Consider the feasibility of layering funding sources such as Early Head Start–Child Care Partnerships, Title I schools, Department of Education 21st Century Community Learning Centers, and Temporary Assistance for Needy Families to secure adequate long-term financial support.
- Use cost data to fund contracted slots based on cost of care and ensure livable wages for staff.

### Resources

Burwick, A., Davis, E. E., Karoly, L. A., Schulte, T., & Tout, K. (2020). *Promoting sustainability of child care programs during the COVID-19 pandemic: Considerations for states in allocating financial resources* (OPRE Report No. 2020-175). U.S. Department of Health and Human Services, Administration for Children and Families, Office of Planning, Research and Evaluation.

## Implementation Guide

### Strategies to Support Use of Contracts for Child Care Slots

[https://www.acf.hhs.gov/sites/default/files/documents/opre/Promoting%20Sustainability%20of%20Child%20Care%20Programs%20during%20COVID%20508\\_JC.pdf](https://www.acf.hhs.gov/sites/default/files/documents/opre/Promoting%20Sustainability%20of%20Child%20Care%20Programs%20during%20COVID%20508_JC.pdf)

Ewen, D., Adams, G., & Luetmer, G. (2021). *Contracting in the child care system: Key steps to support equity and accountability*. Urban Institute. <https://www.urban.org/sites/default/files/publication/104345/contracting-in-the-child-care-system.pdf>

Home Grown. (2021). *Stabilization fund strategies: Using federal child care funds to reach home-based child care providers*. <https://homegrownchildcare.org/wp-content/uploads/2021/02/Stabilization-Fund-Resource.pdf>

Office of Child Care. (2018). *Layering Early Head Start services and funds with child care – The Cost Estimation Tool for EHS-CC Partnership services*. U.S. Department of Health and Human Services, Administration for Children and Families. <https://childcareta.acf.hhs.gov/resource/layering-early-head-start-services-and-funds-child-care-cost-estimation-tool-ehs-cc>

Office of the Assistant Secretary for Planning and Evaluation. (2021). *Braiding federal funding to expand access to quality early child care and education and early childhood supports and services: A tool for states and local communities*. U.S. Department of Health and Human Services. <https://aspe.hhs.gov/reports/early-childhood-braiding>

## Communicating with Providers and Families

- Include families, providers, and communities in designing the use of contracted slots via focus groups, surveys and public comment opportunities.
- Implement accessibility policies to communicate orally, electronically, and in writing in the languages of the children, families, and the provider community.

## Implementation

- Shift policy, practice, and programs to ensure that the design, development, and implementation of contracted slots are tailored and modified to meet the needs of specific children, families, and members of the provider community.
- Link contracted services to quality improvement efforts to encourage participation in QRIS or other quality rating system and increase available high-quality slots.
- Provide supports for contractors in accessing and documenting use of contracts.
- Develop a comprehensive scope of services and performance standards between providers and the Lead Agency defining responsibilities that may include family outreach, eligibility determination, quality level, and length of service terms.

## Measuring Accountability and Impact

- Develop provider reporting protocols aligned to contract deliverables.
- Identify and implement accountability controls to track and monitor enrollment, attendance, and service delivery requirements, ensuring contractors expend funds for their intended purpose.
- Develop opportunities to understand the experience of families, providers, and communities who have sought access to contracted slots.
- Use data to drive assessment and ensure that the use of contracts leads to reduction in barriers and increased access for populations who are marginalized and adversely affected by persistent poverty.

## Communicating the Need for the Use of Contracts for Child Care Slots

As your CCDF Lead Agency makes decisions on using the ARP Act's CCDF discretionary supplemental funds, consider how to communicate this strategy to key stakeholders to facilitate understanding and build support.

[The Building Messages for Key Audiences](#) tool gives you foundational language that you can use to communicate effectively about this strategy. Two messages in this guide 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 *Concerns About Time-Limited Funding* message can help you think about how to communicate the need to contract for child care slots if you encounter an audience who is skeptical of using time-limited funding for this strategy.

## Accessing 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 technical assistance National Centers to provide the support you need. Technical assistance services are funded by the Office of Child Care, and there is no fee.

