

**Child Care & Development Fund (CCDF) Plan Preprint for States/Territories for FFY 2025-2027 (ACF-118)**

February 21<sup>st</sup>, 2024

RE: Docket number ACF–2024-01058

Dear Secretary Becerra,

Thank you for your commitment to addressing the challenges that face families seeking access to child care and workers providing care. **Access to high-quality and affordable child care benefits communities in various ways.** Ensuring parents have secure care for their child(ren) while pursuing job opportunities or educational pursuits not only benefits families, but our entire economy. The Child Care and Development Fund (CCDF) is an essential vehicle for states to ensure that all families, regardless of neighborhood or circumstance, have access to a robust, high-quality and well-supported system of care. **However, states continue to struggle with addressing the child care needs of eligible families due to limitations in funding, as well as the eligible uses of CCDF tied primarily to per-child tuition.** This results in **financial instability** for child care programs and early educators and exacerbates **barriers to accessing services for young children and working families.**

Today, approximately 1 out of 5 U.S. children ages 0-5 reside in Texas. Given its size, Texas' Lead CCDF Agency distributes responsibility for subsidy and quality services to local entities. **Child Care Associates (CCA) is the lead community agency responsible for delivering nearly \$170 million in CCDF-funded direct service subsidy and quality services in 12 out of 14 counties in the North Texas (Dallas-Fort Worth) region.** As an organization committed to a comprehensive, equitable and well-funded child care system that supports families and providers, we seek to identify and implement innovative solutions for improving access to quality child care services for families and our local child care ecosystem as a whole. After 30+ years of tinkering around the edges to improve our current system, CCA has grown frustrated by the limitations within CCDF that prevent us from achieving results—and delivering high-quality services—at scale for our community.

On behalf of our organization and the 20,000 children and families and 1,200+ licensed child care providers we serve, Child Care Associates wishes to submit comments for consideration to improve upon the proposed CCDF Plan Preprint for states such that we may fully fulfill the intent of the Child Care Development Block Grant and maximize the strength of child care systems in our state and across the country.

The revised Child Care Development Fund Plan pre-print sends a clear message to states that they should be **considering strategies that build the supply of quality child care programs and stabilize the child care workforce** as essential components of their CCDF State Plan. While we are grateful and encouraged to see this, we believe there is a **significant need for the pre-print language to clarify and grant flexibilities to states such that they can maximize their CCDF resources to achieve these goals.** Specifically, we see an opportunity for the pre-print to address the following:

- 1) **Clarifying the definition of “direct services”**, enabling state’s the flexibility to also put direct service dollars towards programmatic grants and contracts tied to the fixed, per-program operational costs of serving children in target populations, rather than simply based on payments tied to per-child tuition.
- 2) Creating a clear path for states to propose and implement **an approved alternative cost methodology specific to grants and contracts** aimed at increasing access for families while stabilizing supply of quality programs and early educators.

Clarify the definition of “direct services” & enable state flexibility to offer direct-to-program funding via programmatic grants and contracts aimed at increasing quality and affordability for families while stabilizing the child care workforce.

- **We are pleased to see an explicit focus on utilizing CCDF to increase the supply of quality providers and stabilize child care workforce. However, attempts to do so while being limited to direct service payments based only on per-child subsidy reimbursements prevent a state from meaningfully executing on any supply-side interventions.** Attempts to increase supply solely by paying on a per-child basis (including by contracting slots in a program) fail to stabilize costs for families not receiving CCDF funding, despite the fact these families are often eligible or just above the eligibility threshold themselves. Grants and contracts directed towards an entire program (rather than individual slots) is a more efficient way to achieve additional policy aims—such as increased educator compensation, increased quality, support for children with disabilities—as it enables providers to take on these costs without being subjected to fluctuating income based on changing enrollment makeup.
- **To adequately support states in their supply-building efforts, direct service resources must also have the flexibility to be applied towards programmatic base-offsets that increase both access and program stability.** Enabling the flexible use of CCDF direct-service resources to invest directly into programs by offsetting the operational costs associated with services to families (rather than per-child payments) *better fulfills* CCDF’s intent to increase access to services for all CCDF-eligible students (not simply those who have made it off a waitlist and are currently enrolled). This is because a child care program that receives grants and contracts in the form of a programmatic offset to expand services and increase quality and affordability is doing so at the benefit of all children enrolled, rather than simply offsetting costs for a select few. Therefore, we strongly encourage HHS to incorporate this sort of flexibility into their definition of direct services to allow states the ability to incorporate foundational grants and contracts—in addition to per-child subsidies—as allowable uses for direct services that enable them to address their needs.
- **In reviewing the pre-print, we see additional language encouraging the expanded use of grants and contracts. However, the direct service definition outlined in the Instructions for Completing Form ACF-696 report prevents states from achieving the flexibility needed to implement programmatic grants and contracts that address supply-side challenges.** While there is no definition for direct services in legislation, the CCDF reporting form ACF-696 suggests to states that the direct services “consist solely of expenditures for child care subsidies to eligible children.” While it further states that “child care subsidies may be provided...through grants or contracts to providers,” contracting per-child slots in a program will still fail to stabilize programs and enable increased compensation for educators. Without clarification and articulated flexibility by HHS, we do not see a resolution for direct services dollars being able to be used for anything other than tuition reimbursements for a portion of eligible, enrolled children. In addition to clarifying the direct service definition in Form ACF-696, we also recommend that HHS take additional steps to clarify this additional flexibility within the preprint for states.

Create a clear pathway for states to propose an approved alternative cost methodology to utilize stabilizing payment methodologies other than per-child reimbursements.

- We were pleased to see the proposal within the most recent CCDF NPRM requiring that states and territories use grants and contracts to increase supply and quality of child care, at a minimum for infants and toddlers, children with disabilities and nontraditional hour care. However, to **have a real impact on the supply of child care, contracts and grants should provide a structure that is substantially different than an individual voucher.** This should include direct-to-program offsets that help the grantee/contractor stabilize their fixed operational costs, increase staff compensation, offer

specialized care (such as care for children with disabilities or care during nontraditional hours), and continually improve quality. Doing so will not only provide more lasting stability for the program while potentially lowering costs for all families, but also strengthens the lead agencies ability to tailor grants and contracts to meet regional needs and achieve broader policy aims.

- **Several states and localities, including our own work in Tarrant County (Texas), as well as Illinois, Massachusetts, and District of Columbia have leveraged funding from the American Rescue Plan Act to develop and implement cost methodologies for grants and contracts** that more equitably finance the child care system in a way that increases access to high-quality programs and stabilizes the early educator workforce. Our developed methodologies demonstrates a viable approach to altering the current CCDF payment methodology to incorporate both per-child subsidies as well as foundational program offsets for certain programs.
- **To bring this concept to scale will require a clear pathway for states to propose a similar methodology as an approved alternative cost methodology via their CCDF State Plan. Therefore, we recommend that the Preprint Section 4.2 be amended to allow for states to submit an approved alternative methodology for grants and contracts, in addition to a voucher cost-methodology.** In doing so, we also believe that the pre-print should provide states with the following:
  - **A clear definition of grants and contracts so that states and territories are not fulfilling this requirement in name only.** States today often overutilize the payment methodology of vouchers and overlook the opportunity to use grants and contracts as a payment vehicle. This definition should include the ability to utilize grants and contracts to pay for individual contracted slots, as well as programmatic offsets.
  - **Acknowledgement of regional in-state variance by requiring that any methodology specific to grants and contracts include the same regional variance allowed for the voucher methodology.** Larger states that are comprised of both urban and rural areas or have vast regional variation in cost of living should not be subjected to a one-size-fits-all methodology or approach to grants and contracts. Rather, they need the flexibility to make targeted decisions and to ensure that grants and contracts are adequately meeting local and regional needs.

#### **Conclusion:**

We appreciate the Department's efforts to address issues facing families, children, and providers in child care systems across the country and the opportunity to share comments and feedback. Thank you for your consideration of these comments for the proposed rulemaking. If you have any questions, please contact Catherine Davis, CCA- Director of Policy.

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