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**TO:** Early Childhood State Advocates  
**FROM:** National Association for the Education of Young Children (NAEYC)  
National Head Start Association (NHSA)  
**RE:** Child Care Programs Need Contract Funding to Survive; Head Start is a Model

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Even prior to the pandemic, child care programs have struggled to make ends meet in the absence of stable, sustainable funding. With Congress approving an increase in annual appropriations along with a down payment of \$10 billion in child care relief in December, and President Biden proposing another \$40 billion for the next pandemic relief package, **now is the time for states to stabilize and support child care as we move towards building a comprehensive, equitable child care system that provides quality, affordable child care for families and compensation for child care providers that reflects the skilled, valuable, and essential nature of their work.** Among the multiple important steps states can take to provide urgently needed relief to child care providers and parents who have faced dire financial circumstances during the pandemic are these **two much-needed priority steps** on the path to increased stability and compensation for the workforce: **1) utilize increased CCDF dollars to fund contracts and grants for providers; and, in tandem, 2) raise payment rates to programs.**

**Collectively, both NAEYC and NHSA support these solutions because we have seen them work for Head Start and we have seen them work for child care.** Rigorous research and program experience has proven the benefits to programs, children and the early childhood workforce. *See later in this memo.* In this time of crisis, we know that half measures will not be enough to save child care and have issued a [joint letter](#) calling on Governors and CCDF State Administrators to take immediate action.

**We are joined by many others in making these recommendations.** In a November 2020 white paper, for example, researchers from ChildTrends, Mathematica, University of Minnesota and the RAND Corporation suggested expanded use of contracts to stabilize the child care sector, noting that contracts “help providers by providing more stable funding” and can be “tied to quality or access priorities.”

**If this policy movement fits your state advocacy goals, we suggest you:**

1. Share the joint NAEYC and NHSA letter with your Governor and State Administrator, and
2. Immediately engage in dialogue about how to spend new COVID relief funding, as well as the baseline CCDBG dollars in your state.

To support your efforts, **please find Talking Points, advice on framing your Ask and Facts in this Memo.**

## ● WE MUST ACT BOLDLY TO SAVE CHILD CARE

We need to save child care through **bold action that responds to the scale of this crisis**. The child care sector can survive if we increase existing and create new funding for contracts, and increase payment rates for providers.

### ○ ..... **Contracts work for Head Start**

Head Start essentially operates and thrives on a contract model. **Head Start is proof that contracts work**, bringing program stability, improving quality and allowing them to weather health and economic emergencies.

### ○ ..... **Contracts worked during COVID**

**State efforts during COVID to pay child care programs by enrollment instead of by attendance helped to save hundreds of programs.** Contracts are a common-sense way to continue this approach with even stronger accountability.

### ○ ..... **Children benefit when programs are stable**

**Children thrive** when contracts are in place. They thrive because the teaching workforce is more stable and programs can invest in quality with confidence.

### ○ ..... **Good ECE jobs are created through contracts**

Funding child care through contracts, with higher reimbursement rates, **creates stable, well-paying jobs**.

### ○ ..... **Contracts can be targeted to hard hit communities**

**Contracts give states an opportunity to target funding to communities disproportionately affected by the pandemic**, where stabilization is most needed.

## THE ASK

How contracts fit into your state's child care landscape is going to vary, but most states do not have a robust contract strategy, nor reimbursement rates that meet the federally recommended guidelines. [Only an estimated 1 in 10 children on child care subsidies are served via contracts](#) versus the more common approach of using a voucher or certificate.

Your recommendations on contracts and payment rates can apply to all CCDF funding, not only the emergency relief funds; annual appropriations and state funding (if you have any) should also be included in the considerations. Here are some ways to frame your ask:

Potential Ask	Best for ...
% of overall new federal funding or COVID stabilization funding (e.g. 25%)	States ready to make a major shift toward contracts for the short and/or long-term
Child goal (e.g. 5,000 children served through slots in the coming year)	Decision-makers who resonate toward #'s served
Dollar goal (e.g. \$50 million this year for contracts)	Decision-makers who resonate toward a spending goal
Program goal (e.g. 100 child care programs shifted to a robust contracting relationship)	States looking to make a gradual, targeted and controlled shift
Community-level goal (e.g. 10 hard-hit and distressed communities)	States who would be more persuaded by a targeted, geographic approach

### To learn more about where your state stands, we recommend you review:

- How/whether contracts are used, by looking at your state's CCDF Annual Aggregate report. The instructions for the report due December 31st of this year are [here](#) and an example from a prior year is here ([New York's example](#), see line item 5). You may need to request this from your state.
- The presence of Head Start, Early Head Start and Early Head Start-Child Care Partnerships in your state, which you can find in NHSA's [State Fact Sheets](#) (federal spending only)

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## THE FACTS SUPPORTING CONTRACTS

### Research shows:

- ✓ The hundreds of [Early Head Start-Child Care Partnerships nationwide have yielded significant improvements](#) in higher program quality and innovation in service delivery — many rely on contract slots.
- ✓ An evaluation of an [Oregon pilot of contract slots showed that resulting care and education for low-income children and families was more stable](#) and resulted in more continuous teacher-child relationships that promote growth and development.
- ✓ A [recent Urban Institute study found](#) that the “use of contracts is ... associated with a 14 percent increase in the likelihood of centers using a specific curriculum.”

### Experts agree that contract-based child care slots:

- ✓ Are a flexible tool to [increase the supply of high-quality infant and toddler care](#), (also [here](#)) and can be used [target children with additional risk factors](#) (e.g. foster care children) or high-need geographies (e.g. high poverty or rural)
- ✓ “... [appear to have the potential to increase the supply and consistency of care by stabilizing enrollment](#)—and hence revenue—over a defined period, thus reducing provider uncertainty and improving the program’s financial viability”
- ✓ When paired with higher reimbursement rates is an effective 1-2 solution; [Georgia’s Quality Rated Subsidy Grant Initiative](#) is an example of a state-driven innovation using contracts AND higher reimbursement to drive quality for low-income children. As of December 2018, the state was supporting more than 3,000 infant and toddler slots through the contracts, which offered a 50% higher base subsidy rate to support quality, continuity of care, and program financial stability.

We highly recommend sharing this [new white paper](#) with your State Administrator in the event they have not seen it. As noted, it supports the use of contracts as one key stabilization opportunity.